GREENWOOD LEFLORE HOSPITAL

Audited Financial Statements

Years Ended September 30, 2017 and 2016

CONTENTS

HORNE
CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Board of Hospital Commissioners
Greenwood Leflore Hospital
Greenwood, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Greenwood Leflore Hospital (the "Hospital"), a component unit of Leflore County, including the City of Greenwood, Mississippi, as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Hospital, as of September 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

In response to increasing challenges in the collection of patient accounts receivable being experienced throughout the industry, as well as recent developments in collection trends of the Hospital, management determined that certain changes in estimates regarding expected collections primarily from self-pay accounts were necessary and accordingly, recorded an additional $14.5 million provision for bad debt and contractual allowances relating to this change in estimate at September 30, 2017.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the pension information on pages 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The Schedule of Surety Bonds for Officers and Employees on page 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2018 on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Horne LLP

Ridgeland, Mississippi
February 20, 2018

The discussion and analysis of Hospital financial performance provides an overview of the Hospital's financial activities for the fiscal years ended September 30, 2017 and 2016. This discussion and analysis should be read in conjunction with the Hospital's financial statements, which begin on page 11.

Using This Annual Report

The Hospital's three main financial statements include the statements of net position; statements of revenues, expenses and changes in net position; and statements of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors or enabling legislation.

Financial Statement Comparison

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

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

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

The Statements of Cash Flows

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

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the statements of net position on page 11. Total net position decreased during fiscal year 2017 by $22.3 million (24.2 percent), and $5.8 million during fiscal year 2016 (5.9 percent), as reflected on the statements of revenues, expenses and changes in net position. The 2017 decrease results from the change in payment patterns that have been developing industry-wide over the last few years, primarily related to the change in estimate as to the ultimate collectability of certain self-pay participant accounts receivable. In addition, there are new changes in accounting standards for non-governmental entities that focus on this area as well, the Hospital’s change in estimate was also predicated upon a review of the new regulation and the Hospital’s proactive preparation for its governmental application.

Assets, Liabilities and Net Position (in thousands)

	September 30,		
	2017	2016	2015
Assets			
Current assets	$ 27,891	$ 45,837	$ 51,570
Designated funds and assets limited as to use	26,947	25,000	25,000
Capital assets, net	45,389	47,887	49,714
Other assets	3,847	3,222	3,003
Total assets	104,074	121,946	129,287
Deferred outflows of resources	144	1,106	1,636
Total assets and deferred outflows of resources	104,218	123,052	130,923
Liabilities			
Current liabilities	15,408	14,361	15,594
Net pension liability	14,274	15,438	17,229
Long-term debt, net of current maturities	4,106	-	-
Total liabilities	33,788	29,799	32,823
Deferred inflows of resources	409	924	-
Net position			
Invested in capital assets	40,147	47,887	49,714
Restricted			
Expendable for use in self-insurance	1,047	1,357	1,650
Expendable for capital improvements	1,947	-	-
Expendable for specific operating activities	49	50	49
Unrestricted	26,831	43,035	46,687
Total net position	$ 70,021	$ 92,329	$ 98,100

The Hospital's cash and investment position decreased in 2017 by $0.6 million. This net decrease in cash is attributable to the reduction in patient volumes and increase in higher deductibles and co-pays which translates to a decrease in cash collected and a use of cash to fund operations, offset by the captal purchases and financing activities. The Hospital's cash and investment position decreased in 2016 by $3.5 million. This net decrease in cash is attributable to the outlays related to the surgery electronic medical record system purchase and implementation and the use of cash to reduce current liabilities

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

	2017	2016	2015
Cash and cash equivalents	$ 8,487	$ 10,718	$ 13,884
Restricted cash and cash equivalents	1,047	1,357	1,650
Designated by Board for capital improvements	26,947	25,000	25,000
Total available cash and investments	$ 36,481	$ 37,075	$ 40,534

Cash and investment balances available for operations at September 30, 2017 and 2016 represent cash sufficient to cover approximately 115 and 111 days of operating expenses, respectively.

Capital Assets and Current Liabilities Adminstration

Net capital assets decreased by $2.5 million in 2017. This decrease relates to $4.6 million in capital expenditures offset by $7.1 million in depreciation of the Hospital's assets. Net capital assets decreased by $1.8 million in 2016. This decrease relates to $5.8 million in capital expenditures offset by $7.6 million in depreciation of the Hospital's assets.

The table below shows the changes in capital assets:

Capital Assets (in thousands)

	September 30,		
	2017	2016	2015
Land and land improvements	$ 1,866	$ 1,863	$ 1,837
Building and leasehold improvements	50,814	50,758	49,860
Equipment	129,884	127,873	122,240
Subtotal	182,564	180,494	173,937
Less: accumulated depreciation	(139,747)	(133,223)	(126,001)
Construction in progress	2,572	616	1,778
Net capital assets	$ 45,389	$ 47,887	$ 49,714

Current liabilities increased by $1 million in 2017, due to an increase in current maturities of long-term debt. Debt was incurred to finance the elevator renovations and the replacement of the linear accelerator in 2017. Current liabilities decreased by $1.2 million in 2016, due to decreases in accounts payable and accrued expenses.

Net Pension Liability

The net pension liability and related deferred outflows and inflows of resources are actuarially determined. Deferred outflows from pension were $0.14 million and $1.1 million in 2017 and 2016, respectively. Deferred inflows from pension were $0.4 million and $0.9 million in 2017 and 2016 . 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, 2017 and 2016 was $14.2 and $15.4 million, respectively.

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

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

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

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

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

	Fiscal Year Ended September 30,		
	2017	2016	2015
Operating revenues			
Net patient service revenue	$ 98,662	$ 121,425	$ 121,579
Other revenues	2,119	2,162	2,388
Total operating revenues	100,781	123,587	123,967
Operating expenses			
Professional care of patients	84,374	88,563	84,586
General, administrative and plant services	21,594	21,761	20,881
Employee health and welfare	10,087	11,654	9,874
Depreciation and amortization	7,107	7,558	7,677
Total operating expenses	123,162	129,536	123,018
Operating income (loss)	(22,381)	(5,949)	949
Non-operating revenues (expenses)			
Investment income	91	235	197
Interest expense	(15)	-	-
Loss on disposal of capital assets	(3)	(57)	(61)
Total non-operating revenues, net	73	178	136
Increase (decrease) in net position	(22,308)	(5,771)	1,085
Net position, beginning of year before change in accounting principle	92,329	98,100	112,912
Accumulative effect of change in accounting principle	-	-	(15,897)
Net position, beginning of year, after change in accounting principle	92,329	98,100	97,015
Net position, end of year	$ 70,021	$ 92,329	$ 98,100

Net Patient Service Revenue

Fiscal Year Ended September 30, 2017

Compared to 2016, net patient service revenue decreased by $22.8 million or 19 percent, $14.5 million of which was due to a change in management estimate of the ultimate collectability of self-pay accounts receivable due to increasing industry-wide trends in high deductibles and rising co-payments. The change in estimate was also predicated upon a review of the new FASB Revenue Recognition Standard ASU-2014-09 (Topic 606) and the Hospital's proactive preparation for the potential of its governmental application. The remaining $8.3 million decrease was due to decreases in hospital volumes. Gross revenues decreased $25 million or 7 percent. Inpatient admissions decreased 8.76 percent, while average length of stay increased .49 percent, resulting in total patient days decreasing 8.1 percent. Observation care admissions decreased 3.8 percent, with observation

days of care increasing 4.6 percent. Outpatient visits to the Hospital decreased approximately 1.4 percent. Overall, gains in patient volumes were recognized in endoscopy and wound care, ICU and the inpatient rehab unit, while decreases were recognized in routine nursing, surgical services, laboratory, cardio pulmonary, physical therapy, labor and delivery, newborn nursery, cath lab, emergency room, pharmacy, sleep lab, clinic network and cancer center. The cancer center was temporarily closed for a few months during the decommissioning of the old linear accelerator and the installation of the new one. The geriatric psychiatric unit was closed in August 2017.

Contractual adjustments, which are deductions from gross patient service revenue, decreased $12.7 million (5 percent) to $221.3 million in 2017 from $234.0 million in 2016. Contractual adjustments expressed as a percentage of gross patient service revenues were 61.3 percent in 2017 and 60.6 percent 2016. The Hospital's net benefit from the Medicaid Voluntary Contribution program and the Mississippi Hospital Access program decreased approximately $0.15 million in fiscal year 2017. There can be no assurance that the Hospital will continue to qualify for future participation in these programs or that the programs will not ultimately be discontinued or materially modified.

Bad debt expense increased $10.2 million (32.9 percent) to $41.2 million in 2017 from $31.0 million in 2016. Bad debt expense expressed as a percentage of gross patient service revenue was 11.4 percent in 2017 and 8 percent 2016.

Fiscal Year Ended September 30, 2016

Compared to 2015, net patient service revenue decreased by $0.1 million or 0.1 percent due to decreases in Hospital volumes and a continuing focus in the industry toward observation care offset by an increase in physician revenue. Gross revenues increased $5 million or 1.3 percent. Inpatient admissions decreased 7 percent, while average length of stay increased 0.45 percent, resulting in total patient days decreasing 6.75 percent. Observation care admissions increased 13.6 percent with observation days of care increasing 15.7 percent. In general, outpatient visits to the Hospital remained flat, decreasing approximately 0.6 percent with the exception of the emergency room where patient volume decreased 9 percent. Overall, gains in patient volumes were recognized in surgical services, radiology, laboratory, cancer center, endoscopy, physical therapy, cardio pulmonary and the clinic network while decreases were recognized in routine nursing, ICU, inpatient rehab, geriatric psychiatric unit, labor and delivery, newborn nursery, cath lab, emergency room, pharmacy, sleep lab and wound care.

Contractual adjustments, which are deductions from gross patient service revenue increased $2.8 million (1.2 percent) from $231.2 million in 2015 to $234.0 million in 2016. Contractual adjustments expressed as a percentage of gross patient service revenues were 60.6 percent in 2016 and 2015. Since the majority of the Hospital's patients are Medicare, Medicaid and Blue Cross, price increases have little to no effect on increased reimbursement. The Hospital's net benefit from the Medicaid Voluntary Contribution program and the Mississippi Hospital Access program decreased approximately $226 thousand in fiscal year 2016. There can be no assurance that the Hospital will continue to qualify for future participation in these programs or that the programs will not ultimately be discontinued or materially modified.

Bad debt expense increased $2.3 million (8.1 percent) to $31.0 million in 2016 from $28.7 million in 2015. Bad debt expense expressed as a percentage of gross patient service revenue was 8 percent in 2016 and 7.5 percent in 2015.

Operating Expenses

Fiscal Year Ended September 30, 2017

Total operating expenses were $123.2 million in 2017 compared to $129.5 million in 2016, a decrease of $6.3 million or 4.5 percent.

Professional care of patients' expenses comprise 68.5 percent and 68.4 percent of total operating expenses for 2017 and 2016, respectively, and decreased to $84.3 million in 2017 from $88.6 million in 2016, a decrease of $4.3 million or 4.7 percent. Salaries and contract expenses associated with rendering patient care comprises approximately 64.5 percent of total professional care of patients' expenses. Salaries and contract expenses within the cost component decreased $4.2 million in 2017, primarily due to physician contract restructuring and physician retirements, as well as the June 2016 upper and middle management restructuring. A more focused effort was also placed on managing variable labor costs as patient volumes shifted throughout the day. Supplies and other costs included in the professional care of patients' component increased $0.1 million from 2016 to 2017.

General, administrative and plant expenses comprise approximately 17.5 percent and 16.8 percent of total operating expenses in 2017 and 2016, respectively. These costs decreased $0.2 million from 2016 to 2017.

Employee health and welfare expenses comprise 8.2 percent and 9 percent of total operating expenses for 2017 and 2016, respectively. These costs decreased from $11.7 million in 2016 to $10.1 million in 2017, a decrease of $1.6 million or 13.4 percent. This decrease is due to a decrease in the health insurance expense. The health insurance expense decreased $1 million.

Depreciation and amortization expense was $7.1 million for 2017 and $7.6 million for 2016.

Fiscal Year Ended September 30, 2016

Total operating expenses were $129.5 million in 2016 compared to $123.1 million in 2015, an increase of $6.4 million or 4.9 percent.

Professional care of patients' expenses comprise 68.4 percent and 68.8 percent of total operating expenses for 2016 and 2015, respectively, and increased to $88.6 million in 2016 from $84.6 million in 2015, an increase of $4 million or 4.7 percent. Salaries and contract expenses associated with rendering patient care comprises approximately 65.8 percent of total professional care of patients' expenses. Salaries and contract expenses within the cost component increased $2.1 million in 2016, primarily due to the addition of newly employed physicians, their associated staff and a premium nursing staffing program to address staffing needs in specific areas. Supplies and other costs included in the professional care of patients' component increased $1.9 million from 2015 to 2016 primarily due to the addition of new physician clinics and an increase in surgical supplies, specifically neurosurgical and orthopedic implants.

General, administrative and plant expenses comprise approximately 16.8 percent and 17.0 percent of total operating expenses in 2016 and 2015, respectively. These costs increased $0.9 million from 2015 to 2016.

Employee health and welfare expenses comprise 9 percent and 8 percent of total operating expenses for 2016 and 2015, respectively. These costs increased from $9.9 million in 2015 to $11.7 million in 2016, an increase of $1.8 million or 18 percent. This increase is due to an increase in the health insurance expense. The health insurance expense increased $2.1 million.

Depreciation and amortization expense was $7.6 million for 2016 and $7.7 million for 2015.

Economic Factors and Next Year's Budget

Based on the trending patient volumes and financial results of fiscal year 2016 and 2017, Vizient, a third-party consulting firm, has been retained to launch a total performance management initiative with a goal of $4.7 million in implemented cost savings or net revenue initiatives. They are set to begin in February 2018.

The Hospital's value analysis committee, in conjunction with our Group Purchase Organization, continued momentum with the supply chain initiative in November 2017 by joining the S3P GPO to address the escalating orthopedic implant costs. Further analysis will continue through 2018.

The Board of Hospital Commissioners approved the 2018 operating budget. The budget was developed after a review of key volume indicators and trends, a review of the Hospital's strategic business plan, a review of the funding changes to Medicaid and a review of local economic conditions in Leflore County. The budget provides for a net income of $734 thousand and a 0.64 percent margin.

Contacting the Hospital Financial Manager

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

GREENWOOD LEFLORE HOSPITAL
Statements of Net Position
September 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 8,486,757	$ 10,718,084
Assets limited as to use	1,047,381	1,357,119
Patient accounts receivable, net of allowance for doubtful accounts of $42,486,041 and $32,334,017, respectively	13,998,164	29,094,079
Estimated third-party payor settlements	83,427	158,586
Other current receivables	56,149	109,993
Inventories	2,510,844	2,508,653
Prepaid expenses and other current assets	1,708,025	1,890,731
Total current assets	27,890,747	45,837,245
Assets limited as to use for capital improvements	1,947,325	-
Funds internally designated for capital improvements	25,000,000	25,000,000
Total noncurrent cash and investments	26,947,325	25,000,000
Capital assets, net	45,389,404	47,887,004
Other assets		
Other receivables	2,401,789	1,930,540
Other assets	419,254	267,494
Intangibles	1,024,940	1,024,940
Total other assets	3,845,983	3,222,974
Total assets	104,073,459	121,947,223
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources from pension	144,440	1,105,603
LIABILITIES		
Current liabilities		
Accounts payable	6,667,864	7,314,274
Accrued expenses, including payroll taxes withheld	7,603,681	7,047,112
Current installments of long-term debt	1,136,792	-
Total current liabilities	15,408,337	14,361,386
Net pension liability	14,273,825	15,437,502
Long-term debt, net of current maturities	4,105,497	-
Total long-term liabilities	18,379,322	15,437,502
Total liabilities	33,787,659	29,798,888
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources from pension	408,935	924,468
NET POSITION		
Net investment in capital assets	40,147,115	47,887,004
Restricted		
Use in self-insurance	1,047,381	1,357,119
Assets limited as to use for capital improvements	1,947,325	-
Specific operating activities	48,522	50,279
Unrestricted	26,830,962	43,035,068
Total net position	$ 70,021,305	$ 92,329,470

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL

Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30, 2017 and 2016

	2017	2016
Operating revenues		
Net patient service revenue, net of provision for bad debts of $41,234,804 and $31,019,553, respectively	$ 98,662,278	$ 121,425,709
Other operating revenue	2,118,725	2,161,729
Total operating revenues	100,781,003	123,587,438
Operating expenses		
Professional care of patients	84,373,959	88,563,214
General and administrative services	14,748,012	14,938,332
Dietary services	1,426,614	1,250,333
Household and plant operations	5,419,462	5,572,114
Employee health and welfare	10,087,279	11,654,481
Depreciation and amortization	7,106,391	7,557,733
Total operating expenses	123,161,717	129,536,207
Loss from operations	(22,380,714)	(5,948,769)
Nonoperating revenues (expenses)		
Investment income	90,435	235,212
Interest expense	(15,102)	-
Loss on disposal of capital assets	(2,784)	(56,917)
Total nonoperating revenues	72,549	178,295
Decrease in net position	(22,308,165)	(5,770,474)
Net position, beginning of year	92,329,470	98,099,944
Net position, end of year	$ 70,021,305	$ 92,329,470

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL

Statements of Cash Flows

Year Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 113,943,345	$ 124,260,128
Payments to employees	(64,630,454)	(70,511,082)
Payments to suppliers and contractors	(52,731,403)	(53,816,609)
Other receipts and payments, net	2,118,725	2,161,729
Net cash provided by (used in) operating activities	(1,299,787)	2,094,166
Cash flows from capital and related financing activities		
Purchase of capital assets and intangibles	(4,611,575)	(5,788,059)
Proceeds from issuance of long-term debt	5,906,984	-
Payments on long-term debt	(664,695)	-
Interest paid on long-term debt	(15,102)	-
Net cash provided by (used in) capital and related financing activities	615,612	(5,788,059)
Cash flows from investing activities		
Purchases of investments	(173,051)	(7,162,200)
Proceeds from sale of investments	144,083	5,033,450
Interest and dividends on investments	275,648	235,212
Net cash provided by (used in) investing activities	246,680	(1,893,538)
Decrease in cash and cash equivalents	(437,495)	(5,587,431)
Cash and cash equivalents, beginning of year	26,906,746	32,494,177
Cash and cash equivalents, end of year	$ 26,469,251	$ 26,906,746
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	$ 8,486,757	$ 10,718,084
Assets limited as to use	2,994,706	1,357,119
Cash internally designated for capital improvements	14,987,788	14,831,543
Total cash and cash equivalents	$ 26,469,251	$ 26,906,746

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL

Statements of Cash Flows (Continued)

Year Ended September 30, 2017 and 2016

	2017	2016
Reconciliation of loss from operations to net cash provided by (used in) operating activities		
Loss from operations	$ (22,380,714)	$ (5,948,769)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities		
Depreciation and amortization	7,106,391	7,557,733
Provision for bad debts	41,234,804	31,019,553
Changes in operating assets and liabilities		
Receivables	(26,028,896)	(30,300,824)
Inventories	(2,191)	(339,057)
Prepaid and other assets	(496,452)	(441,411)
Accounts payable	(646,410)	(975,346)
Estimated third-party payor settlements	75,159	2,115,690
Accrued expenses, including payroll taxes withheld	556,569	(257,035)
Net pension liability, and related accounts	(718,047)	(336,368)
Net cash provided by (used in) operating activities	$ (1,299,787)	$ 2,094,166
Supplemental cash flow Information		
Loss on disposal of capital assets	$ (2,784)	$ (61,280)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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

Nature of Operations and Reporting Entity

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

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

Basis of Accounting

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

Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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

Cash and Cash Equivalents

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

Patient Accounts Receivable

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

Inventories

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

Prepaid Expenses and Deferred Charges

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

Investments

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

Designated Funds

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Capital Assets

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

Useful lives for the major asset classes follows:

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

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

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

Intangible Assets

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

Income Taxes

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

Net Position

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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

Operating Revenue and Expenses

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

Net Patient Service Revenue

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

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

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.

Electronic Health Record Incentive Payments

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

when it has demonstrated meaningful use requirements of certified EHR technology for the EHR reporting period. The Hospital recognizes Medicaid incentive payments in the period that it qualifies for the funds based on the provisions of the Mississippi DOM.

The Hospital recognized $-0- and $146,514 of revenues related to the Medicare and Medicaid incentive programs for the years ended September 30, 2017 and 2016, respectively. These revenues are reflected in other operating revenues on the accompanying statements of revenues, expenses and changes in net position. The Hospital did not have any receivables related to the Medicare and Medicaid incentive programs at September 30, 2017 and 2016. The Hospital has and will continue to incur both capital costs and operating expenses in order to implement its certified EHR technology and meet meaningful use requirements in the future. These expenses are ongoing and are projected to continue over all stages of implementation of meaningful use. The timing of recognizing the expenses may not correlate with the receipt of the incentive payments and the recognition of revenues. There can be no assurance that the Hospital will be able to continue to demonstrate meaningful use of certified EHR technology in the future, and the failure to do so could have a material, adverse effect on the results of operations. As a part of operating this program, there is a possibility that government authorities may make adjustments to amounts previously recorded by the Hospital.

The Hospital's attestation of demonstrating meaningful use is also subject to review by the appropriate government authorities. The amount of revenue recognized is based on management's best estimate, which is subject to change. Such changes will be reflected in the period in which the changes occur.

Grants and Contributions

Revenues from grants and contributions either from governmental units or private organizations are recognized when all eligibility requirements, including time requirements are met. Gifts and bequests may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to specific operating purposes are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Compensated Absences

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

Estimated Health Insurance

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Defined Benefit Pension Plan (the "Plan")

The Hospital uses GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") on the statements to recognize the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans. The Hospital recognizes benefit payments when due and payable in accordance with benefit terms. Investment assets are reported at fair value. More information on pension activity for the Hospital is included in Note 9.

Estimated Malpractice Costs

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

Newly Adopted Accounting Standards

The Hospital adopted GASB 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73*, in fiscal year 2017. This statement addresses consistency regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (Plan member) contribution requirements. The adoption of GASB 82 did not have a significant impact on the financial statements of the Hospital.

Accounting Pronouncements Issued Not Yet Adopted

The Hospital will adopt GASB 84, *Fiduciary Activities*, in fiscal year 2020 with any changes applied retroactively. This statement is meant to provide guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. Fiduciary activities meeting certain criteria (i.e. pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds) will be reported in a fiduciary fund as part of the basic financial statements. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

The Hospital will adopt GASB 87, *Leases*, in fiscal year 2021 with any changes applied retroactively. This statement will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. Under this statement, all leases are required to be recognized as assets and liabilities with associated deferred inflows and outflows of resources on the financial statements. Furthermore the statement defines a lease and details the considerations for determining the lease term. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits might not be recovered. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann (1972). Under this program, the Hospital's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation ("FDIC"). All deposits with financial institutions must be collateralized in an amount equal to 105 percent of uninsured deposits and are therefore fully insured. The bank balance of the collateralized and insured balances was $28,664,811 and $27,267,506 at September 30, 2017 and 2016, respectively, including money market accounts listed below.

Investments

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

The Hospital's investments are reported at fair value, as discussed in Note 4. At September 30, 2017 and 2016, the Hospital had the following investments and maturities.

September 30, 2017	Bond Ratings		Interest		Carrying	
Investment Type	Moodys	S&P	Rate		Amount	Maturity Date
FHLB Bond	Aaa	AA+	1.63%	$	2,905,590	8/25/2021
FHLB Bond	Aaa	AA+	2.01%		2,000,137	12/22/2021
MHA Intermediate Pool	N/A	N/A			5,106,485	N/A
Total				$	10,012,212	

September 30, 2016	Bond Ratings		Interest		Carrying	
Investment Type	Moodys	S&P	Rate		Amount	Maturity Date
FHLB Bond	Aaa	AA+	1.63%	$	3,049,478	08/25/2021
FHLB Bond	Aaa	AA+	2.00%		2,000,480	11/23/2021
MHA Intermediate Pool	N/A	N/A	N/A		5,118,499	N/A
Total				$	10,168,457	

NOTES TO FINANCIAL STATEMENTS

Note 2. Continued

Deposits and investments are presented on the statements of net position as of September 30, 2017 and 2016, as follows:

	2017	2016
Cash and cash equivalents	$ 8,486,757	$ 10,718,084
Assets limited as to use, current	1,047,381	1,357,119
Assets limited as to use for capital improvements	1,947,325	-
Internally designated for capital improvements	25,000,000	25,000,000
Total	$ 36,481,463	$ 37,075,203

Of the $26,830,962 and $43,035,068 of unrestricted net position reported at September 30, 2017 and 2016, respectively, $25,000,000 has been internally designated by the Hospital's Board of Commissioners for capital acquisitions. Designated funds remain under the control of the Board of Commissioners which may, at its discretion, later use the funds for other purposes, and the portion invested in cash and cash equivalents is presented on the statements of cash flows as of September 30, 2017 and 2016, as follows:

	2017	2016
Cash and cash equivalents	$ 14,987,788	$ 14,831,543
Investments	10,012,212	10,168,457
Total	$ 25,000,000	$ 25,000,000

Note 3. Patient Accounts Receivable and Change in Estimate

The Hospital provides services primarily to the residents of Greenwood Leflore County, Mississippi and surrounding counties without collateral.

An allowance for doubtful accounts is provided in an amount equal to the estimated losses to be incurred in collection of the receivables. The allowance is based on historical collection experiences and a review of the current status of the existing receivables. In response to increasing challenges in the collection of patient accounts receivable being experienced throughout the industry, as well as recent developments in collection trends of the Hospital, management determined that certain changes in estimates regarding expected collections primarily from self-pay accounts were necessary and accordingly, recorded an additional $14.5 million provision for bad debt and contractual allowances relating to this change in estimate at September 30, 2017.

Factors contributing to changes in collection patterns include the fact that the healthcare industry is in a period of significant change and disruption, resulting in part from the impact of certain provisions of the Patient Protection and Affordable Care Act ("ACA") as well as movements by CMS to change incentives from fee for service to value based payments. One of the largest changes as it relates to collection rates is the increase in high deductible plans across all payers, further complicated by a declining population and reimbursement rates in the Hospital's primary geographic service area.

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value Measurement

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

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

The Hospital has the following recurring fair value measurements:

- Investment pools of $5,106,485 and $5,118,499 as of September 30, 2017 and 2016, respectively, are valued at the Hospital's percentage ownership based on the value of the underlying investments (Level 2 inputs).
- Government agency bond obligations of $4,905,727 and $5,049,958 as of September 30, 2017 and 2016, respectively, are valued based on observable inputs such as benchmark yields, broker quotes, base spread, rating agency updates and prepayment schedule and history (Level 2 inputs).

Note 5. Capital Assets

Major classes of capital assets at September 30, 2017 and 2016 are summarized as follows:

	2017	2016
Land and improvements	$ 1,866,399	$ 1,863,184
Buildings	50,814,108	50,758,119
Fixed equipment	7,252,858	7,066,566
Moveable equipment	122,631,746	120,806,994
Total capital assets	182,565,111	180,494,863
Less accumulated depreciation	139,747,309	133,223,711
Add construction in progress	2,571,602	615,852
Capital assets, net	$ 45,389,404	$ 47,887,004

Depreciation expense for the years ended September 30, 2017 and 2016 totaled $7,106,391 and $7,557,733, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

A summary of capital assets for the years ended September 30, 2017 and 2016 follows:

	Balance September 30, 2016	Increases	Decreases	Balance September 30, 2017
Capital assets not being depreciated				
Land	$ 562,925	$ -	$ -	$ 562,925
Construction in progress	615,852	2,639,077	(683,327)	2,571,602
Total	1,178,777	2,639,077	(683,327)	3,134,527
Capital assets being depreciated				
Land improvements	1,300,259	3,215	-	1,303,474
Buildings	50,758,119	55,989	-	50,814,108
Fixed equipment	7,066,566	186,292	-	7,252,858
Movable equipment	120,806,994	2,411,993	(587,241)	122,631,746
Total	179,931,938	2,657,489	(587,241)	182,002,186
Less accumulated depreciation for				
Land improvements	(403,589)	(34,538)	-	(438,127)
Buildings	(15,293,187)	(1,325,392)	-	(16,618,579)
Fixed equipment	(3,727,949)	(67,816)	-	(3,795,765)
Movable equipment	(113,798,986)	(5,679,346)	583,494	(118,894,838)
Total accumulated depreciation	(133,223,711)	(7,107,092)	583,494	(139,747,309)
Depreciable capital assets, net	46,708,227	(4,449,603)	(3,747)	42,254,877
Total capital assets, net	$ 47,887,004	$ (1,810,526)	$ (687,074)	$ 45,389,404

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

	Balance September 30, 2015	Increases	Decreases	Balance September 30, 2016
Capital assets not being depreciated				
Land	$ 562,925	$ -	$ -	$ 562,925
Construction in progress	1,778,143	2,481,000	(3,643,291)	615,852
Total	2,341,068	2,481,000	(3,643,291)	1,178,777
Capital assets being depreciated				
Land improvements	1,273,904	26,355	-	1,300,259
Buildings	49,860,000	898,119	-	50,758,119
Fixed equipment	6,952,642	113,924	-	7,066,566
Movable equipment	115,287,192	5,911,952	(392,150)	120,806,994
Total	173,373,738	6,950,350	(392,150)	179,931,938

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

	Balance September 30, 2015	Increases	Decreases	Balance September 30, 2016
Less accumulated depreciation for				
Land improvements	$ (362,612)	$ (40,977)	$ -	$ (403,589)
Buildings	(13,985,010)	(1,308,177)	-	(15,293,187)
Fixed equipment	(3,652,826)	(75,123)	-	(3,727,949)
Movable equipment	(108,000,763)	(6,133,456)	335,233	(113,798,986)
Total accumulated depreciation	(126,001,211)	(7,557,733)	335,233	(133,223,711)
Depreciable capital assets, net	47,372,527	(607,383)	(56,917)	46,708,227
Total capital assets, net	$ 49,713,595	$ 1,873,617	$ (3,700,208)	$ 47,887,004

The Hospital had approximately $-0- and $3,540,000 in construction commitments outstanding as of September 30, 2017 and 2016, respectively. No interest was capitalized during the years ended September 30, 2017 and 2016.

Note 6. Long-Term Debt

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

	2017	2016
Trustmark note payable, with an interest rate of 2.98 percent and payments due through November 2, 2021, collateralized by equipment that was purchased with the note.	$ 2,987,333	$ -
Capital lease obligation, with interest of 2.59 percent and payments due through September 2022, collateralized by leased equipment.	2,254,956	-
Total long-term debt	5,242,289	
Less current maturities of long-term debt	(1,136,792)	-
Long-term debt, excluding current maturities	$ 4,105,497	$ -

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Continued

Scheduled interest and principal payments of long-term debt and payments on capital lease obligations at September 30, 2017 are as follows:

Year Ending September 30,	Long-Term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2018	$ 684,816	$ 80,823	$ 451,976	$ 53,063
2019	704,047	59,895	463,823	41,217
2020	725,507	38,435	475,979	29,060
2021	747,842	16,099	488,454	16,585
2022	125,121	478	374,724	4,056
	$ 2,987,333	$ 195,730	$ 2,254,956	$ 143,981

A schedule of changes in the Hospital's long-term debt for 2017 follows:

	Balance September 30, 2016	Additions	Retirements	Balance September 30, 2017	Due Within One Year
Notes payable	$ -	$ 3,540,849	$ (553,516)	$ 2,987,333	$ 684,816
Capital lease obligations	-	2,366,135	(111,179)	2,254,956	451,976
Total long-term debt	$ -	$ 5,906,984	$ (664,695)	$ 5,242,289	$ 1,136,792

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. Other Assets

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

	2017	2016
Investment in provider sponsored health plan	$ 400,000	$ 250,000
Other	19,254	17,494
Total other assets	$ 419,254	$ 267,494

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined Benefit Pension Plan

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

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

Normal Retirement Benefit

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

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

(i) For service before October 1, 1972:
   a. 1.00 percent of average compensation multiplied by benefit service through September 30, 1972.

(ii) For service from October 1, 1972 through September 30, 1988:
   a. 0.85 percent of average compensation plus 1.00 percent of average compensation in excess of $15,000, all multiplied by benefit service from October 1, 1972 through September 30, 1988 (limited to 16 years).

(iii) For each year of participation on and after October 1, 1988:
   a. 1.25 percent of compensation for a given year of participation plus 0.65 percent of compensation for that year in excess of the integration level for that year.

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 9. Continued

Summary of Participant Data

	2017	2016
1. Inactive Plan Participants		
a.) Retirees and beneficiaries currently receiving benefits	299	286
b.) Terminated employees entitled to deferred benefits	577	547
c.) Disabled employees entitled to deferred benefits	-	-
d.) Total	876	833
2. Active Plan Participants		
a.) Vested	385	447
b.) Nonvested	-	-
c.) Total	385	447
3. Total Plan Participants	1,261	1,280

Funding Policy

Although a formal funding policy has not been established, the Hospital generally contributes the amount necessary to fund the Plan at an actuarially determined rate. Employees are not allowed to contribute to the Plan. The current actuarially required minimum rate is 1.7 percent of annual covered payroll. The Hospital's contributions to the Plan for the years ended September 30, 2017 and 2016 were $1,367,610 and $1,394,632, 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, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2016 and 2015, respectfully.

Summary of Assumptions

The total pension liability as of September 30, 2017 and 2016 was measured using the following actuarial assumptions, applied to all periods in the measurement:

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

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

Salary increases	Not applicable, benefits are frozen

NOTES TO FINANCIAL STATEMENTS

Note 9. Continued

The mortality rates are based on the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2014 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2016 to better recognize current and future mortality improvements.

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

Schedule of Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a)–(b)
Balance at September 30, 2016	$ 46,069,367	$ 30,631,865	$ 15,437,502
Changes for the Year:			
Service cost	-	-	-
Interest	3,363,064	-	3,363,064
Benefit changes	-	-	-
Difference between expected and actual experience	(355,795)	-	(355,795)
Changes of assumptions	-	-	-
Contributions - employer	-	1,367,610	(1,367,610)
Contributions - employees	-	-	-
Net investment income	-	2,883,575	(2,883,575)
Refunds of contributions	-	-	-
Benefits paid	(2,320,792)	(2,320,792)	-
Administrative expenses	-	(80,239)	80,239
Other changes	-	-	-
Net changes	686,477	1,850,154	(1,163,677)
Balance at September 30, 2017	$ 46,755,844	$ 32,482,019	$ 14,273,825

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a)–(b)
Balance at September 30, 2015	$ 46,368,349	$ 29,139,299	$ 17,229,050
Changes for the Year:			
Service cost	-	-	-
Interest	3,384,889	-	3,384,889
Benefit changes	-	-	-
Difference between expected and actual experience	(294,088)	-	(294,088)
Changes of assumptions	(1,336,081)	-	(1,336,081)
Contributions - employer	-	1,394,632	(1,394,632)
Contributions - employees	-	-	-
Net investment income	-	2,229,987	(2,229,987)

NOTES TO FINANCIAL STATEMENTS

Note 9. Continued

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a)–(b)
Refunds of contributions	$ -	$ -	$ -
Benefits paid	(2,053,702)	(2,053,702)	-
Administrative expenses	-	(78,351)	78,351
Other changes	-	-	-
Net changes	(298,982)	1,492,566	(1,791,548)
Balance at September 30, 2016	$ 46,069,367	$ 30,631,865	$ 15,437,502

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 (6.30%)	Current Rate (7.30%)	1% Increase (8.30%)
Net Pension Liability	$ 20,041,642	$ 14,273,825	$ 9,519,621

The asset allocations for each major asset class at September 30, 2017 are summarized below in the following table:

Asset Class	2017 Allocation	2016 Allocation
Mutual funds – fixed income	40.9%	41.67%
Mutual funds – equities	32.1%	35.15%
Common stock – equities	8.2%	10.26%
International mutual funds	16.9%	10.70%
Cash and cash equivalents	1.0%	1.08%
International foreign stock	0.9%	1.14%
Total	100%	100%

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended September 30, 2017 and 2016, the Hospital recognized pension expense of $649,562 and $1,058,265. At September 30, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2017	2016
Deferred outflows of resources		
Experience losses	$ 12,270	$ 12,270
Net difference between projected and actual earnings on pension plan investments	132,170	1,093,333
Total deferred outflows of resources	$ 144,440	$ 1,105,603

NOTES TO FINANCIAL STATEMENTS

Note 9. Continued

	2017	2016
Deferred Inflows of resources		
Experience losses	$ (229,634)	$ (166,777)
Change in assumptions	(179,301)	(757,691)
Total deferred inflows of resources	$ (408,935)	$ (924,468)
Net deferred outflows (inflows) of resources	$ (264,495)	$ 181,135

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

Year Ending September 30,	Amount
2017	$ (170,589)
2018	226,076
2019	(172,964)
2020	(147,017)
Total	$ (264,494)

Amortization Period

Investment gains or losses are amortized over five years.

Changes in actuarial assumptions and experience gains or losses are amortized over the average working lifetime of all participants, which for the current period is 2.0 and 2.31 years for the measurement periods ended September 30, 2017 and 2016, respectively.

Note 10. Net Patient Service Revenue

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

Medicare

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

NOTES TO FINANCIAL STATEMENTS

Note 10. Continued

Medicaid

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

The Hospital participates in the Division of Medicaid ("DOM") Mississippi Hospital Access Payment ("MHAP") program (the "MHAP Program"). The MHAP Program is administered by the DOM through the Mississippi CAN coordinated care organizations ("CCO"). The CCO's subcontract with the Hospitals throughout the state for distribution of the MHAP for the purpose of protecting patient access to hospital care. The MHAP payments and associated tax were distributed and collected in seven equal installments during the months of December 2015 through June 2016, and monthly thereafter. The Hospital received approximately $9,993,000 and $10,012,000 from the MHAP program with related tax assessments of approximately $3,448,000 and $3,465,000 recorded in operating expenses for the years ended September 30, 2017 and 2016, respectively.

Laws and regulations governing the Medicare and Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change. The 2017 and 2016 net patient service revenue decreased approximately $647,000 and $153,000, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated. The Hospital's cost reports have been settled through September 30, 2013.

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:

	2017	2016
Gross patient service revenue	$ 361,203,290	$ 386,463,490
Less:		
Provisions for contractual adjustments	(221,306,208)	(234,018,228)
Provisions for bad debts	(41,234,804)	(31,019,553)
Net patient service revenue	$ 98,662,278	$ 121,425,709

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

NOTES TO FINANCIAL STATEMENTS

Note 11. Continued

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 $1,204,000 and $1,522,000 in 2017 and 2016, respectively.

Note 12. Concentration of Credit Risks and Patient Service Revenue

Accounts Receivable

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

	2017	2016
Medicare	35%	29%
Medicaid	14	14
Blue Cross	5	5
Self-pay	28	35
Other	18	17
	100%	100%

Patient Service Revenue

The percentage mix of gross revenue for the years ended September 30, 2017 and 2016 for patient services rendered under contract with major third-party cost reimbursers follows:

	2017	2016
Medicare	48%	48%
Medicaid	21	21
Blue Cross	11	11
Self-pay	8	8
Other	12	12
	100%	100%

Note 13. Commitments and Contingencies

Operating Leases

The Hospital leases various equipment under operating leases expiring at various dates through September 2019. Total rental expense for the years ended September 30, 2017 and 2016, for all operating leases was approximately $956,929 and $936,000, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 13. Continued

The following is a schedule by year of future minimum lease payments under noncancelable operating leases as of September 30, 2017, that have initial or remaining lease terms in excess of one year:

Year Ending September 30,	Amount
2018	$ 498,576
2019	115,167
2020	27,945
2021	9,568
	$ 651,256

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	(Ended) September 30, Claims Liability
2016	$ 2,214,652	$ 712,455	$ (264,312)	$ 2,662,795
2017	$ 2,662,795	$ 1,220,488	$ (1,093,555)	$ 2,789,728

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, 2017 and 2016 is based on the requirements of GASB, which requires that liability

NOTES TO FINANCIAL STATEMENTS

Note 13. Continued

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 2017 and 2016 are as follows:

	(Beginning) October 1, Claims Liability	Current Year Claims and Change in Estimates	Current Year Claim Payments	(Ended) September 30, Claims Liability
2016	$ 839,554	$ 3,927,851	$ (3,767,405)	$ 1,000,000
2017	$ 1,000,000	$ 5,916,635	$ (5,841,752)	$ 1,074,883

Note 14. Risks and Uncertainties

The ACA is the comprehensive healthcare reform bill passed by Congress in March 2010. The law reshapes the way healthcare is delivered and financed by transitioning providers from a volume-based fee-for-service system toward value-based care. Through a series of new programs, regulations, fees and subsides, the ACA seeks to achieve a triple aim of better population health, lower per capita costs and elevated patient experience. Several legal challenges have been made against the legislation since it was enacted, and uncertainty exists as to the ultimate impact of the legislation on the healthcare delivery system. On June 28, 2012, the United States Supreme Court upheld the constitutionality of components of the ACA, allowing the historic overhaul of the healthcare system to continue. Subsequent efforts to repeal and replace the ACA have been uncuccessful. Potential impacts of healthcare reform include political uncertainty and volatility in Medicare and Medicaid reimbursement, fundamental changes in payment systems, increased regulation and significant required investments in healthcare information technology.

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

REQUIRED SUPPLEMENTARY INFORMATION

GREENWOOD LEFLORE HOSPITAL
Schedule of Changes in Net Pension Liability and Related Ratios
Years ended September 30, 2017, 2016 and 2015

	2017	2016	2015
Total Pension Liability			
Service cost	$ -	$ -	$ -
Interest	3,363,064	3,384,889	3,384,889
Difference between expected and actual experience	(355,795)	(294,088)	68,042
Changes of assumptions	-	(1,336,081)	-
Benefit payments/refunds	(2,320,792)	(2,053,702)	(1,965,617)
Net change in total pension liability	686,477	(298,982)	1,487,314
Total pension liability – beginning	46,069,367	46,368,349	44,881,035
Total pension liability – ending (a)	$ 46,755,844	$ 46,069,367	$ 46,368,349
Plan Fiduciary Net Position			
Contributions – employer	$ 1,367,610	$ 1,394,632	$ 2,517,899
Net investment income	2,883,575	2,229,987	107,212
Benefit payments/refunds	(2,320,792)	(2,053,702)	(1,965,617)
Administrative expenses	(80,239)	(78,351)	(88,388)
Net change in plan fiduciary net position	1,850,154	1,492,566	571,106
Plan fiduciary net position – beginning	30,631,865	29,139,299	28,568,193
Plan fiduciary net position – ending (b)	$ 32,482,019	$ 30,631,865	$ 29,139,299
Net pension liability – ending (a) – (b)	$ 14,273,825	$ 15,437,502	$ 17,229,050
Plan fiduciary net position as a percent of the total pension liability	69.5%	66.5%	62.8%
Covered-employee payroll	N/A	N/A	N/A
Net pension liability as a percent of covered-employee payroll	N/A	N/A	N/A

See notes to required supplementary information.

GREENWOOD LEFLORE HOSPITAL
Schedule of Contributions
Years Ended September 30, 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
2017	$ 1,367,610	$ 1,367,610	$ -	N/A	N/A
2016	$ 1,394,632	$ 1,394,632	$ -	N/A	N/A
2015	$ 1,458,037	$ 1,458,037	$ -	N/A	N/A

See notes to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Summary of Assumptions and Methods Used to Determine Contributions Rates

The total pension liability as of September 30, 2017, 2016 and 2015 was determined using the following actuarial assumptions, applied to all periods in the measurement:

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

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

Salary increases	Not applicable, benefits are frozen

The mortality table is based on the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2014 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2016 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 current period is 2.42 years.

Schedule of Investment Returns

	Fiscal year ended September 30,	
	2017	2016
Net investment yield	9.75%	7.91%

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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

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, 2017 and 2016 uses a closed period of 25 and 26 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, 2016 and 2015 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, 2017

Name	Position	Surety		Amount
Brian Waldrop	Board Member	Travelers	$	100,000
Nick Chandler	Board Member	Travelers		100,000
Sammy Foster	Board Member	Travelers		100,000
Freddie White-Johnson	Board Member	Travelers		100,000
Larry Griggs	Board Member	Travelers		100,000
James Jackson	Chief Executive Officer	Travelers		100,000
Dawne Holmes	Chief Financial Officer	Travelers		100,000

HORNE
CPAs & BUSINESS ADVISORS

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

Board of Hospital Commissioners
Greenwood Leflore Hospital
Greenwood, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of Greenwood Leflore Hospital (the "Hospital"), a component unit of Leflore County, including the City of Greenwood, Mississippi, as of and for the year ended September 30, 2017 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 20, 2018.

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 Standard*s.

Purpose of this Report

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

Horne LLP

Ridgeland, Mississippi
February 20, 2018