

GREENWOOD LEFLORE HOSPITAL
Greenwood, MS

Audited Financial Statements
As of and for the Years Ended
September 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

The Board of Hospital Commissioners
Greenwood Leflore Hospital
Greenwood, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Greenwood Leflore Hospital (the "Hospital"), a component unit of Leflore County, including the City of Greenwood, Mississippi, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hospital as of September 30, 2023 and 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Hospital will continue as a going concern. As discussed in Note 2 to the financial statements, the Hospital has suffered recurring losses from operations, declining volumes, and cash used in operating activities that raise substantial doubt about its ability to continue as a going concern. Management's plan regarding these matters is also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of Matter Regarding GASB 96 Adoption

As explained in Note 1 to the financial statements, the Hospital adopted Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements ("SBITA")*, during the year ended September 30, 2023, which is applied retroactively by restating balances in the financial statements as of October 1, 2021 and for the period ended September 30, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 4 through 12 and the pension schedules and information on pages 40 through 43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The Schedule of Surety Bonds for Officers and Employees on page 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Report on Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.



Ridgeland, Mississippi
February 27, 2024

GREENWOOD LEFLORE HOSPITAL

Management's Discussion and Analysis Years Ended September 30, 2023 and 2022

The discussion and analysis of Hospital financial performance provides an overview of the Hospital's financial activities for the fiscal years ended September 30, 2023 and 2022. This discussion and analysis should be read in conjunction with the Hospital's financial statements, which begin on page 13.

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 13. Total net position decreased during fiscal year 2023 by \$7.6 million (32 percent), and decreased \$17.2 million during fiscal year 2022 (42 percent), as reflected on the statements of revenues, expenses and changes in net position. The novel Coronavirus (COVID-19) Public Health Emergency which officially began on March 13, 2020, when the President declared a national state of emergency, ordering all states to establish emergency operations and authorized the use of federal funds. The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted by Congress in 2020, and the American Rescue Plan Act ("ARPA") in 2021. The Federal COVID-19 Public Health Emergency declaration ended on May 11, 2023. Greenwood Leflore Hospital received \$33.4 million of funding to aid in the recovery of lost revenues, responding to the pandemic and maintaining the delivery of healthcare capacity, of approximately \$-0- million, \$8.6 million and \$11.2 million was recognized as nonoperating revenues in the accompanying 2023, 2022 and 2021 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, 2023, 2022 and 2021 statements of net position. CMS began recouping these advance payments against Medicare claims for services that were provided during the fiscal year ended 2021 and continued to recoup during the fiscal year ended 2022. CMS recouped \$7.9 million of the advance Medicare payments in 2022 and recouped \$1.1 million of the advance Medicare payments in 2023. The Hospital entered into an Extended Repayment Plan with CMS in October of 2022 and the final repayment will be made in September 2027. Management believes that the cost incurred related to COVID-19, combined with the lasting impact of decreased volume and increased labor costs and supply chain issues far exceed the COVID-related funding received by the Hospital.

GREENWOOD LEFLORE HOSPITAL

Management's Discussion and Analysis Years Ended September 30, 2023 and 2022

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

In February 2023, the hospital put 163 Acute care beds and 10 inpatient rehab beds in abeyance. Effective February 1, 2023 Greenwood Leflore Hospital is licensed for 25 Acute Care beds and 10 Inpatient Rehab Beds.

Unfavorable payor terms have also attributed to the declining net position as high deductible health plans and managed care plans have begun to dominate the market. In fiscal year 2023 52 percent of the Medicare revenues were Medicare HMO plans as compared to 42 percent in 2022 and 31 percent of Medicare Revenues in 2021.

In accordance with Governmental Accounting Standards Technical Bulletin No. 2021-1, the Hospital has generally reported all remaining CARES Act funds recognized as revenue in Fiscal Years 2022 and 2021 as nonoperating revenue.

The Hospital adopted GASB 96, *Subscription-Based Information Technology Arrangements ("SBITA")*, in fiscal year 2023. The impact of the retroactive adoption of GASB 96 on September 30, 2022 net position was a decrease of \$34,806.

GREENWOOD LEFLORE HOSPITAL

Management's Discussion and Analysis
Years Ended September 30, 2023 and 2022

Assets, Liabilities and Net Position (in thousands)

	September 30		
	2023	2022	2021
Assets			
Current assets	\$ 13,573	\$ 19,153	\$ 40,867
Capital assets, net	31,650	35,983	42,293
Subscription assets, net	2,609	3,586	-
Other assets	2,157	3,042	2,891
Total assets	49,989	61,764	86,051
Deferred outflows of resources	3,150	5,533	36
Total assets and deferred outflows of resources	53,139	67,297	86,087
Liabilities			
Current liabilities	17,803	20,579	29,712
Net pension liability	16,443	18,918	9,477
Long-term debt, net of current maturities	968	1,196	2,027
Subscription liabilities, net of current maturities	1,404	2,444	-
Total liabilities	36,618	43,137	41,216
Deferred inflows of resources	-	63	3,592
Net position			
Invested in capital assets	29,888	33,109	37,824
Restricted			
Expendable for use in self-insurance	2,011	2,545	2,752
Expendable for specific operating activities	44	46	46
Unrestricted	(15,422)	(11,603)	657
Total net position	\$ 16,521	\$ 24,097	\$ 41,279

The Hospital's cash and investment position decreased in 2023 by \$3.9 million. This net decrease in cash is attributable to the reduction in patient volumes and revenues and a use of cash to fund operations, the payment of the 2nd half of the employer portion of the Social Security Deferral related to the COVID 19 Families First Act provisions Payroll Tax Liability of \$909K and the on-going recoupment of Medicare Advanced and Accelerated Loan Payments in the amount of \$1.1 million. The Hospital used \$7 million and \$15 million in cash from operations during fiscal years 2023 and 2022, respectively. Cash used from operations was partially offset by owner contributions from the City of Greenwood and Leflore County accounted for as cash provided by noncapital financing activities. The Hospital's cash and investment position decreased in 2022 by \$17.9 million. This net decrease in cash is attributable to the use of CARES Act funding and the on-going recoupment of Medicare Advanced and Accelerated Loan Payments. This net decrease in cash is attributable to the use of ARPA and CARES Act funding and the on-going recoupment of Medicare Advanced and Accelerated Loan Payments, \$7.9 million recouped in 2022. The decrease in cash is also attributable to the reduction in patient volumes and revenues and a use of cash to fund operations.

GREENWOOD LEFLORE HOSPITAL

Management's Discussion and Analysis Years Ended September 30, 2023 and 2022

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

	2023	2022	2021
Cash and cash equivalents	\$ 931	\$ 4,251	\$ 17,289
Assets limited to use	2,011	2,546	2,752
Investments	-	-	4,610
Designated by Board for capital improvements	-	-	-
Total available cash and investments	\$ 2,942	\$ 6,797	\$ 24,651

Cash and investment balances available for operations at September 30, 2023 and 2022 represent cash sufficient to cover approximately 16 and 24 days of operating expenses, respectively.

Capital Assets and Current Liabilities Administration

Net capital assets decreased by \$4.3 million in 2023. This decrease relates to \$1.3 million in capital expenditures offset by \$5.7 million in depreciation of the Hospital's assets. Net capital assets decreased by \$6.3 million in 2022. This decrease relates to \$400 thousand in capital expenditures offset by \$6.7 million in depreciation of the Hospital's assets.

The table below shows the changes in capital assets:

Capital Assets (in thousands)

	September 30		
	2023	2022	2021
Land and land improvements	\$ 1,950	\$ 1,950	\$ 1,922
Building and leasehold improvements	57,792	57,759	57,124
Equipment	143,863	143,869	143,392
Lease assets	1,711	1,763	1,641
Subtotal	205,316	205,341	204,079
Less: accumulated depreciation	(174,200)	(169,365)	(163,024)
Construction in progress	534	7	1,238
Net capital assets	\$ 31,650	\$ 35,983	\$ 42,293

In 2023, current liabilities decreased by \$2.8 million, primarily due to the \$1.1 million decrease in the liability associated with the Medicare Advanced Payments that were recouped from remittance advices and the \$909 thousand decrease associated with the second of two repayments of the employer portion of the Social Security Deferral related to the COVID 19 Families First Act provisions. In 2022, current liabilities decreased by \$9.1 million, primarily due to the \$7.9 million decrease in the liability associated with the Medicare Advanced Payments that were recouped from remittance advices and the \$909 thousand decrease associated with the first of two repayments of the employer portion of the Social Security Deferral related to the COVID 19 Families First Act provisions.

GREENWOOD LEFLORE HOSPITAL

Management's Discussion and Analysis Years Ended September 30, 2023 and 2022

Net Pension Liability

The net pension liability and related deferred outflows and inflows of resources are actuarially determined. Deferred outflows from pension were \$3.2 million in 2023, \$5.5 million in 2022, and \$0.03 million in 2021. Deferred inflows from pension were \$-0- million, \$0.06 million and \$3.6 million in 2023, 2022 and 2021, 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, 2023, 2022, and 2021 was \$16.4 million, \$18.9 million, and \$9.5 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,		
	2023	2022	2021
Operating revenues			
Net patient service revenue	\$ 55,849	\$ 80,456	\$ 96,652
Other revenues	2,684	3,820	2,875
Total operating revenues	<u>58,533</u>	<u>84,276</u>	<u>99,527</u>
Operating expenses			
Professional care of patients	44,950	72,925	84,034
General, administrative and plant services	17,728	20,735	21,313
Employee health and welfare	5,102	8,528	9,664
Depreciation and amortization	6,924	7,785	6,772
Total operating expenses	<u>74,704</u>	<u>109,973</u>	<u>121,783</u>
Loss from operations	<u>(16,171)</u>	<u>(25,697)</u>	<u>(22,256)</u>
Nonoperating revenues (expenses)			
Investment income	19	(191)	265
Interest expense	(445)	(302)	(142)
CARES Act funding	-	8,595	11,123
Subrecipient ARPA funding	2,250		
USDA grant	-	1,000	-
Contributed services	521	-	-
Insurance recoveries	418	-	-
Impairment loss on capital assets	-	(543)	-
Loss on disposal of capital assets	187	(43)	2
Total nonoperating revenues, net	<u>2,950</u>	<u>8,516</u>	<u>11,248</u>
Transfers in	<u>5,645</u>	<u>-</u>	<u>-</u>
Decrease in net position	<u>(7,576)</u>	<u>(17,181)</u>	<u>(11,008)</u>
Net position, beginning of year	<u>24,097</u>	<u>41,278</u>	<u>52,286</u>
Net position, end of year	<u>\$ 16,521</u>	<u>\$ 24,097</u>	<u>\$ 41,278</u>

GREENWOOD LEFLORE HOSPITAL

Management's Discussion and Analysis
Years Ended September 30, 2023 and 2022

Net Patient Service Revenue

Fiscal Year Ended September 30, 2023

Compared to 2022, net patient service revenue decreased by \$24.6 million or 30.6 percent. This was primarily related to the termination of various services including labor and delivery, the intensive care unit and pediatrics as well as downsizing to 25 acute care beds. Gross revenues decreased by \$87.7 million or 33.5 percent. Inpatient admissions decreased 71 percent, while average length of stay decreased 19 percent, resulting in a 77 percent decrease of total patient days. Observation care admissions decreased 63 percent, with observation days of care decreasing 56 percent. Outpatient visits to the Hospital decreased by approximately 22 percent. Surgeries decreased by 41 percent, a 65 percent decrease in inpatient surgeries and a 37 percent decrease in outpatient surgeries. Overall, gains in patient volumes were recognized in endoscopy and wound care, while decreases were recognized in all other service lines due to the decreases in patient volumes and reductions in services lines.

Contractual adjustments, which are deductions from gross patient service revenue, decreased \$58.4 million (35.0 percent) to \$108.5 million in 2023 from \$166.9 million in 2022. Contractual adjustments expressed as a percentage of gross patient service revenues were 62.4 percent in 2023 and 63.8 percent in 2022. The Hospital's net benefit from the Medicaid Voluntary Contribution program and the Mississippi Hospital Access program increased approximately \$1.8 M in fiscal year 2023. 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 \$4.7 million (32.9 percent) to \$9.6 million in 2023 from \$14.3 million in 2022. Bad debt expense expressed as a percentage of gross patient service revenue was 5.5 percent in 2023 and 5.5 percent 2022.

Fiscal Year Ended September 30, 2022

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

Contractual adjustments, which are deductions from gross patient service revenue, decreased \$28.6 million (14.6 percent) to \$166.9 million in 2022 from \$195.5 million in 2021. Contractual adjustments expressed as a percentage of gross patient service revenues were 63.8 percent in 2022 and 63.3 percent in 2021. The Hospital's net benefit from the Medicaid Voluntary Contribution program and the Mississippi Hospital Access program decreased approximately \$753,000 in fiscal year 2022. There can be no assurance that the Hospital will continue to qualify for future participation in these programs or that the programs will not ultimately be discontinued or materially modified. Bad debt expense decreased \$2.5 million (14.8 percent) to \$14.3 million in 2022 from \$16.8 million in 2021. Bad debt expense expressed as a percentage of gross patient service revenue was 5.5 percent in 2022 and 5.4 percent 2021.

GREENWOOD LEFLORE HOSPITAL

Management's Discussion and Analysis Years Ended September 30, 2023 and 2022

Operating Expenses

Fiscal Year Ended September 30, 2023

Total operating expenses were \$74.7 million in 2023 compared to \$110.0 million in 2022, a decrease of \$35.3 million or 32.1 percent.

Professional care of patients' expenses comprises 60.2 percent and 66.3 percent of total operating expenses for 2023 and 2022, respectively, and decreased to \$44.9 million in 2023 from \$72.9 million in 2022, a decrease of \$28.0 million or 38.4 percent. Salaries and contract expenses associated with rendering patient care comprise approximately 60.2 percent of total professional care of patients' expenses. Salaries and contract expenses within the cost component decreased \$18.8 million in 2023. Decreases in patient volumes, in conjunction with the elimination of the maternal child health and ICCU service lines and a strategic focus on core service lines along with rising labor costs created by the nationwide staffing shortages in nursing, cardiopulmonary and laboratories related to the COVID-19 pandemic were all factors in the changes in salaries and contract expenses. The constant upward pressure on contract labor rates led the hospital to create a staffing and bed size availability model to become less reliant on contract clinical labor in Fiscal Year 2023, with a goal to stabilize and or lower costs and maintain quality patient care. Supplies and other costs included in the professional care of patients' components decreased \$8.5 million from 2022 to 2023. This was mainly due to reductions in volumes and the elimination various service lines.

General, administrative and plant expenses comprise approximately 23.7 percent and 18.9 percent of total operating expenses in 2023 and 2022, respectively. These costs decreased \$3.0 million from 2022 to 2023.

Employee health and welfare expenses comprise 6.8 percent and 7.8 percent of total operating expenses for 2023 and 2022, respectively. These costs decreased to \$5.1 million in 2023 from \$8.5 million in 2022, a decrease of \$3.4 million or 39.9 percent.

Depreciation and amortization expense was \$6.9 million for 2023 and \$7.8 million for 2022.

Fiscal Year Ended September 30, 2022

Total operating expenses were \$110.0 million in 2022 compared to \$121.8 million in 2021, a decrease of \$11.8 million or 9.7 percent.

Professional care of patients' expenses comprises 66.3 percent and 69 percent of total operating expenses for 2022 and 2021, respectively, and decreased to \$72.9 million in 2022 from \$84 million in 2021, a decrease of \$11.1 million or 13.2 percent. Salaries and contract expenses associated with rendering patient care comprise approximately 64.2 percent of total professional care of patients' expenses. Salaries and contract expenses within the cost component decreased \$9 million in 2022. Decreases in patient volumes, the elimination of the neurosurgery service line along with rising labor costs created by the nationwide staffing shortages in nursing, cardiopulmonary and laboratories related to the COVID-19 pandemic were all factors in the changes in salaries and contract expenses. The constant upward pressure on contract labor rates led the hospital to create a staffing and bed availability model to become less reliant on contract clinical labor in the last half of 2022, with a goal to stabilize and or lower costs and maintain quality patient care. Supplies and other costs included in the professional care of patients' components decreased

GREENWOOD LEFLORE HOSPITAL

Management's Discussion and Analysis Years Ended September 30, 2023 and 2022

\$3.4 million from 2021 to 2022. This was mainly due to reductions in volumes and the elimination of the neurosurgery service line.

Professional care of patients' expenses comprises 66.3 percent and 69 percent of total operating expenses for 2022 and 2021, respectively, and decreased to \$72.9 million in 2022 from \$84 million in 2021, a decrease of \$11.1 million or 13.2 percent. Salaries and contract expenses associated with rendering patient care comprise approximately 64.2 percent of total professional care of patients' expenses. Salaries and contract expenses within the cost component decreased \$9 million in 2022. Decreases in patient volumes, the elimination of the neurosurgery service line along with rising labor costs created by the nationwide staffing shortages in nursing, cardiopulmonary and laboratories related to the COVID-19 pandemic were all factors in the changes in salaries and contract expenses. The constant upward pressure on contract labor rates led the hospital to create a staffing and bed availability model to become less reliant on contract clinical labor in the last half of 2022, with a goal to stabilize and or lower costs and maintain quality patient care. Supplies and other costs included in the professional care of patients' components decreased \$3.4 million from 2021 to 2022. This was mainly due to reductions in volumes and the elimination of the neurosurgery service line.

General, administrative and plant expenses comprise approximately 18.9 percent and 17.5 percent of total operating expenses in 2022 and 2021, respectively. These costs increased \$0.6 million from 2021 to 2022.

Employee health and welfare expenses comprise 7.8 percent and 7.9 percent of total operating expenses for 2022 and 2021, respectively. These costs decreased to \$8.5 million in 2022 from \$9.7 million in 2021, a decrease of \$1.1 million or 11.4 percent.

Depreciation and amortization expense was \$7.8 million for 2022 and \$6.8 million for 2021.

Economic Factors and Next Year's Budget

The Hospital's volumes have not returned to pre-pandemic levels and have declined further due to the elimination of the neurosurgery, labor and delivery, and ICU services. In addition, the nationwide shortage of key clinical skill positions has resulted in the cost of labor increases and an inability to consistently continue to provide some of the Hospital's services, forcing the Hospital to go on diversion during some shifts due to staffing shortages. In an effort to control costs and deliver staffing resources to the most utilized areas, the Hospital made the decision to shut the ICU and Labor and Delivery Units at the end of 2022. Also in an effort to control costs and deliver staffing resources to the most utilized areas, in fiscal year 2023, the Hospital put 163 acute care beds and 10 IRF beds in abeyance. The Hospital is licensed for 25 Acute care beds and 10 IRF beds effective February 1, 2023.

Leflore County entered into a debt agreement with the Mississippi Development Bank to provide proceeds from the sale of bonds of up to \$10M to be used by the Hospital to fund operations and other projects. As of September 30, 2023, there was \$5.6 million dollars remaining available to draw down from the County. Subsequent to the fiscal year ended September 30, 2023, an additional draw of \$3M was received on October 4, 2023. The Hospital continues to monitor regulatory actions for the availability of additional grants to mitigate negative impacts on revenues and costs.

GREENWOOD LEFLORE HOSPITAL

Management's Discussion and Analysis
Years Ended September 30, 2023 and 2022

The Hospital has also signed an agreement with UMMC Telemedicine to reopen 4 ICCU beds via Tele-ICCU support. This is scheduled to open April of 2024. The Expanded Mississippi Hospital Access Program was approved by CMS and began to be disbursed to Mississippi Hospitals in January 2024. This will result in an additional \$7M in additional MHAP funding over 2024. 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.

The Hospital has applied for Critical Access Hospital designation and obtained a license for Swing Bed services that are integral components of the Hospital's growth plans. The Critical Access Hospital designation remains under review by the CMS Administrator and a final decision is expected in Calendar Year 2024.

The Board of Hospital Commissioners approved the 2025 operating budget. The budget was developed after a review of key volume indicators and trends, a review of the Hospital's strategic business plan, a review of the funding changes to Medicare and Medicaid and a review of local economic conditions in the service area. The budget provides for a net loss of \$5.5 million.

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, 2023 and 2022

	2023	2022 (As Restated)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 930,983	\$ 4,250,916
Assets limited as to use	2,011,232	2,545,568
Patient accounts receivable, net of allowance for doubtful accounts of \$43,217,079 and \$46,115,318, respectively	5,810,330	6,883,027
Estimated third-party payor settlements	1,434,027	1,161,679
Inventories	2,082,196	2,668,853
Prepaid expenses and other current assets	1,303,991	1,643,225
Total current assets	<u>13,572,759</u>	<u>19,153,268</u>
Capital assets, net	31,650,380	35,982,682
Subscription assets, net	2,609,287	3,586,057
Other assets		
Other receivables	848,281	1,734,658
Other assets	282,494	282,494
Intangibles	1,024,940	1,024,940
Total other assets	<u>2,155,715</u>	<u>3,042,092</u>
Total assets	<u>49,988,141</u>	<u>61,764,099</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	3,150,482	5,532,764
LIABILITIES		
Current liabilities		
Accounts payable	6,338,862	5,648,571
Accrued expenses, including payroll taxes withheld	4,797,137	6,234,669
Contract liability	4,545,455	5,595,612
Deferred revenue	40,312	244,945
Current maturities of long-term debt and lease obligations	794,990	1,678,053
Current maturities of subscription liabilities	1,286,210	1,177,062
Total current liabilities	<u>17,802,966</u>	<u>20,578,912</u>
Net pension liability	16,443,451	18,918,424
Long-term debt and lease obligations, net of current maturities	967,523	1,195,534
Subscription liabilities, net of current maturities	1,403,624	2,443,801
Total liabilities	<u>36,617,564</u>	<u>43,136,671</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	-	62,818
NET POSITION		
Net investment in capital assets	29,887,867	33,109,095
Restricted		
Use in self-insurance	2,011,232	2,545,568
Specific operating activities	43,789	45,702
Unrestricted (deficit)	<u>(15,421,829)</u>	<u>(11,602,991)</u>
Total net position (as restated)	<u>16,521,059</u>	<u>24,097,374</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 53,138,623</u>	<u>\$ 67,296,863</u>

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2023 and 2022

	2023	2022 (As Restated)
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$9,606,755 and \$14,322,479, respectively	\$ 55,848,824	\$ 80,455,620
Other operating revenue	2,683,642	3,820,096
Total operating revenues	58,532,466	84,275,716
Operating expenses		
Professional care of patients	44,950,069	72,924,988
General and administrative services	12,118,219	13,935,950
Dietary services	1,009,690	1,280,959
Household and plant operations	4,600,496	5,517,523
Employee health and welfare	5,101,740	8,528,235
Depreciation and amortization	6,923,631	7,785,487
Total operating expenses	74,703,845	109,973,142
Loss from operations	(16,171,379)	(25,697,426)
Nonoperating revenues (expenses)		
Investment income (loss)	19,042	(191,212)
Interest expense	(445,053)	(302,273)
CARES Act funding	-	8,594,839
Subrecipient ARPA funding	2,250,000	-
USDA Grant	-	1,000,000
Contributed services	521,725	-
Insurance recoveries	417,877	-
Impairment of capital assets	-	(542,494)
Gain (loss) on disposal of capital assets	186,730	(42,561)
Total nonoperating revenues	2,950,321	8,516,299
Transfers in from Leflore County and the City of Greenwood	5,644,743	-
Decrease in net position	(7,576,315)	(17,181,127)
Net position, beginning of year	24,097,374	41,278,501
Net position, end of year	\$ 16,521,059	\$ 24,097,374

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL
 Statements of Cash Flows
 Years Ended September 30, 2023 and 2022

	2023	2022	(As Restated)
Cash flows from operating activities			
Receipts from and on behalf of patients	\$ 56,444,540	\$ 84,202,077	
Payments to employees	(40,839,516)	(63,486,853)	
Payments to suppliers and contractors	(26,031,180)	(39,396,481)	
Other receipts and payments, net	2,683,642	3,820,096	
Net cash used in operating activities	(7,742,514)	(14,861,161)	
Cash flows from noncapital financing activities			
Contract liability	(1,050,157)	(7,938,586)	
CARES Act relief funds	-	8,060,093	
USDA grant funds	-	1,000,000	
Subrecipient ARPA funds	2,250,000	-	
Insurance recoveries	417,877	-	
Contributed services	521,725	-	
Transfers in from Leflore County and the City of Greenwood	5,644,743	-	
Net cash provided by noncapital financing activities	7,784,188	1,121,507	
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	52,815	135,050	
Purchases of capital assets	(86,481)	(966,452)	
Payments on long-term debt and lease obligations	(2,259,205)	(1,717,852)	
Payments related to subscription liabilities	(1,177,061)	(1,071,756)	
Interest paid on long-term debt, lease obligations and subscription liabilities	(445,053)	(302,273)	
Net cash used in capital and related financing activities	(3,914,985)	(3,923,283)	
Cash flows from investing activities			
Proceeds from sale of investments	-	4,610,280	
Investment income (loss)	19,042	(191,212)	
Net cash provided by investing activities	19,042	4,419,068	
Decrease in cash and cash equivalents	(3,854,269)	(13,243,869)	
Cash and cash equivalents, beginning of year	6,796,484	20,040,353	
Cash and cash equivalents, end of year	\$ 2,942,215	\$ 6,796,484	
Reconciliation of cash and cash equivalents			
Cash and cash equivalents	\$ 930,983	\$ 4,250,916	
Assets limited as to use	2,011,232	2,545,568	
Total cash and cash equivalents	\$ 2,942,215	\$ 6,796,484	

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL
 Statements of Cash Flows (Continued)
 Years Ended September 30, 2023 and 2022

	2023	2022 (As Restated)
Reconciliation of loss from operations to net cash used in operating activities		
Loss from operations	\$ (16,171,379)	\$ (25,697,426)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation and amortization	6,923,631	7,785,487
Provision for bad debts	9,600,000	14,322,479
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources		
Receivables	(8,527,303)	(10,271,836)
Inventories	586,657	(29,698)
Prepaid and other assets	1,225,611	(8,442)
Accounts payable	690,291	(1,015,502)
Estimated third-party payor settlements	(272,348)	(304,186)
Accrued expenses, including payroll taxes withheld	(1,437,532)	(57,573)
Deferred revenue	(204,633)	-
Net pension liability and related accounts	(155,509)	415,536
Net cash used in operating activities	\$ (7,742,514)	\$ (14,861,161)
Supplemental cash flow Information		
Purchase of equipment through lease obligations	\$ 1,148,131	\$ 122,700
Gain (loss) on disposal of capital assets	\$ 186,730	\$ (42,561)

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

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

Nature of Operations and Reporting Entity

Greenwood Leflore Hospital (the "Hospital") is a governmental component unit of Leflore County, Mississippi (including the City of Greenwood). The Hospital consists of a 25-bed acute-care hospital and related 10-bed rehabilitation and outpatient care facilities and physician clinics principally located in Greenwood, Mississippi. The Hospital's financial accountability as a component unit is defined in Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended. The Hospital is governed by a five-member Board of Hospital Commissioners, two of whom are appointed by the Board of Supervisors of Leflore County, two of whom are appointed by the Mayor and the Greenwood City Council, and one of whom is jointly appointed by the Board of Supervisors of Leflore County and the Mayor and the Greenwood City Council.

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

Basis of Accounting

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

Use of Estimates

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

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Accounting estimates used in the preparation of the financial statements may change as new events occur, as more experience is acquired, and as additional information is obtained. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. In particular, laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates related to these programs will change by a material amount in the near term.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Assets Limited as to Use

Assets limited as to use include 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.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Capital Assets

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

Useful lives for the major asset classes are as follows:

	<u>Years</u>
Land improvements	5 - 20
Buildings and improvements	5 - 40
Fixed equipment	5 - 25
Major moveable equipment	5 - 20
Leased assets	2 - 5

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

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

Subscription Assets and Liabilities

The Hospital determines if an arrangement is a Subscription-Based Information Technology Arrangement ("SBITA") at inception. Subscription assets, net, current maturities of subscription liabilities, and subscription liabilities, net of current maturities are included in the statements of net position.

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

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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

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

Leases

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

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

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

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

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

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.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Net Position

Net position consists of those resources invested in capital assets (property and equipment), net of related debt, restricted net position and unrestricted net position. Net position invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisitions of the capital assets. Restricted net position are those assets that are externally restricted by creditors, grants or contributors or laws and regulations or those restricted by constitutional provisions and enabling legislation. Unrestricted net position consists of all other assets and is in a deficit position at September 30, 2023.

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

Operating Revenue and Expenses

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

Net Patient Service Revenue

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

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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Grants and Contributions

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

Compensated Absences

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

Estimated Health Insurance

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

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.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

New Accounting Standards Adopted

Governmental Accounting Standards Board Statement No. 96 ("GASB 96")

The Hospital adopted GASB 96, *Subscription-Based Information Technology Arrangements ("SBITA")*, in fiscal year 2023. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As required, the audit standard was applied retroactively, effective October 1, 2021. The retroactive application resulted in a restatement of prior period net position.

The Hospital's adoption of GASB 96 resulted in the addition of subscription assets and related subscription liabilities of \$246,032 for the year ended September 30, 2023. The Hospital's adoption of GASB 96 resulted in the addition of subscription assets and related subscription liabilities of \$4,692,619 for the year ended September 30, 2022. The subscription assets and related liabilities are recorded on the Hospital's statement of net position.

The impact of the retroactive adoption of GASB 96 on September 30, 2022 net position was a decrease of \$34,806

Note 2. Going Concern Risks and Uncertainties

During recent years, including 2023 and 2022, the Hospital has incurred recurring losses and negative cash flows from operations due primarily to continuing decreased patient volumes, rising labor and supply costs and unfavorable payer contracts. Staffing shortages have also caused limitations in the Hospital's ability to provide services. The Hospital's days cash on hand, as of September 30, 2023, represents 16 days of operations. The lasting impacts of the public health emergency combined with decreasing provisions of payer models continues to negatively impact the financial condition of the Hospital.

Management has evaluated these conditions and has determined that they are significant in relation to the Hospital's ability to meet its obligations as they come due. Management's plan of action includes focusing existing resources on core services and continuing to seek additional funding from other sources including the City of Greenwood, Leflore County and the State of Mississippi. Management is also pursuing additional reimbursement and/or grant opportunities at the Federal level. Additionally, management is evaluating the overall structure of the Hospital and is taking action to improve the efficiency of operations and determine if more viable methods of operations may exist. The ultimate outcome of management's plan of action and requests for funding remains uncertain.

Note 3. Deposits

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

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 3. Continued

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 \$3,837,995 and \$6,407,320 at September 30, 2023 and 2022, respectively, including money market accounts listed below.

Deposits are presented on the statements of net position as of September 30, 2023 and 2022, as follows:

	2023	2022
Cash and cash equivalents	\$ 930,983	\$ 4,250,916
Assets limited as to use, current	2,011,232	2,545,568
Total	\$ 2,942,215	\$ 6,796,484

The Hospital's Board of Commissioners did not internally designate any amounts at September 30, 2023 and 2022.

Note 4. Capital Assets

Major classes of capital assets at September 30, 2023 and 2022 are summarized as follows:

	2023	2022
Land and improvements	\$ 1,949,917	\$ 1,949,917
Buildings	57,792,061	57,758,984
Fixed equipment	8,029,297	8,029,297
Moveable equipment	135,834,123	135,839,342
Leased assets	1,711,481	1,763,349
Total capital assets	205,316,879	205,340,889
Less accumulated depreciation	(174,200,321)	(169,364,892)
Add construction in progress	533,822	6,685
Capital assets, net	\$ 31,650,380	\$ 35,982,682

Depreciation expense for the years ended September 30, 2023 and 2022 totaled \$5,700,829 and \$6,678,925, respectively. There was no capitalized interest included in construction in progress during the years ended September 30, 2023 and 2022.

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

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 4. Continued

A summary of capital assets for the years ended September 30, 2023 and 2022 follows:

	2022	Increases	Decreases	2023
Capital assets not being depreciated				
Land	\$ 578,395	\$ -	\$ -	\$ 578,395
Construction in progress	6,685	773,925	(246,788)	533,822
Total	585,080	773,925	(246,788)	1,112,217
Capital assets being depreciated				
Land improvements	1,371,522	-	-	1,371,522
Buildings	57,758,984	33,077	-	57,792,061
Fixed equipment	8,029,297	-	-	8,029,297
Movable equipment	135,839,342	146,396	(151,615)	135,834,123
Leased assets	1,763,349	1,148,132	(1,200,000)	1,711,481
Total	204,762,494	1,327,605	(1,351,615)	204,738,484
Less accumulated depreciation for				
Land improvements	(526,204)	(42,486)	-	(568,690)
Buildings	(24,896,443)	(2,311,540)	-	(27,207,983)
Fixed equipment	(6,502,834)	(1,466,000)	190	(7,968,644)
Movable equipment	(135,785,488)	(229,155)	147,508	(135,867,135)
Leased assets	(1,653,923)	(1,651,648)	717,702	(2,587,869)
Total accumulated depreciation	(169,364,892)	(5,700,829)	865,400	(174,200,321)
Depreciable capital assets, net	35,397,602	(4,373,224)	(486,215)	30,538,163
Total capital assets, net	\$ 35,982,682	\$ (3,599,299)	\$ (733,003)	\$ 31,650,380

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 4. Continued

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

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

Note 5. Subscription Assets

The Hospital has subscription-based information technology arrangements for intangible assets such as their health information technology software, budgeting software and various other software. As of September 30, 2023 and 2022, the Hospital had subscription assets of \$4,938,651 and \$4,692,619, respectively. The related accumulated amortization of the subscription assets as of September 30, 2023 and 2022 was \$2,329,364 and \$1,106,562, respectively.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt, Lease Obligations and Subscription Liabilities

A summary of the Hospital's long-term debt, lease obligations and subscription liabilities at September 30 follows:

	2023	2022
Bank of Commerce note payable, with an interest rate of 1.40 percent and payable in 12 monthly principal and interest payments of \$13,215, beginning November 2021 and ending November 2022 with a final payment of \$599,687	\$ -	\$ 611,603
Lease obligations, with payments due through 2028, collateralized by leased equipment.	1,762,513	2,261,984
Subscription liabilities	2,689,834	3,620,863
Total long-term debt, lease obligations and subscription liabilities	4,452,347	6,494,450
Less current maturities	(2,081,200)	(2,855,115)
Long-term debt, lease obligations and subscription liabilities excluding current maturities	<u>\$ 2,371,147</u>	<u>\$ 3,639,335</u>

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

The Hospital leases various equipment, each with unique terms. The leases expire at various dates through March 2028. Interest rates on the leases range from 1.40 percent to 25.96 percent.

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

The Hospital has various SBITAs, each with unique terms. These SBITAs expire at various dates through September 2026, and provide for varying renewal options. The interest rate on the SBITAs, determined by using the Hospital's incremental borrowing rate, is 6.50 percent.

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

	2023	2022
Interest expense	\$ (445,053)	\$ (302,273)
Investment income (loss)	\$ 19,042	\$ (191,212)

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 6. Continued

Scheduled interest and principal payments of lease obligations and subscription liabilities at September 30, 2023 are as follows:

Year Ending September 30,	Lease Obligations		Subscription Liabilities	
	Principal	Interest	Principal	Interest
2024	\$ 794,990	\$ 56,893	\$ 1,286,210	\$ 144,064
2025	364,930	38,014	1,187,647	62,080
2026	240,743	25,453	215,977	4,369
2027	245,145	13,200	-	-
2028	116,705	1,882	-	-
	<u>\$ 1,762,513</u>	<u>\$ 135,442</u>	<u>\$ 2,689,834</u>	<u>\$ 210,513</u>

A schedule of changes in the Hospital's long-term debt, lease obligations and subscription liabilities for 2023 follows:

	Balance September 30, 2022	Additions	Retirements	Balance September 30, 2023	Due Within One Year
Notes payable	\$ 611,603	\$ -	\$ (611,603)	\$ -	\$ -
Lease obligations	2,261,984	1,148,131	(1,647,602)	1,762,513	794,990
Subscription liabilities	3,620,863	246,032	(1,177,061)	2,689,834	1,286,210
Total long-term debt	<u>\$ 6,494,450</u>	<u>\$ 1,394,163</u>	<u>\$ (3,436,266)</u>	<u>\$ 4,452,347</u>	<u>\$ 2,081,200</u>

A schedule of changes in the Hospital's long-term debt, lease obligations and subscription liabilities for 2022 follows:

	Balance September 30, 2021	Additions	Retirements	Balance September 30, 2022	Due Within One Year
Notes payable	\$ 887,026	\$ -	\$ (275,423)	\$ 611,603	\$ 611,603
Lease obligations	3,581,713	122,700	(1,442,429)	2,261,984	1,066,450
Subscription liabilities	-	4,692,619 ¹	(1,071,756)	3,620,863	1,177,062
Total long-term debt	<u>\$ 4,468,739</u>	<u>\$ 4,815,319</u>	<u>\$ (2,789,608)</u>	<u>\$ 6,494,450</u>	<u>\$ 2,855,115</u>

1 - Related to the adoption of GASB 96, SBITA.

NOTES TO FINANCIAL STATEMENTS

Note 7. 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 8. 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, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 8. 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

	2023	2022
1. Inactive Plan Participants		
a. Retirees and beneficiaries currently receiving benefits	390	374
b. Terminated employees entitled to deferred benefits	596	583
c. Disabled employees entitled to deferred benefits	-	-
d. Total	986	957
2. Active Plan Participants		
a. Vested	211	261
b. Nonvested	-	-
c. Total	211	261
3. Total Plan Participants	1,197	1,218

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 Hospital's contributions to the Plan for the years ended September 30, 2023 and 2022 were \$1,432,171 and \$1,519,619, 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, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2022 and 2021, respectively.

Summary of Assumptions

The total pension liability as of September 30, 2023 and 2022 was measured using the following actuarial assumptions, applied to all periods in the measurement:

<i>Investment Rate of Return</i>	7.45 and 7.20 percent, respectively, per annum, compounded annually
<i>Discount Rate</i>	7.45 and 7.20 percent, respectively, per annum, compounded annually

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

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

Salary increases Not applicable, benefits are frozen

Effective September 30, 2022, the mortality table was changed from the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2020 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2021 to better recognize current and future mortality improvements.

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

Schedule of Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Net Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2022	\$ 50,184,111	\$ 31,265,687	\$ 18,918,424
Changes for the Year:			
Service cost	-	-	-
Interest	3,613,256	-	3,613,256
Difference between expected and actual experience	(7,970)	-	(7,970)
Changes of assumptions	(1,173,531)	-	(1,173,531)
Contributions - employer	-	1,432,171	(1,432,171)
Net investment income	-	3,627,808	(3,627,808)
Benefits paid/refunds	(3,452,704)	(3,452,704)	-
Administrative expenses	-	(153,251)	153,251
Net changes	(1,020,949)	1,454,024	(2,474,973)
Balance at September 30, 2023	\$ 49,163,162	\$ 32,719,711	\$ 16,443,451

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

	Total Pension Liability (a)	Increase (Decrease) Plan Net Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2021	\$ 49,765,386	\$ 40,288,635	\$ 9,476,751
Changes for the Year:			
Service cost	-	-	-
Interest	3,533,342	-	3,533,342
Difference between expected and actual experience	470,361	-	470,361
Changes of assumptions	(376,907)	-	(376,907)
Contributions - employer	-	1,519,619	(1,519,619)
Net investment income	-	(7,243,261)	7,243,261
Benefits paid/refunds	(3,208,071)	(3,208,071)	-
Administrative expenses	-	(91,235)	91,235
Net changes	418,725	(9,022,948)	9,441,673
Balance at September 30, 2022	\$ 50,184,111	\$ 31,265,687	\$ 18,918,424

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 (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
Net Pension Liability	\$ 21,456,666	\$ 16,443,451	\$ 12,207,535

The asset allocations for each major asset class at September 30, 2023 and 2022, are summarized below in the following table:

Asset Class	2023 Allocation	2022 Allocation
Mutual funds – fixed income	36.6%	42.1%
Mutual funds – equities	47.2%	43.0%
Common stock – equities	3.4%	3.4%
International mutual funds	11.3%	10.5%
Cash and cash equivalents	1.5%	1.0%
Total	100%	100%

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended September 30, 2023 and 2022, the Hospital recognized pension expense of \$1,276,662 and \$1,935,155, respectively. On September 30, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2023	2022
Deferred outflows of resources		
Experience losses	\$ -	\$ 78,392
Net difference between projected and actual earnings on pension plan investments	<u>3,150,482</u>	<u>5,454,372</u>
Total deferred outflows of resources	<u>\$ 3,150,482</u>	<u>\$ 5,532,764</u>
<hr/>		
	2023	2022
Deferred inflows of resources		
Changes in assumptions	\$ -	\$ (62,818)
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ (62,818)</u>
Net deferred outflows (inflows) of resources	<u>\$ 3,150,482</u>	<u>\$ 5,469,946</u>

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>
2024	\$ 739,302
2025	986,436
2026	1,716,369
2027	<u>(291,625)</u>
Total	<u>\$ 3,150,482</u>

Amortization Period

Investment gains or losses are amortized over five years.

Changes in actuarial assumptions and experience gains or losses are amortized over the average working lifetime of all participants, which for the current period is 1.0 and 1.2 years for the measurement periods ended September 30, 2023 and 2022, respectively.

Plan Termination

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

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

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

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

Note 9. 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 are distributed monthly thereafter. The Hospital received approximately \$9,730,000 and \$7,928,000 from the MHAP program with related tax assessments of approximately \$2,008,000 and \$1,957,000 recorded in operating expenses for the years ended September 30, 2023 and 2022, 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 2023 and 2022 net patient service revenue increased approximately \$20,869 and increased approximately \$429,450, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated. The Hospital's cost reports have been settled through September 30, 2019.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 9. Continued

Other

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

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

	2023	2022
Gross patient service revenue	\$ 173,966,688	\$ 261,674,118
Less:		
Provisions for contractual adjustments	(108,511,109)	(166,896,019)
Provisions for bad debts	(9,606,755)	(14,322,479)
Net patient service revenue	<u>\$ 55,848,824</u>	<u>\$ 80,455,620</u>

Note 10. Nonoperating Income and Transfers in

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. The Hospital received and recognized approximately \$3.1 million from the Provider Relief Fund in nonoperating revenues in the accompanying 2022 statements of revenues, expenses, and changes in net position, respectively. The Hospital recognized the Provider Relief Fund payments as income when there is reasonable assurance of compliance with the conditions associated with the funding.

In fiscal year 2020, the Hospital applied for and was paid approximately \$16,500,000 as an advance on six months of its Medicare payments through the Medicare Accelerated and Advance Payment Program expanded to increase cash flow to providers of services impacted by the COVID-19 pandemic. Recoupment of the advance payments began one year after the advance payments were received. After the first year, Medicare began automatically recouping 25 percent of the Medicare payments otherwise owed to the provider for 11 months. The Hospital requested and was granted an extended repayment schedule with a 4 percent interest rate. As of September 30, 2023, Medicare has recouped approximately \$12 million of these funds. The Hospital has accounted for the remaining unrecouped funds as a contractual liability at September 30, 2023 and 2022. As of September 30, 2023, the Hospital has a total unpaid balance of \$4,545,455. The Hospital has 48 monthly principal and interest payments in the amount of \$102,631 each remaining.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 10. Continued

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

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

On December 8, 2022, the Hospital submitted a request to Leflore County, Mississippi (the "County") for \$2,250,000 in American Rescue Plan Act ("ARPA") funds for Public Health Use to be allocated to the Hospital in two installments. Effective January 17, 2023, the Hospital entered into a subrecipient agreement with the County to allocate \$2,250,000 to the Hospital, payable in two payments. The subrecipient agreement requires these funds to be used to pay the salaries of public health staff or medical supplies for the Hospital's ongoing operations and requires the Hospital to comply with reporting and monitoring requirements. On January 17, 2023, the Hospital received the first payment from the County in the amount of \$1,000,000. On February 28, 2023, the Hospital received the second payment in the amount of \$1,250,000. The Hospital recognized \$2,250,000 million in nonoperating revenues in the accompanying 2023 statements of revenues, expenses and changes in net position, respectively.

In fiscal year 2023, the Hospital had approximately \$522,000 of utility invoices related to electric, water, garbage and sewer services waived by the Greenwood Utilities Commission and the City of Greenwood for services provided in the months of October, November, and December 2022 and January 2023. The Hospital recognized approximately \$522,000 as contributed services in nonoperating revenues in the accompanying 2023 statements of revenues, expenses and changes in net position, respectively.

Transfers In

On July 5, 2023, the County entered into a debt agreement, the Mississippi Development Bank Special Obligation Bonds, Series 2023 (the "Series 2023 Bonds"), with Mississippi Development Bank to provide proceeds from the sale of bonds of up to \$10,000,000 to be used by the Hospital to fund operations and other projects. Any proceeds from the bonds are considered legal obligations of the County. Pursuant to the Tax Regulatory Agreement and Arbitrage Certificate ("Tax Certificate"), dated July 5, 2023, between the Mississippi Development Bank (the "Issuer"), being a political subdivision of the State of Mississippi, the County and the Hospital, in connection with the issuance of the Series 2023 Bonds, agreed that all payments of principal and interest are expected to be made from the general fund of the County, whereas the County has the authority to levy ad valorem taxes of up to five mills in any one year for the retirement of debt incurred by or on behalf of the Hospital. The Tax Certificate further outlined that in accordance with applicable Treasury regulations, the Hospital is required to determine the first fiscal year in which it expects to have Available Amounts, as defined therein, and that year will be the First Testing Year, as defined. The Hospital determined that the First Testing Year will be October 1, 2027 and continuing each subsequent year thereafter and beginning then, the Hospital will be required to deposit funds in excess of a

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 10. Continued

Reasonable Working Capital Reserve, as defined, into the general fund of the County for the ongoing debt service of the bonds.

On July 5, 2023, the Hospital submitted their first requisition certificate in the amount of \$3,258,459 and received the amount in full on July 6, 2023. On August 14, 2023, the Hospital submitted their second requisition certificate in the amount of \$1,136,284 and received the amount in full on August 21, 2023. The Hospital recognized the proceeds received from the County of \$4,394,743 as transfers in within the accompanying 2023 statements of revenues, expenses and changes in net position, respectively. The Hospital has \$5,605,266 remaining available to draw down as of September 30, 2023.

In fiscal year 2023, the Hospital requested and received funds from the City of Greenwood (the "City") to fund the Hospital's operations. On December 14, 2022, the Hospital received the first payment of \$1,000,000. On March 22, 2023, the Hospital received a second payment of \$250,000. The receipts from the City are considered non-exchange transactions in which the Hospital has no obligation to pay back the funds. The Hospital recognized the proceeds received from the City of \$1,250,000 as transfers in within the accompanying 2023 statements of revenues, expenses and changes in net position, respectively.

Note 11. 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 \$1,393,000 and \$1,866,000 in 2023 and 2022, respectively.

Note 12. 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:

	2023	2022
Medicare/Medicare Advantage	24%	24%
Medicaid	21	19
Blue Cross	6	5
Self-pay	31	38
Other	18	14
Total	100%	100%

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 12. Continued

Patient Service Revenue

The percentage mix of gross revenue for the years ended September 30, 2023 and 2022 for patient services rendered under contract with major third-party cost reimbursors follows:

	2023	2022
Medicare/Medicare Advantage	50%	48%
Medicaid	18	21
Blue Cross	12	11
Self-pay	6	6
Other	14	14
Total	100%	100%

Note 13. Commitments and Contingencies

Risk Management

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

Medical Malpractice Program

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

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

		(Beginning) October 1, Claims Liability	Current Year Claims and Change in Estimates	Current Year Claim Payments	(Ending) September 30, Claims Liability
2023	\$	2,614,095	\$ 930,351	\$ (609,136)	\$ 2,935,310
2022	\$	1,763,453	\$ 1,056,327	\$ (205,685)	\$ 2,614,095

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 13. Continued

Self-Funded Health Insurance

The Hospital is self-insured for employee health coverage, up to a limit of \$70,000 per individual claim. Substantial coverage with a third-party carrier is maintained for excess losses. The Hospital records a liability for employee health claims incurred but not reported or paid. This liability as of September 30, 2023 and 2022 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 2023 and 2022 are as follows:

		(Beginning) October 1, Claims Liability	Current Year Claims and Change in Estimates	Current Year Claim Payments		(Ending) September 30, Claims Liability
2023	\$	487,612	\$ 1,981,697	\$ (2,214,498)	\$	254,811
2022	\$	713,903	\$ 2,620,205	\$ (2,846,496)	\$	487,612

Note 14. Subsequent Events

On October 17, 2023, the Hospital received an award notification regarding the Mississippi Hospital Sustainability Grant Program from the Mississippi State Department of Health ("MSDH"). On October 18, 2023, the Hospital entered into a beneficiary agreement with MSDH resulting in the conditional award of funds not to exceed \$1,000,000. The Hospital received the grant in the full amount of \$1,000,000 on October 24, 2023.

On October 2, 2023, the Hospital submitted their third requisition certificate related to the Mississippi Development Bank Series 2023 Bonds in the amount of \$3,000,000 and received the amount in full on October 4, 2023.

In preparing these financial statements, the Hospital has disclosed events and transactions through February 27, 2024, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

GREENWOOD LEFLORE HOSPITAL

Schedule of Changes in Net Pension Liability and Related Ratios

September 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability									
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	3,613,256	3,533,342	3,509,805	3,474,705	3,514,817	3,413,176	3,363,064	3,384,889	3,384,889
Difference between expected and actual experience	(7,970)	470,361	126,746	377,521	(1,120,322)	740,367	(355,795)	(294,088)	68,042
Changes of assumptions	(1,173,531)	(376,907)	(683,581)	876,677	382,573	(299,489)	-	(1,336,081)	-
Benefit payments/refunds	(3,452,704)	(3,208,071)	(3,327,653)	(2,848,623)	(2,665,455)	(2,461,722)	(2,320,792)	(2,053,702)	(1,965,617)
Net change in total pension liability	(1,020,949)	418,725	(374,683)	1,880,280	111,613	1,392,332	686,477	(298,982)	1,487,314
Total pension liability – beginning	50,184,111	49,765,386	50,140,069	48,259,789	48,148,176	46,755,844	46,069,367	46,368,349	44,881,035
Total pension liability – ending (a)	\$ 49,163,162	\$ 50,184,111	\$ 49,765,386	\$ 50,140,069	\$ 48,259,789	\$ 48,148,176	\$ 46,755,844	\$ 46,069,367	46,368,349
Plan Fiduciary Net Position									
Contributions – employer	\$ 1,432,171	\$ 1,519,619	\$ 1,598,738	\$ 1,413,913	\$ 1,340,319	\$ 1,452,904	\$ 1,367,610	\$ 1,394,632	2,517,899
Net investment income (loss)	3,627,808	(7,243,261)	6,100,827	3,654,209	1,826,911	2,073,394	2,883,575	2,229,987	107,212
Benefit payments/refunds	(3,452,704)	(3,208,071)	(3,327,653)	(2,848,623)	(2,665,455)	(2,461,722)	(2,320,792)	(2,053,702)	(1,965,617)
Administrative expenses	(153,251)	(91,235)	(92,923)	(87,105)	(85,539)	(85,579)	(80,239)	(78,351)	(88,388)
Net change in plan fiduciary net position	1,454,024	(9,022,948)	4,278,989	2,132,394	416,236	978,997	1,850,154	1,492,566	571,106
Plan fiduciary net position – beginning	31,265,687	40,288,635	36,009,646	33,877,252	33,461,016	32,482,019	30,631,865	29,139,299	28,568,193
Plan fiduciary net position – ending (b)	\$ 32,719,711	\$ 31,265,687	\$ 40,288,635	\$ 36,009,646	\$ 33,877,252	\$ 33,461,016	\$ 32,482,019	\$ 30,631,865	29,139,299
Net pension liability – ending (a) – (b)	\$ 16,443,451	\$ 18,918,424	\$ 9,476,751	\$ 14,130,423	\$ 14,382,537	\$ 14,687,160	\$ 14,273,825	\$ 15,437,502	17,229,050
Plan fiduciary net position as a percent of the total pension liability	66.6%	62.3%	81.0%	71.8%	70.2%	69.5%	69.5%	66.5%	62.8%
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percent of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See notes to required supplementary information.

GREENWOOD LEFLORE HOSPITAL

Schedule of Contributions

Years Ended September 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

Year Ended September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarial Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as % of Covered Payroll
2023	\$ 1,432,171	\$ 1,432,171	\$ -	\$ N/A	N/A
2022	1,519,619	1,519,619	-	N/A	N/A
2021	1,598,738	1,598,738	-	N/A	N/A
2020	1,405,581	1,413,913	8,332	N/A	N/A
2019	1,340,319	1,340,319	-	N/A	N/A
2018	1,452,904	1,452,904	-	N/A	N/A
2017	1,367,610	1,367,610	-	N/A	N/A
2016	1,394,632	1,394,632	-	N/A	N/A
2015	2,517,899	2,517,899	-	N/A	N/A

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

See notes to required supplementary information.

Summary of Assumptions and Methods Used to Determine Contributions Rates

The total pension liability as of September 30, 2023 and 2022 was determined using the following actuarial assumptions, applied to all periods in the measurement:

<i>Investment Rate of Return</i>	7.45 and 7.20 percent, respectively, per annum, compounded annually
<i>Discount Rate</i>	7.45 and 7.20 percent, respectively per annum, compounded annually

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

<i>Salary increases</i>	Not applicable, benefits are frozen
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Effective September 30, 2022 the mortality table was changed from the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2020 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2021 to better recognize current and future mortality improvements.

Amortization Period

Investment gains or losses are amortized over five years.

Changes in actuarial assumptions and experience gains or losses are amortized over the average working lifetime of all participants, which for the years ending September 30, 2023 and 2022 was 1.0 and 1.2 years, respectively.

Schedule of Investment Returns

	Fiscal year ended 2023	September 30, 2022
Net investment yield	11.99%	(18.36%)

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2023 and 2022

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

Amortization Period (Funding)

The actuarially determined contribution for the Plan year ended September 30, 2023 and 2022 uses a closed period of 19 and 20 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, 2022 and 2021 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, 2023

Name	Position	Surety	Amount
Harris Powers, Jr.	Board Member	Travelers	\$ 100,000
Marcus Banks	Board Member	Travelers	100,000
Emma Bell	Board Member	Travelers	100,000
Tracy Shelton	Board Member	Travelers	100,000
Hank Hargrove	Board Member	Travelers	100,000



**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, 2023 and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated February 27, 2024.

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.

A handwritten signature in black ink that reads "HORNE LLP". The letters are in all caps and have a cursive, slightly slanted appearance.

Ridgeland, Mississippi
February 27, 2024