GREENWOOD LEFLORE HOSPITAL

Audited Financial Statements

Years Ended September 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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. Our opinion is not modified in respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the pension information on pages 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The Schedule of Surety Bonds for Officers and Employees on page 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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 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.

Horne LLP

Ridgeland, Mississippi
December 18, 2018

The discussion and analysis of Greenwood Leflore Hospital (the "Hospital") financial performance provides an overview of the Hospital's financial activities for the fiscal years ended September 30, 2018 and 2017. This discussion and analysis should be read in conjunction with the Hospital's financial statements, which begin on page 10.

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 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, which 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 10. Total net position decreased during fiscal year 2018 by $8.9 million (13 percent), and $22.3 million during fiscal year 2017 (24.2 percent), as reflected on the statements of revenues, expenses and changes in net position. The 2018 decrease results from increasing employee health and welfare costs, the closure of the LTAC and the continued decline of inpatient volumes. The 2017 decrease results from the change in payment patterns that have been developing industry-wide over the last few years.

Assets, Liabilities and Net Position (in thousands)

	September 30,		
	2018	2017	2016
Assets			
Current assets	$ 30,063	$ 27,891	$ 45,837
Designated funds and assets limited as to use	15,000	26,947	25,000
Capital assets, net	46,535	45,389	47,887
Other assets	3,462	3,847	3,222
Total assets	95,060	104,074	121,946
Deferred outflows of resources	440	144	1,106
Total assets and deferred outflows of resources	95,500	104,218	123,052
Liabilities			
Current liabilities	16,641	15,408	14,361
Net pension liability	14,687	14,274	15,438
Long-term debt, net of current maturities	2,883	4,106	-
Total liabilities	34,211	33,788	29,799
Deferred inflows of resources	133	409	924
Net position			
Invested in capital assets	42,482	40,147	47,887
Restricted			
Expendable for use in self-insurance	1,453	1,047	1,357
Expendable for capital improvements	-	1,947	-
Expendable for specific operating activities	45	49	50
Unrestricted	17,176	26,831	43,035
Total net position	$ 61,156	$ 70,021	$ 92,329

The Hospital's cash and investment position decreased in 2018 by $10.5 million. This net decrease in cash is attributable to the reduction in patient volumes and a use of cash to fund operations, capital purchases and pay down debt service. 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 capital purchases and financing activities.

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

	2018	2017	2016
Cash and cash equivalents	$ 9,514	$ 8,487	$ 10,718
Restricted cash and cash equivalents	1,453	1,047	1,357
Designated by Board for capital improvements	15,000	26,947	25,000
Total available cash and investments	$ 25,967	$ 36,481	$ 37,075

Cash and investment balances available for operations at September 30, 2018 and 2017 represent cash sufficient to cover approximately 80 and 115 days of operating expenses, respectively.

Capital Assets and Current Liabilities Adminstration

Net capital assets increased by $1.1 million in 2018. This increase relates to $7.8 million in capital expenditures offset by $6.7 million in depreciation of the Hospital's assets. 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.

The table below shows the changes in capital assets:

Capital Assets (in thousands)

	September 30,		
	2018	2017	2016
Land and land improvements	$ 1,882	$ 1,866	$ 1,863
Building and leasehold improvements	53,030	50,814	50,758
Equipment	134,728	129,884	127,873
Subtotal	189,640	182,564	180,494
Less: accumulated depreciation	(146,235)	(139,747)	(133,223)
Construction in progress	3,130	2,572	616
Net capital assets	$ 46,535	$ 45,389	$ 47,887

Current liabilities increased by $1.2 million in 2018, due to an increase in accounts payable and accrued expenses. 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.

Net Pension Liability

The net pension liability and related deferred outflows and inflows of resources are actuarially determined. Deferred outflows from pension were $0.4 million and $0.1 million in 2018 and 2017, respectively. Deferred inflows from pension were $0.1 million and $0.4 million in 2018 and 2017. 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, 2018 and 2017 was $14.7 and $14.3 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,		
	2018	2017	2016
Operating revenues			
Net patient service revenue	$ 114,826	$ 98,662	$ 121,425
Other revenues	1,456	2,119	2,162
Total operating revenues	116,282	100,781	123,587
Operating expenses			
Professional care of patients	84,798	84,374	88,563
General, administrative and plant services	22,352	21,594	21,761
Employee health and welfare	11,539	10,087	11,654
Depreciation and amortization	6,767	7,107	7,558
Total operating expenses	125,456	123,162	129,536
Operating loss	(9,174)	(22,381)	(5,949)
Non-operating revenues (expenses)			
Investment income	361	91	235
Interest expense	(53)	(15)	-
Gain (loss) on disposal of capital assets	1	(3)	(57)
Total non-operating revenues, net	309	73	178
Decrease in net position	(8,865)	(22,308)	(5,771)
Net position, beginning of year	70,021	92,329	98,100
Net position, end of year	$ 61,156	$ 70,021	$ 92,329

Net Patient Service Revenue

Fiscal Year Ended September 30, 2018

Compared to 2017, net patient service revenue increased by $16.2 million or 16.4 percent, $14.5 million of which was due to a 2017 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 remaining $2.7 million increase was due to emphasis on collections, revenue cycle, clinical documentation improvement efforts, case management and utilization review efficiencies. Gross revenues decreased $3.6 million or 1 percent. Inpatient admissions decreased 8.58 percent, while average length of stay increased 6.04 percent, resulting in total patient days decreasing 8.58 percent. Observation care admissions decreased 1.67 percent, with observation days of care increasing 2.94 percent. Outpatient visits to the Hospital increased approximately 1.8 percent. Overall, gains in patient volumes were recognized in the emergency room, ICU, pharmacy and cardio pulmonary, while decreases were recognized in routine nursing, surgical services, inpatient rehab unit, endo lab, wound care, pain clinic , hospitalists, physical therapy, labor and delivery, newborn nursery, cath lab, 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 cancer center was reopened for patients in January 2018.

Contractual adjustments, which are deductions from gross patient service revenue, decreased $0.4 million (0.2 percent) to $220.2 million in 2018 from $221.3 million in 2017. Contractual adjustments expressed as a percentage of gross patient service revenues were 61.6 percent in 2018 and 61.3 percent 2017. The Hospital's net benefit from the Medicaid Voluntary Contribution program and the Mississippi Hospital Access program increased approximately $113,000 in fiscal year 2018. 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 $18.7 million (45.3 percent) to $22.5 million in 2018 from $41.2 million in 2017. Bad debt expense expressed as a percentage of gross patient service revenue was 6.3 percent in 2018 and 11.4 percent 2017.

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.

Operating Expenses

Fiscal Year Ended September 30, 2018

Total operating expenses were $125.5 million in 2018 compared to $123.2 million in 2017, an increase of $2.3 million or 1.9 percent.

Professional care of patients' expenses comprise 67.6 percent and 68.5 percent of total operating expenses for 2018 and 2017, respectively, and increased to $84.8 million in 2018 from $84.3 million in 2017, an increase of $0.5 million or 0.5 percent. Salaries and contract expenses associated with rendering patient care comprise approximately 66.0 percent of total professional care of patients' expenses. Salaries and contract expenses within the cost component increased $0.8 million in 2018, primarily due to the addition of new physicians. Updated labor targets were implemented on units to continue to manage variable labor costs as patient volumes shifted throughout the day. Supplies and other costs included in the professional care of patients' component decreased $0.3 million from 2017 to 2018.

General, administrative and plant expenses comprise approximately 17.8 percent and 17.5 percent of total operating expenses in 2018 and 2017, respectively. These costs increased $0.8 million from 2017 to 2018.

Employee health and welfare expenses comprise 9.2 percent and 8.2 percent of total operating expenses for 2018 and 2017, respectively. These costs increased from $10.1 million in 2017 to $11.5 million in 2018, an increase of $1.4 million or 14.4 percent. This increase is due to an increase in the health insurance expense and pension expense.

Depreciation and amortization expense was $6.8 million for 2018 and $7.1 million for 2017.

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.

Economic Factors and Next Year's Budget

Based on the trending patient volumes and financial results of fiscal years 2016 and 2017, Vizient, a third-party consulting firm, had been retained to launch a total performance management initiative to identify and implement cost savings or net revenue initiatives. They began in February 2018. To date, several supply chain initiatives have been implemented, the emergency room has been redesigned to decrease wait times and increase patient access. That engagement is set to end in April 2019. The Hospital has joined S3P GPO for additional supply chain savings.

The Hospital is strategically recruiting for succession planning for some of its physicians that are set to retire in the next year or two. A new part time ENT is set to begin in early 2019.

The Hospital is currently looking for a new partner for the vacated LTAC space.

The Board of Hospital Commissioners approved the 2019 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 loss of $1.7 million and a (0.5) 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, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,513,829	$ 8,486,757
Assets limited as to use	1,452,618	1,047,381
Patient accounts receivable, net of allowance for doubtful accounts of $42,915,035 and $42,486,041, respectively	13,291,863	13,998,164
Estimated third-party payor settlements	1,256,776	83,427
Other current receivables	87,740	56,149
Inventories	2,477,857	2,510,844
Prepaid expenses and other current assets	1,982,422	1,708,025
Total current assets	30,063,105	27,890,747
Assets limited as to use for capital improvements	-	1,947,325
Funds internally designated for capital improvements	15,000,000	25,000,000
Total noncurrent cash and investments	15,000,000	26,947,325
Capital assets, net	46,534,895	45,389,404
Other assets		
Other receivables	2,019,624	2,401,789
Other assets	417,494	419,254
Intangibles	1,024,940	1,024,940
Total other assets	3,462,058	3,845,983
Total assets	95,060,058	104,073,459
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources from pension	439,584	144,440
LIABILITIES		
Current liabilities		
Accounts payable	7,136,408	6,667,864
Accrued expenses, including payroll taxes withheld	8,334,838	7,603,681
Current installments of long-term debt	1,169,307	1,136,792
Total current liabilities	16,640,553	15,408,337
Net pension liability	14,687,160	14,273,825
Long-term debt, net of current maturities	2,883,130	4,105,497
Total long-term liabilities	17,570,290	18,379,322
Total liabilities	34,210,843	33,787,659
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources from pension	133,106	408,935
NET POSITION		
Net investment in capital assets	42,482,458	40,147,115
Restricted		
Use in self-insurance	1,452,618	1,047,381
Assets limited as to use for capital improvements	-	1,947,325
Specific operating activities	45,052	48,522
Unrestricted	17,175,565	26,830,962
Total net position	$ 61,155,693	$ 70,021,305

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL

Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30, 2018 and 2017

	2018	2017
Operating revenues		
Net patient service revenue, net of provision for bad debts of $22,547,093 and $41,234,804, respectively	$ 114,825,613	$ 98,662,278
Other operating revenue	1,455,960	2,118,725
Total operating revenues	116,281,573	100,781,003
Operating expenses		
Professional care of patients	84,797,511	84,373,959
General and administrative services	15,281,738	14,748,012
Dietary services	1,413,555	1,426,614
Household and plant operations	5,657,222	5,419,462
Employee health and welfare	11,538,887	10,087,279
Depreciation and amortization	6,767,043	7,106,391
Total operating expenses	125,455,956	123,161,717
Loss from operations	(9,174,383)	(22,380,714)
Nonoperating revenues (expenses)		
Investment income	360,965	90,435
Interest expense	(52,784)	(15,102)
Gain (loss) on disposal of capital assets	590	(2,784)
Total nonoperating revenues	308,771	72,549
Decrease in net position	(8,865,612)	(22,308,165)
Net position, beginning of year	70,021,305	92,329,470
Net position, end of year	$ 61,155,693	$ 70,021,305

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL

Statements of Cash Flows

Years Ended September 30, 2018 and 2017

		2018		2017
Cash flows from operating activities				
Receipts from and on behalf of patients	$	114,414,714	$	113,943,345
Payments to employees		(66,969,950)		(64,630,452)
Payments to suppliers and contractors		(50,622,125)		(52,731,405)
Other receipts and payments, net		1,455,960		2,118,725
Net cash used in operating activities		(1,721,401)		(1,299,787)
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets		14,127		-
Purchase of capital assets		(7,845,110)		(4,528,445)
Proceeds from issuance of long-term debt		-		5,906,984
Payments on long-term debt		(1,189,852)		(664,695)
Interest paid on long-term debt		(133,745)		(98,232)
Net cash provided by (used in) capital and related financing activities		(9,154,580)		615,612
Cash flows from investing activities				
Purchases of investments		(117,291)		(173,051)
Proceeds from sale of investments		44,726		144,083
Interest and dividends on investments		546,178		275,648
Net cash provided by investing activities		473,613		246,680
Decrease in cash and cash equivalents		(10,402,368)		(437,495)
Cash and cash equivalents, beginning of year		26,469,251		26,906,746
Cash and cash equivalents, end of year	$	16,066,883	$	26,469,251
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	$	9,513,829	$	8,486,757
Assets limited as to use		1,452,618		2,994,706
Cash internally designated for capital improvements		5,100,436		14,987,788
Total cash and cash equivalents	$	16,066,883	$	26,469,251

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL

Statements of Cash Flows (Continued)

Years Ended September 30, 2018 and 2017

	2018	2017
Reconciliation of loss from operations to net cash used in operating activities		
Loss from operations	$ (9,174,383)	$ (22,380,714)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation and amortization	6,767,043	7,106,391
Provision for bad debts	22,547,093	41,234,804
Changes in operating assets and liabilities		
Receivables	(21,784,643)	(26,028,896)
Inventories	32,987	(2,191)
Prepaid and other assets	21,788	(496,452)
Accounts payable	468,544	(646,410)
Estimated third-party payor settlements	(1,173,349)	75,159
Accrued expenses, including payroll taxes withheld	731,157	556,569
Net pension liability, and related accounts	(157,638)	(718,047)
Net cash used in operating activities	$ (1,721,401)	$ (1,299,787)
Supplemental cash flow Information		
Gain (loss) on disposal of capital assets	$ 590	$ (2,784)

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 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 follow:

	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.

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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Compensated Absences

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

Estimated Health Insurance

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

Defined Benefit Pension Plan (the "Plan")

The Hospital uses GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") on the statements to recognize the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans. The Hospital recognizes benefit payments when due and payable in accordance with benefit terms. Investment assets are reported at fair value. More information on pension activity for the Hospital is included in Note 8.

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.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no effect on previously reported income or net assets.

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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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.

The Hospital will adopt GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in fiscal year 2019. This statement requires additional information related to debt be disclosed in the notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default or termination with finance-related consequences and significant acceleration clauses. With the inclusion of this information, users will better understand the effects of debt on a government's future resource flows. 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.

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 $16,368,790 and $28,664,811 at September 30, 2018 and 2017, 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.

Note 2. Continued

The Hospital's investments are reported at fair value, as discussed in Note 4. At September 30, 2018 and 2017, the Hospital had the following investments and maturities;

September 30, 2018 Investment Type	Bond Ratings Moodys	 S&P	Interest Rate		Carrying Amount	Maturity Date
FHLB Bond	Aaa	AA+	1.63%	$	2,895,450	8/25/2021
FHLB Bond	Aaa	AA+	2.01%		1,956,252	12/22/2021
MHA Intermediate Pool	N/A	N/A	N/A		5,047,862	N/A
Total				$	9,899,564	

September 30, 2017 Investment Type	Bond Ratings Moodys	 S&P	Interest Rate		Carrying 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	N/A		5,106,485	N/A
Total				$	10,012,212	

Deposits and investments are presented on the statements of net position as of September 30, 2018 and 2017, as follows:

	2018	2017
Cash and cash equivalents	$ 9,513,829	$ 8,486,757
Assets limited as to use, current	1,452,618	1,047,381
Assets limited as to use for capital improvements	-	1,947,325
Internally designated for capital improvements	15,000,000	25,000,000
Total	$ 25,966,447	$ 36,481,463

Of the $17,175,565 and $26,830,962 of unrestricted net position reported at September 30, 2018 and 2017, respectively, $15,000,000 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, 2018 and 2017, as follows:

	2018	2017
Cash and cash equivalents	$ 5,100,436	$ 14,987,788
Investments	9,899,564	10,012,212
Total	$ 15,000,000	$ 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, in 2017 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.

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 $5,047,862 and $5,106,485 as of September 30, 2018 and 2017, 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 $4,851,702 and $4,905,727 as of September 30, 2018 and 2017, 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).

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Major classes of capital assets at September 30, 2018 and 2017 are summarized as follows:

	2018	2017
Land and improvements	$ 1,882,014	$ 1,866,399
Buildings	53,029,730	50,814,108
Fixed equipment	7,496,015	7,252,858
Moveable equipment	127,232,718	122,631,746
Total capital assets	189,640,477	182,565,111
Less accumulated depreciation	146,235,110	139,747,309
Add construction in progress	3,129,528	2,571,602
Capital assets, net	$ 46,534,895	$ 45,389,404

Depreciation expense for the years ended September 30, 2018 and 2017 totaled $6,767,043 and $7,106,391, respectively. Interest capitalized and included in construction in progress during the years ended September 30, 2018 and 2017, totaled $80,961 and $83,130, respectively. The Hospital had no construction commitments outstanding as of September 30, 2018 and 2017.

A summary of capital assets for the years ended September 30, 2018 and 2017 follows:

	Balance September 30, 2017	Increases	Decreases	Balance September 30, 2018
Capital assets not being depreciated				
Land	$ 562,925	$ 15,470	$ -	$ 578,395
Construction in progress	2,571,602	5,885,877	(5,327,951)	3,129,528
Total	3,134,527	5,901,347	(5,327,951)	3,707,923
Capital assets being depreciated				
Land improvements	1,303,474	145	-	1,303,619
Buildings	50,814,108	2,215,622	-	53,029,730
Fixed equipment	7,252,858	243,157	-	7,496,015
Movable equipment	122,631,746	4,893,751	(292,779)	127,232,718
Total	182,002,186	7,352,675	(292,779)	189,062,082
Less accumulated depreciation for				
Land improvements	(438,127)	(22,556)	-	(460,683)
Buildings	(16,618,579)	(1,370,791)	-	(17,989,370)
Fixed equipment	(3,795,765)	(82,938)	-	(3,878,703)
Movable equipment	(118,894,838)	(5,290,758)	279,242	(123,906,354)
Total accumulated depreciation	(139,747,309)	(6,767,043)	279,242	(146,235,110)
Depreciable capital assets, net	42,254,877	585,632	(13,537)	42,826,972
Total capital assets, net	$ 45,389,404	$ 6,486,979	$ (5,341,488)	$ 46,534,895

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	2,410,329	(585,577)	122,631,746
Total	179,931,938	2,655,825	(585,577)	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)	(5,678,645)	582,793	(118,894,838)
Total accumulated depreciation	(133,223,711)	(7,106,391)	582,793	(139,747,309)
Depreciable capital assets, net	46,708,227	(4,450,566)	(2,784)	42,254,877
Total capital assets, net	$ 47,887,004	$ (1,811,489)	$ (686,111)	$ 45,389,404

Note 6. Long-Term Debt

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

	2018	2017
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.	$ 2,304,322	$ 2,987,333
Capital lease obligation, with interest of 2.59 percent and payments due through September 2022, collateralized by leased equipment.	1,748,115	2,254,956
Total long-term debt	4,052,437	5,242,289
Less current maturities of long-term debt	(1,169,307)	(1,136,792)
Long-term debt, excluding current maturities	$ 2,883,130	$ 4,105,497

Note 6. Continued

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

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

	2018	2017
Interest paid on long-term debt	$ 133,745	$ 98,232
Capitalized	(80,961)	(83,130)
Interest expense	$ 52,784	$ 15,102
Interest income	$ 360,965	$ 90,434

Scheduled interest and principal payments of long-term debt and payments on capital lease obligations at September 30, 2018 are as follows:

Year Ending	Long-Term Debt		Capital Lease Obligations	
September 30,	Principal	Interest	Principal	Interest
2019	$ 704,046	$ 59,895	$ 465,261	$ 41,217
2020	725,507	38,435	475,979	29,060
2021	747,842	16,099	488,454	16,585
2022	126,927	478	318,421	4,056
	$ 2,304,322	$ 114,907	$ 1,748,115	$ 90,918

A schedule of changes in the Hospital's long-term debt for 2018 follows:

	Balance September 30, 2017	Additions	Retirements	Balance September 30, 2018	Due Within One Year
Notes payable	$ 2,987,333	$ -	$ (683,011)	$ 2,304,322	$ 704,046
Capital lease obligations	2,254,956	-	(506,841)	1,748,115	465,261
Total long-term debt	$ 5,242,289	$ -	$(1,189,852)	$ 4,052,437	$ 1,169,307

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

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 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.

<u>Normal Retirement Benefit</u>

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.

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

	2018	2017
1. Inactive Plan Participants		
a.) Retirees and beneficiaries currently receiving benefits	320	299
b.) Terminated employees entitled to deferred benefits	569	577
c.) Disabled employees entitled to deferred benefits	-	-
d.) Total	889	876
2. Active Plan Participants		
a.) Vested	360	385
b.) Nonvested	-	-
c.) Total	360	385
3. Total Plan Participants	1,249	1,261

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, 2018 and 2017 were $1,452,904 and $1,367,610, 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, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2017 and 2016, respectfully.

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

Summary of Assumptions

The total pension liability as of September 30, 2018 and 2017 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

As of October 1, 2016, 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-2016.

Effective October 1, 2017, 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-2016 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2017 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, 2017	$ 46,755,844	$ 32,482,019	$ 14,273,825
Changes for the Year:			
Service cost	-	-	-
Interest	3,413,176	-	3,413,176
Difference between expected and actual experience	740,367	-	740,367
Changes of assumptions	(299,489)	-	(299,489)
Contributions - employer	-	1,452,904	(1,452,904)
Net investment income	-	2,073,394	(2,073,394)
Benefits paid/refunds	(2,461,722)	(2,461,722)	-
Administrative expenses	-	(85,579)	85,579
Net changes	1,392,332	978,997	413,335
Balance at September 30, 2018	$ 48,148,176	$ 33,461,016	$ 14,687,160

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, 2016	$ 46,069,367	$ 30,631,865	$ 15,437,502
Changes for the Year:			
Service cost	-	-	-
Interest	3,363,064	-	3,363,064
Difference between expected and actual experience	(355,795)	-	(355,795)
Contributions - employer	-	1,367,610	(1,367,610)
Net investment income	-	2,883,575	(2,883,575)
Benefits paid/refunds	(2,320,792)	(2,320,792)	-
Administrative expenses	-	(80,239)	80,239
Net changes	686,477	1,850,154	(1,163,677)
Balance at September 30, 2017	$ 46,755,844	$ 32,482,019	$ 14,273,825

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	$ 20,350,135	$ 14,687,160	$ 9,995,779

The asset allocations for each major asset class at September 30, 2018 and 2017, are summarized below in the following table:

Asset Class	2018 Allocation	2017 Allocation
Mutual funds – fixed income	43.9%	40.9%
Mutual funds – equities	40.4%	32.1%
Common stock – equities	2.7%	8.2%
International mutual funds	12.1%	16.9%
Cash and cash equivalents	0.7%	1.0%
International foreign stock	0.2%	0.9%
Total	100%	100%

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

Pension Expense and Deferred Outflows/Inflows of Resources

For the years ended September 30, 2018 and 2017, the Hospital recognized pension expense of $1,295,267 and $649,562, respectively. At September 30, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2018	2017
Deferred outflows of resources		
Experience losses	$ 329,052	$ 12,270
Net difference between projected and actual earnings on pension plan investments	110,532	132,170
Total deferred outflows of resources	439,584	144,440
Deferred inflows of resources		
Experience losses	-	(229,634)
Change in assumptions	(133,106)	(179,301)
Total deferred inflows of resources	(133,106)	(408,935)
Net deferred outfows (inflows) of resources	$ 306,478	$ (264,495)

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

Year Ending September 30,	Amount
2019	$ 473,131
2020	(121,855)
2021	(95,908)
2022	51,110
Total	$ 306,478

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 1.8 and 2.0 years for the measurement periods ended September 30, 2018 and 2017, respectively.

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:

NOTES TO FINANCIAL STATEMENTS

Note 9. Continued

Medicare

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

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon 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 were distributed on a monthly basis, while the associated tax was collected in seven equal installments during the months of December 2017 through June 2018. The Hospital received approximately $9,993,000 and $9,960,000 from the MHAP program with related tax assessments of approximately $3,368,000 and $3,448,000 recorded in operating expenses for the years ended September 30, 2018 and 2017, 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 2018 and 2017 net patient service revenue increased approximately $263,000 and $647,000, 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:

	2018	2017
Gross patient service revenue	$ 357,574,415	$ 361,203,290
Less:		
Provisions for contractual adjustments	(220,201,709)	(221,306,208)
Provisions for bad debts	(22,547,093)	(41,234,804)
Net patient service revenue	$ 114,825,613	$ 98,662,278

NOTES TO FINANCIAL STATEMENTS

Note 10. 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 $1,361,000 and $1,204,000 in 2018 and 2017, respectively.

Note 11. 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:

	2018	2017
Medicare	31%	35%
Medicaid	15	14
Blue Cross	6	5
Self-pay	20	28
Other	28	18
	100%	100%

Patient Service Revenue

The percentage mix of gross revenue for the years ended September 30, 2018 and 2017 for patient services rendered under contract with major third-party cost reimbursers follows:

	2018	2017
Medicare	48%	48%
Medicaid	21	21
Blue Cross	11	11
Self-pay	8	8
Other	12	12
	100%	100%

NOTES TO FINANCIAL STATEMENTS

Note 12. Commitments and Contingencies

Operating Leases

The Hospital leases various equipment under operating leases expiring at various dates through December 2022. Total rental expense for the years ended September 30, 2018 and 2017, for all operating leases was approximately $1,261,344 and $956,929, respectively.

The following is a schedule by year of future minimum lease payments under noncancelable operating leases as of September 30, 2018, that have initial or remaining lease terms in excess of one year:

Year Ending September 30,		Amount
2019	$	433,239
2020		346,962
2021		323,339
2022		77,134
	$	1,180,674

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
2017	$	2,662,795	$	1,220,488	$	(1,093,555)	$	2,789,728
2018	$	2,789,728	$	903,118	$	(601,637)	$	3,091,209

NOTES TO FINANCIAL STATEMENTS

Note 12. 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, 2018 and 2017 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 2018 and 2017 are as follows:

	(Beginning) October 1, Claims Liability	Current Year Claims and Change in Estimates	Current Year Claim Payments	(Ended) September 30, Claims Liability
2017	$ 1,000,000	$ 5,916,635	$ (5,841,752)	$ 1,074,883
2018	$ 1,074,883	$ 7,111,128	$ (6,896,388)	$ 1,289,623

Note 13. Risks and Uncertainties

The Patient Protection and Affordable Care Act ("ACA") is the comprehensive health care reform bill passed by Congress in March 2010. The law reshapes the way health care 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 subsidies, 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. On January 20, 2017, the U.S. President signed an Executive Order entitled *Minimizing the Economic Burden of the Patient Protection and Affordable Care Act Pending Appeal.* Subsequent attempts at repeal and replace of the ACA have been unsuccessful. 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

September 30, 2018, 2017, 2016 and 2015

	2018	2017	2016	2015
Total Pension Liability				
Service cost	$ -	$ -	$ -	$ -
Interest	3,413,176	3,363,064	3,384,889	3,384,889
Difference between expected and actual experience	740,367	(355,795)	(294,088)	68,042
Changes of assumptions	(299,489)	-	(1,336,081)	-
Benefit payments/refunds	(2,461,722)	(2,320,792)	(2,053,702)	(1,965,617)
Net change in total pension liability	1,392,332	686,477	(298,982)	1,487,314
Total pension liability – beginning	46,755,844	46,069,367	46,368,349	44,881,035
Total pension liability – ending (a)	$ 48,148,176	$ 46,755,844	$ 46,069,367	$ 46,368,349
Plan Fiduciary Net Position				
Contributions – employer	$ 1,452,904	$ 1,367,610	$ 1,394,632	$ 2,517,899
Net investment income	2,073,394	2,883,575	2,229,987	107,212
Benefit payments/refunds	(2,461,722)	(2,320,792)	(2,053,702)	(1,965,617)
Administrative expenses	(85,579)	(80,239)	(78,351)	(88,388)
Net change in plan fiduciary net position	978,997	1,850,154	1,492,566	571,106
Plan fiduciary net position – beginning	32,482,019	30,631,865	29,139,299	28,568,193
Plan fiduciary net position – ending (b)	$ 33,461,016	$ 32,482,019	$ 30,631,865	$ 29,193,299
Net pension liability – ending (a) – (b)	$ 14,687,160	$ 14,273,825	$ 15,437,502	$ 17,229,050
Plan fiduciary net position as a percent of the total pension liability	69.5%	69.5%	66.5%	63.0%
Covered-employee payroll	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

See notes to required supplementary information.

GREENWOOD LEFLORE HOSPITAL
Schedule of Contributions
September 30, 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
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	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, 2018, 2017 and 2016 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

As of October 1, 2016, 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-2016.

Effective October 1, 2017, 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-2016 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2017 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, 2018 and 2017 was 1.8 and 2.0 years, respectively.

Schedule of Investment Returns

	Fiscal year ended September 30,	
	2018	2017
Net investment yield	6.48%	9.75%

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, 2018 and 2017 uses a closed period of 24 and 25 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, 2017 and 2016 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, 2018

Name	Position	Surety		Amount
Sammy Foster	Board Member	Travelers	$	100,000
Freddie White-Johnson	Board Member	Travelers		100,000
Emma Bell	Board Member	Travelers		100,000
Marcus Banks	Board Member	Travelers		100,000
Harris Powers, Jr.	Board Member	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, 2018 and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated December 18, 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 Standards*.

Purpose of this Report

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

Horne LLP

Ridgeland, Mississippi
December 18, 2018