



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

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**May 31, 2021 and 2020**



	Page
<b>REPORT</b>	
Independent Auditors' Report .....	1
<b>FINANCIAL STATEMENTS</b>	
Balance Sheets .....	3
Statements of Revenues, Expenses and Changes in Net Position .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	8
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Board of Commissioners and Compensation.....	38
Schedule of Compensation, Benefits and Other Payments to Agency Head .....	39
Schedule of Insurance Coverages .....	40
<b>COMPLIANCE SECTION</b>	
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 <i>Government Auditing Standards</i> .....	42
Summary Schedule of Prior Audit Findings.....	44



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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of Morehouse Parish Hospital Service District No. 1 (d/b/a Morehouse General Hospital) (the Hospital) as of and for the years ended May 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of May 31, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown on pages 38 - 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021, 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, 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama  
October 20, 2021

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

<i>May 31,</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 13,387,432	\$ 14,080,841
Patient accounts receivable, less allowance for uncollectible accounts of \$1,736,952 in 2021 and \$3,467,397 in 2020	2,869,270	2,445,192
Supplies	644,881	457,848
Estimated amounts due from third-party payors	965,308	676,835
Restricted cash and cash equivalents	504,738	526,308
Prepaid expenses and other current assets	1,828,356	1,984,524
<b>Total current assets</b>	<b>20,199,985</b>	<b>20,171,548</b>
Noncurrent assets		
Restricted cash and cash equivalents	431,238	1,108,615
Capital assets		
Land	341,296	341,296
Construction in progress	152,783	172,697
Depreciable capital assets, net	9,271,876	9,018,156
<b>Total capital assets, net</b>	<b>9,765,955</b>	<b>9,532,149</b>
<b>Total assets</b>	<b>\$ 30,397,178</b>	<b>\$ 30,812,312</b>

(Continued)

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

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

<i>May 31,</i>	<b>2021</b>	2020
<b>Liabilities, Deferred Inflows, and Net Position</b>		
Current liabilities		
Current maturities of long-term debt	\$ 3,726,876	\$ 918,782
Accounts payable	2,352,685	1,648,417
Accrued compensation and payroll taxes	906,806	837,405
Unearned revenue	-	610,278
Other accrued liabilities	511,758	1,973,862
Short-term debt	177,176	136,898
Estimated third-party settlements	306,902	306,902
<b>Total current liabilities</b>	<b>7,982,203</b>	6,432,544
Long-term liabilities		
Settlement payable, net of current maturities	19,243	69,243
Capital lease obligation, net of current maturities	648,148	152,907
Payroll Protection Program loan	-	2,806,488
Notes payable, net of current maturities	115,838	139,447
Bonds payable, net of current maturities	7,761,667	8,572,248
<b>Total long-term liabilities</b>	<b>8,544,896</b>	11,740,333
<b>Total liabilities</b>	<b>16,527,099</b>	18,172,877
Deferred inflows of resources		
Deferred inflows on refunding	215,186	-
Net position		
Net investment in capital assets	215,594	3,260,994
Restricted	935,976	1,634,923
Unrestricted	12,503,323	7,743,518
<b>Total net position</b>	<b>13,654,893</b>	12,639,435
<b>Total liabilities, deferred inflows, and net position</b>	<b>\$ 30,397,178</b>	\$ 30,812,312

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

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

<i>For the years ended May 31,</i>	<b>2021</b>	<b>2020</b>
<b>Operating Revenue</b>		
Net patient service revenue before provision for uncollectible accounts	\$ 27,475,969	\$ 26,340,430
Provision for uncollectible accounts	<b>(143,642)</b>	<b>(1,700,575)</b>
Net patient service revenue	<b>27,332,327</b>	24,639,855
Intergovernmental transfer - operating grant income	<b>741,722</b>	4,433,615
Other operating revenue	<b>1,682,486</b>	686,819
Total operating revenues	<b>29,756,535</b>	29,760,289
<b>Operating Expenses</b>		
Salaries and benefits	<b>15,506,940</b>	14,303,676
Outside services	<b>10,931,476</b>	10,490,048
Medical supplies and drugs	<b>2,376,523</b>	1,781,266
Depreciation and amortization	<b>1,040,461</b>	980,498
Insurance	<b>701,900</b>	569,279
Other supplies	<b>700,903</b>	706,105
Utilities	<b>604,424</b>	553,349
Other operating expenses	<b>508,457</b>	462,492
Rents and leases	<b>467,729</b>	468,612
Total operating expenses	<b>32,838,813</b>	30,315,325
Operating loss	<b>(3,082,278)</b>	(555,036)
<b>Nonoperating Revenue (Expenses)</b>		
Investment income	<b>10,041</b>	11,369
Ad valorem tax revenue	<b>1,898,276</b>	1,851,990
CARES Act Provider Relief Funds	<b>2,521,236</b>	3,608,559
Grant revenue	<b>1,000</b>	54,186
Contributions	<b>38,040</b>	33,479
Other	-	21,781
Interest expense	<b>(370,857)</b>	<b>(431,200)</b>
Total nonoperating revenues	<b>4,097,736</b>	5,150,164
Increase in net position	<b>1,015,458</b>	4,595,128
Net position - beginning of year	<b>12,639,435</b>	8,044,307
Net position - end of year	<b>\$ 13,654,893</b>	<b>\$ 12,639,435</b>

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

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

<i>For the years ended May 31,</i>	<b>2021</b>	<b>2020</b>
<b>Operating Activities</b>		
Receipts from and on behalf on patients	\$ 26,901,897	\$ 23,760,027
Payments to suppliers and contractors	(17,193,032)	(13,502,655)
Payments to and on behalf of employees	(15,437,539)	(14,118,518)
Receipts from intergovernmental transfers	513,958	4,695,319
Receipts from Electronic Health Record incentives	43,413	735
Other receipts	1,209,414	500,239
Net cash provided by (used in) operating activities	<b>(3,961,889)</b>	1,335,147
<b>Noncapital Financing Activities</b>		
Ad valorem taxes received	1,901,925	1,848,341
Proceeds from Paycheck Protection Program	-	2,806,488
Proceeds from Series 2021 bonds	8,095,000	-
CARES Act Provider Relief Funds received	2,521,236	4,218,837
Proceeds from insurance settlements	-	21,781
Payments on settlement payable	(50,000)	(50,000)
Payments on certificates of indebtedness	-	(350,990)
Proceeds from short-term debt	325,510	326,711
Principal paid on short-term debt	(285,232)	(320,348)
Principal paid on hospital revenue bonds	(3,669,356)	(150,761)
Receipt of noncapital grants	1,000	54,186
Contributions received	38,040	33,479
Interest paid	(36,717)	(201,225)
Net cash provided by (used in) noncapital financing activities	<b>8,841,406</b>	8,236,499
<b>Capital and Related Financing Activities</b>		
Purchase of capital assets	(338,073)	(315,247)
Principal paid on note payable	(31,430)	(12,000)
Principal paid on capital lease obligations	(124,255)	(72,799)
Principal paid on hospital revenue bonds	(5,389,175)	(616,587)
Interest paid on long-term debt	(378,696)	(232,328)
Net cash provided by (used in) capital and related financing activities	<b>(6,261,629)</b>	(1,248,961)
<b>Investing Activities</b>		
Change in practices note receivable	(20,285)	-
Investment income received	10,041	11,369
Net cash provided by (used in) investing activities	<b>(10,244)</b>	11,369
Net increase (decrease) in cash and cash equivalents	<b>(1,392,356)</b>	8,334,054
Cash and cash equivalents - beginning of year	<b>15,715,764</b>	7,381,710
Cash and cash equivalents - end of year	<b>\$ 14,323,408</b>	<b>\$ 15,715,764</b>
<b>Classified as</b>		
Current assets (unrestricted)	\$ 13,387,432	\$ 14,080,841
Restricted assets	935,976	1,634,923
Cash and cash equivalents - end of year	<b>\$ 14,323,408</b>	<b>\$ 15,715,764</b>

(Continued)

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



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

<i>For the years ended May 31,</i>	<b>2021</b>	<b>2020</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>		
<b>Provided by (Used In) Operating Activities</b>		
Operating income (loss)	\$ (3,082,278)	\$ (555,036)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	1,040,461	980,498
Provision for uncollectible accounts	143,642	1,700,575
Changes in operating assets and liabilities		
Patient accounts receivable	(567,720)	(1,273,096)
Inventory and supplies	(187,033)	9,828
Prepaid expenses and other current assets	172,804	(749,136)
Accounts payable	549,948	(242,895)
Employee compensation and payroll tax liabilities	69,401	185,158
Unearned revenue	(610,278)	-
Other accrued liabilities	(1,417,549)	1,743,364
Estimated amounts due from third-party payors	(288,473)	(464,113)
Deferred inflows from refunding	215,186	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (3,961,889)</b>	<b>\$ 1,335,147</b>
<b>Noncash Investing, Capital and Financing Activities</b>		
Purchase of capital assets through accounts payable	\$ 154,320	\$ 175,697
Financing of equipment through capital lease	\$ 781,873	\$ -

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

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

**Note 1: DESCRIPTION OF REPORTING ENTITY**

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Use of Estimates***

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

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

***Risk Management***

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

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

***Cash and Cash Equivalents***

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

***Investments and Investment Income***

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Investments and Investment Income (continued)***

Investments in debt and equity securities, when present, are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating revenue when earned. Unrealized gains (losses) reflected in investment income were not significant in 2021 and 2020.

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

***Restricted Assets***

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

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

***Patient Accounts Receivable, Net***

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

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Patient Accounts Receivable, Net (continued)***

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

The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2021 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2021 and 2020.

***Supplies***

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

***Prepaid Expenses***

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

***Capital Assets***

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

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

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets (continued)***

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

***Cost of Borrowing***

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

***Impairment of Long-Lived Assets***

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived assets impairments were recognized during the years ended May 31, 2021 and 2020.

***Compensated Absences***

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Net Position***

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

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

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

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

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

***Operating Revenues and Expenses***

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

***Net Patient Service Revenue***

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

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Net Patient Service Revenue (continued)***

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

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

***Charity Care***

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was approximately \$829,161 and \$535,892 for the years ended May 31, 2021 and 2020, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$242,552 and \$157,304, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital’s cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

***Grants and Contributions***

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

***Current Healthcare Environment***

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



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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Current Healthcare Environment (continued)***

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

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

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

***Advertising Costs***

Advertising costs are expensed as incurred. Advertising expense for the years ended May 31, 2021 and 2020 was \$49,523 and \$22,628, respectively.

***Income Taxes***

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recent Accounting Pronouncements***

During the year ended May 31, 2021, the Hospital adopted three new statements of financial accounting standards issued by the GASB, as follows:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. Statement No. 84 establishes specific criteria for identifying fiduciary activities and the requirements for financial statement reporting. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Statement No. 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. In addition, recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred which compels the government to disburse fiduciary resources should also be reported. GASB 84 had no significant impact on the Hospital's financial statements.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. Additional information can be found in Note 8.

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Pronouncements Issued But Not Yet Effective***

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Hospital upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
87	<i>Leases</i>	2023
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2022
91	<i>Conduit Debt Obligations</i>	2023
92	<i>Omnibus 2020</i>	2023
93	<i>Replacement of Interbank Offered Rates</i>	2023
94	<i>Public-Private and Public-Public Partnerships and Availability Payment Requirements</i>	2024
96	<i>Subscription-based Information Technology Arrangements</i>	2024
97	<i>Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans</i>	2023

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 20, 2021. See Note 19 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

***Reclassifications***

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

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

**Note 3: DEPOSITS AND INVESTMENTS**

As of May 31, 2021 and 2020, the deposits and investments of the Hospital consisted of the following:

<i>May 31,</i>	<b>2021</b>	2020
Petty cash and undeposited cash	\$ 2,441	\$ 2,233
Cash deposits with financial institutions	<b>13,889,729</b>	15,330,870
Certificates of deposits	<b>431,238</b>	382,661
<b>Total deposits</b>	<b>\$ 14,323,408</b>	<b>\$ 15,715,764</b>

Deposits are included in the following balance sheet captions:

<i>May 31,</i>	<b>2021</b>	2020
Cash and cash equivalents	\$ 13,387,432	\$ 14,080,841
Restricted cash and cash equivalents, current	<b>504,738</b>	526,308
Restricted cash and cash equivalents, noncurrent	<b>431,238</b>	1,108,615
<b>Total</b>	<b>\$ 14,323,408</b>	<b>\$ 15,715,764</b>

***Deposits***

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

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

The Hospital had no bank balances exposed to custodial credit risk at May 31, 2021 and 2020. The Hospital's deposits at May 31, 2021 and 2020 were covered under the Federal Deposit Insurance Corporation (FDIC).

***Investments***

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

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

**Note 3: DEPOSITS AND INVESTMENTS (Continued)**

***Investments (continued)***

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

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. All of the underlying securities for the Hospital's investments at May 31, 2021 and 2020 are held by the counterparties in other than the Hospital's name.

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

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

The Hospital did not have any significant assets measured at fair value on a recurring basis requiring disclosure of fair value inputs at either May 31, 2021 or 2020.

**Note 4: PATIENT ACCOUNTS RECEIVABLE**

The Hospital is located in Bastrop, Louisiana. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at May 31, 2021 and 2020 was:

<i>May 31,</i>	<b>2021</b>	<b>2020</b>
Medicare	\$ 4,548,333	\$ 2,804,151
Medicaid	4,057,973	2,697,384
Other third-party payers	3,386,535	4,578,626
Patients	964,123	2,302,801
<b>Total patient accounts receivable</b>	<b>12,956,964</b>	<b>12,382,962</b>
Less allowance for contractals	<b>(8,350,742)</b>	<b>(6,470,373)</b>
Less allowance for uncollectible accounts	<b>(1,736,952)</b>	<b>(3,467,397)</b>
<b>Patient accounts receivable, net</b>	<b>\$ 2,869,270</b>	<b>\$ 2,445,192</b>

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

**Note 5: CAPITAL ASSETS**

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

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

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

**Note 5: CAPITAL ASSETS (Continued)**

Capital asset activity and balances for the year ended May 31, 2020, were as follows:

	Estimated Useful Lives (in years)	Balance 6/1/2019	Additions	Reductions	Transfers	Balance 5/31/2020
<b>Nondepreciable capital assets</b>						
Land		\$ 341,296	\$ -	\$ -	\$ -	\$ 341,296
Construction in progress		23,244	172,697	-	(23,244)	172,697
<b>Total nondepreciable</b>		<b>364,540</b>	<b>172,697</b>	<b>-</b>	<b>(23,244)</b>	<b>513,993</b>
<b>Depreciable capital assets</b>						
Land improvements	15	608,422	95,693	-	-	704,115
Buildings	15 - 40	28,734,630	13,202	-	5,710	28,753,542
Equipment	3 - 15	16,652,518	209,352	-	17,534	16,879,404
<b>Total depreciable, at cost</b>		<b>45,995,570</b>	<b>318,247</b>	<b>-</b>	<b>23,244</b>	<b>46,337,061</b>
<b>Less accumulated depreciation</b>						
Land improvements		(608,228)	(4,599)	-	-	(612,827)
Buildings and improvements		(20,215,436)	(611,656)	-	-	(20,827,092)
Machinery and equipment		(15,514,742)	(364,244)	-	-	(15,878,986)
<b>Total accumulated depreciation</b>		<b>(36,338,406)</b>	<b>(980,499)</b>	<b>-</b>	<b>-</b>	<b>(37,318,905)</b>
<b>Depreciable, net</b>		<b>9,657,164</b>	<b>(662,252)</b>	<b>-</b>	<b>23,244</b>	<b>9,018,156</b>
<b>Hospital capital assets, net</b>		<b>\$ 10,021,704</b>	<b>\$ (489,555)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,532,149</b>

Depreciation expense for the years ended May 31, 2021 and 2020 totaled \$1,040,461 and \$980,499, respectively.

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

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

**Note 6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

<i>May 31,</i>	<b>2021</b>	2020
Payable to suppliers and contractors	<b>2,702,130</b>	3,429,658
Payable to employees (including payroll taxes and benefits)	<b>906,806</b>	837,405
Due to patients and their insurers	<b>162,313</b>	192,621
	<b>\$ 3,771,249</b>	<b>\$ 4,459,684</b>

**Note 7: SHORT- TERM DEBT**

In October 2018, the Hospital financed \$217,989 related to insurance premiums for its professional and general liability, automobile, directors and officers, and crime and cyber policies. Under the financing agreement, which bears interest at 6.93%, principal and interest payments are due in 11 consecutive monthly installments of \$20,510 beginning December 2018. The balance of this financial agreement was paid off in October 2019.

In January 2019, the Hospital financed \$89,761 related to its worker's compensation insurance premiums. Under the financing agreement, which bears interest at 6.93%, principal and interest payments are due in 11 consecutive monthly installments of \$8,446 beginning February 2019. The balance of this financial agreement was paid off in December 2019.

In October 2019, the Hospital financed \$240,558 related to insurance premiums for its professional and general liability, automobile, directors and officers, and crime and cyber policies. Under the financing agreement, which bears interest at 6.89%, principal and interest payments are due in 11 consecutive monthly installments of \$22,630 beginning December 2019. The balance of this financial agreement was \$89,233 at May 31, 2020.

In January 2020, the Hospital financed \$86,153 related to its worker's compensation insurance premiums. Under the financing agreement, which bears interest at 6.89%, principal and interest payments are due in 11 consecutive monthly installments of \$8,105 beginning February 2020. The balance of this financial agreement was \$47,665 at May 31, 2020.

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



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

**Note 7: SHORT- TERM DEBT (Continued)**

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

A summary of changes in the Hospital's short-term debt for the years ended May 31, 2021 and 2020 were as follows:

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

	Balance 6/1/2019	Additions	Reductions	Balance 5/31/2020
<b>Short-term debt</b>				
Insurance premium financing:				
Professional, general liability, crime, cyber	\$ 80,871	\$ 240,558	\$ (232,196)	\$ 89,233
Worker's compensation	49,664	86,153	(88,152)	47,665
<b>Total short-term debt</b>	<b>\$ 130,535</b>	<b>\$ 326,711</b>	<b>\$ (320,348)</b>	<b>\$ 136,898</b>

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

**Note 8: LONG-TERM DEBT**

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

<i>May 31,</i>	<b>2021</b>	<b>2020</b>
Capital lease obligation, interest rate of 8.48%, monthly payments of \$5,853, maturing October 2023, collateralized by leased equipment with an amortized cost of \$126,634 and \$179,033 at May 31, 2021 and 2020, respectively.	<b>\$ 157,731</b>	<b>\$ 207,712</b>
Capital lease obligation, interest rate of 4.97%, monthly payments of \$5,645, maturing September 2025, collateralized by leased equipment with an amortized cost of \$270,888 and \$0 at May 31, 2021 and 2020, respectively.	<b>257,484</b>	<b>-</b>
Capital lease obligation, interest rate of 3.75%, monthly payments of \$5,787, maturing December 2024, collateralized by leased equipment with an amortized cost of \$220,029 and \$0 at May 31, 2021 and 2020, respectively.	<b>232,525</b>	<b>-</b>
Capital lease obligation, interest rate of 3.80%, monthly payments of \$2,283, maturing August 2025, collateralized by leased equipment with an amortized cost of \$113,095 and \$0 at May 31, 2021 and 2020, respectively.	<b>119,344</b>	<b>-</b>
Capital lease obligation, interest rate of 3.80%, monthly payments of \$1,880, maturing July 2025, collateralized by leased equipment with an amortized cost of \$93,100 and \$0 at May 31, 2021 and 2020, respectively.	<b>98,246</b>	<b>-</b>
Hospital Revenue Bonds Series 2008A, original principal amount of \$4,643,050, bearing a variable interest rate. Principal and interest payments in the amount of \$22,982 are due monthly beginning on October 2008 through September 2037. Proceeds from the bonds were used for constructing and acquiring improvements, extensions, and replacements to facilities and the advance refunding of existing long-term debt obligations. The original maturity date of the bonds were September 2037. The bonds were refunded in the current year through the issuance of Hospital Revenue Bonds Series 2021.	<b>-</b>	<b>3,637,926</b>

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

**Note 8: LONG-TERM DEBT (Continued)**

<i>May 31,</i>	<b>2021</b>	<b>2020</b>
Hospital Revenue Bonds Series 2010, original principal amount of \$7,874,000, bearing an interest rate of 3.75%. Principal and interest payments in the amount of \$43,859 are due monthly beginning on December 2010 through November 2032. Proceeds from the bonds were used to repay the Series 2009A Bond Anticipation Notes in the amount of \$5,880,083 (principal) and \$148,893 (accrued interest). The bonds were refunded in the current year through the issuance of Hospital Revenue Bonds Series 2021.	-	5,115,032
Hospital Revenue Bonds Series 2012A, original principal amount of \$2,248,489, noninterest bearing bonds. Semiannual principal payments range from \$252,077 to \$311,810 and are due annually beginning on May 2015 through May 2022. Proceeds from the bonds were used for the purpose of funding an energy efficient retrofit to the physical plant of the Hospital, including acquisition, construction, and installation of improvements in connection with the project, and to pay costs of issuance of the related financing.	<b>308,738</b>	614,311
Hospital Revenue Bonds Series 2021, original principal amount of \$8,135,000, bearing an interest rate of 2.99%. Principal and interest payments range in the amount of \$250,841 to \$773,616 and are due semiannually beginning on October 2021 through October 2037. Proceeds from the bonds were used for the refunding of Hospital Revenue Bonds Series 2008A and Series 2010.	<b>8,095,000</b>	-
Note payable, original principal amount of \$50,000, noninterest bearing note. Principal is due in monthly payments beginning August 2017 and matured on December 2020. Proceeds from the note were used for the purchase of real estate.	-	9,200
Note payable, original principal amount of \$183,368, bearing an interest rate of 5.99%. Principal and interest payments are due in monthly installments beginning November 2018 and matures on October 2025. Proceeds from the note were used for the purchase of a building and equipment. The note is collateralized by a certificate of deposit.	<b>126,973</b>	149,203

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

**Note 8: LONG-TERM DEBT (Continued)**

<i>May 31,</i>	<b>2021</b>	2020
Settlement payable, original principal judgment amount of \$219,243, noninterest bearing settlement. Principal payments are due in four annual installments beginning September 2018 of \$50,000 and a final payment amount of \$19,243 on September 2022. The settlement was a result of a judgment from an appellate court related to a long-standing litigation.	<b>69,243</b>	119,243
Small Business Administration (SBA) Paycheck Protection Program (PPP) loan of \$2,806,488 granted on April 2020 to assist with keeping its workforce employed during the Coronavirus (COVID-19) crisis. The loan bears interest of 1% and matures on April 2022. PPP loans are subject to loan forgiveness. Forgiveness for the PPP loan was received subsequent to year end, in June 2021.	<b>2,806,488</b>	2,806,488
	<b>12,271,772</b>	12,659,115
Less: current portion	<b>(3,726,876)</b>	(918,782)
<b>Total</b>	<b>\$ 8,544,896</b>	\$ 11,740,333

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

As of May 31, 2021, the Hospital's management believes it was in compliance with its consequential bond covenants.

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

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

**Note 8: LONG-TERM DEBT (Continued)**

A summary of changes in the Hospital's long-term debt, including capital lease obligations, for the years ended May 31, 2021 and 2020 follows:

	Balance 6/1/2020	Additions	Reductions	Balance 5/31/2021	Due Within One Year
Settlement	\$ 119,243	\$ -	\$ (50,000)	\$ 69,243	\$ 50,000
Notes payable	158,403	-	(31,430)	126,973	11,135
Capital lease obligations	207,712	781,873	(124,255)	865,330	217,182
Paycheck Protection Program	2,806,488	-	-	2,806,488	2,806,488
Revenue bonds payable					
Series 2008A	\$ 3,637,926	\$ -	\$ (3,637,926)	\$ -	\$ -
Series 2010	5,115,032	-	(5,115,032)	-	-
Series 2012	614,311	-	(305,573)	308,738	308,738
Series 2021	-	8,095,000	-	8,095,000	333,333
Revenue bonds payable	9,367,269	8,095,000	(9,058,531)	8,403,738	642,071
<b>Total long-term debt</b>	<b>\$ 12,659,115</b>	<b>\$ 8,876,873</b>	<b>\$ (9,264,216)</b>	<b>\$ 12,271,772</b>	<b>\$ 3,726,876</b>

  

	Balance 6/1/2019	Additions	Reductions	Balance 5/31/2020	Due Within One Year
Settlement	\$ 169,243	\$ -	\$ (50,000)	\$ 119,243	\$ 50,000
Certificate of indebtedness	350,990	-	(350,990)	-	-
Notes payable	193,702	-	(35,299)	158,403	18,956
Capital lease obligations	280,511	-	(72,799)	207,712	54,805
Paycheck Protection Program	-	2,806,488	-	2,806,488	-
Revenue bonds payable					
Series 2008A	\$ 3,765,388	\$ -	\$ (127,462)	\$ 3,637,926	\$ 158,262
Series 2010	5,438,155	-	(323,123)	5,115,032	334,258
Series 2012	907,775	-	(293,464)	614,311	302,501
Revenue bonds payable	10,111,318	-	(744,049)	9,367,269	795,021
<b>Total long-term debt</b>	<b>\$ 11,105,764</b>	<b>\$ 2,806,488</b>	<b>\$ (1,253,137)</b>	<b>\$ 12,659,115</b>	<b>\$ 918,782</b>

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

**Note 8: LONG-TERM DEBT (Continued)**

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

<i>For the year ending</i> <i>May 31,</i>	<u>Capital Lease Obligations</u>		<u>Revenue Bonds Payable</u>		<u>Notes Payable</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 217,182	\$ 40,202	\$ 642,071	\$ 299,274	\$ 11,135	\$ 7,525
2023	229,677	27,708	526,667	276,815	11,831	6,830
2024	207,123	15,143	548,333	255,481	12,553	6,107
2025	152,657	5,553	571,667	233,215	13,354	5,307
2026	58,691	1,360	593,333	210,081	78,100	3,921
2027 - 2031	-	-	3,346,667	674,040	-	-
2032 - 2036	-	-	1,740,000	194,044	-	-
2037 - 2041	-	-	435,000	14,794	-	-
<b>Total</b>	<b>\$ 865,330</b>	<b>\$ 89,966</b>	<b>\$ 8,403,738</b>	<b>\$ 2,157,744</b>	<b>\$ 126,973</b>	<b>\$ 29,690</b>

<i>For the year ending</i> <i>May 31,</i>	<u>Paycheck Protection</u>		<u>Settlement Payable</u>		<u>Total</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 2,806,488	\$ 56,909	\$ 50,000	\$ -	\$ 3,726,876	\$ 403,910
2023	-	-	19,243	-	787,418	311,353
2024	-	-	-	-	768,009	276,731
2025	-	-	-	-	737,678	244,075
2026	-	-	-	-	730,124	215,362
2027 - 2031	-	-	-	-	3,346,667	674,040
2032 - 2036	-	-	-	-	1,740,000	194,044
2037 - 2041	-	-	-	-	435,000	14,794
<b>Total</b>	<b>\$ 2,806,488</b>	<b>\$ 56,909</b>	<b>\$ 69,243</b>	<b>\$ -</b>	<b>\$ 12,271,772</b>	<b>\$ 2,334,309</b>

Depreciation expense includes depreciation of equipment under capital lease for the years ended May 31, 2021 and 2020. No interest was capitalized during the years ended May 31, 2021 and 2020.

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

**Note 9: NET INVESTMENT IN CAPITAL ASSETS**

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

<i>May 31,</i>	<b>2021</b>	<b>2020</b>
Capital assets, net	\$ 9,765,955	\$ 9,532,149
Less outstanding accounts payable related to capital assets	(154,320)	(175,697)
Less debt outstanding related to capital assets		
Notes payable	(126,973)	(158,403)
Hospital revenue bonds, Series 2010	-	(5,115,032)
Hospital revenue bonds, Series 2012A	(308,738)	(614,311)
Hospital revenue bonds, Series 2021	(8,095,000)	-
Capital lease obligations	(865,330)	(207,712)
<b>Net investment in capital assets</b>	<b>\$ 215,594</b>	<b>\$ 3,260,994</b>

**Note 10: NET PATIENT SERVICE REVENUE**

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

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

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

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

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

**Note 10: NET PATIENT SERVICE REVENUE (Continued)**

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

<i>For the years ended May 31,</i>	<b>2021</b>	2020
Medicare	<b>30%</b>	31%
Medicaid	<b>37%</b>	37%
Blue Cross	<b>9%</b>	8%
Commercial/HMO/PPO	<b>24%</b>	24%

The composition of net patient service revenue was as follows:

<i>For the years ended May 31,</i>	<b>2021</b>	2020
Gross patient service revenue	<b>\$ 82,185,183</b>	\$ 83,152,324
Less provision for contractual adjustments under third-party reimbursement programs and other adjustments	<b>(54,709,214)</b>	(56,811,894)
Provision for bad debts	<b>(143,642)</b>	(1,700,575)
<b>Net patient service revenue</b>	<b>\$ 27,332,327</b>	<b>\$ 24,639,855</b>

**Note 11: MEDICAL MALPRACTICE INSURANCE**

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

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

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



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

**Note 11: MEDICAL MALPRACTICE INSURANCE (Continued)**

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

**Note 12: EMPLOYEE RETIREMENT PLAN**

Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain pension and retirement systems making contributions from hospital service district funds. During the years ended May 31, 2021 and 2020, the Hospital sponsored a defined contribution retirement plan, the Morehouse General Hospital Tax Deferred Savings Plan. This plan, which qualifies as a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code, covers all employees who elect to participate. The plan allows participants to defer a portion of their annual compensation. The amount of annual contributions to the plan by participants is subject to certain limitations as defined in the plan document. Plan participants vest 100% immediately in their contributions and investment earnings thereon. The plan document allows for discretionary employer contributions to be made to the plan. The Hospital did not elect to make discretionary employer contributions for the years ended May 31, 2021 and 2020 and, accordingly, no contribution expense was recognized.

**Note 13: SIGNIFICANT ESTIMATES AND CONCENTRATIONS**

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

***Allowance for Net Patient Service Revenue Adjustments***

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

***Litigation***

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

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

**Note 13: SIGNIFICANT ESTIMATES AND CONCENTRATIONS (Continued)**

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

<i>Year Ended May 31,</i>	Total Liability at Beginning of Year	New Claims and Changes in Estimates	Claim Payments	Converted to Settlement Payable	Accrued Interest Relieved	Total Liability at End of Year	Estimated Amount due Within One Year
<b>2021</b>	<b>\$ 306,902</b>	<b>\$ 83,334</b>	<b>\$ (83,334)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 306,902</b>	<b>\$ 306,902</b>
2020	\$ 306,902	\$ 43,188	\$ (43,188)	\$ -	\$ -	\$ 306,902	\$ 306,902

***Supplemental Medicaid Reimbursements***

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

**Note 14: COMMITMENTS AND CONTINGENCIES**

***Operating Leases***

The Hospital leases various pieces of equipment under operating leases expiring at various dates through 2025. Total rental expense for the years ended May 31, 2021 and 2020 for all operating leases was approximately \$124,200 and \$142,000, respectively.

The following is a schedule by year of expiration of approximate future minimum lease payments under non-cancelable operating leases as of May 31, 2021, that have initial or remaining lease terms in excess of one year:

*For the years ending May 31,*

2022	\$ 123,493
2023	90,885
2024	66,591
2025	2,883
Thereafter	-
<b>Total</b>	<b>\$ 283,852</b>

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

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

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

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

During fiscal 2021 and 2020, in accordance with the funding provisions of the above agreements, the Hospital recognized \$4,316,537 and \$1,606,793, respectively, of Medicaid supplemental revenues as components of net patient service revenue. Concurrent with the income recognition, the Hospital also recognized outside services expense of \$2,533,676 and \$869,966, respectively, for intergovernmental transfer grant (IGT) payments, funds paid or payable to the Louisiana Department of Health and Hospitals (DHH) under the terms of the Physicians' UPL and FMP agreements. As of May 31, 2021 and 2020, the Hospital reported \$801,310 and \$1,113,739, respectively, of these program receivables under the caption "prepaid expenses and other assets" on the accompanying statements of net position, and \$466,785 and \$715,383, respectively, of associated intergovernmental transfer grant (IGT) payments payable under "other accrued liabilities."

**Note 16: INTERGOVERNMENTAL TRANSFER GRANT**

The Hospital (grantee) has entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (grantor) whereby the grantor, through its cooperation with a rural hospital trade organization, awards an IGT to be used solely to provide adequate and essential medically necessary and available healthcare services to the grantee's service population subject to the availability of such grant funds. The aggregate IGT grant income recognized was \$741,722 and \$4,433,615 for the fiscal years ended May 31, 2021 and 2020, respectively. As of both May 31, 2021 and 2020, \$0 of these program revenues are included as receivables on the accompanying balance sheets under the caption "prepaid expenses and other assets."

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

**Note 17: AD VALOREM TAX REVENUE**

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

Ad valorem tax revenue is recognized each year in December when it is due and collectible. During fiscal years 2021 and 2020, the Hospital received and recorded property tax revenues in the amount of \$1,898,276 and \$1,851,990, respectively. There was no receivable for delinquent property taxes as of May 31, 2021 or 2020.

**Note 18: CARES ACT FUNDING**

Additional funding for the Public Health and Social Services Emergency Fund (“Relief Fund”) was among the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which was signed into law on March 27, 2020, and other legislation. In the year ended May 31, 2020, the Hospital received cash payments of approximately \$4,219,000 from the Relief Fund and state grant programs, approximately \$3,609,000 of which is reported as nonoperating revenues in accompanying statement of changes in net position at May 31, 2020. The remaining amount of approximately \$610,000 represents the excess of amounts received in the fiscal year over the amount expended, per the guidance issued by the grantor agency. In the year ended May 31, 2021, the Hospital received cash payments of approximately \$1,911,000 from the Relief Fund and state grant programs. Approximately \$2,521,000 is reported as nonoperating revenues in accompanying statement of changes in net position at May 31, 2021.

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

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

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

**Note 18: CARES ACT FUNDING (Continued)**

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

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

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

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

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

During the year ended May 31, 2021, the Hospital recognized approximately \$2.5 million of Relief Fund income, included as nonoperating income, associated with lost operating revenues and COVID-related costs.

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

**Note 18: CARES ACT FUNDING (Continued)**

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

- Effective May 1, 2020 through December 31, 2021, the 2% sequestration reduction on Medicare FFS and Medicare Advantage payments to hospitals, physicians and other providers authorized by the Sequestration Transparency Act of 2020 is suspended.
- The CARES Act instituted a 20% increase in the Medicare MS-DRG payment for COVID-19 hospital admissions for the duration of the public health emergency as declared by the Secretary of HHS.
- The scheduled annual reduction of \$4 billion in federal Medicaid DSH allotments, as mandated by the Affordable Care Act, is suspended. Notwithstanding these adjustments, the ACA-mandated reduction is not expected to be extended past its original termination in FFY 2025.
- The CARES Act expanded the Medicare accelerated payment program, which provides prepayment of claims to providers in certain circumstances, such as national emergencies or natural disasters. Under this measure, providers could request accelerated payments that may be retained for 120 days during which time providers continue to receive payments for services. At the end of the 120-period, the accelerated payment will be repaid via a 100% offset of payments on claims that would otherwise be paid. The repayment period for hospitals and other providers is one year and 210 days, respectively, from the date of receipt of the accelerated payment, after which interest is assessed on the unpaid balance. During the fiscal year ended May 31, 2020, the Hospital applied for and received accelerated payments, which it later returned to the Medicare program, in full, prior to May 31, 2020.
- A 6.2% increase in the Federal Medical Assistance Percentage (“FMAP”) matching funds was instituted to help states respond to the COVID-19 pandemic. The additional funds are available to states from January 1, 2020 through the quarter in which the public health emergency period ends, provided that states meet certain conditions. An increase in states’ FMAP leverages Medicaid’s existing financing structure, which allows federal funds to be provided to states more quickly and efficiently than establishing a new program or allocating money from a new funding stream. Increased federal matching funds support states in responding to the increased need for services, such as testing and treatment during the COVID-19 public health emergency, as well as increased enrollment as more people lose income and qualify for Medicaid during the economic downturn.

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

**Note 18: CARES ACT FUNDING (Continued)**

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

**Note 19: SUBSEQUENT EVENTS**

Management evaluated all events or transactions that occurred after May 31, 2021 through October 20, 2021, the date the Hospital's financial statements were available to be issued.

In June 2021, the Hospital received additional CARES Act I Provider Relief funds totaling \$200,000.

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

Commissioner	Total Paid
Robert Green (Chairman)	\$ 440
Nicolette Releford	440
John Yeldell	440
Betty Alford Olive	440
Susan Plonnigs	440
<b>Total</b>	<b>\$ 2,200</b>



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

**Agency Head**

Robert Green, Chairman of the Board of Commissioners

Purpose	Amount
Salary	\$ -
Benefits - Insurance	\$ -
Benefits - Retirement	\$ -
Benefits - Other (Life)	\$ -
Car Allowance	\$ -
Vehicle Provided by Government	\$ -
Cell Phone	\$ -
Dues (RT License and ACHE)	\$ -
Vehicle Rental	\$ -
Per Diem	\$ 440
Reimbursements	\$ -
Travel	\$ -
Registration Fees	\$ -
Conference Travel	\$ -
Continuing Professional Education Fees	\$ -
Housing	\$ -
Unvouchered Expenses	\$ -
Special Meals	\$ -
Other	\$ -

**Note:** For the fiscal year ended May 31, 2021, the chief executive officer of Morehouse Parish Hospital Service District No. 1 (the Hospital) was employed by an independent healthcare consulting and management company under the terms of a management agreement which includes the authority and responsibility for oversight of the day-to-day administration, management, and direction of the operations of the Hospital, subject to the Hospital's control as stipulated in the terms of the agreement. Accordingly, the agency head of the Hospital is reflected as its Board of Commissioners' chairman.

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

Line of Coverage	Policy Data	Limit/Deductible
<b>Property &amp; Equipment Breakdown</b>	Travelers (Travelers Property Casualty Company of America)  11/1/2020 to 11/1/2021 Policy No: 630-3R393895	Blanket Building/ Business Personal Property Limit:  \$61,912,217 Blanket Business Income Policy Limit: \$13,909,673 (see policy for additional info)  Deductibles: Property \$100K Wind & Hail: \$250K BI 75 Hour Waiting Period
<b>Network Security Liability &amp; Privacy Liability (Cyber)</b>	Tokio Marine / Houston Casualty Company (Formerly NAS Insurance)  11/1/2020 to 11/1/2021  Policy No: H20PBU20053-00	Limit: \$2,000,000 Each Claim; \$2,000,000 Policy Aggregate  Retention: \$1,000 each claim; Cyber Terrorism 8 Hour Waiting Period  Retro Date Unknown prior acts are covered
<b>General, Professional &amp; Umbrella Liability</b>  *incl. Employee Benefits Liability	LHA (Louisiana Hospital Association)  11/1/2020 to 11/1/2021 Policy No: HPL-0390-2020	<u>Professional Liability</u> \$100,000 Self-Insured Retention \$400,000 PCF  <u>General Liability</u> \$500,000 Each Occurrence Limit \$2,000,000 Annual General Aggregate Limit \$50,000 Per Claim Deductible  \$500,000 EBL Limit \$50,000 Deductible  <u>Umbrella Liability</u> \$2,500,000 Each Claim Limit/Aggregate

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

Line of Coverage	Policy Data	Limit / Deductible
<b>Employed Physicians Professional Liability</b>	The Physicians Trust  11/1/2020 to 11/1/2021 Policy No: PPG000109	<u>Professional Liability</u> \$1,000,000 Per Medical Occurrence \$3,000,000 Aggregate
<b>Commercial Auto:</b>	Travelers (The Travelers Indemnity Company)  11/1/2020 to 11/1/2021 Policy No: BA-3R3999802043G	\$1,000,000 Combined Single Limit*  \$1,000/\$1,000 comp & collision deductibles  Hired Auto Physical Damage Deductibles \$1,000/\$1,000 comp & collision  *Incl. Hired/Non- Owned Auto Liability
<b>Executive Risk Liability (D&amp;O/EPL)</b>	Travelers (Travelers Casualty and Surety Company of America)  11/1/2020 to 11/1/2021 Policy No. 106528889	<u>D&amp;O:</u> \$2,000,000 Per Claim (Shared with EPL) \$25,000 Retention  <u>EPL:</u> \$2,000,000 Per Claim (Shared with D&O) \$50,000 Retention \$2,000,000 Policy Aggregate
<b>Fiduciary/Crime</b>	Travelers (Travelers Casualty and Surety Co. of America)  11/1/2020 to 11/1/2021 Policy No: 105706915	<u>Fiduciary:</u> \$1,000,000 Aggregate Limit \$0 Retention  <u>Crime:</u> \$750,000 Employee Theft Limit \$10,000 Retention  <u>ERISA:</u> \$500,000 Limit \$0 Retention  Kidnap for Ransom (Babies) \$1,000,000 Each event \$-0- Retention
<b>Workers' Compensation</b>	LHA (Louisiana Hospital Association)  1/1/2021 to 1/1/2022 Policy Number: WC-0270-2021	<u>Employer's Liability:</u> \$1M/\$1M/\$1M limits

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Morehouse Parish Hospital Service District No. 1 (d/b/a Morehouse General Hospital) (the Hospital) as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated October 20, 2021.

***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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

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

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama  
October 20, 2021

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

There were no reported findings for the year ended May 31, 2020.