

CITIZENS MEDICAL CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
MARCH 31, 2022 AND 2021

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**Citizens Medical Center
Columbia, Louisiana**

Management's Discussion and Analysis

This section of the annual financial report for Hospital Service District No. 1 of Caldwell Parish, State of Louisiana d/b/a Citizens Medical Center (the "Hospital") provides background information and management's analysis of the Hospital's financial performance for the fiscal years that ended March 31, 2022, 2021, 2020, and 2019. Please read it in conjunction with the financial statements beginning on page 5 and notes to the financial statements beginning on page 9 in this report.

Financial Highlights

- ❖ The Hospital's total assets increased by approximately \$1,266,000, or roughly 6.2%. Cash and cash equivalents increased by approximately \$1,998,000 in 2022.
- ❖ The Hospital's total liabilities decreased by approximately \$528,000, or 34.6%. Long-term debt decreased \$89,000 during fiscal year 2022.
- ❖ During the year, the Hospital's net patient revenue increased by 26.6%. Operating expenses increased by roughly \$1,610,000, or 10.6% due to all expenses increasing. The Hospital had a loss from operations of \$945,000, which is 6.0% of total operating revenue.

Required Financial Statements

The financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements provide overall information about the Hospital's financial activities on both short-term and long-term basis. The Statements of Net Position present information about its assets (resources) and liabilities (the amounts obligated to its creditors). The Statements of Revenues, Expenses, and Changes in Net Position present information about the current and prior years' activities in revenues and expenses. This statement also provides useful information for determining whether the Hospital's patient service revenue and other revenue sources were sufficient to allow the Hospital to recover all its costs. The final required financial statement is the Statement of Cash Flows which provides information about the Hospital's cash from operations, investing, and financing activities. In addition, this statement provides useful information to answer questions such as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Hospital

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Hospital's activities. These two statements report the net position of the Hospital and changes in them. Increases or decreases in the Hospital's net position are one of several indicators of whether its overall financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

**Citizens Medical Center
Columbia, Louisiana**

Management's Discussion and Analysis

Net Position

A summary of the Hospital's Statements of Net Position is presented in the table below:

**TABLE 1
Condensed Statements of Net Position
(In thousands)**

	March 31,			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total current assets	\$ 15,934	\$ 14,119	\$ 11,469	\$ 13,375
Nondepreciable capital assets	164	184	157	205
Depreciable capital assets - net	3,955	4,435	4,685	3,851
Other assets, including assets whose use is limited	65	65	65	65
Deferred outflows of resources	295	344	393	442
 Total Assets	 \$ 20,413	 \$ 19,147	 \$ 16,769	 \$ 17,938
 Total current liabilities	 \$ 2,054	 \$ 1,437	 \$ 1,566	 \$ 1,334
Long-term debt	-0-	89	192	288
 Total Liabilities	 2,054	 1,526	 1,758	 1,622
 Invested in capital assets, net of related debt	4,030	4,428	4,554	3,676
Restricted - unredeemed coupons	65	65	65	65
Unrestricted	14,264	13,128	10,392	12,575
 Total Liabilities and Net Position	 \$ 20,413	 \$ 19,147	 \$ 16,769	 \$ 17,938

A significant component of the change in the Hospital's current assets is the increase in cash and cash equivalents. Cash and cash equivalents increased by \$1,998,000 in fiscal year 2022 and increased by \$2,282,000 in fiscal year 2021. Third-party payor settlements decreased in 2020 by \$408,000, increased in 2021 by \$155,000 with liabilities from prior years of \$179,000 and \$112,000. In 2020 there was an increase of \$259,000. In fiscal year 2022 and 2021, accounts receivable had small increases of \$50,000 and \$31,000, respectively, compared to a decline in 2020 of \$263,000 due to Dr. Shroff's retirement and Columbia Medical Clinic's volume declining.

**Citizens Medical Center
Columbia, Louisiana**

Management's Discussion and Analysis

Summary of Revenues, Expenses, and Changes in Net Position

The following table represents the Hospital's revenues, expenses, and changes in net position for the fiscal years ended March 31:

TABLE 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In thousands)

	March 31,			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net patient service revenue	\$ 15,052	\$ 11,894	\$ 11,900	\$ 12,653
Other revenue, net	<u>754</u>	<u>758</u>	<u>1,095</u>	<u>1,033</u>
Total Operating Revenue	<u>15,806</u>	<u>12,652</u>	<u>12,995</u>	<u>13,686</u>
Salaries and benefits	9,315	8,520	9,035	8,626
Supplies and drugs	1,566	1,320	1,164	1,118
Professional fees	2,893	2,572	2,680	2,052
Other expenses	1,727	1,569	1,688	1,426
Insurance	307	293	285	252
Depreciation and amortization	<u>943</u>	<u>867</u>	<u>765</u>	<u>599</u>
Total Operating Expenses	<u>16,751</u>	<u>15,141</u>	<u>15,617</u>	<u>14,073</u>
Operating income (loss)	(945)	(2,489)	(2,622)	(387)
Nonoperating income	<u>1,683</u>	<u>5,079</u>	<u>1,310</u>	<u>1,212</u>
Changes in net position before capital grants	738	2,590	(1,312)	825
Capital grants	<u>-0-</u>	<u>20</u>	<u>7</u>	<u>-0-</u>
Changes in net position	738	2,610	(1,305)	825
Beginning net position	<u>17,621</u>	<u>15,011</u>	<u>16,316</u>	<u>15,491</u>
Ending Net Position	\$ <u>18,359</u>	\$ <u>17,621</u>	\$ <u>15,011</u>	\$ <u>16,316</u>

Sources of Revenue

Net Patient Service Revenue

During fiscal year 2022, the Hospital derived the majority of its total revenue from net patient service revenue. Net patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and other third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual adjustment. Net patient

**Citizens Medical Center
Columbia, Louisiana**

Management's Discussion and Analysis

Net Patient Service Revenue (continued)

service revenue increased by \$3,158,000 in 2022, compared to a slight increase of \$6,000 in 2021, with a decrease of \$753,000 in 2020.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended March 31:

**TABLE 3
Payor Mix by Percentage**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicare	27%	29%	31%	31%
Medicaid	37%	35%	33%	34%
Commercial insurance	32%	32%	33%	31%
Self-pay	<u>4%</u>	<u>4%</u>	<u>3%</u>	<u>4%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	100%

Other Revenue

Other revenue includes cafeteria sales, grant income, Access 2 Health, and other miscellaneous services. Other revenue decreased approximately \$59,000 or 2.7% for 2022.

**TABLE 4
Other Revenue
(in thousands)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cafeteria sales	\$ 40	\$ 37	\$ 43	\$ 12
Sales tax	1,395	1,265	1,147	1,108
Grants - operating and capital	695	729	972	983
Miscellaneous	<u>19</u>	<u>177</u>	<u>84</u>	<u>36</u>
Total	\$ <u>2,149</u>	\$ <u>2,208</u>	\$ <u>2,246</u>	\$ <u>2,139</u>

Grant Income

In fiscal year 2015, the Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital whereby the Grantee (Hospital) receives an Intergovernmental Transfer to provide adequate and essential medically necessary health care services to the Grantee's service population. Grant income consists of grants for providing healthcare to low income or indigent citizens of the community. COVID-19 grants of approximately \$370,000 were received in fiscal year 2022, of which \$220,000 was spent.

**Citizens Medical Center
Columbia, Louisiana**

Management's Discussion and Analysis

Miscellaneous Income

Miscellaneous income consists primarily of amounts received from processing Medicaid applications, clinic HPSA/PCP payments, group purchasing rebates, and Access 2 Health payments.

Investment Income

The Hospital earned \$78,000, \$131,000, \$192,000, and \$137,000, in interest income in fiscal years 2022, 2021, 2020, and 2019, respectively. Interest was earned on certificates of deposit with higher rates in fiscal years 2020 and 2019.

Operating and Financial Performance

Patient Revenue

Table 5 below depicts Medicare and Medicaid patient revenue for the fiscal years ended March 31:

**TABLE 5
Patient Revenue
(in thousands)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicare and Medicaid gross patient charges	\$ 20,987	\$ 15,205	\$ 17,278	\$ 17,441
Contractual adjustments	<u>10,776</u>	<u>6,650</u>	<u>9,479</u>	<u>9,253</u>
Net Medicare and Medicaid revenue	\$ <u>10,211</u>	\$ <u>8,555</u>	\$ <u>7,799</u>	\$ <u>8,188</u>
Percent of total gross charges	<u>34%</u>	<u>64%</u>	<u>63%</u>	<u>64%</u>
Percent of total net revenue	<u>68%</u>	<u>72%</u>	<u>65%</u>	<u>66%</u>

Gross patient service revenue increased by \$8,792,000 in 2022, due to increases in volume attributable to the pandemic. A decrease of \$3,816,000 in 2021, was primarily due to the coronavirus pandemic mandates that restricted elective procedures. Gross patient service revenue increased by \$232,000, in 2020. The charge master was reviewed and some charges were increased in 2022 but volume increases were the overriding factor in the increase in patient service revenue. Charges were not increased in 2021 or 2020 except for individual items.

**Citizens Medical Center
Columbia, Louisiana**

Management's Discussion and Analysis

Medicare and Medicaid Patient Statistics

Table 6 is a comparison of the Hospital's Medicare and Medicaid discharges, patient days, and lengths of stay for the fiscal years ended March 31:

**TABLE 6
Medicare and Medicaid Patient Statistics**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Discharges:				
Adult and pediatric (A & P)	511	498	387	426
Medicare (included in A & P)	245	239	227	271
Medicaid (included in A & P)	98	106	60	72
Medicare swing bed	-0-	-0-	-0-	3
Patient days:				
Adult and pediatric (A & P)	2,252	2,072	1,586	1,816
Medicare (included in A & P)	1,120	1,059	937	1,172
Medicaid (included in A & P)	418	378	265	264
Swing bed	-0-	-0-	-0-	21
Medicare average length of stay	<u>4.57</u>	<u>4.43</u>	<u>4.13</u>	<u>4.32</u>
Medicaid average length of stay	<u>4.27</u>	<u>3.57</u>	<u>4.42</u>	<u>3.67</u>

Acute days increased in fiscal year 2022 and 2021 by 180 and 486, respectively. Fiscal year 2021's increase was mainly due to the coronavirus, compared to a decrease of 230 in fiscal years 2020. Medicare days increased slightly in fiscal year 2022 by 61 and in 2021 by 122 days. This increase follows decreases in days in fiscal years 2020 by 235. Citizens Rural Clinic and the Columbia Medical Clinic experienced increases in volume and charges for fiscal year 2022, \$1,804,000 and \$629,000, respectively. The Hospital experienced an increase in outpatient services in fiscal year 2022.

Expenses

Overall expenses increased by \$1,610,000, decreased by \$476,000, and increased by \$1,544,000, in 2022, 2021, and 2020, respectively. More volume and an increase in cost of supplies and services coupled with salary increases to retain employees contributed to the increase in fiscal year 2022.

**Citizens Medical Center
Columbia, Louisiana**

Management's Discussion and Analysis

Accounts Receivable

Table 7 below summarizes Accounts Receivable for the fiscal years ended March 31:

**TABLE 7
Accounts Receivable
(in thousands)**

	<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>
Accounts receivable	\$ 3,717	\$	3,493	\$	3,671	\$	3,603
Allowance for uncollectibles	<u>(1,412)</u>		<u>(1,238)</u>		<u>(1,447)</u>		<u>(1,116)</u>
 Net accounts receivable	 \$ <u>2,305</u>	\$	 <u>2,255</u>	\$	 <u>2,224</u>	\$	 <u>2,487</u>

Gross accounts receivable increased by \$224,000 due to increases in volume in 2022. It decreased by \$178,000 in fiscal year 2021 mainly due to a decrease in outpatient services caused by the Coronavirus pandemic. \$263,000 was the decrease in net accounts receivable in 2020.

Capital Assets

At the end of 2022, the Hospital had \$3,955,000 invested in depreciable capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. An increase in depreciation expense and fewer purchases contributed to the decrease in depreciable capital assets.

Table 8 below summarizes capital assets additions for the fiscal years ended March 31:

**TABLE 8
Capital Assets
(in thousands)**

	<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>
Building & land	\$ 54	\$	231	\$	22	\$	22
Equipment	361		337		293		356
Construction in progress	<u>7</u>		<u>28</u>		<u>1,194</u>		<u>48</u>
 Total capital additions	 \$ <u>422</u>	\$	 <u>596</u>	\$	 <u>1,509</u>	\$	 <u>426</u>

Debt

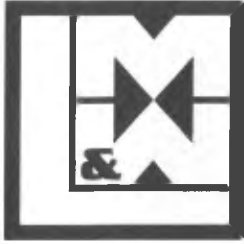
At year-end, the Hospital had \$89,000 in debt. In fiscal year 2021 there was \$191,000 in debt compared to fiscal year 2022. No new debt was incurred in 2022 or 2021. More detailed information about the Hospital's long-term liabilities is presented in the notes to the financial statements.

**Citizens Medical Center
Columbia, Louisiana**

Management's Discussion and Analysis

Contacting the Hospital's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Hospital's Administration.



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Independent Auditors' Report

To the Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
Columbia, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hospital Service District No. 1, Parish of Caldwell, State of Louisiana, d/b/a Citizens Medical Center (the "Hospital" or "District"), a component unit of the Caldwell Parish Police Jury, as of and for the years ended March 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of March 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 Auditors' 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 auditors' 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.



Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of the Hospital and do not purport to, and do not, present fairly the financial position of Caldwell Parish Police Jury as of March 31, 2022 and 2021, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are 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 and the schedule of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.



Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
Columbia, Louisiana
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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.



Certified Public Accountants
Alexandria, Louisiana

November 30, 2022



CITIZENS MEDICAL CENTER
STATEMENTS OF NET POSITION
MARCH 31,

	<u>2022</u>	<u>2021</u>
<u>Assets and Deferred Outflows of Resources</u>		
Current		
Cash and cash equivalents (Notes 2 & 3)	\$ 4,659,222	\$ 2,660,985
Certificates of deposit	7,402,212	7,332,013
Accounts receivable, net of allowances for uncollectibles (Note 4)	2,304,595	2,254,581
Other receivables	1,590	1,644
Estimated third-party payor settlements	737,526	1,145,964
Inventory	578,631	492,540
Prepays	<u>249,968</u>	<u>231,078</u>
Total Current Assets	<u>15,933,744</u>	<u>14,118,805</u>
Non-Current		
Assets limited as to use (Note 6)	65,123	65,123
Nondepreciable capital assets (Note 5)	163,812	184,425
Depreciable capital assets, net (Note 5)	<u>3,955,493</u>	<u>4,434,860</u>
Total Assets	<u>20,118,172</u>	<u>18,803,213</u>
Deferred Outflows of Resources		
Excess consideration provided for acquisition	<u>294,739</u>	<u>343,862</u>
Total Deferred Outflows of Resources	<u>294,739</u>	<u>343,862</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 20,412,911</u>	<u>\$ 19,147,075</u>
<u>Liabilities and Net Position</u>		
Current		
Accounts payable	\$ 405,425	\$ 351,332
Accrued expenses	1,230,806	871,764
Deferred revenue	149,687	-0-
Estimated third-party payor settlements	178,999	111,625
Current portion of capital lease obligations (Note 8)	<u>89,323</u>	<u>102,078</u>
Total Current Liabilities	<u>2,054,240</u>	<u>1,436,799</u>
Long-term		
Capital lease obligations (Note 8)	<u>-0-</u>	<u>89,323</u>
Total Liabilities	<u>2,054,240</u>	<u>1,526,122</u>
Net Position		
Net investment in capital assets	4,029,982	4,427,884
Restricted - Unredeemed coupons	65,123	65,123
Unrestricted	<u>14,263,566</u>	<u>13,127,946</u>
Total Net Position	<u>18,358,671</u>	<u>17,620,953</u>
Total Liabilities and Net Position	<u>\$ 20,412,911</u>	<u>\$ 19,147,075</u>

See accompanying notes to financial statements.

CITIZENS MEDICAL CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MARCH 31,

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Net patient service revenue (Note 10)	\$ 15,051,827	\$ 11,893,682
Grants	695,098	709,321
Other operating revenue	<u>59,346</u>	<u>49,115</u>
Total Operating Revenues	<u>15,806,271</u>	<u>12,652,118</u>
Operating Expenses		
Salaries	7,693,634	7,147,123
Benefits and payroll taxes	1,620,810	1,372,486
Supplies and drugs	1,565,648	1,320,318
Professional fees	2,893,094	2,571,572
Other expenses	1,727,247	1,569,354
Insurance	307,167	292,925
Depreciation and amortization	<u>943,735</u>	<u>867,144</u>
Total Operating Expenses	<u>16,751,335</u>	<u>15,140,922</u>
Operating Income (Loss)	(945,064)	(2,488,804)
Nonoperating Income (Loss)		
Sales tax	1,395,349	1,264,534
Interest income	78,229	130,829
Interest expense	(10,967)	(18,524)
COVID-19 grant awards	<u>220,171</u>	<u>3,702,380</u>
Changes in Net Position before Capital Grants	737,718	2,590,415
Capital grants	<u>-0-</u>	<u>19,500</u>
Increase (Decrease) in Net Position	<u>737,718</u>	<u>2,609,915</u>
Beginning Net Position	<u>17,620,953</u>	<u>15,011,038</u>
Ending Net Position	\$ <u>18,358,671</u>	\$ <u>17,620,953</u>

See accompanying notes to financial statements.

CITIZENS MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 15,477,625	\$ 11,650,017
Other receipts from operations	754,498	936,436
Cash payments for other operating expenses	(6,544,043)	(5,939,308)
Cash payments to employees and for employee-related costs	<u>(8,955,402)</u>	<u>(8,637,350)</u>
Net cash provided (used) by operating activities	<u>732,678</u>	<u>(1,990,205)</u>
Cash flows from investing activities:		
Interest income	78,229	130,829
Cash invested in certificates of deposit	<u>(70,199)</u>	<u>(134,251)</u>
Net cash provided (used) by investing activities	<u>8,030</u>	<u>(3,422)</u>
Cash flows from non-capital financing activities:		
Proceeds from COVID-19 grant awards	369,858	3,702,380
Proceeds from sales taxes	<u>1,395,349</u>	<u>1,264,534</u>
Net cash provided (used) by non-capital financing activities	<u>1,765,207</u>	<u>4,966,914</u>
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(102,078)	(96,778)
Interest expense	(10,967)	(18,524)
Proceeds from capital grant	-0-	19,500
Acquisition of capital assets	<u>(394,633)</u>	<u>(595,604)</u>
Net cash provided (used) by capital and related financing activities	<u>(507,678)</u>	<u>(691,406)</u>
Net increase (decrease) in cash and cash equivalents	1,998,237	2,281,881
Beginning cash and cash equivalents	<u>2,660,985</u>	<u>379,104</u>
Ending cash and cash equivalents	\$ <u>4,659,222</u>	\$ <u>2,660,985</u>

See accompanying notes to financial statements.

CITIZENS MEDICAL CENTER
 STATEMENTS OF CASH FLOWS (Continued)
 YEARS ENDED MARCH 31,

	<u>2022</u>	<u>2021</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ <u>10,967</u>	\$ <u>18,524</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (945,064)	\$ (2,488,804)
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities		
Depreciation and amortization	943,735	867,144
Change in current assets (increase) decrease		
Accounts receivable, net	(50,014)	(30,650)
Other receivables	54	13,551
Estimated third-party payor settlements	408,438	(154,850)
Inventory	(86,091)	(43,477)
Prepays	(18,890)	(18,457)
Change in current liabilities (increase) decrease		
Accounts payable	54,094	(123,205)
Accrued expenses	359,042	(117,741)
Estimated third-party payor settlements	<u>67,374</u>	<u>106,284</u>
Net cash provided (used) by operating activities	\$ <u>732,678</u>	\$ <u>(1,990,205)</u>

See accompanying notes to financial statements.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Hospital Service District No. 1 of the Parish of Caldwell (the "Hospital" or the "District") was created by an ordinance of the Caldwell Parish Police Jury. The District is comprised of and embraces the territory contained within the Parish of Caldwell, State of Louisiana, as constituted as of the date of the ordinance.

The Hospital is a political subdivision of the Caldwell Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Caldwell Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Caldwell Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Caldwell Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The Hospital provides outpatient, emergency, rural health clinic, skilled nursing (through "swing-beds"), and acute inpatient services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of ninety (90) days or less. Certificates of deposit with original maturities of over ninety (90) days are classified as short-term. Cash and cash equivalents and certificates of deposit are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

The Hospital provides medical care primarily to Caldwell Parish residents and grants credit to patients substantially all of whom are local residents.

The Hospital's estimate of collectability is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 10. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

The Hospital has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the Hospital is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges for the services provided, less an estimate made for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by utilizing a historical experience applied to an aging of accounts. Patient accounts receivable are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expense are recorded as a reduction of bad debt expense when received.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Income Taxes

The entity is a political subdivision and exempt from taxation.

Limited Use Assets

Limited use assets consist entirely of unredeemed coupons from the inception of the Hospital Service District.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 to 20 years
Intangibles	3 to 8 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are currently credited or charged to nonoperating revenue.

Net Position

The Hospital classifies net position into three components: invested in capital assets, net of related debt; restricted, and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, or contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Revenues and Expenses

The Hospital's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonoperating revenue also includes sales taxes passed to provide the Hospital with revenue to operate and maintain the Hospital. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions

From time to time, the Hospital receives grants and contributions from the State of Louisiana, individuals or private and public 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 for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then. The Hospital does have an item that qualifies for reporting in this category.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until then. The Hospital does not currently have any items that qualify for reporting in this category.

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; and medical malpractice. 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.

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital. At March 31, 2022 and 2021 management is not aware of any liability resulting from environmental matters.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Hospital expenses advertising cost as incurred. Advertising expense for the years ended March 31, 2022 and 2021 totaled \$82,551 and \$65,045, respectively.

Charity Care

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

Recently Issued Accounting Principles

In June 2017, the GASB issued Statement No. 87 (GASB 87). The objective of GASB Statement No. 87, *Leases*, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increased the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the 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. Management is currently evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2021.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right to use subscription assets – 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. Management is currently evaluating the potential impact of adoption on the Hospital's financial statements. The Statement is effective for fiscal years beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Statement amends Questions 4.3 and 4.5 of Implementation Guide 2021-2. Management is currently evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement related to the accounting and financial reporting for Internal Revenue Code Section 457 plans are effective June 15, 2021.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classifications.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the Hospital to invest in direct obligations of the United States 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. Louisiana statutes also require that all of the deposits of the Hospital be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Account balances according to banks' records at March 31, 2022 for the Hospital are as follows:

	Homeland Federal Savings Bank	Caldwell Bank & Trust
Cash in banks	\$ <u>11,896,747</u>	\$ <u>88,728</u>
Insured by FDIC	\$ <u>5,250,678</u>	\$ <u>88,728</u>
Collateralization by pledged securities/letter of credit	\$ <u>6,646,069</u>	\$ <u>-0-</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's deposits were entirely insured or entirely collateralized by securities or a letter of credit held by the pledging bank's trust department in the Hospital's name at March 31, 2022 and 2021.

Concentration of Credit Risks - The Hospital has 99% of its cash and cash equivalents at Homeland Federal Savings Bank in checking and certificates of deposit.

Interest Rate Risks - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The carrying amounts of deposits and investments are included in the Hospital's balance sheets as follows:

	<u>2022</u>	<u>2021</u>
Carrying amount		
Deposits	\$ 4,659,222	\$ 2,660,985
Certificates of deposit	<u>7,467,335</u>	<u>7,397,136</u>
	\$ <u>12,126,557</u>	\$ <u>10,058,121</u>
Included in the following statements of net position captions:		
Current assets		
Cash and cash equivalents	\$ 4,659,222	\$ 2,660,985
Certificates of deposit	7,402,212	7,332,013
Noncurrent cash and investments		
Held for debt service	<u>65,123</u>	<u>65,123</u>
	\$ <u>12,126,557</u>	\$ <u>10,058,121</u>

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable at March 31 is presented below:

	<u>2022</u>	<u>2021</u>
Patient accounts receivable	\$ 3,716,595	\$ 3,492,517
Estimated uncollectibles	<u>(1,412,000)</u>	<u>(1,237,936)</u>
Net accounts receivable	\$ <u>2,304,595</u>	\$ <u>2,254,581</u>

The following is a mix of gross receivables from patients and third-party payors at March 31:

	<u>2022</u>	<u>2021</u>
Medicare	20%	28%
Medicaid	25%	17%
Commercial and other third-party payors	32%	37%
Patients	<u>23%</u>	<u>18%</u>
	<u>100%</u>	<u>100%</u>

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 5 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation at March 31:

	<u>2021</u>		<u>Additions</u>		<u>Dispositions</u>		<u>Transfers</u>		<u>2022</u>
Nondepreciable capital assets									
Land	\$ 113,989	\$	-0-	\$	-0-	\$	-0-	\$	113,989
Construction in progress	27,929		7,316		-0-		(27,929)		7,316
Minor equipment	<u>42,507</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>42,507</u>
Total nondepreciable capital assets	\$ <u>184,425</u>	\$	<u>7,316</u>	\$	<u>-0-</u>	\$	<u>(27,929)</u>	\$	<u>163,812</u>
Depreciable capital assets									
Land improvements	\$ 66,522	\$	-0-	\$	-0-	\$	-0-	\$	66,522
Buildings	8,061,393		53,909		-0-		-0-		8,115,302
Furniture and equipment	6,402,931		333,408		-0-		27,929		6,764,268
Property held under capital leases	<u>482,062</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>482,062</u>
Total depreciable capital assets	15,012,908		387,317		-0-		27,929		15,428,154
Accumulated depreciation	<u>10,578,048</u>		<u>894,613</u>		<u>-0-</u>		<u>-0-</u>		<u>11,472,661</u>
Total depreciable capital assets	\$ <u>4,434,860</u>	\$	<u>(507,296)</u>	\$	<u>-0-</u>	\$	<u>27,929</u>	\$	<u>3,955,493</u>

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 5 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets and related accumulated depreciation at March 31:

	<u>2020</u>		<u>Additions</u>		<u>Dispositions</u>		<u>Transfers</u>		<u>2021</u>
Nondepreciable capital assets									
Land	\$ 113,989	\$	-0-	\$	-0-	\$	-0-	\$	113,989
Construction in progress	-0-		27,929		-0-		-0-		27,929
Minor equipment	<u>42,507</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>42,507</u>
Total nondepreciable capital assets	\$ <u>156,496</u>	\$	<u>27,929</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>184,425</u>
Depreciable capital assets									
Land improvements	\$ 66,522	\$	-0-	\$	-0-	\$	-0-	\$	66,522
Buildings	7,830,925		230,468		-0-		-0-		8,061,393
Furniture and equipment	6,065,724		337,207		-0-		-0-		6,402,931
Property held under capital leases	<u>482,062</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>482,062</u>
Total depreciable capital assets	14,445,233		567,675		-0-		-0-		15,012,908
Accumulated depreciation	<u>9,760,027</u>		<u>818,021</u>		<u>-0-</u>		<u>-0-</u>		<u>10,578,048</u>
Total depreciable capital assets	\$ <u>4,685,206</u>	\$	<u>(250,346)</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>4,434,860</u>

A summary of assets held under capital leases, which are included in capital assets at March 31 follows:

	<u>2022</u>	<u>2021</u>
Equipment under capital lease	\$ 482,062	\$ 482,062
Accumulated depreciation	<u>305,306</u>	<u>112,481</u>
Net	\$ <u>176,756</u>	\$ <u>369,581</u>

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 6 - ASSETS LIMITED AS TO USE

The following assets are limited as to use as designated below:

	<u>2022</u>	<u>2021</u>
<u>Restricted by third-parties</u>		
Unredeemed coupons	\$ <u>65,123</u>	\$ <u>65,123</u>
Total assets limited as to use	\$ <u>65,123</u>	\$ <u>65,123</u>

NOTE 7 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid days off depending on length of service. The Hospital accrued \$579,766 and \$524,684 of vacation pay at March 31, 2022 and 2021, respectively. It is impractical to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 8 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations, at March 31, follows:

	March 31, <u>2021</u>	<u>Additions</u>	<u>Payments</u>	March 31, <u>2022</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ <u>191,401</u>	\$ <u>-0-</u>	\$ <u>102,078</u>	\$ <u>89,323</u>	\$ <u>89,323</u>
	March 31, <u>2020</u>	<u>Additions</u>	<u>Payments</u>	March 31, <u>2021</u>	<u>Due Within One Year</u>
Capital lease obligations	\$ <u>288,180</u>	\$ <u>-0-</u>	\$ <u>96,779</u>	\$ <u>191,401</u>	\$ <u>102,078</u>

The following are the terms and due dates of the Hospital's long-term debt at March 31:

- Toshiba capital lease for radiology equipment at 5.34% due in 60 monthly installments of \$9,152 through January 10, 2023, secured by equipment. The lease agreement includes a \$1 purchase option at the expiration of the agreement.

CITIZENS MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 8 - LONG-TERM DEBT (Continued)

Minimum future lease payments under capital leases at March 31, 2022, and for each subsequent year in aggregate are provided below:

Years Ending <u>March 31,</u>	Capital Lease Obligations	
	<u>Principal</u>	<u>Interest</u>
2023	\$ <u>89,323</u>	\$ <u>2,202</u>
Total	\$ <u>89,323</u>	\$ <u>2,202</u>

NOTE 9 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of March 31, 2022, that have initial or remaining lease terms in excess of one year.

Years Ending <u>March 31,</u>	<u>Amount</u>
2023	\$ 6,544
2024	<u>1,091</u>
Total minimum lease payments	\$ <u>7,635</u>

NOTE 10 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital is classified as a Medicare Dependent Hospital and has received \$583,365 and \$470,705, in additional reimbursement in 2022 and 2021, respectively. This classification and related additional reimbursement expires for discharges on and after September 30, 2022, without change in Medicare law. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through March 31, 2018.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The Hospital is reimbursed at a

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 10 - NET PATIENT SERVICE REVENUE (Continued)

tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through March 31, 2017.

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

The following is a summary of the Hospital's patient service revenue for the years ended March 31:

	<u>2022</u>	<u>2021</u>
Gross charges	\$ 32,547,649	\$ 23,755,674
Less charges associated with charity patients	<u>(7,511)</u>	<u>(11,075)</u>
Gross patient service revenue	32,540,138	23,744,599
Less deductions from revenue:		
Contractual adjustments	(16,405,166)	(10,916,974)
Policy and other discounts	<u>(360,574)</u>	<u>(196,442)</u>
Patient service revenue (net of contractual adjustments and discounts)	15,774,398	12,631,183
Less provision for bad debts	<u>(722,571)</u>	<u>(737,501)</u>
Net Patient Service Revenue	\$ <u>15,051,827</u>	\$ <u>11,893,682</u>

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and its finalized amounts. These adjustments resulted in a decrease in net patient service revenue of \$286,437 and \$122,170 for 2022 and 2021, respectively. Cost reports thereafter remain subject to audit and changes in estimated settlements.

CITIZENS MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 10 - NET PATIENT SERVICE REVENUE (Continued)

The Hospital receives a substantial portion of its revenue from third-party payors at discounted rates. The following percentages reflect service volumes for significant payors for the years ended March 31:

	<u>2022</u>	<u>2021</u>
Percent Medicare of total gross patient charges	<u>29%</u>	<u>30%</u>
Percent Medicare of total net patient revenue	<u>32%</u>	<u>27%</u>
Percent Medicaid of total gross patient charges	<u>34%</u>	<u>34%</u>
Percent Medicaid of total net patient revenue	<u>41%</u>	<u>41%</u>
Percent Blue Cross of total gross patient charges	<u>8%</u>	<u>10%</u>
Percent Blue Cross of total net patient revenue	<u>8%</u>	<u>13%</u>

NOTE 11 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk.

The fund places no limitation on the number of occurrences covered. In connection with the establishment of the PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the Hospital. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has not included these allocations of income and equity amounts assigned to the Hospital by the Trust Fund in its financial statements.

NOTE 12 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical and drug coverage for its employees. The Hospital entered into an agreement on December 30, 2003, with a third-party administrator (Insurance Management Administrators) to administer the plan. The plan year runs from December 1 through November 30. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with an carrier provides for payment of 100% of claims in excess of \$55,000 per covered individual. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, and frequency of claims. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

CITIZENS MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 12 - EMPLOYEE MEDICAL BENEFIT PLAN (Continued)

The following is a summary of changes in the Hospital's claims liability for the year ended March 31:

	<u>2022</u>	<u>2021</u>
Beginning of the year	\$ 60,156	\$ 260,064
Plus: Claims incurred and changes in estimate, net of reinsurance	850,807	667,069
Less: Claims paid	<u>596,309</u>	<u>866,977</u>
End of the year, included in accrued expenses	\$ <u><u>314,654</u></u>	\$ <u><u>60,156</u></u>

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 10) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations.

Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

Professional Liability Risk (Note 11) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Hospital's insurance carrier.

Workers' Compensation Risk - The Hospital participates in the Louisiana Hospital Association Self-Insurance Workers' Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. The trust fund presumes to be a "Grantor Trust" and income and expenses are prorated to member hospitals. The Hospital has not included these allocations of income and equity amounts assigned to the Hospital by the Trust Fund in its financial statements.

NOTE 14 - RETIREMENT PLAN

Effective January 1, 2008, employees may participate in a qualified defined contribution retirement plan (exempt under Section 457(b) of the Internal Revenue Code). Each employee is eligible to contribute to the plan on the following quarter after completing ninety (90) days of employment and reaching the age of 21. Employees are immediately 100% vested in their contributions to the plan through a salary reduction agreement. In fiscal year 2022 and 2021, employees contributed \$342,293 and \$314,642, respectively.

Effective January 1, 2008, the Hospital began sponsoring a money purchase pension plan (exempt under Section 401(a) of the Internal Revenue Code). After one year of employment, the Hospital will contribute a 1% discretionary match of all participating eligible employees' salaries per pay period. In addition to this discretionary match, the Hospital contributes a match amount equal to the 457(b) employee deferral contribution up to a maximum of 5% of compensation for participating employees. The employee will be 100% vested after three years of eligibility. In fiscal year 2022 and 2021, the Hospital contributed \$276,265 and \$252,141, respectively.

The Hospital's forfeiture policy is to notify Security Benefit who moves the forfeited funds into a forfeiture account. The forfeited funds are then subtracted from the employer amount due to the plan at next payroll date. In fiscal years 2022 and 2021, forfeitures of \$-0- and \$6,445, occurred, respectively. Security Benefit administers the above plans. The Board of Commissioners adopted these plans and may change the terms of the plans to improve administration and can, at their discretion, increase or decrease the contribution percentages.

NOTE 15 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 200% scale. Accordingly, the Hospital does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies, and other operating expenses. The costs of caring for charity care patients were approximately \$3,867 and \$7,059, for the years ended March 31, 2022 and 2021, respectively. Funds

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 15 - CHARITY CARE (Continued)

received through UCC and grants, which pay part of the cost of charity and uninsured care, were approximately \$3,013 and \$6,019, for the years ended March 31, 2022 and 2021, respectively.

NOTE 16 - GRANT REVENUE

In response to the Coronavirus pandemic, the District received \$369,858 in operating grants from several sources.

Various other grants were received during the year for other uses.

NOTE 17 - INTERGOVERNMENTAL TRANSFER GRANTS

The District (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to Grantee's service population subject to the availability of such grant funds. The aggregate grant revenue is \$695,098 and \$616,308, for fiscal years 2022 and 2021, respectively.

NOTE 18 - SALES TAX REVENUE

On April 2, 1977, the voters of the District passed a perpetual one percent sales tax. The sales tax collection is for the purposes of "constructing, acquiring, extending, improving, maintaining and/or operating a hospital for the parish and acquiring the necessary land, equipment, and furnishings therefore". Sales tax revenue is approximately 8% and 7% of the total revenues in fiscal years 2022 and 2021, respectively.

NOTE 19 - PROVIDER RELIEF FUNDS

The District received \$3,652,919 in Provider Relief Funds (the funds) via the Coronavirus Aid Relief and Economic Security (CARES) Act during the fiscal year ending March 31, 2021. The funds were issued by the U.S. Department of Health & Human Services (HHS) in response to the Coronavirus pandemic to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. The District recognized \$3,652,919 as non-operating grant revenue in the fiscal year ending March 31, 2021, based on the information available. The District submitted a report of healthcare related expenses attributable to coronavirus from inception through June 30, 2021.

NOTE 20 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available to be issued, November 30, 2022, and determined one material event occurred that requires disclosure. The District entered into an agreement with architects to begin planning construction of a new clinic in fiscal year 2023. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2022 AND 2021

NOTE 21 - COMMISSIONERS

The following commissioners served Citizens Medical Center without compensation during the year ended March 31, 2022:

Ms. Barbara Davis
Ms. Mary Norris
Mr. Robert S. Wallace
Mr. Louis Champagne
Ms. Kem Gay

SUPPLEMENTARY INFORMATION

CITIZENS MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED MARCH 31,

	<u>2022</u>	<u>2021</u>
Routine Services:		
Adult and pediatric	\$ <u>2,138,000</u>	\$ <u>1,252,200</u>
Total Routine Services	<u>2,138,000</u>	<u>1,252,200</u>
Other Professional Services:		
Operating room		
Inpatient	70,216	74,508
Outpatient	<u>520,658</u>	<u>476,542</u>
Total	<u>590,874</u>	<u>551,050</u>
Anesthesia		
Inpatient	39,745	36,234
Outpatient	<u>203,051</u>	<u>182,332</u>
Total	<u>242,796</u>	<u>218,566</u>
Radiology		
Inpatient	1,046,879	864,961
Outpatient	<u>5,360,649</u>	<u>4,103,509</u>
Total	<u>6,407,528</u>	<u>4,968,470</u>
Laboratory		
Inpatient	941,289	871,232
Outpatient	<u>3,310,085</u>	<u>2,694,285</u>
Total	<u>4,251,374</u>	<u>3,565,517</u>
IV solutions		
Inpatient	904	208
Outpatient	<u>1,456</u>	<u>-0-</u>
Total	\$ <u>2,360</u>	\$ <u>2</u>

CITIZENS MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED MARCH 31,

	<u>2022</u>	<u>2021</u>
Respiratory therapy		
Inpatient	\$ 495,092	\$ 360,679
Outpatient	<u>158,683</u>	<u>105,716</u>
Total	<u>653,775</u>	<u>466,395</u>
EKG		
Inpatient	212,568	167,390
Outpatient	<u>404,960</u>	<u>270,220</u>
Total	<u>617,528</u>	<u>437,610</u>
Central supply		
Inpatient	441,378	378,603
Outpatient	<u>851,824</u>	<u>653,336</u>
Total	<u>1,293,202</u>	<u>1,031,939</u>
Pharmacy		
Inpatient	2,246,717	1,899,245
Outpatient	<u>1,266,506</u>	<u>752,460</u>
Total	<u>3,513,223</u>	<u>2,651,705</u>
Emergency room		
Inpatient	379,548	349,874
Outpatient	<u>5,461,802</u>	<u>4,278,261</u>
Total	<u>5,841,350</u>	<u>4,628,135</u>
Observation room		
Inpatient	77,713	57,807
Outpatient	<u>946,506</u>	<u>478,197</u>
Total	<u>1,024,219</u>	<u>536,004</u>
Rural health clinic		
Outpatient	\$ <u>4,490,207</u>	\$ <u>2,686,490</u>

CITIZENS MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED MARCH 31,

	<u>2022</u>	<u>2021</u>
Columbia Medical Clinic Outpatient	\$ <u>1,059,865</u>	\$ <u>430,805</u>
Hospitalist Inpatient	<u>421,348</u>	<u>330,580</u>
Total Other Professional Services	<u>30,409,649</u>	<u>22,503,474</u>
Gross Charges	32,547,649	23,755,674
Less charges associated with charity patients	<u>7,511</u>	<u>11,075</u>
Gross Patient Service Revenue	32,540,138	23,744,599
Deductions from revenue:		
Medicare and Medicaid contractual allowances	10,776,408	6,649,276
Other contractual allowances	5,628,758	4,267,698
Policy and other discounts	<u>360,574</u>	<u>196,442</u>
Patient service revenue (net of contractual adjustments and discounts)	15,774,398	12,631,183
Less provision for bad debt	<u>722,571</u>	<u>737,501</u>
Net patient service revenue less provision for bad debt	\$ <u>15,051,827</u>	\$ <u>11,893,682</u>

CITIZENS MEDICAL CENTER
SCHEDULES OF OTHER OPERATING REVENUE
YEARS ENDED MARCH 31

	<u>2022</u>	<u>2021</u>
Cafeteria sales	\$ 40,418	\$ 37,052
Medical records abstract fees	4,509	3,674
Miscellaneous	<u>14,419</u>	<u>8,389</u>
 Total Other Operating Revenue	 \$ <u>59,346</u>	 \$ <u>49,115</u>

CITIZENS MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED MARCH 31,

	<u>2022</u>	<u>2021</u>
Administrative and general	\$ 949,815	\$ 792,162
Plant operations and maintenance	66,439	105,822
Housekeeping	166,364	140,580
Dietary and cafeteria	164,592	142,022
Central supply	30,310	27,059
Pharmacy	278,434	273,857
Medical records	115,201	102,178
Nursing services	1,225,172	1,185,875
Operating room	232,230	213,572
Anesthesiology	195,372	184,641
Radiology	317,118	294,395
Laboratory	612,919	577,847
Respiratory care	236,915	187,951
Emergency room	363,836	364,491
Rural health clinic	2,470,219	2,331,776
Columbia Medical	<u>268,698</u>	<u>222,895</u>
 Total Salaries	 <u>7,693,634</u>	 <u>7,147,123</u>
 Payroll taxes	 493,738	 453,276
Health insurance	850,807	667,069
Retirement	<u>276,265</u>	<u>252,141</u>
 Total Benefits	 <u>1,620,810</u>	 <u>1,372,486</u>
 Total Salaries and Benefits	 \$ <u>9,314,444</u>	 \$ <u>8,519,609</u>

CITIZENS MEDICAL CENTER
 SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
 YEARS ENDED MARCH 31,

	<u>2022</u>	<u>2021</u>
Nursing service	\$ 1,900	\$ 11,625
Radiology	236,793	197,868
Laboratory	184,131	299,741
EKG	-0-	150
Emergency room	1,819,497	1,657,567
Columbia Medical	<u>650,773</u>	<u>404,621</u>
 Total Professional Fees	 \$ <u>2,893,094</u>	 \$ <u>2,571,572</u>

CITIZENS MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED MARCH 31,

	<u>2022</u>	<u>2021</u>
Miscellaneous service fees	\$ 287,912	\$ 225,102
Legal and accounting	74,893	74,180
Supplies	284,264	229,644
Repairs and maintenance	391,918	383,601
Utilities	175,115	151,865
Telephone	72,694	76,937
Travel	8,604	9,565
Rentals	33,104	27,375
Education	14,631	3,386
Dues and subscriptions	147,368	159,152
Intergovernmental fee	74,190	77,860
Intergovernmental administrative fee	7,188	7,613
Recruitment and advertising	82,551	65,045
Miscellaneous	<u>72,815</u>	<u>78,029</u>
 Total Other Expenses	 \$ <u>1,727,247</u>	 \$ <u>1,569,354</u>

CITIZENS MEDICAL CENTER
 SCHEDULE OF COMPENSATION, BENEFITS, AND
 OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER
 YEAR ENDED MARCH 31, 2022

Agency Head Name: Steve Barbo
 Position: Chief Executive Officer
 Time Period: April 1, 2021 through March 31, 2022

<u>Purpose</u>	<u>Amount</u>
Salary	229,971
Health insurance	4,275
Retirement	13,286
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	161
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-



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Andrew J. Wynn, CPA
P. Trae' O'Pry, CPA, CVA

Retired 2015
Bobby G. Lester, CPA

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
Hospital Service District No. 1
Parish of Caldwell
Columbia, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1, Parish of Caldwell ("the Hospital"), a component unit of the Caldwell Parish Police Jury, as of and for the years ended March 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Citizens Medical Center's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 30, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

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 and therefore, material weaknesses or significant deficiencies may exist that were not

Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell
Columbia, Louisiana
Page Two

identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-002 that we consider to be a significant deficiency.

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*.

The Hospital's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

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



Certified Public Accountants
Alexandria, Louisiana

November 30, 2022





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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell
Columbia, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hospital Service District No. 1, Parish of Caldwell ("the Hospital"), a component unit of the Caldwell Parish Police Jury's, 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 each of the Hospital's major federal programs for the year ended March 31, 2022. The Hospital's major federal programs are 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 each of its major federal programs for the year ended March 31, 2022.

Basis for Opinion on Each 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 each 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 programs.

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 each 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 may exist that were not identified.

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

Purpose of this Report

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountants
Alexandria, Louisiana

November 30, 2022



CITIZENS MEDICAL CENTER
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED MARCH 31, 2022

<u>Federal Grantor/Program Name/ Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Pass-through Identifying No.</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services COVID-19 Provider Relief Fund	93.498		\$ 3,658,673
U.S. Department of Health and Human Services COVID-19 Testing for Rural Health Clinics	93.697		100,000
U.S. Department of Health and Human Services COVID-19 National Bioterrorism Hospital Preparedness Program Passed through Louisiana Hospital Association	93.889		10,911
U.S. Department of Health and Human Services COVID-19 State Hospital Improvement Program Passed through the Louisiana Department of Health	93.301		<u>109,260</u>
Total Expenditures of Federal Awards			\$ <u><u>3,878,844</u></u>

See accompanying notes to schedule of expenditures of federal awards.

CITIZENS MEDICAL CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2022

NOTE A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hospital Service District No. 1, Parish of Caldwell ("Citizens Medical Center"), a component unit of the Caldwell Parish Police Jury, under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

NOTE B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - Indirect Cost Rate

The Hospital has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - Reconciliation of Provider Relief Fund Grant Revenue in the Financial Statements to the SEFA

During the fiscal year ended March 31, 2022, the Hospital received Provider Relief Funds from the U.S. Department of Health and Human Services (HHS) under Assistance Listing Number 93.498. The funds are to be utilized for expenditures to prevent, prepare for, and respond to coronavirus. Additionally, the funds are for lost revenues attributable to the coronavirus pandemic. The Hospital recognized the amounts in the financial statements in the table below based on meeting the requirements of the program. The amounts received and expended are reported in the SEFA according to HHS's periods of availability. Accordingly, the \$3,658,673 expended in "Period 1" is reported on the March 31, 2022 SEFA.

Fiscal Year	COVID-19 Awards *	Amount Recognized as Revenue*	Amount Reported as Unearned Revenue	Amount Reported on the SEFA
2021	\$ 3,652,919	\$ 3,658,673	\$ -0-	\$ -0-
2022	\$ -0-	\$ -0-	\$ -0-	\$ 3,658,673 *

*The amount reported on the SEFA for Provider Relief Funds includes interest income of \$5,754 from the investment of the funds until the funds were expended. The interest earned of \$5,754 was reported as interest income on the financial statements.

CITIZENS MEDICAL CENTER
AUDITORS' SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2022

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified opinion

Internal control over financial reporting:

- Material weaknesses identified – Yes
- Significant deficiencies identified – Yes

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards

- Material weaknesses identified – No
- Significant deficiencies identified – No
- Type of auditors' report issued on compliance for major programs – Unmodified
- Any audit findings which are required to be reported under Uniform Guidance – No
- Any instances of material noncompliance in major programs disclosed during the audit – No
- Identification of Major Programs:
 - Assistance Listing #93.498 Department of Health and Human Services
COVID-19 Provider Relief Fund
- Dollar threshold to distinguish between Type A and Type B Programs - \$750,000
- Auditee qualified as a low-risk auditee – No

Section II. Financial Statement Findings

FINDING 2022-001 - Third-Party Payor Settlements

Criteria: Accrual basis accounting should include revenues and receivables when earned rather than when received.

Condition: Management did not record an estimate for the current year Medicare and Louisiana Medicaid cost report settlements.

Cause: Management considered the cost of calculating an estimated cost report settlement to be in excess of the benefit.

Effect: Because an estimated cost report settlement for the current fiscal year was not recorded, the receivables were materially understated at year-end by \$164,800 and contractual adjustments were materially overstated by \$164,800.

Recommendation: Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefits.

CITIZENS MEDICAL CENTER
AUDITORS' SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2022

Section II. Financial Statement Findings (Continued)

FINDING 2022-001 - Third-Party Payor Settlements (Continued)

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end. Management will record differences between interim payments and actual cost report settlements. These differences will be charged against income in future periods when determinable. The Chief Financial Officer (CFO) will review interim adjustments on a monthly basis and ensure that all third-party payor settlements are recorded to correct general ledger accounts.

FINDING 2022-002 - Segregation of Duties

Criteria: There should be a complete segregation of duties in all accounting, recording and custody functions.

Condition: Due to limited staffing with the technical skills to perform these duties, there is not a complete segregation of duties in all accounting, recording and custody functions.

Cause: Hospital is small and cannot afford to pay salaries for staff to have a complete segregation of duties.

Effect: Fraud could occur without internal controls detecting it on a timely basis.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes: 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: Due to size of our organization, and the abilities of our current staff, management will continue to closely supervise and review the personnel assigned to the accounting, recording, and custody functions. Steve Barbo, CEO and Patty Laird, CFO, will continue to monitor these tasks daily.

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable

CITIZENS MEDICAL CENTER
AUDITORS' SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2022

Section I. Financial Statement Findings

FINDING 2021-001 - Third-Party Payor Settlements

Fiscal Year Initially Reported: March 31, 2016

Finding: Estimates of third-party payor cost settlements were not accurately calculated or recorded on an interim basis. Factors such as, changes in charge master, problems with collections and continued billing issues contributed to the inaccurate estimates.

Recommendation: Management should continue to adjust the settlements based on interim cost report calculations and consider the results in relation to other factors that occur that may impact the estimates.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency. As it is impracticable for management to make such estimates, differences between interim payments and future cost report settlements will be charged to or against income in future periods when determinable.

Resolution: Not resolved - See Finding 2022-001

FINDING 2021-002 - Segregation of Duties

Fiscal Year Initially Reported: March 31, 2008

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes: 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: Due to limited staffing with the technical skills to perform these duties, management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Steve Barbo, Administrator and Patty Laird, CFO, will continue to monitor these tasks on a daily basis.

Resolution: Not resolved - See Finding 2022-002

Section II. Federal Award Findings

Not applicable

Section III. Management Letter

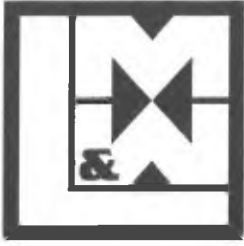
Not applicable

CITIZENS MEDICAL CENTER
INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED UPON
PROCEDURES

FOR THE YEAR ENDED
MARCH 31, 2022



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS



LESTER, MILLER & WELLS

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA
Mary L. Carroll, CPA
Joey L. Breaux, CPA
Jason P. LeBlanc, CPA
Karlie P. Brister, CPA

Brenda J. Lloyd, CPA
Timothy J. Deshotel, CPA
Andrew J. Wynn, CPA
P. Trae' O'Pry, CPA, CVA

Retired 2015
Bobby G. Lester, CPA

To the Board of Commissioners
of Hospital Service District No. 1
of the Parish of Caldwell
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Hospital Service District No. 1 of the Parish of Caldwell d/b/a Citizens Medical Center (the Hospital) and the Louisiana Legislative Auditor (LLA), on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period April 1, 2021 through March 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 April 1, 2021 through March 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 meet 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. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (*if applicable to public funds and the entity's operations*):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - 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.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - 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*).

Board of Commissioners
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- e) **Payroll/Personnel**, including (1) payroll processing, and (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 pa rate schedules.
- 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.
- 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*)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy, 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- 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.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exceptions: No exceptions were found as a result of these procedures.

Board or Finance Committee

- 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.
 - 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 non-profit 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.

Board of Commissioners
of Hospital Service District No. 1
of the Parish of Caldwell
and the Louisiana Legislative Auditor

- 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.

Exceptions: The Hospital did not hold a meeting in seven (7) of the twelve (12) months during the fiscal year ended March 31, 2022.

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 four (4) additional accounts (*or all accounts if less than 5*). Randomly select one (1) 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 two (2) months of the related statement closing date (*e.g., initialed and dated, electronically logged*);
 - 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
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than twelve (12) months from the statement closing date, if applicable.

Exceptions: No exceptions were found as a result of these procedures.

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 five (5) deposit sites (*or all deposit sites if less than 5*).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one (1) 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.
 - 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.

Board of Commissioners
of Hospital Service District No. 1
of the Parish of Caldwell
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- 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.
 - 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 verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two (2) deposit dates for each of the five (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 ten (10) deposits and:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one (1) business day of receipt at the collection location (*within one (1) week if the depository is more than ten (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*).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Exceptions: No exceptions were found as a result of these procedures.

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 five (5) locations (*or all locations if less than 5*).
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 (2) employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two (2) employees are involved in processing and approving payments to vendors.

Board of Commissioners
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- 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.
 - 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.
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 five (5) disbursements for each location, obtain supporting documentation for each transaction and:
- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (*e.g., initial/date, electronic logging*) of segregation of duties tested under #9, as applicable.

Exceptions: No exceptions were found as a result of these procedures.

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.
12. Using the listing prepared by management, randomly select five (5) cards (*or all cards if less than 5*) that were used during the fiscal period. Randomly select one (1) monthly statement or combined statement for each card (*for a debit card, randomly select one monthly bank statement*), obtain supporting documentation, and:
- a) Observe whether 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.*)
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select ten (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.

Exceptions: No exceptions were found as a result of these procedures.

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 five (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 five (5) reimbursements selected:
- a) If reimbursed using a per diem, observe 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).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - 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*).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exceptions: No exceptions were found as a result of these procedures.

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 five (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.
 - 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*).
 - 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*).
 - d) Randomly select one (1) payment from the fiscal period for each of the five (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.

Exception: No exceptions were found as a result of these procedures.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five (5) employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the five (5) employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). *(Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)*
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two (2) employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Exceptions: No exceptions were found as a result of these procedures.

Ethics

20. Using the five (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 (1) hour of ethics training during the fiscal period.
 - b) Observe whether 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.

Exception: No exceptions were found as a result of these procedures.

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.
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 (1) 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*).

Exceptions: No exceptions were found as a result of this 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.
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.

Exceptions: No exceptions were found as a result of this 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.
 - 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.

- 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 five (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.

Exceptions: We performed the procedure and discussed the results with management.

Sexual Harassment

26. Using the five (5) randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe 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*).
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 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;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Exceptions: No exceptions were found as a result of this procedure.

We were engaged by the Hospital and LLA 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 engagement, 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 other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Board of Commissioners
of Hospital Service District No. 1
of the Parish of Caldwell
and the Louisiana Legislative Auditor

This report is intended 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.

A handwritten signature in blue ink that reads "Lester Miller & Wells". The signature is written in a cursive style.

Certified Public Accountants
Alexandria, Louisiana

November 30, 2022