



**Morehouse Parish Hospital
Service District No. 1
(d/b/a Morehouse General Hospital)**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

May 31, 2022 and 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Morehouse Parish Hospital Service District No. 1
(d/b/a/ Morehouse General Hospital)
Bastrop, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Morehouse Parish Hospital Service District No. 1 (d/b/a Morehouse General Hospital) (the Hospital) as of and for the years ended May 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of May 31, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

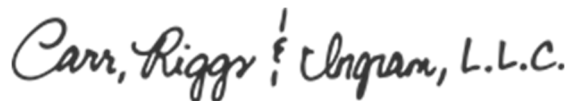
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown on pages 45-48 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of

management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." The signature is written in a cursive, flowing style.

CARR, RIGGS & INGRAM, LLC
Enterprise, Alabama
September 29, 2022

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Balance Sheets**

<i>May 31,</i>	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 11,912,989	\$ 13,387,432
Patient accounts receivable, less allowance for uncollectible accounts of \$2,425,000 in 2022 and \$1,736,952 in 2021	2,557,892	2,869,270
Supplies	728,901	644,881
Estimated amounts due from third-party payors	3,653,286	965,308
Restricted cash and cash equivalents	395,114	504,738
Prepaid expenses and other current assets	4,928,359	1,828,356
Total current assets	24,176,541	20,199,985
Noncurrent assets		
Restricted cash and cash equivalents	1,000,275	431,238
Capital assets		
Land	341,296	341,296
Construction in progress	103,976	152,783
Depreciable capital assets, net	9,890,215	9,271,876
Total capital assets, net	10,335,487	9,765,955
Total assets	\$ 35,512,303	\$ 30,397,178

(Continued)

The accompanying notes are an integral part of these financial statements.

Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Balance Sheets (Continued)

<i>May 31,</i>	2022	2021
Liabilities, Deferred Inflows, and Net Position		
Current liabilities		
Current maturities of long-term debt	\$ 674,517	\$ 920,388
Payroll Protection Program loan	-	2,806,488
Accounts payable	1,761,151	2,352,685
Accrued compensation and payroll taxes	865,391	906,806
Unearned revenue	2,241,962	-
Other accrued liabilities	1,758,624	511,758
Short-term debt	171,149	177,176
Estimated claims liability	306,902	306,902
Total current liabilities	7,779,696	7,982,203
Long-term liabilities		
Settlement payable, net of current maturities	-	19,243
Capital lease obligation, net of current maturities	666,471	648,148
Notes payable, net of current maturities	91,529	115,838
Bonds payable, net of current maturities	7,581,667	7,761,667
Total long-term liabilities	8,339,667	8,544,896
Total liabilities	16,119,363	16,527,099
Deferred inflows of resources		
Deferred inflows on refunding	215,186	215,186
Net position		
Net investment in capital assets	1,230,980	215,594
Restricted	1,395,389	935,976
Unrestricted	16,351,385	12,503,323
Total net position	18,977,754	13,654,893
Total liabilities, deferred inflows, and net position	\$ 35,312,303	\$ 30,397,178

The accompanying notes are an integral part of these financial statements.

Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Statements of Revenues, Expenses and Changes in Net Position

<i>For the years ended May 31,</i>	2022	2021
Operating Revenue		
Net patient service revenue before provision for uncollectible accounts	\$ 33,367,680	\$ 27,475,969
Provision for uncollectible accounts	(2,179,190)	(143,642)
Net patient service revenue	31,188,490	27,332,327
Intergovernmental transfer - operating grant income	1,974,796	741,722
Other operating revenue	2,418,847	1,682,486
Total operating revenues	35,582,133	29,756,535
Operating Expenses		
Salaries and benefits	16,822,598	15,506,940
Outside services	10,344,328	10,931,476
Medical supplies and drugs	3,227,311	2,376,523
Depreciation and amortization	1,158,970	1,040,461
Insurance	673,384	701,900
Other supplies	936,821	700,903
Utilities	671,718	604,424
Other operating expenses	666,852	508,457
Rents and leases	485,678	467,729
Total operating expenses	34,987,660	32,838,813
Operating income (loss)	594,473	(3,082,278)
Nonoperating Revenue (Expenses)		
Investment income	6,791	10,041
Ad valorem tax revenue	1,964,546	1,898,276
CARES Act Provider Relief Funds	273,885	2,521,236
PPP loan forgiveness	2,806,488	-
Grant revenue	1,000	1,000
Contributions	34,158	38,040
Interest expense	(358,480)	(370,857)
Total nonoperating revenues	4,728,388	4,097,736
Increase in net position	5,322,861	1,015,458
Net position - beginning of year	13,654,893	12,639,435
Net position - end of year	\$ 18,977,754	\$ 13,654,893

The accompanying notes are an integral part of these financial statements.

Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Statements of Cash Flows

<i>For the years ended May 31,</i>	2022	2021
Operating Activities		
Receipts from and on behalf on patients	\$ 26,974,454	\$ 26,901,897
Payments to suppliers and contractors	(16,575,444)	(17,193,032)
Payments to and on behalf of employees	(16,864,013)	(15,437,539)
Receipts from intergovernmental transfers	1,040,532	513,958
Receipts from Electronic Health Record incentives	-	43,413
Other receipts	4,553,693	1,209,414
Net cash provided by (used in) operating activities	(870,778)	(3,961,889)
Noncapital Financing Activities		
Ad valorem taxes received	1,964,546	1,901,925
Proceeds from Series 2021 bonds	-	8,095,000
CARES Act Provider Relief Funds received	273,885	2,521,236
Payments on settlement payable	(50,000)	(50,000)
Proceeds from short-term debt	364,192	364,192
Principal paid on short-term debt	(370,219)	(323,914)
Principal paid on hospital revenue bonds	(468,738)	(3,669,356)
Receipt of noncapital grants	1,000	1,000
Contributions received	34,158	38,040
Interest received (paid)	7,839	(36,717)
Net cash provided by (used in) noncapital financing activities	1,756,663	8,841,406
Capital and Related Financing Activities		
Purchase of capital assets	(1,292,095)	(338,073)
Principal paid on note payable	(23,613)	(31,430)
Principal paid on capital lease obligations	(235,590)	(124,255)
Principal paid on hospital revenue bonds	-	(5,389,175)
Interest paid on long-term debt	(366,319)	(378,696)
Net cash provided by (used in) capital and related financing activities	(1,917,617)	(6,261,629)
Investing Activities		
Change in practices note receivable	9,911	(20,285)
Investment income received	6,791	10,041
Net cash provided by (used in) investing activities	16,702	(10,244)
Net increase (decrease) in cash and cash equivalents	(1,015,030)	(1,392,356)
Cash and cash equivalents - beginning of year	14,323,408	15,715,764
Cash and cash equivalents - end of year	\$ 13,308,378	\$ 14,323,408
Reconciliation of Cash to Balance Sheets		
Current assets (unrestricted)	\$ 11,912,989	\$ 13,387,432
Restricted assets	1,395,389	935,976
Cash and cash equivalents - end of year	\$ 13,308,378	\$ 14,323,408

(Continued)

The accompanying notes are an integral part of these financial statements.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Statements of Cash Flows (Continued)**

<i>For the years ended May 31,</i>	2022	2021
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used In) Operating Activities		
Operating income (loss)	\$ 594,473	\$ (3,082,278)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	1,158,970	1,040,461
Provision for uncollectible accounts	2,179,190	143,642
Changes in operating assets and liabilities		
Patient accounts receivable	(1,867,812)	(567,720)
Inventory and supplies	(84,020)	(187,033)
Prepaid expenses and other current assets	(3,109,914)	172,804
Accounts payable	(701,100)	549,948
Employee compensation and payroll tax liabilities	(41,415)	69,401
Unearned revenue	2,241,962	(610,278)
Other accrued liabilities	1,246,866	(1,417,549)
Estimated amounts due from third-party payors	(2,487,978)	(288,473)
Deferred inflows from refunding	-	215,186
Net cash provided by (used in) operating activities	\$ (870,778)	\$ (3,961,889)
Noncash Investing, Capital and Financing Activities		
Purchase of capital assets through accounts payable	\$ 109,566	\$ 154,320
Financing of equipment through capital lease	\$ 326,841	\$ 781,873

The accompanying notes are an integral part of these financial statements.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 1: DESCRIPTION OF REPORTING ENTITY

Morehouse Parish Hospital Service District No. 1 (d/b/a Morehouse General Hospital) (the Hospital) was organized on December 17, 1982, under powers granted to parish police juries by the State of Louisiana. The geographical boundaries of the Hospital coincide with those of Morehouse Parish. All corporate powers are vested in a Board of Commissioners appointed by the Morehouse Parish Police Jury. The Hospital is exempt from income taxes as a political subdivision of the State of Louisiana under Section 115 of the Internal Revenue Code. The Hospital is also exempt from federal income tax under Section 501(a) as a hospital organization described in Section 501(c) (3). The federal income tax exemptions also extend to state income taxes.

The financial statements also include the accounts of the Morehouse Healthcare Foundation (the Foundation). The Foundation is a not-for-profit organization created in 2017 exclusively for charitable, religious, educational and scientific purpose for the primary benefit of the Hospital. All significant inter-entirety accounts and transactions have been eliminated. The Foundation is included in the financial statements as a blended component unit pursuant to Governmental Accounting Standards Board (GASB) Statement No. 39, (*Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*) which requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. The Board of Commissioners ratify any appointments to the Foundation's Board of Directors. The Foundation does not issue separate financial statements. The Foundation is a non-stock, not-for-profit Louisiana corporation considered to be and operated as if it is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with applicable pronouncements of the GASB, using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change in the near term are related to the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payer settlements. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. See Note 8 for further details.

The Hospital purchases medical malpractice under claims-made policies. Under these policies, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less, excluding amounts whose use is limited by Board of Commissioners designation or other arrangements under trust agreements.

Investments and Investment Income

Investments in nonnegotiable certificates of deposit are carried at amortized cost. Money market funds (such as short-term, highly liquid debt instruments including bankers' acceptances and securities notes, bills, and bonds of the U.S. government and its agencies) are carried at amortized cost. Any other investments are carried at fair value. Investment income includes interest income from certificates of deposit and is included in nonoperating revenue on the statements of revenues, expenses and changes in net position.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Investment Income (continued)

Investments in debt and equity securities, when present, are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating revenue when earned. Unrealized gains (losses) reflected in investment income were not significant in 2022 and 2021.

Investments in associated companies, when present, are accounted for by the equity method of accounting under which the Hospital's share of the net income of the associated companies is recognized as income in the Hospital's statements of revenue, expenses and changes in net position and are added to the investment account.

Restricted Assets

Restricted assets are limited to cash, cash equivalents, and investments. These assets are designated as such in the accompanying balance sheets as they are held by bond trustees under related indenture agreements or designated as such by the Board of Commissioners.

Amounts classified as current assets represent amounts to be used to meet certain debt service requirements and other obligations classified as current liabilities.

Patient Accounts Receivable, Net

Patient accounts receivable are reduced by estimated contractual and other adjustments and estimated uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debt. Management reviews data about these major payer sources of revenue on a monthly basis in evaluating the sufficiency of the allowances. On a continuing basis, management analyzes delinquent receivables and writes them off against the allowance when deemed uncollectible. No interest is charged on patient accounts receivable balances.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable, Net (continued)

For receivables associated with uninsured patients (also known as 'self-pay'), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2022 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2022 and 2021.

Supplies

Supply inventories are stated at the lower of cost or net realizable value, determined using the first-in, first-out method. When evidence exists that the net realizable value of inventories is lower than its cost, the difference is recognized as a loss in the statements of revenues, expenses, and changes in net position in the period in which it occurs.

Prepaid Expenses

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss, if any, is included in the statement of revenues, expenses and changes in net position.

Expenditures that materially increase values, change capacities, or extend useful lives of the respective assets are capitalized. Routine maintenance and repairs and costs associated with capital asset acquisitions under \$1,000 are charged to expense when incurred.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued)

Assets held under capital lease obligations are included in equipment. These assets have been recorded at the present value of the minimum lease payments, which approximates the fair market value of the leased assets (see Note 5).

Cost of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Costs incurred in connection with the obtaining of financing are deferred and amortized over the period the obligation is outstanding using the interest method. Premiums or discounts incurred in connection with the issuance of bonds and indentures are amortized over the life of the obligations on the interest method, and the unamortized amount is included in the balance of the outstanding debt.

Impairment of Long-Lived Assets

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived assets impairments were recognized during the years ended May 31, 2022 and 2021.

Compensated Absences

Hospital policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The Hospital's estimated accrual for accumulated vacation leave is recorded as a current liability on the accompanying balance sheets.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position of the Hospital is classified in three components, as follows:

Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

Restricted net position – made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings, discussed in Note 8.

Unrestricted net position – the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position described above.

The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Operating Revenues and Expenses

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues, when present. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payers.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews, and investigations.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue (continued)

The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid program, and in recent years there has been an increase in regulatory initiatives at the state and federal levels including the Recovery Audit Contractor (“RAC”) and Medicaid Integrity Contractor (“MIC”) programs, among others. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness.

The RAC’s have authority to pursue ‘improper’ (in their judgment) payments with a three year look back from the date the claim was paid.

Charity Care

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was approximately \$792,902 and \$829,161 for the years ended May 31, 2022 and 2021, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$251,472 and \$242,552, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital’s cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

Grants and Contributions

From time to time, the Hospital receives grants from other governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted either for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisition are reported after nonoperating revenue and expenses.

Current Healthcare Environment

The Hospital monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

**Morehouse Parish Hospital Service District No. 1
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Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Healthcare Environment (continued)

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs
- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payer industry

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on the Hospital's financial position and operating results.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended May 31, 2022 and 2021 were not significant.

Income Taxes

As an essential government function of Morehouse Parish, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

**Morehouse Parish Hospital Service District No. 1
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Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

During the year ended May 31, 2022, the Hospital adopted four new statements of financial accounting standards issued by the GASB, as follows:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 is effective for the fiscal years beginning after December 15, 2019. The implementation of this statement had no significant impact on the Hospital's financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The implementation of this statement had no significant impact on the Hospital's financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The implementation of this statement had no significant impact on the Hospital's financial statements.

**Morehouse Parish Hospital Service District No. 1
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Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In October 2021, the GASB issued GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in GAAP for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The implementation of this statement had no significant impact on the Hospital's financial statements.

The GASB has issued statements that will become effective in future years. These statements are as follows:

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports,
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan,
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits,
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements,
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition,
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

**Morehouse Parish Hospital Service District No. 1
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Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (P-PPs). As used in this Statement, a P-PP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying P-PP asset), for a period of time in an exchange or exchange-like transaction. Some P-PPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a P-PP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying P-PP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

**Morehouse Parish Hospital Service District No. 1
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Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In April 2022, GASB issued GASB Statement No. 99, *Omnibus 2022*. This Statement seeks to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to the determination of the public-private and public-public partnership (P-PP) term and (b) recognition and measurement of installment payments and the transfer of the underlying P-PP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

**Morehouse Parish Hospital Service District No. 1
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Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

- The requirements related to leases, P-PPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, GASB issued GASB Statement No.100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In June 2022, GASB issued GASB Statement No.101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

The Hospital is evaluating the requirements of the above statements and the impact on reporting.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 29, 2022 and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation.

Note 3: DEPOSITS AND INVESTMENTS

As of May 31, 2022 and 2021, the deposits and investments of the Hospital consisted of the following.

<i>May 31,</i>	2022	2021
Petty cash and undeposited cash	\$ 2,340	\$ 2,441
Cash deposits with financial institutions	12,762,139	13,889,729
Certificates of deposits	543,899	431,238
Total deposits	\$ 13,308,378	\$ 14,323,408

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Deposits are included in the following balance sheet captions:

<i>May 31,</i>	2022	2021
Cash and cash equivalents	\$ 11,912,989	\$ 13,387,432
Restricted cash and cash equivalents, current	395,114	504,738
Restricted cash and cash equivalents, noncurrent	1,000,275	431,238
Total	\$ 13,308,378	\$ 14,323,408

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

Louisiana state statutes authorize the Hospital to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions.

The Hospital had no bank balances exposed to custodial credit risk at May 31, 2022 and 2021. The Hospital's deposits at May 31, 2022 and 2021 were covered under the Federal Deposit Insurance Corporation (FDIC).

Investments

The Hospital is authorized by statute to invest public funds in the Local Government Surplus Funds Trust Fund; direct obligations of the United States government, its agencies and instrumentalities; Securities and Exchange Commission registered money market funds with the highest quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories; commercial paper; and certain registered open-end or closed-end management investment companies. The Hospital places no limit on the amount that may be invested in any one issuer.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from changing interest rates. However, interest rate risk has been effectively limited by only investing in securities with maturities of less than five years.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. All of the underlying securities for the Hospital's investments at May 31, 2022 and 2021 are held by the counterparties in other than the Hospital's name.

The Hospital categorizes its fair value measurements, if any, within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the following valuation inputs and techniques used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets. Quoted price data is generally obtained from exchange or dealer markets.
- Level 2 inputs are significant other observable inputs. Inputs are obtained from various sources, including market participants, dealers, and brokers.
- Level 3 inputs are significant unobservable inputs as they trade infrequently or not at all.

The Hospital did not have any significant assets measured at fair value on a recurring basis requiring disclosure of fair value inputs at either May 31, 2022 or 2021.

Note 4: PATIENT ACCOUNTS RECEIVABLE

The Hospital is located in Bastrop, Louisiana. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at May 31, 2022 and 2021 was:

<i>May 31,</i>	2022	2021
Medicare	\$ 3,641,817	\$ 4,548,333
Medicaid	3,230,987	4,057,973
Other third-party payers	3,440,623	3,386,535
Patients	609,577	964,123
Total patient accounts receivable	10,923,004	12,956,964
Less allowance for contractals	(5,940,112)	(8,350,742)
Less allowance for uncollectible accounts	(2,425,000)	(1,736,952)
Patient accounts receivable, net	\$ 2,557,892	\$ 2,869,270

Morehouse Parish Hospital Service District No. 1
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Notes to Financial Statements

Note 5: CAPITAL ASSETS

Capital asset activity and balances for the year ended May 31, 2022, were as follows:

	Estimated Useful Lives (in years)	Balance 6/1/2021	Additions	Reductions	Transfers	Balance 5/31/2022
Nondepreciable capital assets						
Land		\$ 341,296	\$ -	\$ -	\$ -	\$ 341,296
Construction in progress		152,783	1,083,875	-	(1,132,682)	103,976
Total nondepreciable		494,079	1,083,875	-	(1,132,682)	445,272
Depreciable capital assets						
Land improvements	15	591,234	-	-	-	591,234
Buildings and improvements	15 - 40	26,887,975	5,525	-	1,050,213	27,943,713
Machinery and equipment	3 - 15	11,987,169	639,102	-	82,469	12,708,740
Total depreciable, at cost		39,466,378	644,627	-	1,132,682	41,243,687
Less accumulated depreciation						
Land improvements		(506,824)	(11,397)	-	-	(518,221)
Buildings and improvements		(19,565,151)	(469,708)	-	-	(20,034,859)
Machinery and equipment		(10,122,527)	(677,865)	-	-	(10,800,392)
Total accumulated depreciation		(30,194,502)	(1,158,970)	-	-	(31,353,472)
Depreciable, net		9,271,876	(514,343)	-	1,132,682	9,890,215
Total capital assets, net		\$ 9,765,955	\$ 569,532	\$ -	\$ -	\$ 10,335,487

Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements

Note 5: CAPITAL ASSETS (Continued)

Capital asset activity and balances for the year ended May 31, 2021, were as follows:

	Estimated Useful Lives (in years)	Balance 6/1/2020	Additions	Reductions	Transfers	Balance 5/31/2021
Nondepreciable capital assets						
Land		\$ 341,296	\$ -	\$ -	\$ -	\$ 341,296
Construction in progress		172,697	152,783	-	(172,697)	152,783
Total nondepreciable		513,993	152,783	-	(172,697)	494,079
Depreciable capital assets						
Land improvements	15	704,115	-	(112,881)	-	591,234
Buildings	15 - 40	28,753,542	-	(1,865,567)	-	26,887,975
Equipment	3 - 15	16,879,404	1,121,484	(6,186,416)	172,697	11,987,169
Total depreciable, at cost		46,337,061	1,121,484	(8,164,864)	172,697	39,466,378
Less accumulated depreciation						
Land improvements		(612,827)	(6,878)	112,881	-	(506,824)
Buildings and improvements		(20,827,092)	(603,626)	1,865,567	-	(19,565,151)
Machinery and equipment		(15,878,986)	(429,957)	6,186,416	-	(10,122,527)
Total accumulated depreciation		(37,318,905)	(1,040,461)	8,164,864	-	(30,194,502)
Depreciable, net		9,018,156	81,023	-	172,697	9,271,876
Total capital assets, net		\$ 9,532,149	\$ 233,806	\$ -	\$ -	\$ 9,765,955

Depreciation expense for the years ended May 31, 2022 and 2021 totaled \$1,158,970 and \$1,040,461, respectively.

The Hospital leases certain major movable and other immovable equipment under operating leases and capital leases. Refer to Note 8 for amounts relating to these leases.

**Morehouse Parish Hospital Service District No. 1
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Notes to Financial Statements**

Note 6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities included in current liabilities consisted of the following:

<i>May 31,</i>	2022	2021
Payable to suppliers and contractors	\$ 3,322,429	\$ 2,702,130
Payable to employees (including payroll taxes and benefits)	865,391	906,806
Due to patients and their insurers	197,346	162,313
	\$ 4,385,166	\$ 3,771,249

Note 7: SHORT- TERM DEBT

In October 2020, the Hospital financed \$224,570 related to insurance premiums for its professional and general liability, automobile, directors and officers, and crime and cyber policies. Under the financing agreement, which bears interest at 3.25%, principal and interest payments are due in 10 consecutive monthly installments of \$22,793 beginning December 2020. The balance of this financial agreement was \$116,285 at May 31, 2021.

In January 2021, the Hospital financed \$100,940 related to its worker's compensation insurance premiums. Under the financing agreement, which bears interest at 3.25%, principal and interest payments are due in 10 consecutive monthly installments of \$10,245 beginning February 2021. The balance of this financial agreement was \$60,891 at May 31, 2021.

In October 2021, the Hospital financed \$241,484 related to insurance premiums for its professional and general liability, automobile, directors and officers, and crime and cyber policies. Under the financing agreement, which bears interest at 3.25%, principal and interest payments are due in 10 consecutive monthly installments of \$24,510 beginning December 2021. The balance of this financial agreement was \$96,750 at May 31, 2022.

In January 2022, the Hospital financed \$123,336 related to its worker's compensation insurance premiums. Under the financing agreement, which bears interest at 3.25%, principal and interest payments are due in 10 consecutive monthly installments of \$12,518 beginning February 2022. The balance of this financial agreement was \$74,399 at May 31, 2022.

A Small Business Administration (SBA) Paycheck Protection Program (PPP) loan of \$2,806,488 was granted on April 2020 to assist with keeping the Hospital's workforce employed during the Coronavirus (COVID-19) crisis. The loan bears interest of 1% and matures on April 2022. PPP loan are subject to loan forgiveness. Forgiveness for the PPP loan was received in June 2021.

A summary of changes in the Hospital's short-term debt for the years ended May 31, 2022 and 2021 were as follows:

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 7: SHORT-TERM DEBT (continued)

	Balance 6/1/2021	Additions	Reductions	Balance 5/31/2022
Short-term debt				
Insurance premium financing:				
Professional, general liability, crime, cyber	\$ 116,285	\$ 240,856	\$ (260,391)	\$ 96,750
Worker's compensation	60,891	123,336	(109,828)	74,399
Total short-term debt	\$ 177,176	\$ 364,192	\$ (370,219)	\$ 171,149

	Balance 6/1/2020	Additions	Reductions	Balance 5/31/2021
Short-term debt				
Insurance premium financing:				
Professional, general liability, crime, cyber	\$ 89,233	\$ 224,570	\$ (197,518)	\$ 116,285
Worker's compensation	47,665	100,940	(87,714)	60,891
Total short-term debt	\$ 136,898	\$ 325,510	\$ (285,232)	\$ 177,176

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 8: LONG-TERM DEBT

The Hospital's long-term debt, including capital lease obligations, consisted of the following obligations:

<i>May 31,</i>	2022	2021
Capital lease obligation, interest rate of 8.48%, monthly payments of \$5,853, maturing October 2023, collateralized by leased equipment with an amortized cost of \$74,234 and \$126,634 at May 31, 2022 and 2021, respectively.	\$ 93,449	\$ 157,731
Capital lease obligation, interest rate of 4.97%, monthly payments of \$5,645, maturing September 2025, collateralized by leased equipment with an amortized cost of \$211,613 and \$270,888 at May 31, 2022 and 2021, respectively.	203,734	257,484
Capital lease obligation, interest rate of 3.75%, monthly payments of \$5,787, maturing December 2024, collateralized by leased equipment with an amortized cost of \$115,630 and \$220,029 at May 31, 2022 and 2021, respectively.	176,528	232,525
Capital lease obligation, interest rate of 3.80%, monthly payments of \$2,283, maturing August 2025, collateralized by leased equipment with an amortized cost of \$95,238 and \$113,095 at May 31, 2022 and 2021, respectively.	96,461	119,344
Capital lease obligation, interest rate of 3.80%, monthly payments of \$1,880, maturing July 2025, collateralized by leased equipment with an amortized cost of \$78,400 and \$93,100 at May 31, 2022 and 2021, respectively.	79,412	98,246
Capital lease obligation, interest rate of 4.83%, monthly payments of \$6,143, maturing November 2026, collateralized by leased equipment with an amortized cost of \$296,237 and \$0 at May 31, 2022 and 2021, respectively.	306,997	-
Hospital Revenue Bonds Series 2012A, original principal amount of \$2,248,489, noninterest bearing bonds. Semiannual principal payments range from \$252,077 to \$311,810 and are due annually beginning on May 2015 through May 2022. Proceeds from the bonds were used for the purpose of funding an energy efficient retrofit to the physical plant of the Hospital, including acquisition, construction, and installation of improvements in connection with the project, and to pay costs of issuance of the related financing.	-	308,738

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 8: LONG-TERM DEBT (Continued)

<i>May 31,</i>	2022	2021
Hospital Revenue Bonds Series 2021, original principal amount of \$8,135,000, bearing an interest rate of 2.99%. Principal and interest payments range in the amount of \$250,841 to \$773,616 and are due semiannually beginning on October 2021 through October 2037. Proceeds from the bonds were used for the refunding of Hospital Revenue Bonds Series 2008A and Series 2010.	7,935,000	8,095,000
Note payable, original principal amount of \$183,368, bearing an interest rate of 5.99%. Principal and interest payments are due in monthly installments beginning November 2018 and matures on October 2025. Proceeds from the note were used for the purchase of a building and equipment. The note is collateralized by a certificate of deposit.	103,360	126,973
Settlement payable, original principal judgment amount of \$219,243, noninterest bearing settlement. Principal payments are due in four annual installments beginning September 2018 of \$50,000 and a final payment amount of \$19,243 on September 2022. The settlement was a result of a judgment from an appellate court related to a long-standing litigation.	19,243	69,243
	9,014,184	9,465,284
Less: current portion	(674,517)	(920,388)
Total	\$ 8,339,667	\$ 8,544,896

Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements

Note 8: LONG-TERM DEBT (Continued)

The Hospital is subject to certain financial and nonfinancial covenants and restrictions related to its revenue bonds payable, which require, among other things, a minimum long-term debt service coverage ratio, a minimum days of cash on hand, and minimum debt service, sinking and interest fund balances. There are also limits to the amount of additional indebtedness that can be incurred.

As of May 31, 2022, the Hospital's management believes it was in compliance with its consequential bond covenants.

The Series 2021 bonds include various covenants (as discussed above) that contain provisions that in an event of default, outstanding amounts may become immediately due, at the option of the debt holder (acceleration), and/or the holder can elect to seize the mortgaged property. The Series 2021 bonds are secured with collateral comprising essentially all land and property of the Hospital, in addition to future revenues.

The items in the chart below are considered direct borrowings, with the exception of the revenue bonds, which are considered direct placements.

A summary of changes in the Hospital's long-term debt, including capital lease obligations, for the years ended May 31, 2022 and 2021 follows:

	Balance 6/1/2021	Additions	Reductions	Balance 5/31/2022	Due Within One Year
Settlement	\$ 69,243	\$ -	\$ (50,000)	\$ 19,243	\$ 19,243
Notes payable	126,973	-	(23,613)	103,360	11,831
Capital lease obligations	865,330	326,841	(235,590)	956,581	290,110
Paycheck Protection Program	2,806,488	-	(2,806,488)	-	-
Revenue bonds payable					
Series 2012	\$ 308,738	\$ -	\$ (308,738)	\$ -	\$ -
Series 2021	8,095,000	-	(160,000)	7,935,000	353,333
Revenue bonds payable	8,403,738	-	(468,738)	7,935,000	353,333
Total long-term debt	\$ 12,271,772	\$ 326,841	\$ (3,584,429)	\$ 9,014,184	\$ 674,517

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 8: LONG-TERM DEBT (Continued)

	Balance 6/1/2020	Additions	Reductions	Balance 5/31/2021	Due Within One Year
Settlement	\$ 119,243	\$ -	\$ (50,000)	\$ 69,243	\$ 50,000
Notes payable	158,403	-	(31,430)	126,973	11,135
Capital lease obligations	207,712	781,873	(124,255)	865,330	217,182
Revenue bonds payable					
Series 2008A	\$ 3,637,926	\$ -	\$ (3,637,926)	\$ -	\$ -
Series 2010	5,115,032	-	(5,115,032)	-	-
Series 2012	614,311	-	(305,573)	308,738	308,738
Series 2021	-	8,095,000	-	8,095,000	333,333
Revenue bonds payable	9,367,269	8,095,000	(9,058,531)	8,403,738	642,071
Total long-term debt	\$ 9,852,627	\$ 8,876,873	\$ (9,264,216)	\$ 9,465,284	\$ 920,388

Scheduled principal and interest payments on revenue bonds payable and future minimum lease payments on capital lease obligations are as follows:

<i>For the year ending May 31,</i>	Capital Lease Obligations		Revenue Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 290,110	\$ 40,992	\$ 353,333	\$ 228,368	\$ 11,831	\$ 6,059
2024	264,522	25,609	548,333	255,481	13,374	5,286
2025	224,350	13,365	571,667	233,215	14,224	4,437
2026	129,755	5,528	593,333	210,081	63,931	3,682
2027	47,844	1,300	618,333	186,015	-	-
Thereafter	-	-	5,250,001	822,564	-	-
Total	\$ 956,581	\$ 86,794	\$ 7,935,000	\$ 1,935,724	\$ 103,360	\$ 19,464

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 8: LONG-TERM DEBT (Continued)

<i>For the year ending May 31,</i>	Settlement Payable		Total	
	Principal	Interest	Principal	Interest
2023	\$ 19,243	\$ -	\$ 674,517	\$ 275,420
2024	-	-	826,229	286,376
2025	-	-	810,241	251,017
2026	-	-	787,018	219,290
2027	-	-	641,177	211,381
Thereafter	-	-	5,275,001	798,498
Total	\$ 19,243	\$ -	\$ 9,014,184	\$ 2,041,982

Depreciation expense includes depreciation of equipment under capital lease for the years ended May 31, 2022 and 2021. No interest was capitalized during the years ended May 31, 2022 and 2021.

Note 9: NET INVESTMENT IN CAPITAL ASSETS

The Hospital's net investment in capital assets, as presented on the accompanying balance sheets is calculated as follows:

<i>May 31,</i>	2022	2021
Capital assets, net	\$ 10,335,487	\$ 9,765,955
Less outstanding accounts payable related to capital assets	(109,566)	(154,320)
Less debt outstanding related to capital assets		
Notes payable	(103,360)	(126,973)
Hospital revenue bonds, Series 2012A	-	(308,738)
Hospital revenue bonds, Series 2021	(7,935,000)	(8,095,000)
Capital lease obligations	(956,581)	(865,330)
Net investment in capital assets	\$ 1,230,980	\$ 215,594

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 10: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare – Inpatient and substantially all outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid contractor. The inpatient rates are established by the Agency for Health Care Administration (“AHCA”) for which the Hospital is a provider. Outpatient services are reimbursed based on a per diem amount established by utilization on a semi-annual basis.

Other – The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

A summary of gross revenue from patient services provided under contracts with third-party payers follows:

<i>For the years ended May 31,</i>	2022	2021
Medicare	42%	30%
Medicaid	42%	37%
Blue Cross	8%	9%
Commercial/HMO/PPO/Self-pay	8%	24%

The composition of net patient service revenue was as follows:

<i>For the years ended May 31,</i>	2022	2021
Gross patient service revenue	\$ 89,019,413	\$ 82,185,183
Less provision for contractual adjustments under third-party reimbursement programs and other adjustments	(55,651,733)	(54,709,214)
Provision for bad debts	(2,179,190)	(143,642)
Net patient service revenue	\$ 31,188,490	\$ 27,332,327

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 11: MEDICAL MALPRACTICE INSURANCE

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. See Note 13. It is reasonably possible that this estimate could change materially in the near term.

Since November 1, 2002, the Hospital has been self-insured for individual medical malpractice claims up to \$100,000. For individual malpractice claims in excess of \$100,000, the Hospital participates in the State of Louisiana Patient Compensation Fund (the Fund). The Fund provides malpractice insurance coverage on a claims-made basis for claims up to the statutory maximum exposure of \$500,000, which currently exists under Louisiana law, plus interest and future medical costs. The Hospital has purchased additional malpractice insurance providing coverage up to \$2,500,000.

The Hospital is self-insured for the general liability claims up to \$50,000. The Hospital has purchased commercial insurance that provides first-dollar coverage for workers' compensation claims and health insurance claims.

In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance, if any. It is reasonably possible that this estimate could change materially in the near term.

Note 12: EMPLOYEE RETIREMENT PLAN

Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain pension and retirement systems making contributions from hospital service district funds. During the years ended May 31, 2022 and 2021, the Hospital sponsored a defined contribution retirement plan, the Morehouse General Hospital Tax Deferred Savings Plan. This plan, which qualifies as a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code, covers all employees who elect to participate. The plan allows participants to defer a portion of their annual compensation. The amount of annual contributions to the plan by participants is subject to certain limitations as defined in the plan document. Plan participants vest 100% immediately in their contributions and investment earnings thereon. The plan document allows for discretionary employer contributions to be made to the plan. The Hospital did not elect to make discretionary employer contributions for the years ended May 31, 2022 and 2021 and, accordingly, no contribution expense was recognized.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 13: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Note 2.

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

A roll forward of the Hospital's estimated liability for litigation and self-insurance claims follows:

<i>Year Ended May 31,</i>	Total Liability at Beginning of Year	New Claims and Changes in Estimates	Claim Payments	Converted to Settlement Payable	Accrued Interest Relieved	Total Liability at End of Year	Estimated Amount due Within One Year
2022	\$ 306,902	\$ 168,216	\$ (168,216)	\$ -	\$ -	\$ 306,902	\$ 306,902
2021	\$ 306,902	\$ 83,334	\$ (83,334)	\$ -	\$ -	\$ 306,902	\$ 306,902

Supplemental Medicaid Reimbursements

The Hospital receives reimbursements from various programs in relation to the Medicaid uninsured and underinsured patients they serve. Funding received in excess of costs to provide these services is subject to audit and payments received in excess of costs may be required to be refunded to the State of Louisiana.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 14: COMMITMENTS AND CONTINGENCIES

Operating Leases

The Hospital leases various pieces of equipment under operating leases expiring at various dates through 2025. Total rental expense for the years ended May 31, 2022 and 2021 for all operating leases was approximately \$485,678 and \$467,729, respectively.

The following is a schedule by year of expiration of approximate future minimum lease payments under non-cancelable operating leases as of May 31, 2022, that have initial or remaining lease terms in excess of one year:

For the years ending May 31,

2023	\$	90,885
2024		66,591
2025		2,883
Total		\$ 160,359

Note 15: PHYSICIAN’S MEDICAID UPPER PAYMENT LIMIT (UPL) AND FULL MEDICAID PRICING (FMP) AGREEMENTS

The Hospital entered in to agreements with the Louisiana Department of Health (LDH) and Medicaid managed care organizations (MCOs) which were approved by CMS. Under these programs, LDH began making payments under the Physician’s Supplemental Payment and Full Medicaid Pricing (FMP) programs for non-state owned public hospitals (HSDs). The purpose of these programs under traditional and MCO based Medicaid is to enhance payments to physicians employed or contracted by the public hospitals.

The Hospital agreed to transfer funds to LDH to be used as Medicaid matching funds for the purpose of making physician supplemental payments and providing the State with additional resources to assist in the medical costs to the State. These matching funds are comprised of (1) an amount to be utilized as the “non-federal share” of the supplemental payments for services provided by the identified physician and other healthcare professionals and (2) the “state retention amount”, which is fifteen percent of the “non-federal share”, for the State to utilize in delivering healthcare services. In turn, the Hospital receives supplemental Medicaid payments. The supplemental payments include the “non-federal share” and the “federal funds” generated by the “non-federal share” payments. The total amount of the supplemental payments is intended to represent the difference between the Medicaid payments otherwise made to these qualifying providers and the Average Community Rate for these services.

**Morehouse Parish Hospital Service District No. 1
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Notes to Financial Statements**

**Note 15: PHYSICIAN'S MEDICAID UPPER PAYMENT LIMIT (UPL) AND FULL MEDICAID PRICING
(FMP) AGREEMENTS (Continued)**

During fiscal 2022 and 2021, in accordance with the funding provisions of the above agreements, the Hospital recognized \$4,204,148 and \$4,316,537, respectively, of Medicaid supplemental revenues as components of net patient service revenue. Concurrent with the income recognition, the Hospital also recognized outside services expense of \$2,089,751 and \$2,533,676, respectively, for intergovernmental transfer grant (IGT) payments, funds paid or payable to the Louisiana Department of Health and Hospitals (DHH) under the terms of the Physicians' UPL and FMP agreements. As of May 31, 2022 and 2021, the Hospital reported \$2,873,779 and \$801,310, respectively, of these program receivables under the caption "prepaid expenses and other assets" on the accompanying statements of net position, and \$1,466,245 and \$466,785, respectively, of associated intergovernmental transfer grant (IGT) payments payable under "other accrued liabilities."

Note 16: INTERGOVERNMENTAL TRANSFER GRANT

The Hospital (grantee) has entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (grantor) whereby the grantor, through its cooperation with a rural hospital trade organization, awards an IGT to be used solely to provide adequate and essential medically necessary and available healthcare services to the grantee's service population subject to the availability of such grant funds. The aggregate IGT grant income recognized was \$1,974,796 and \$741,722 for the fiscal years ended May 31, 2022 and 2021, respectively. As of May 31, 2022 and 2021, respectively, \$1,162,028 and \$227,764 of these program revenues are included as receivables on the accompanying balance sheets under the caption "prepaid expenses and other assets."

Note 17: AD VALOREM TAX REVENUE

In October 2007, the voters of Morehouse Parish, Louisiana approved a five-year, five-millage property tax to be levied on the 2007 tax roll on all property subject to taxation by the Morehouse Parish Hospital Service District. The voters approved to increase the millage to eight mills in November 2012 for a term of ten years. In November 2015, voters approved an additional millage of five mills for a term of ten years, which was first levied in December 2016.

Ad valorem tax revenue is recognized each year in December when it is due and collectible. During fiscal years 2022 and 2021, the Hospital received and recorded property tax revenues in the amount of \$1,964,546 and \$1,898,276, respectively. There was no receivable for delinquent property taxes as of May 31, 2022 or 2021.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 18: CARES ACT FUNDING

Additional funding for the Public Health and Social Services Emergency Fund (“Relief Fund”) was among the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which was signed into law on March 27, 2020, and other accompanying legislation. In the fiscal years ended May 31, 2022 and 2021, the Hospital received cash payments of approximately \$2,516,000 and \$1,910,000, respectively, from the Relief Fund and state grant programs, approximately \$200,000 and \$1,910,000 of which was reported as nonoperating revenues in the statements of changes in net position at May 31, 2022 and 2021, respectively. The remaining amount, not recognized as revenue (if any), represents the excess of amounts received in the fiscal year over the amount expended, per the guidance issued by the grantor agency and is included in unearned revenue on the accompanying balance sheets.

Payments from the Relief Fund are not loans and, therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost operating revenues and COVID-related costs, and that the providers will not seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider. The Hospital recognizes grant payments as income when there is reasonable assurance of compliance with the conditions associated with the grant. The Hospital’s estimates could change materially in the future based on the Hospital’s operating performance or COVID-19 activities, as well as the evolving grant compliance guidance provided by the government.

The Coronavirus Aid, Relief, and Economic Security Act of 2020 and Related Legislation. The CARES Act and the Paycheck Protection Program and Health Care Enhancement Act (“Paycheck Protection Program”), which was signed into law on April 24, 2020, authorized up to \$2 trillion in government spending to mitigate the economic effects of the COVID-19 pandemic. Below is a brief overview of certain provisions of the CARES Act and related legislation that have impacted and expect will continue to impact the Hospital’s business.

Please note that this summary is not exhaustive, and additional legislative action and regulatory developments may evolve rapidly. There is no assurance that the Hospital will continue to receive or remain eligible for funding or assistance under the CARES Act or similar measures.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 18: CARES ACT FUNDING (Continued)

Public Health and Social Services Emergency Fund. To address the fiscal burdens on healthcare providers created by the COVID-19 public health emergency, the CARES Act and the Paycheck Protection Program authorized \$175 billion for the Relief Fund. During the year ended May 31, 2020, the United States Department of Health and Human Services (HHS) commenced distribution of approximately \$100 billion in several tranches from the Relief Fund to providers, including:

- A \$50 billion general distribution to Medicare fee-for-service providers;
- An allocation of approximately \$15 billion to Medicaid and CHIP providers that did not receive an allocation from the \$50 billion general distribution;
- Targeted distributions comprised of (i) \$12 billion for hospitals determined to be in areas particularly impacted by COVID-19 based on reported COVID-19 admissions, (ii) \$10 billion to rural healthcare providers, (iii) \$5 billion to skilled nursing facilities, (iv) \$10 billion to safety net hospitals and (v) \$500 million to tribal hospitals, clinics and urban health centers.

In July 2020, HHS announced the distribution of an additional \$4 billion (\$1 billion to rural hospitals and \$3 billion to safety net hospitals) and the expansion of the Relief Fund to dental providers. In September of 2021, HHS announced the ability for providers to apply for “Phase 4” distributions, totaling approximately \$17 billion, as well as *American Rescue Plan* rural funding totaling approximately \$8.5 billion. The Hospital intends to apply for funds under these programs in the full amount to which it is eligible; however, the ultimate amount of funds to be received, in any, is currently unknown.

HHS has indicated that it will be closely monitoring and, along with the Office of Inspector General, auditing providers to ensure that recipients comply with the terms and conditions of relief programs and to prevent fraud and abuse. All providers will be subject to civil and criminal penalties for any deliberate omissions, misrepresentations or falsifications of any information given to HHS. The Hospital has formally accepted the terms and conditions associated with the receipt of its Relief Fund payments.

Medicare and Medicaid Payment Policy Changes. The CARES Act also alleviates some of the financial strain on hospitals, physicians, and other healthcare providers and states through a series Medicare and Medicaid payment policies that temporarily increase Medicare and Medicaid reimbursement and allow for added flexibility, as described below.

- Effective May 1, 2020 through a future date, the 2% sequestration reduction on Medicare FFS and Medicare Advantage payments to hospitals, physicians and other providers authorized by the Sequestration Transparency Act of 2020 is suspended.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Notes to Financial Statements**

Note 18: CARES ACT FUNDING (Continued)

- The CARES Act instituted a 20% increase in the Medicare MS-DRG payment for COVID-19 hospital admissions for the duration of the public health emergency as declared by the Secretary of HHS.
- The scheduled annual reduction of \$4 billion in federal Medicaid DSH allotments, as mandated by the Affordable Care Act, is suspended. Notwithstanding these adjustments, the ACA-mandated reduction is not expected to be extended past its original termination in FFY 2025.
- The CARES Act expanded the Medicare accelerated payment program, which provides prepayment of claims to providers in certain circumstances, such as national emergencies or natural disasters. Under this measure, providers could request accelerated payments that may be retained for 120 days during which time providers continue to receive payments for services. At the end of the 120-period, the accelerated payment will be repaid via a 100% offset of payments on claims that would otherwise be paid. The repayment period for hospitals and other providers is one year and 210 days, respectively, from the date of receipt of the accelerated payment, after which interest is assessed on the unpaid balance. During the fiscal year ended May 31, 2020, the Hospital applied for and received accelerated payments, which it later returned to the Medicare program, in full, prior to May 31, 2020.
- A 6.2% increase in the Federal Medical Assistance Percentage (“FMAP”) matching funds was instituted to help states respond to the COVID-19 pandemic. The additional funds are available to states from January 1, 2020 through the quarter in which the public health emergency period ends, provided that states meet certain conditions. An increase in states’ FMAP leverages Medicaid’s existing financing structure, which allows federal funds to be provided to states more quickly and efficiently than establishing a new program or allocating money from a new funding stream. Increased federal matching funds support states in responding to the increased need for services, such as testing and treatment during the COVID-19 public health emergency, as well as increased enrollment as more people lose income and qualify for Medicaid during the economic downturn.

Because of the uncertainty associated with various factors that may influence Hospital’s future Medicare and Medicaid payments, including future legislative, legal or regulatory actions, or changes in volumes and case mix, there is a risk that Hospital’s estimates of the impact of the aforementioned payment and policy changes will be incorrect and that actual payments received under, or the ultimate impact of, these programs may differ materially from Hospital’s expectations.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Schedule of Board of Commissioners and Compensation**

Commissioner	Total Paid
Robert Green (Chairman)	\$ 360
Nicolette Releford	360
John Yeldell	360
Betty Olive	40
Susan Plonnigs	360
Kimberly Givens	280
Total	\$ 1,760

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Schedule of Compensation, Benefits and Other Payments to Agency Head**

Agency Head

Robert Green, Chairman of the Board of Commissioners

Purpose	Amount
Salary	\$ -
Benefits - Insurance	\$ -
Benefits - Retirement	\$ -
Benefits - Other (Life)	\$ -
Car Allowance	\$ -
Vehicle Provided by Government	\$ -
Cell Phone	\$ -
Dues (RT License and ACHE)	\$ -
Vehicle Rental	\$ -
Per Diem	\$ 360
Reimbursements	\$ -
Travel	\$ -
Registration Fees	\$ -
Conference Travel	\$ -
Continuing Professional Education Fees	\$ -
Housing	\$ -
Unvouchered Expenses	\$ -
Special Meals	\$ -
Other	\$ -

Note: For the fiscal year ended May 31, 2022, the chief executive officer of Morehouse Parish Hospital Service District No. 1 (the Hospital) was employed by an independent healthcare consulting and management company under the terms of a management agreement which includes the authority and responsibility for oversight of the day-to-day administration, management, and direction of the operations of the Hospital, subject to the Hospital's control as stipulated in the terms of the agreement. Accordingly, the agency head of the Hospital is reflected as its Board of Commissioners' chairman.

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Schedule of Insurance Coverages**

Line of Coverage	Policy Data	Limit/Deductible
Property & Equipment Breakdown	Travelers (Travelers Property Casualty Company of America) 11/1/2021 to 11/1/2022 Policy No: 630-3R393895	Blanket Building Limit: \$43,462,588 Business Personal Property Blanket Limit: \$19,390,528 Blanket Business Income Policy Limit: \$12,711,912 (see policy for additional info) Deductibles: Property \$25K AOP Wind & Hail: \$250K BI 75 Hour Waiting Period
Network Security Liability & Privacy Liability (Cyber)	Tokio Marine / Houston Casualty Company (Formerly NAS Insurance) 11/1/2021 to 11/1/2022 Policy No: H21PBU20053-01	Limit: \$2,000,000 Each Claim; \$2,000,000 Policy Aggregate Retention: \$1,000 each claim; Cyber Terrorism 8 Hour Waiting Period Retro Date Unknown prior acts are covered
General, Professional & Umbrella Liability *incl. Employee Benefits Liability	LHA (Louisiana Hospital Association) 11/1/2021 to 11/1/2022 Policy No: HPL-0390-2021	<u>Professional Liability</u> \$100,000 Self-Insured Retention \$400,000 PCF <u>General Liability</u> \$500,000 Each Occurrence Limit \$2,000,000 Annual General Aggregate Limit \$50,000 Per Claim Deductible \$500,000 EBL Limit \$50,000 Deductible <u>Umbrella Liability</u> \$2,500,000 Each Claim Limit/ Aggregate

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Schedule of Insurance Coverages (Continued)**

Line of Coverage	Policy Data	Limit/Deductible
Employed Physicians Professional Liability	The Physicians Trust 11/1/2021 to 11/1/2022 Policy No: PPG000109	<u>Professional Liability</u> \$1,000,000 Per Medical Occurrence \$3,000,000 Aggregate
Commercial Auto:	Travelers (The Travelers Indemnity Company) 11/1/2021 to 11/1/2022 Policy No: BA-3R3999802143G	\$1,000,000 Combined Single Limit* \$1,000/\$1,000 comp & collision deductibles Hired Auto Physical Damage Deductibles \$1,000/\$1,000 comp & collision *Incl. Hired/Non- Owned Auto Liability
Executive Risk Liability (D&O/EPL)	Travelers (Travelers Casualty and Surety Company of America) 11/1/2021 to 11/1/2022 Policy No. 106528889	<u>D&O:</u> \$2,000,000 Per Claim (Shared with EPL) \$25,000 Retention <u>EPL:</u> \$2,000,000 Per Claim (Shared with D&O) \$50,000 Retention \$2,000,000 Policy Aggregate
Fiduciary/Crime	Travelers (Travelers Casualty and Surety Co. of America) 11/1/2021 to 11/1/2022 Policy No: 105706915	<u>Fiduciary:</u> \$1,000,000 Aggregate Limit \$0 Retention <u>Crime:</u> \$750,000 Employee Theft Limit \$10,000 Retention <u>ERISA:</u> \$500,000 Limit \$0 Retention Kidnap for Ransom (Babies) \$1,000,000 Each event \$-0- Retention
Workers' Compensation	LHA (Louisiana Hospital Association) 1/1/2022 to 1/1/2023 Policy Number: WC-0270-2022	<u>Employer's Liability:</u> \$1M/\$1M/\$1M limits

**INDEPENDENT AUDITORS' 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**

To the Board of Commissioners
Morehouse Parish Hospital Service District No. 1
(d/b/a/ Morehouse General Hospital)
Bastrop, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Morehouse Parish Hospital Service District No. 1 (d/b/a Morehouse General Hospital) (the Hospital) as of and for the year ended May 31, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated September 29, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 a 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.

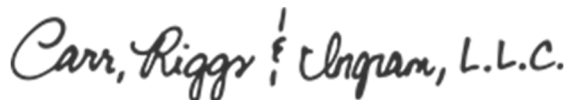
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from 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 financial statements. 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.




CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama

September 29, 2022

**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Summary Schedule of Prior Audit Findings**

There were no reported findings for the year ended May 31, 2021.



**Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)**

**UNIFORM GUIDANCE SUPPLEMENTARY
FINANCIAL REPORT**

May 31, 2022



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM, SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Morehouse General Hospital

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Morehouse General Hospital's (the Hospital) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended May 31, 2022. The Hospital's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended May 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's federal program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or

significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

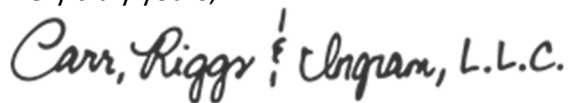
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Hospital, as of and for the year ended May 31, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's financial statements. We issued our report thereon dated September 29, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



CARR, RIGGS & INGRAM, LLC
Enterprise, Alabama
February 24, 2023

**Morehouse General Hospital
Schedule of Findings and Questioned Costs
For the Year Ended May 31, 2022**

Section I – Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|------------|
| 1. Type of auditors' report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | No |

4. Identification of major programs

Assistance Listing Number	Federal Program
93.498	Covid-19 - Provider Relief Fund

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 6. Auditee qualified as low-risk under 2CFR 200.520 | No |

Section II – Financial Statements Findings

No matters were reported.

**Morehouse General Hospital
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended May 31, 2022**

Section III – Federal Award Findings and Questioned Costs

There were no audit findings to report.

**Morehouse General Hospital
Summary Schedule of Prior Audit Findings
For the Year Ended May 31, 2022**

There were no audit findings reported in the prior year.

**Morehouse General Hospital
Schedule of Expenditures of Federal Awards
For the Year Ended May 31, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing No. ALN	Authority or Pass-Through Grantor No.	Funds Provided to Subrecipients	Expenditures
U.S. Department of Health and Human Services				
Direct Program				
COVID-19 Provider Relief Fund	93.498	COVID-19	\$ -	\$ 5,982,485
Total U.S. Department of Health and Human Services			-	5,982,485
Total Expenditures of Federal Awards			\$ -	\$ 5,982,485

See accompanying notes to schedule of expenditures of federal awards.

Morehouse General Hospital Notes to Schedule of Expenditures of Federal Awards

Note 1: BASIS OF ACCOUNTING

This Schedule of Expenditures of Federal Awards (the Schedule) was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of the Hospital's federal grant.

Note 2: DE MINIMIS

The Hospital has elected to not use the 10% de Minimis indirect cost rate.

Note 3: BASIS OF PRESENTATION

The amounts reported in the accompanying Schedule were obtained from the Hospital's general ledger. Because the Schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net assets and cash flows of the Hospital.

The amounts presented on the Schedule for Assistance Listing 93.498, COVID-19 Provider Relief Fund (PRF), are based on the Periods 1 and 2 PRF report submissions to the PRF reporting portal. Amounts included in Period 1 submission represent amounts received between April 10, 2020 and June 30, 2020 that were expended by June 30, 2021, totaling \$4,278,491. Amounts included in Period 2 submission represent amounts received between July 1, 2020 and December 31, 2020 that were expended by December 31, 2021, totaling \$1,703,994.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass-through entities. Payments received for goods or services provided as a vendor do not constitute federal awards for purposes of the Schedule. The Hospital has obtained Assistance Listing Numbers (ALN) to ensure that all programs have been identified in the Schedule. ALNs have been appropriately listed by applicable programs. Federal programs with different ALNs that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. No clusters were identified in the Schedule.

Note 4: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

The amounts reflected in the financial reports submitted to the awarding federal and/or pass-through agency and the Schedule may differ. Some of the factors that may account for any difference include the following:

Morehouse General Hospital Notes to Schedule of Expenditures of Federal Awards

Note 4: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS (Continued)

- The Hospital's fiscal year end may differ from the program's year end.
- Accruals recognized in the Schedule, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as property and equipment, net in the Hospital's financial statements and as expenditures in the program financial reports.

Note 5: FEDERAL PASS-THROUGH FUNDS

From time to time, the Hospital is the sub-recipient of federal funds reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as "pass-through" are considered direct and will be designated accordingly.

Note 6: CONTINGENCIES

Grant monies received and disbursed by the Hospital are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the Hospital does not believe that such disallowance, if any, would have a material effect on the financial position of the Hospital. As of May 31, 2022, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

Note 7: NONCASH ASSISTANCE

The Hospital did not receive any federal noncash assistance for the fiscal year ended May 31, 2022.

Note 8: SUBRECIPIENTS

The Hospital did not provide federal funds to subrecipients for the fiscal year ended May 31, 2022.

Note 9: LOANS AND LOAN GUARANTEES

The Hospital did not have any loans or loan guarantee programs required to be reported on the Schedule.

Morehouse General Hospital

Notes to Schedule of Expenditures of Federal Awards

Note 10: FEDERALLY FUNDED INSURANCE

The Hospital did not have any federally funded insurance required to be reported on the Schedule for the fiscal year ended May 31, 2022.

Note 11: PROVIDER RELIEF FUND

Under terms and conditions of the Provider Relief Funds (PRF) under the Coronavirus Aids, Relief, and Economic Security (CARES) Act, the Hospital is required to report COVID-19 related expenses and lost revenue to the U.S. Department of Health and Human Services (HHS). Guidance from HHS requires the reporting of the COVID-19 related expenses and lost revenue in certain reporting periods based on when the funds were received and used by the Hospital in accordance with the PRF terms and conditions.

The Hospital received PRF of approximately \$4.2 million in the fiscal year ended May 31, 2020, and approximately \$1.8M in the fiscal year ended May 31, 2021. The Hospital recognized approximately \$3.6 million and \$2.4 million, respectively, as other nonoperating revenue in its May 31, 2020 and 2021 statements of revenues, expenses and changes in net position, as the terms and conditions of the PRF grant were satisfied during these respective fiscal years. Under the HHS requirements, the 2022 Schedule includes PRF of \$5,982,485, which was received by the Hospital prior to December 31, 2020. The remainder of the PRF amounts received will be reported in a subsequent Schedule.

Note 12: DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

During the emergency period of the COVID-19 pandemic, federal agencies and recipients can donate personal protective equipment purchased with federal assistance funds to various entities for the COVID-19 response. During the year ended May 31, 2022, the Hospital did not receive any donated personal protective equipment.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
Morehouse Parish Hospital Service District No. 1
(d/b/a/ Morehouse General Hospital)
Bastrop, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) of Morehouse Parish Hospital Service District No. 1 (d/b/a Morehouse General Hospital) (the Hospital) for the fiscal period June 01, 2021 through May 31, 2022. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

The Hospital has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period June 01, 2021 through May 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not need the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtained the Hospital's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
Results: No exceptions were found as a result of applying the above procedure.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
Results: No exceptions were found as a result of applying the above procedure.

- c) **Disbursements**, including processing, reviewing, and approving.

Results: The Hospital has policies addressing disbursements, including processing, reviewing and approving. However, such policies should be strengthened and formalized, including adoption by the governing Board and/or executive management.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Results: No exceptions were found as a result of applying the above procedure.

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

Results: No exceptions were found as a result of applying the above procedure.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Results: No exceptions were found as a result of applying the above procedure.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Results: No exceptions were found as a result of applying the above procedure.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Results: No exceptions were found as a result of applying the above procedure.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Results: No exceptions were found as a result of applying the procedure.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: No exceptions were found as a result of applying the procedure.

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available

system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: No exceptions were found as a result of applying the procedure.

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: No exceptions were found as a result of applying the procedure.

Written Policies and Procedures

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Results: No exceptions were found as a result of applying the procedure.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Results: No exceptions were found as a result of applying the procedure.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Results: No exceptions were found as a result of applying the procedure.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

Results: No exceptions were found as a result of applying the procedure.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Results: No exceptions were found as a result of applying the procedure.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were found as a result of applying the procedure.

Collections (excluding electronic funds transfers)

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: No exceptions were found as a result of applying the procedure.

- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Results: No exceptions were found as a result of applying the procedure.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Results: No exceptions were found as a result of applying the procedure.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Results: No exceptions were found as a result of applying the procedure.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

Results: No exceptions were found as a result of applying the procedure.

- 6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.

Results: No exceptions were found as a result of applying the procedure.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Results: No exceptions were found as a result of applying the procedure.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Results: No exceptions were found as a result of applying the procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Results: No exceptions were found as a result of applying the procedure.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Results: No exceptions were found as a result of applying the procedure.

- e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were found as a result of applying the procedure.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: No exceptions were found as a result of applying the procedure.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Results: No exceptions were found as a result of applying the procedure.

- b) At least two employees are involved in processing and approving payments to vendors.

Results: No exceptions were found as a result of applying the procedure.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Results: No exceptions were found as a result of applying the procedure.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: No exceptions were found as a result of applying the procedure.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

Results: No exceptions were found as a result of applying the procedure.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions were found as a result of applying the procedure.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: No exceptions were found as a result of applying the above procedure.

- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Results: No exceptions were found as a result of applying the above procedure.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: No exceptions were found as a result of applying the above procedure.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Results: No exceptions were found as a result of applying the above procedure.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Results: No exceptions were found as a result of applying the above procedure.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Results: No exceptions were found as a result of applying the above procedure.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Results: No exceptions were found as a result of applying the above procedure.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were found as a result of applying the above procedure.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Results: No exceptions were found as a result of applying the procedure.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Results: No exceptions were found as a result of applying the procedure.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).

Results: No exceptions were found as a result of applying the procedure.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were found as a result of applying the procedure.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: No exceptions were found as a result of applying the procedure.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

Results: No exceptions were found as a result of applying the procedure.

- b) Observe that supervisors approved the attendance and leave of the selected employees or officials.

Results: No exceptions were found as a result of applying the procedure.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: No exceptions were found as a result of applying the procedure.

- d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Results: No exceptions were found as a result of applying the procedure.

- 18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Results: No exceptions were found as a result of applying the procedure.

- 19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were found as a result of applying the procedure.

Ethics

- 20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above: obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Results: No exceptions were found as a result of applying the procedure.

- b. Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Results: No exceptions were found as a result of applying the procedure.

Debt Service

- 21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the

listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.

Results: Exception noted. The Hospital did not issue any bonds/notes during the year; however, the hospital financed the purchase of their insurance policy. Since the policy was financed for greater than 90 days, it is considered debt and the Hospital should have obtained approval from the State Bond Commission. Approval from the State Bond Commission was not obtained for the financing of the insurance policy.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: No exceptions were found as a result of applying the procedure.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: No exceptions were found as a result of applying the procedure.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions were found as a result of applying the procedure.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- a. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

Results: No exceptions were found as a result of applying the procedure.

- b. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

Results: No exceptions were found as a result of applying the procedure.

- c. Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: No exceptions were found as a result of applying the procedure.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Results: No exceptions were found as a result of applying the procedure.

27. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Results: No exceptions were found as a result of applying the procedure.

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:

- a. Number and percentage of public servants in the agency who have completed the training requirements;

Results: No exceptions were found as a result of applying the procedure.

- b. Number of sexual harassment complaints received by the agency;

Results: No exceptions were found as a result of applying the procedure.

- c. Number of complaints which resulted in a finding that sexual harassment occurred;

Results: No exceptions were found as a result of applying the procedure.

- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Results: No exceptions were found as a result of applying the procedure.

- e. Amount of time it took to resolve each complaint

Results: No exceptions were found as a result of applying the procedure.

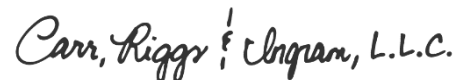
We were engaged by the Hospital to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Hospital and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

This report is intended solely for the information and use of the Hospital's management, the Hospital's Board of Commissioners and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than the specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Carr, Riggs & Ingram, L.L.C.".

CARR, RIGGS & INGRAM, L.L.C.
Enterprise, Alabama
September 29, 2022