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

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

May 31, 2020 and 2019

Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
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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, 2020 and 2019, 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 of 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, 2020 and 2019, 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 34 - 38 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 January 6, 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 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
January 6, 2021

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

May 31,	**2020**	2019
Assets		
Current assets		
Cash and cash equivalents	**$ 14,080,841**	$ 5,841,104
Patient accounts receivable, less allowance for uncollectible accounts of $3,467,397 in 2020 and $2,796,833 in 2019	**2,445,192**	2,872,671
Inventory and supplies	**457,848**	467,676
Estimated amounts due to third-party payors	**676,835**	212,722
Assets limited as to use, current portion	**526,308**	526,308
Prepaid expenses and other current assets	**1,984,524**	1,231,739
Total current assets	**20,171,548**	11,152,220
Noncurrent assets		
Assets limited as to use	**1,108,615**	1,014,298
Capital assets, net of accumulated depreciation of $37,318,905 in 2020 and $36,338,407 in 2019	**9,532,149**	10,021,703
Total noncurrent assets	**10,640,764**	11,036,001
Total assets	**$ 30,812,312**	$ 22,188,221

(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 Net Position (Continued)

May 31,	**2020**	2019
Liabilities and Net Position		
Current liabilities		
Accounts payable	**$ 1,648,417**	$ 1,715,615
Employee compensation and payroll tax liabilities	**837,405**	652,247
Other accrued liabilities	**1,973,862**	232,851
Estimated claims liability	**306,902**	306,902
Unearned revenue	**610,278**	-
Short-term debt	**136,898**	130,535
Current portion of settlement payable	**50,000**	50,000
Current portion of capital lease obligations	**54,805**	72,799
Current portion of long-term debt	**813,977**	1,147,064
Total current liabilities	**6,432,544**	4,308,013
Long-term liabilities		
Settlement payable, less current portion	**69,243**	119,243
Capital lease obligation, less current portion	**152,907**	207,712
Long-term debt, less current portion	**11,518,183**	9,508,946
Total long-term liabilities	**11,740,333**	9,835,901
Total liabilities	**18,172,877**	14,143,914
Net position		
Net investment in capital assets	**3,260,994**	3,184,026
Restricted	**1,634,923**	1,540,606
Unrestricted	**7,743,518**	3,319,675
Total net position	**12,639,435**	8,044,307
Total liabilities and net position	**$ 30,812,312**	$ 22,188,221

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

For the years ended May 31,	**2020**	2019
Operating Revenues		
Net patient service revenue, net of provision for bad debts of approximately $1,700,575 in 2020 and $1,258,896 in 2019	**$ 24,639,855**	$ 26,148,476
Intergovernmental transfer - operating grant income	**4,433,615**	2,722,853
Other operating revenue	**686,819**	473,582
Total operating revenues	**29,760,289**	29,344,911
Operating Expenses		
Salaries and benefits	**14,303,676**	12,989,289
Outside services	**10,490,048**	10,856,117
Medical supplies and drugs	**1,781,266**	1,914,819
Depreciation and amortization	**980,498**	1,188,001
Other supplies	**706,105**	758,081
Insurance	**569,279**	551,929
Utilities	**553,349**	578,539
Rents and leases	**468,612**	443,753
Other operating expenses	**462,492**	559,724
Total operating expenses	**30,315,325**	29,840,252
Operating loss	**(555,036)**	(495,341)
Nonoperating Revenues (Expenses)		
Investment earnings	**11,369**	10,071
Ad valorem tax revenue	**1,851,990**	1,825,657
CARES Act Provider Relief Funds	**3,608,559**	-
Grant revenue	**54,186**	-
Contributions	**33,479**	56,392
Other	**21,781**	38,563
Interest expense	**(431,200)**	(293,789)
Total nonoperating revenues (expenses)	**5,150,164**	1,636,894
Increase in net position	**4,595,128**	1,141,553
Net Position - beginning of year	**8,044,307**	6,902,754
Net Position - end of year	**$ 12,639,435**	$ 8,044,307

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

For the years ended May 31,	**2020**	2019
Operating Activities		
Receipts from patients and third-party payors	**$ 23,760,027**	$ 25,502,204
Payments to suppliers and contractors	**(13,502,655)**	(16,449,989)
Payments to employees and for employee-related costs	**(14,118,518)**	(12,922,159)
Receipts from intergovernmental transfers	**4,695,319**	3,342,791
Receipts from Electronic Health Record incentives	**735**	3,724
Other receipts	**500,239**	470,893
Net cash provided by (used in) operating activities	**1,335,147**	(52,536)
Noncapital Financing Activities		
Ad valorem taxes received	**1,848,341**	1,825,657
Proceeds from Paycheck Protection Program	**2,806,488**	-
CARES Act Provider Relief Funds received	**4,218,837**	-
Proceeds from insurance settlements	**21,781**	38,563
Payments on settlement payable	**(50,000)**	(50,000)
Payments on certificates of indebtedness	**(350,990)**	(668,818)
Proceeds from short-term debt	**326,711**	307,750
Payments on short-term debt	**(320,348)**	(275,703)
Payments on hospital revenue bonds	**(150,761)**	(134,860)
Grants received	**54,186**	-
Contributions received	**33,479**	56,392
Interest paid	**(201,225)**	(250,120)
Net cash provided by noncapital financing activities	**8,236,499**	848,861
Capital and Related Financing Activities		
Purchase of capital assets	**(315,247)**	(486,740)
Proceeds from note payable	**-**	183,369
Payments on note payable	**(12,000)**	(12,000)
Payments on capital lease obligations	**(72,799)**	(41,112)
Payments on hospital revenue bonds	**(616,587)**	(595,899)
Interest paid	**(232,328)**	(223,942)
Net cash used in capital and related financing activities	**(1,248,961)**	(1,176,324)
Investing Activities		
Change in assets limited as to use	**(94,317)**	(293,292)
Investment income received	**11,369**	10,071
Net cash used in investing activities	**(82,948)**	(283,221)
Net increase (decrease) in cash and cash equivalents	**8,239,737**	(663,220)
Cash and Cash Equivalents - beginning of year	**5,841,104**	6,504,324
Cash and Cash Equivalents - end of year	**$ 14,080,841**	$ 5,841,104

(Continued)

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

For the years ended May 31,		**2020**		2019
Reconciliation of Operating Loss to Net Cash Provided by (Used In) Operating Activities:				
Operating loss	**$**	**(555,036)**	$	(495,341)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation and amortization		**980,498**		1,188,001
Provision for uncollectible accounts		**1,700,575**		1,258,896
Changes in:				
Patient accounts receivable		**(1,273,096)**		(2,193,826)
Inventory and supplies		**9,828**		175,364
Prepaid expenses and other current assets		**(749,136)**		1,716,154
Accounts payable		**(242,895)**		(235,439)
Employee compensation and payroll tax liabilities		**185,158**		67,130
Estimated claims liability		**-**		(399,670)
Other accrued liabilities		**1,743,364**		(208,229)
Estimated amounts due to third-party payors		**(464,113)**		(925,576)
Net cash provided by (used in) operating activities	**$**	**1,335,147**	$	(52,536)
Supplemental Disclosure of Noncash Investing and Financing Activities:				
Purchase of capital assets through accounts payable	**$**	**175,697**	$	17,534
Financing of equipment through capital lease		**-**		262,000
Financing of principal judgement through long-term settlement payable		**-**		219,243
Write-off of accrued interest on judgement per settlement		**-**		180,427

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

Note 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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-entity 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.

Basis of Accounting

The financial statements of the Hospital 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 and liabilities 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.

Note 1: DESCRIPTION OF REPORTING ENTITY AND 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.

Reclassifications

Certain reclassifications have been made to the prior year's accounts to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net position.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less when purchased, excluding amounts whose use is limited by Board of Commissioners designation or other arrangements under trust agreements.

Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their acquisition value at the time of their donation. Costs associated with capital asset acquisitions under $1,000 are generally expensed as incurred. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

Land improvements	15 to 20 years
Buildings and improvements	20 to 40 years
Equipment, computers and furniture	3 to 7 years

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 6). Amortization of leased assets is provided for using the straight-line method over the term of the related lease and is included in depreciation expense.

Note 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalized Interest

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no interest capitalized for the years ended May 31, 2020 and 2019, respectively. Interest charged to expense totaled $431,200 and $293,789 for fiscal years 2020 and 2019, respectively.

Financing Costs

Financing costs are expensed as incurred.

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Grants and Contributions

From time to time, the Hospital receives grants from the State of Louisiana, 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 acquisitions are reported after non-operating revenues and expenses.

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.

Note 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable, Net (Continued)

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).

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 2020 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2019 and 2020.

Net Position

Net position of the Hospital is classified into three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is non-capital net position that must be used for a particular purpose, as specified by creditors, granters, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 6. Unrestricted net position is remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net position distinguishes 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.

Note 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The Hospital's employees earn paid time off (PTO) at varying rates depending upon length of service and other factors. Amounts earned, but not yet used, totaled $513,191 and $449,747, as of May 31, 2020 and 2019, respectively. These amounts are reported as a component of employee compensation and payroll tax liabilities on the Hospital's statements of net position.

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. See Note 8 for further details.

Designated Cash

Assets limited as to use include cash, cash equivalents, and investments. These assets are designated as such in the accompanying statements of net position 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.

Investments

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 2020 and 2019.

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.

Inventories

Inventories are valued at the latest invoice price, which approximates the lower of cost (first-in, first-out method) or market.

Note 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Net patient service revenue is reported net of provision for bad debts.

Charity Care

The Hospital provides care without charge or at amounts less than established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify for charity care, they are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides. These records reflect the amount of charges foregone for services and supplies furnished under its charity care policy which totaled $535,892 in fiscal 2020 and $227,971 in fiscal 2019. The cost of charity care services provided during fiscal years 2020 and 2019 was estimated to be approximately $157,304 and $66,697, respectively, calculated by applying the cost to charge ratio from the latest Medicare cost report to charges forgone.

Investment Income

Interest on cash and deposits is included in nonoperating revenues when earned.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 6, 2021. See Note 16 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Adopted Accounting Pronouncements

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). GASB 95 extends the effective date of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of GASB 95 apply to the financial statements of all state and local governments. The primary objective of GASB 95 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of GASB 95 are effective immediately.

Note 1: DESCRIPTION OF REPORTING ENTITY AND 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
84	*Fiduciary Activities*	2021
87	*Leases*	2023
88	*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*	2021
89	*Accounting for Interest Cost Incurred before the End of a Construction Period*	2022
90	*Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61*	2021
91	*Conduit Debt Obligations*	2023
92	*Omnibus 2020*	2023
93	*Replacement of Interbank Offered Rates*	2022/2023
94	*Public-Private and Public-Public Partnerships and Availability Payment Requirements*	2024
96	*Subscription-based Information Technology Arrangements*	2024
97	*Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*	2023

Note 2: NET PATIENT SERVICE REVENUE

Net patient service revenue is reported at the estimated net realizable amounts billed to patients, third-party payors, and others for services rendered. The Hospital provides medical services to government program beneficiaries and has agreements with other third-party payors that provide for payments at amounts different from established rates. These payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. The Hospital's provision for bad debts is classified as a reduction to net patient service revenue. During the years ended May 31, 2020 and 2019, approximately 68.4% and 71.8%, respectively, of the Hospital's gross patient revenue was derived from Medicare and Medicaid program beneficiaries.

Note 2: NET PATIENT SERVICE REVENUE (Continued)

Retroactive settlements are provided for in some of the government payment programs outlined above, based on annual cost reports. Such settlements are estimated and recorded as amounts due to or from these programs in the accompanying financial statements. The differences between these estimates and final determination of amounts to be received or paid are based on audits by fiscal intermediaries and are reported as adjustments to net patient service revenue when such determinations are made.

The Hospital is unable to predict the future course of federal, state, and local regulation or legislation, including Medicare and Medicaid statutes and regulations. Future changes could have a material adverse effect on the future financial results of the Hospital.

As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. Settlements through May 31, 2018 and 2014, for the Medicare and Medicaid programs, respectively, have been reviewed by program representatives, and adjustments have been recorded to reflect any revisions to the recorded estimates. These adjustments resulted in increases in net patient service revenue of $275,583 and $349,571 in 2020 and 2019, respectively. The effect of any adjustments that might be made to cost reports still subject to review will be reported in the Hospital's financial position or results of operations as such determinations are made.

The Hospital participates in Medicaid supplemental payment programs, as detailed in Note 11, to provide adequate and essential medically necessary health care services to the citizens in its community who are low income and/or indigent patients. The Hospital recognized $1,606,793 and $3,102,998, in revenues associated with these programs during the fiscal years ended May 31, 2020 and 2019, respectively, which are included as a component of net patient service revenue.

Note 3: DEPOSITS AND INVESTMENTS

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.

In 2006, the Hospital adopted GASB No. 40, *Deposit and Investment Risk Disclosures,* which requires additional disclosures of investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk associated with interest-bearing investments. Such disclosures required by GASB 40 and applicable to the Hospital are reflected below.

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. However, the Hospital currently invests only in short-term cash equivalents whose fair value approximates cost.

Credit Risk

Louisiana's statutes also require that all the deposits of the Hospital be protected by insurance or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's bank deposits consist of demand deposit accounts and certificates of deposit. As of May 31, 2020, the Hospital's deposits were fully insured or collateralized with securities held by the agent of the pledging banks in the Hospital's name. Statutes authorize the Hospital to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and bankers' acceptances.

Concentration of Credit Risk

The Hospital places no limit on the amount it may invest in any one issuer. At May 31, 2020, the Hospital's invested funds consisted of certificates of deposit included in assets limited as to use. The Hospital maintained deposits in two financial institutions in excess of FDIC insurance limits, however, as discussed above, the funds were covered by collateral held by the financial institutions in the Hospital's name.

As of May 31, 2020 and 2019, all of the Hospital's deposits are included in the Hospital's statements of net position as follows:

May 31,	**2020**	2019
Current assets		
Cash and cash equivalents	**$ 14,080,841**	$ 5,841,104
Assets limited as to use, current portion	**526,308**	526,308
Noncurrent assets		
Assets limited as to use	**1,108,615**	1,014,298
	$ 15,715,764	$ 7,381,710

Note 4: ASSETS LIMITED AS TO USE

The terms of the Hospital's Revenue Bonds require funds to be maintained on deposit in certain accounts with the trustee (see Note 6). The funds on deposit in the accounts are required to be invested by the trustee in accordance with the terms of the bond resolution. In addition, the Hospital's Board of Commissioners has certain assets pledged to fulfill the requirements of the Louisiana Patients Compensation Fund.

The composition of assets whose use is limited as of May 31, 2020 and 2019 was as follows:

May 31,	**2020**	2019
Pledged by board for specific purposes		
Certificates of deposits	**$ 128,351**	$ 127,930
Externally designated as collateral		
Certificates of deposits	**201,906**	200,745
Required by bond resolutions (primarily interest bearing cash and certificates of deposits)		
Series 2010 reserve fund	**474,598**	428,320
Series 2010 contingencies fund	**476,800**	430,521
Litigation research fund	**52,404**	52,426
Short-lived asset depreciation reserve fund	**300,864**	300,664
	1,304,666	1,211,931
Total assets limited as to use	**1,634,923**	1,540,606
Less: current portion	**(526,308)**	(526,308)
Noncurrent assets limited as to use	**$ 1,108,615**	$ 1,014,298

Note 5: CAPITAL ASSETS

Capital asset activity as of and for the year ended May 31, 2020, was as follows:

	June 1, 2019	Additions	Disposals	Transfers	May 31, 2020
Capital assets, not being depreciated					
Land	$ 341,296	$ -	$ -	$ -	**$ 341,296**
Construction in progress	23,244	172,697	-	(23,244)	**172,697**
Total capital assets, not being depreciated	364,540	172,697	-	(23,244)	**513,993**
Capital assets, being depreciated					
Land improvements	608,422	95,693	-	-	**704,115**
Buildings	28,734,630	13,202	-	5,710	**28,753,542**
Equipment	16,652,518	209,352	-	17,534	**16,879,404**
Total capital assets, being depreciated	45,995,570	318,247	-	23,244	**46,337,061**
Less: accumulated depreciation	(36,338,407)	(980,498)	-	-	**(37,318,905)**
Total capital assets, being depreciated, net	9,657,163	(662,251)	-	23,244	**9,018,156**
Hospital capital assets, net	$ 10,021,703	$ (489,554)	$ -	$ -	**$ 9,532,149**

Note 5: CAPITAL ASSETS (Continued)

Capital asset activity as of and for the year ended May 31, 2019, was as follows:

	June 1, 2018	Additions	Disposals	Transfers	May 31, 2019
Capital assets, not being depreciated					
Land	$ 341,296	$ -	$ -	$ -	$ 341,296
Construction in progress	192,070	23,244	-	(192,070)	23,244
Total capital assets, not being depreciated	533,366	23,244	-	(192,070)	364,540
Capital assets, being depreciated					
Land improvements	608,422	-	-	-	608,422
Buildings	28,331,075	369,451	-	34,104	28,734,630
Equipment	16,457,708	373,579	(336,735)	157,966	16,652,518
Total capital assets, being depreciated	45,397,205	743,030	(336,735)	192,070	45,995,570
Less: accumulated depreciation	(35,487,141)	(1,188,001)	336,735	-	(36,338,407)
Total capital assets, being depreciated, net	9,910,064	(444,971)	-	192,070	9,657,163
Hospital capital assets, net	$ 10,443,430	$ (421,727)	$ -	$ -	$ 10,021,703

The Hospital leases certain major movable and other immovable equipment under operating leases and capital leases. Refer to Note 6 for amounts relating to these leases.

Note 6: DEBT

Short-term Debt

In November 2017, the Hospital financed $103,392 related to insurance premiums for its professional and general liability, crime and cyber policies. Under the financing agreement, which bears interest at 6.39%, principal and interest payments are due in 11 consecutive monthly installments of $9,702 beginning December 2017. The balance of this financial agreement was paid off in November 2018.

In January 2018, the Hospital financed $78,859 related to its worker's compensation insurance premiums. Under the financing agreement, which bore interest at 6.72%, principal and interest payments were due in 11 consecutive monthly installments of $7,412 beginning February 2018. The balance of this financial agreement was paid off in December 2018.

Note 6: DEBT (Continued)

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.

Changes in the Hospital's short-term debt for the years ended May 31, 2020 and 2019 were as follows:

	June 1, 2019	Additions	Reductions	May 31, 2020
Short-term debt				
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**
Total short-term debt	$ 130,535	$ 326,711	$ (320,348)	**$ 136,898**

Note 6: DEBT (Continued)

	June 1, 2018	Additions	Reductions	May 31, 2019
Short-term debt				
Insurance premium financing:				
Professional, general liability, crime, cyber	$ 47,746	$ 217,989	$ (184,864)	$ 80,871
Worker's compensation	50,742	89,761	(90,839)	49,664
Total short-term debt	$ 98,488	$ 307,750	$ (275,703)	$ 130,535

Long-term debt activity as of and for the years ended May 31, 2020 and 2019 was as follows:

	June 1, 2019	Additions	Reductions	May 31, 2020	Due Within One Year	Long-term Portion
Long-term Debt						
Hospital revenue bonds,						
Series 2008A	$ 3,765,388	$ -	$ (127,462)	**$ 3,637,926**	$ 158,262	$ 3,479,664
Series 2010	5,438,155	-	(323,123)	**5,115,032**	334,258	4,780,774
Series 2012	907,775	-	(293,464)	**614,311**	302,501	311,810
Settlement	169,243	-	(50,000)	**119,243**	50,000	69,243
Certificate of indebtedness	350,990	-	(350,990)	**-**	-	-
Notes payable	193,702	-	(35,299)	**158,403**	18,956	139,447
Capital lease obligations	280,511	-	(72,799)	**207,712**	54,805	152,907
Paycheck Protection Program	-	2,806,488	-	**2,806,488**	-	2,806,488
Total long-term debt	$ 11,105,764	$ 2,806,488	$ (1,253,137)	**$ 12,659,115**	$ 918,782	$ 11,740,333

	June 1, 2018	Additions	Reductions	May 31, 2019	Due Within One Year	Long-term Portion
Long-term Debt						
Hospital revenue bonds,						
Series 2008A	$ 3,884,581	$ -	$ (119,193)	$ 3,765,388	$ 156,259	$ 3,609,129
Series 2010	5,749,404	-	(311,249)	5,438,155	324,132	5,114,023
Series 2012	1,192,425	-	(284,650)	907,775	293,464	614,311
Settlement	399,670	219,243	(449,670)	169,243	50,000	119,243
Certificate of indebtedness	1,019,808	-	(668,818)	350,990	350,990	-
Notes payable	38,000	183,369	(27,667)	193,702	22,219	171,483
Capital lease obligations	59,623	262,000	(41,112)	280,511	72,799	207,712
Total long-term debt	$ 12,343,511	$ 664,612	$ (1,902,359)	$ 11,105,764	$ 1,269,863	$ 9,835,901

Note 6: DEBT (Continued)

Long-term debt and capital lease obligations as of May 31, 2020 and 2019 consisted of the following:

As of May 31,		**2020**	2019
Hospital revenue bonds, Series 2008A	(A)	**$ 3,637,926**	$ 3,765,388
Hospital revenue bonds, Series 2010	(B)	**5,115,032**	5,438,155
Hospital revenue bonds, Series 2012A	(C)	**614,311**	907,775
Certificate of indebtedness	(D)	**-**	350,990
Capital lease obligations	(E)	**207,712**	280,511
Notes payable	(F)	**158,403**	193,702
Settlement payable	(G)	**119,243**	169,243
Paycheck Protection Program	(H)	**2,806,488**	-
		12,659,115	11,105,764
Less: current maturities		**(918,782)**	(1,269,863)
Total long-term debt and capital leases		**$ 11,740,333**	$ 9,835,901

(A) As a component of its plan for physical plant improvements, other capital assets acquisition, and overall financial restructuring, on September 26, 2008, the Hospital issued a Taxable Hospital Revenue Bond (USDA-90% Guaranteed), Series 2008A in the amount of $4,643,050 as authorized by a resolution enacted September 24, 2008.

The Hospital is required to make monthly payments beginning October 1, 2008 and continuing on the first day of each month thereafter through the scheduled maturity date of September 26, 2037. Payments are applied first to accrued interest, and then to principal. The bond bore interest at a fixed rate of 7.5% through October 1, 2014. Effective October 2, 2014, the interest rate is a variable rate equal to the prevailing prime rate as published in the Wall Street Journal (WSJ) on the first business day of each calendar quarter (January 1, April 1, July 1, and October 1). The amount of monthly payments, initially $32,767, is adjusted to accommodate changes in the interest rate, and was $22,982 at May 31, 2020 to reflect a 3.25% interest rate.

The bond is secured by (i) an irrevocable pledge and assignment of the net revenues (as defined in the bond resolution) of the Hospital; (ii) a first mortgage on the Hospital; and (iii) a first security interest in equipment (as defined in the Bond Resolution). The pledge of net revenues was subject to the lien of the existing outstanding debt obligations detailed above prior to the refunding of those obligations in November 2009. The bond is guaranteed by the United States Department of Agriculture-Rural Development-Business and Cooperative Programs at a rate of 90% of the principal and interest of any loss that might occur, subject to stipulated conditions. The bond is subject to optional redemption by the Hospital at redemption processes and dates as defined in the bond resolution.

Note 6: DEBT (Continued)

The Hospital Board of Commissioners had passed resolutions to issue Bond Anticipation Notes, Series 2009A (the Notes) to provide interim financing prior to the issuance of the Series 2010 Bonds described in the subsequent paragraph. Upon issue on November 3, 2009, these Notes were utilized for the purposes of constructing and acquiring improvements, extensions and replacements to facilities and the advance refunding of existing long-term debt obligations, and bore interest at a variable rate of (WSJ prime +0.50). These interim obligations in anticipation of the Series 2010 issuance were issued on parity with the Series 2008A issue.

(B) The outstanding principal balance plus accrued interest were repaid with the issuance of the Series 2010 Bonds on November 3, 2010. On November 3, 2010 the Hospital issued $7,874,000 of additional parity bonds (Series 2010 Bonds) which were purchased directly by the United States Department of Agriculture in conjunction with its Rural Development - Community Facilities Program. The Series 2010 bonds were issued by Hospital under the authority of the Supplemental and Restated Bond Resolution. The proceeds of the bond issue were utilized to repay the Series 2009A Bond Anticipation Notes in the amount of $5,880,083 (principal) and $148,893 (accrued interest). The balance of the proceeds was disbursed to the Hospital for the purposes authorized in the Supplemental and Restated Bond Resolution.

The Hospital is required to make monthly payments of $43,859 beginning December 3, 2010 and continuing on the same day of each month thereafter through the scheduled maturity date of November 3, 2032. Payments are applied first to accrued interest, and then to principal. The bond is scheduled to bear interest at a fixed rate of 3.75% through maturity.

The Series 2010 Bonds are secured by the income and revenues of the Hospital, and the Multiple Indebtedness Mortgage and Security Agreement previously filed in connection with the issuance of the Series 2008A bonds discussed above.

<u>Restrictive Covenant and Other Compliance Considerations Series 2008 and 2010:</u>

The supplemental and restated bond resolution relative to the Hospital's Series 2008 and 2010 bond issuances contains multiple covenants and conditions including a 1.2 to 1.0 current ratio, and a debt to tangible net worth requirement not to exceed 9.0 to 1.0 ratio as determined in accordance of Generally Accepted Accounting Principles and a provision for acceleration of maturity if an "event of default", as described in the resolution occurs.

Under the terms of the obligations referred to in (A) and (B) above, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the statements of net position. The supplemental and restated bond resolution relative to the Hospital's Series 2008A and 2010 bond issuances also places limits on the incurrence of additional borrowings.

Note 6: DEBT (Continued)

(C) On June 21, 2012, the Hospital issued $2,248,489 of noninterest bearing Hospital Revenue Bonds, Series 2012A 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. The Bonds require a servicing fee at an annual rate of 0.5% to be paid to the holder on April 30 of each year. The bond is subject to mandatory amortized redemption in annual installments beginning May 30, 2015 through maturity on May 30, 2022.

Annual principal payments range from $252,077 to $311,810. The Bonds are issued in accordance with the terms of a Loan and Security Agreement as of June 1, 2012, by and between the Hospital and the Louisiana Public Facilities Authority (the LPFA). The LPFA is purchasing the Bonds with funds from the Louisiana Department of Natural Resources (the LDNR) Empower Louisiana Flex Fund Revolving Loan Program. In connection with the Loan Agreement, the Hospital entered into a Disbursement Agreement whereby the proceeds of the Bonds would be deposited with a local bank as “Escrow Agent” and disbursed pursuant to requisitions made by the Hospital and approved by LDNR to ensure compliance with the Program. As of May 31, 2018, the balance of the escrow had been fully requisitioned by the Hospital.

The 2012A Series Bonds are secured by the income and revenues of the Hospital and all equipment acquired from proceeds of the Bonds installed in the Hospital facility in connection with the energy efficient retrofit project.

(D) <u>Certificate of Indebtedness Issuance - Series 2012</u>

In May 2012, the Hospital issued a certificate of indebtedness, series 2012, for $430,000 which bore a fixed interest rate of 3.25%. The Hospital was required to make monthly payments of $7,778 beginning June 15, 2012 and continuing on the same date of each month thereafter through the scheduled maturity date of May 15, 2017 when the issue was retired. The issuance was used for the purpose of paying expenses related to the purchase and acquisition of electronic medical records, equipment and software, and to pay costs of issuance of the related financing.

<u>Certificate of Indebtedness Issuance - Series 2015</u>

The Hospital issued a certificate of indebtedness, series 2015, on October 29, 2015 in an amount authorized up to $2,800,000 for the purpose of paying current expenses (including costs of acquisition, operation and maintenance of equipment) and to pay costs of issuance of the certificate.

Note 6: DEBT (Continued)

The certificate had a variable interest rate equal to the prime rate as published in the Wall Street Journal, plus 1.0% adjusted daily, with a minimum (floor) rate of 5.0% and a maximum (cap) rate of 8.0% or from the most recent interest payment date to which interest has been paid or duly provided for. Interest accrued only against principal drawn and outstanding.

The first payment of accrued interest was due January 1, 2016, with subsequent payments of interest due on each April 1, July 1, October 1, and January 1 during the term of this certificate. The certificate was replaced upon maturity with the issuance of the series 2016 certificate of indebtedness on December 1, 2016.

Certificate of Indebtedness Issuance - Series 2016

The Hospital issued a series 2016 certificate of indebtedness on December 1, 2016 in an amount authorized up to $2,800,000 for the purpose of paying current expenses (including costs of acquisition, operation and maintenance of equipment) and to pay costs of issuance of the certificate. This certificate replaced the series 2015 certificate that matured October 31, 2016.

The series 2016 certificate had a variable interest rate equal to the prime rate as published in the Wall Street Journal, plus 1.0% adjusted daily, with a minimum (floor) rate of 5.0% and a maximum (cap) rate of 8.0% or from the most recent interest payment date to which interest has been paid or duly provided for. Interest accrued only against principal amounts drawn and outstanding.

The first payment of accrued interest was due January 1, 2017, with subsequent payments of interest due on April 1, July 1, October 1, and January 1 during the term of this certificate. The certificate was replaced upon maturity with the issuance of the series 2017 certificate of indebtedness on December 1, 2017, at which time the outstanding balance was $1,340,380.

Certificate of Indebtedness Issuance - Series 2017

The Hospital issued a series 2017 certificate of indebtedness on December 1, 2017 to replace the series 2016 certificate of indebtedness upon its maturity.

The series 2017 certificate had a variable interest rate equal to the prime rate as published in the Wall Street Journal, plus 1.0% adjusted daily, with a minimum (floor) rate of 5.0% and a maximum (cap) rate of 8.0% or from the most recent interest payment date to which interest has been paid or duly provided for.

Hospital was required to make monthly payments of principal and interest of $58,804 beginning January 1, 2018 and continuing on the same day of each month thereafter through the scheduled maturity date of December 1, 2019. The balance of this certificate was paid off as scheduled in December 2019.

Note 6: DEBT (Continued)

The certificate was secured by an irrevocable pledge and dedication of revenues, including (i) proceeds to be derived by the Issuer from the levy and collection of an 8 mills ad valorem tax to be levied each year through the year 2021, authorized at an election held in the issuer on November 19, 2021; and (ii) the Louisiana Department of Health's Uncompensated Care reimbursement payments as set forth in the resolution.

(E) In January 2015, the Hospital entered into a $174,103 capital lease for medical equipment. The capital lease, which bore interest at a rate of 4.97%, was payable in 60 monthly principal and interest installments of $3,270 beginning January 2015 and continuing to maturity at December 31, 2019. The balance of this capital lease was paid off as scheduled in December 2019.

On October 29, 2018, the Hospital entered into a $262,000 capital lease for medical equipment. The capital lease, which bears interest at a rate of 8.48% after an initial six interest-free months, is payable in 54 monthly principal and interest installments of $5,853 beginning May 2019 and continuing to maturity at October 2023. As of May 31, 2020, the outstanding balance on this capital lease was $207,712.

(F) On August 2, 2017, the Hospital signed a $50,000 promissory note related to the purchase of real estate. The note, which does not bear interest, is payable in 12 monthly installments of $1,200 beginning August 2017, with one final payment of $800 due upon maturity on December 31, 2020. As of May 31, 2020, the outstanding balance on this note was $9,200.

On October 1, 2018, the Hospital signed a $183,368 promissory note with a financial institution in connection with the purchase of building and equipment with a total cost of $225,000. The note bears interest at 5.99%. Principal and interest payments are payable in 83 monthly installments of $1,555 beginning November 1, 2018 plus one final payment of $119,553, due upon maturity on October 1, 2025. As of May 31, 2020, the outstanding balance on this note was $149,203. This note is collateralized by a certificate of deposit, the carrying value of which was $201,906 as of May 31, 2020. Such amount is included with assets limited as to use in the statements of net position.

(G) In August of 2012, the Hospital was notified of a judgment by an appellate court in favor of the plaintiff relative to long-standing litigation. Management recorded a liability in the amount $219,243, which represented the full amount of the ordered settlement. As of May 31, 2018, the Hospital had also cumulatively accrued an additional $180,427 in judicial interest in connection with the settlement liability.

On September 28, 2018, the Hospital reached a settlement and release agreement related to this long-standing litigation. Under the terms of the agreement, accrued judicial interest will be waived and the judgement dismissed upon fulfillment of structured payments totaling $219,243, the principal judgement amount. The principal balance is payable in four annual installments of $50,000 beginning September 2018 followed by a final payment of $19,243 on

Note 6: DEBT (Continued)

September 1, 2022. Prior accrued judicial interest of $180,427 was relieved against interest expense during the year ended May 31, 2019. The outstanding balance of this liability at May 31, 2020 was $119,243.

(H) On April 24, 2020, the Hospital was granted a Small Business Admiration (SBA) Paycheck Protection Program (PPP) loan of $2,806,488 to assist with keeping its workforce employed during the Coronavirus (COVID-19) crisis. The loan, which bears interest at 1% has a maturity date of April 24, 2022 and has deferred payments until fiscal 2022. PPP loans are subject to loan forgiveness. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels over a 24-week covered period following the receipt of the PPP loan, and may be reduced if full-time headcount declines, or if salaries and wages decrease. The application for forgiveness of the Hospital's PPP loan has not yet been completed. Accordingly, no forgiveness is recognized on the accompanying financial statements.

Scheduled principal and interest payments on long-term debt and future minimum rental commitments payable on capital lease obligations are as follows as of May 31, 2020:

	Bonds Payable		Capital Leases Payable		Notes Payable	
Year ending May 31:	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 795,021	$ 306,331	$ 54,805	$ 15,432	$ 18,956	$ 8,905
2022	822,557	288,104	59,609	10,628	10,365	8,296
2023	529,651	269,199	64,834	5,403	11,012	7,649
2024	548,586	250,264	28,464	802	11,681	6,980
2025	2,282,011	609,111	-	-	12,429	6,231
2026 - 2030	2,594,380	487,377	-	-	93,960	2,384
2031 - 2035	1,175,491	203,420	-	-	-	-
2036 - 2040	619,572	25,110	-	-	-	-
Total	$ 9,367,269	$ 2,438,916	$ 207,712	$ 32,265	$ 158,403	$ 40,445

	Settlement Payable		Paycheck Protection		Total	
Year ending May 31:	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 50,000	$ -	$ -	$ -	$ 918,782	$ 330,668
2022	50,000	-	2,806,488	56,909	3,749,019	363,937
2023	19,243	-	-	-	624,740	282,251
2024	-	-	-	-	588,731	258,046
2025	-	-	-	-	2,294,440	615,342
2026 - 2030	-	-	-	-	2,688,340	489,761
2031 - 2035	-	-	-	-	1,175,491	203,420
2036 - 2040	-	-	-	-	619,572	25,110
Total	$ 119,243	$ -	$ 2,806,488	$ 56,909	$ 12,659,115	$ 2,568,535

Note 6: DEBT (Continued)

The cost of all leased assets included under the equipment caption on the statement of net position totaled $262,000 and $433,989 at May 31, 2020 and 2019, respectively. The related accumulated amortization was $30,567 and $149,291, at May 31, 2020 and 2019, respectively.

Expenses resulting from amortization of assets recorded under capital leases are included with depreciation expense.

Note 7: 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, 2020 or 2019, 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, 2020 and 2019 and, accordingly, no contribution expense was recognized.

Note 8: COMMITMENTS AND CONTINGENCES

Self-Insurance Claims and Litigation

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 taken together.

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.

The Hospital is a defendant in a number of other legal actions arising in the ordinary course of business.

Note 8: COMMITMENTS AND CONTINGENCES (Continued)

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

Year Ended May 31,	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
2020	**$ 306,902**	**$ 43,188**	**$ (43,188)**	**$ -**	**$ -**	**$ 306,902**	**$ 306,902**
2019	$ 706,572	$ 37,613	$ (37,613)	$ (219,243)	$ (180,427)	$ 306,902	$ 306,902

Note 9: GOVERNMENT REGULATIONS

The health care industry is subject to numerous laws and regulations of federal, state and local governments. 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 can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received.

Note 10: CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables due from patients and third-party payors was as follows:

May 31,	**2020**	2019
Medicare	**23%**	28%
Medicaid	**21%**	22%
Managed care and other payors	**38%**	33%
Self-Pay	**18%**	17%
	100%	100%

Note 11: 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 2020 and 2019, in accordance with the funding provisions of the above agreements, the Hospital recognized $1,606,793 and $3,102,998, 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 $869,966 and $1,381,679, 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, 2020 and 2019, the Hospital reported $1,113,739 and $280,000, respectively, of these program receivables under the caption "prepaid expenses and other assets" on the accompanying statements of net position, and $715,383 and $129,408, respectively, of associated intergovernmental transfer grant (IGT) payments payable under "other accrued liabilities."

Note 12: 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 $4,433,615 and $2,722,853 for the fiscal years ended May 31, 2020 and 2019, respectively. As of May 31, 2020 and 2019, $0 and $261,704, respectively, of these program revenues are included as receivables on the accompanying statements of net position under the caption "prepaid expenses and other assets." In

Note 12: INTERGOVERNMENTAL TRANSFER GRANT (Continued)

addition, in fiscal 2020, the Hospital recognized outside services expense of $1,159,496 arising from related IGT payments, all of which were accrued at May 31, 2020 under “other accrued liabilities” on the accompanying statements of net positions.

Note 13: 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 2020 and 2019, the Hospital received and recorded property tax revenues in the amount of $1,851,990 and $1,825,657, respectively. There was no receivable for delinquent property taxes as of May 31, 2020 or 2019.

Note 14: 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. This remaining amount, recognized as unearned revenues on the accompanying statement of net position, is expected by management to be expended in fiscal year 2021, in full.

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.

Note 14: CARES ACT FUNDING (Continued)

The Coronavirus Aid, Relief, and Economic Security Act of 2020 and Related Legislation. The CARES Act and the Paycheck Protection Program and Health Care Enhancement Act ("Paycheck Protection Program"), which was signed into law on April 24, 2020, authorized up to $2 trillion in government spending to mitigate the economic effects of the COVID-19 pandemic. Below is a brief overview of certain provisions of the CARES Act and related legislation that have impacted and expect will continue to impact the Hospital's business. Please note that this summary is not exhaustive, and additional legislative action and regulatory developments may evolve rapidly. There is no assurance that the Hospital will continue to receive or remain eligible for funding or assistance under the CARES Act or similar measures.

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.

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, 2020, the Hospital recognized approximately $3.6 million of Relief Fund income, included as nonoperating income, associated with lost operating revenues and COVID-related costs.

Note 14: 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, 2020, 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 and will resume effective January 2021. The suspension is financed by a one-year extension of the sequestration adjustment through 2030.

- 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 reduction of $4 billion in federal Medicaid DSH allotments in FFY 2020, as mandated by the Affordable Care Act, is suspended until December 1, 2020. Also, the federal DSH allotment reduction for FFY 2021 will be reduced from $8 billion to $4 billion. 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.

Note 14: 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 15: NET INVESTMENT IN CAPITAL ASSETS

The Hospital's net investment in capital assets, as presented on the accompanying statements of net position, is calculated as follows:

May 31,	**2020**	2019
Capital assets	**$ 46,851,054**	$ 46,360,110
Less accumulated depreciation	**(37,318,905)**	(36,338,407)
Less outstanding accounts payable related to capital assets	**(175,697)**	(17,534)
Less debt outstanding related to capital assets		
Notes payable	**(158,403)**	(193,702)
Hospital revenue bonds, Series 2010	**(5,115,032)**	(5,438,155)
Hospital revenue bonds, Series 2012A	**(614,311)**	(907,775)
Capital lease obligations	**(207,712)**	(280,511)
Net investment in capital assets	**$ 3,260,994**	$ 3,184,026

Note 16: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after May 31, 2020 through January 6, 2021, the date the Hospital's financial statements were available to be issued.

In June and July 2020, the Hospital received additional CARES Act I Provider Relief funds totaling $1,861,497 under the CARES Act I Provider Relief funds.

In July 2020, the Hospital entered into a contract for construction of a physician clinic, with an estimated project cost exceeding $800,000.

Effective August 1, 2020, the Hospital transitioned to a new management company.

In November 2020, the Hospital entered into a $257,595 capital lease for medical equipment. The capital lease, which bears interest at a rate of 3.75%, is payable in 48 monthly principal and interest installments of $5,787 beginning December 2020 and continuing to maturity at November 2024.

Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Schedule of Board of Commissioners and Compensation
For the Year Ended May 31, 2020

Commissioner		Total Paid
Robert Green (Chairman)	$	480
Nicolette Releford		480
John Yeldell		480
Betty Alford Olive		400
Susan Plonnigs		440
Total	$	2,280

See independent auditors' report on supplementary information.

Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended May 31, 2020

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	$ 480
Reimbursements	$ -
Travel	$ -
Registration Fees	$ -
Conference Travel	$ -
Continuing Professional Education Fees	$ -
Housing	$ -
Unvouchered Expenses	$ -
Special Meals	$ -
Other	$ -

Note: For the fiscal year ended May 31, 2020, 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
For the Year Ended May 31, 2020

Line of Coverage	Policy Data	Limit / Deductible
Property & Equipment Breakdown	Travelers (Travelers Property Casualty Company of America) 11/1/2019 to 11/1/2020 Policy No. 630-0P594932	Blanket Building/ Business Personal Property Limit: $61,938,220 Blanket Business Income Policy Limit: $14,014,391 (see policy for additional info) Deductibles: Property $25K Wind & Hail: $250K BI 75 Hour Waiting Period
Network Security Liability & Privacy Liability (Cyber)	Lloyd's of London (NAS Insurance) 11/1/2019 to 11/1/2020 Policy No. 1125078	Limit: $2,000,000 Each Claim $2,000,000 Policy Aggregate Retention: $100,000 each claim; Cyber Terrorism 8 Hour Waiting Period Retro Date Unknown prior acts are covered
General, Professional & Umbrella Liability *incl. Employee Benefits Liability	LHA (Louisiana Hospital Association) 11/1/2019 to 11/1/2020 Policy No. HPL-0390-2019	Professional Liability $100,000 Self-Insured Retention $400,000 Patient's Compensation Fund General Liability $500,000 Each Occurrence Limit $2,000,000 Annual General Aggregate Limit $50,000 Per Claim Deductible $500,000 EBL Limit $50,000 Deductible Umbrella Liability $2,500,000 Each Claim Limit / Aggregate

Line of Coverage	Policy Data	Limit / Deductible
Employed Physicians Professional Liability	The Physicians Trust 11/1/2019 to 11/1/2020 Policy No. PPG000109	Professional Liability $1,000,000 Per Medical Occurrence $3,000,000 Aggregate
Commercial Auto:	Travelers (The Travelers Indemnity Company) 11/1/2019 to 11/1/2020 Policy No. BA-0P598826	$1,000,000 Combined Single Limit* $1,000/$1,000 Comp & Collision Deductibles Hired Auto Physical Damage Deductibles $1,000/$1,000 Comp & Collision *Incl. Hired/Non-Owned Auto Liability
Executive Risk Liability (D&O/EPL)	Travelers (Travelers Casualty and Surety Company of America) 11/1/19 to 11/1/20 Policy No. 106528889	D&O: $2,000,000 Per Claim (Shared with EPL) $25,000 Retention EPL: $2,000,000 Per Claim (Shared with D&O) $50,000 Retention $2,000,000 Policy Aggregate
Fiduciary/Crime	Travelers (Travelers Casualty and Surety Company of America) 11/1/2019 to 11/1/2020 Policy No. 105706915	Fiduciary: $1,000,000 Aggregate Limit $0 Retention Crime: $750,000 Employee Theft Limit $10,000 Retention ERISA: $500,000 Limit $0 Retention
Workers' Compensation	LHA (Louisiana Hospital Association) 1/1/2020 to 1/1/2021 Policy No. WC-0270-2020	Employer's Liability: $1M/$1M/$1M Limits

See independent auditors' report on supplementary information.

Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Schedule of Series 2010 Bond Resolution Fund Activity
For the Year Ended May 31, 2020

	Beginning Balance June 1, 2019	Deposits	Earnings	Withdrawals	Ending Balance May 31, 2020
Trusteed funds (primarily interest bearing cash and certificates of deposits):					
Series 2010 reserve fund	$ 428,320	$ 46,001	$ 302	$ (25)	**$ 474,598**
Series 2010 contingencies fund	430,521	45,976	303	-	**476,800**
Litigation reserve fund	52,426	-	74	(96)	**52,404**
Short-lived asset depreciation reserve fund	300,664	25	202	(27)	**300,864**
Total 2010 bond series fund activity	$ 1,211,931	$ 92,002	$ 881	$ (148)	**$ 1,304,666**

See independent auditors' report on supplementary information.

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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, 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated January 6, 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) to determine the 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is intended for the information of the Board of Commissioners, management, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

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

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama
January 6, 2021

Morehouse Parish Hospital Service District No. 1
(d/b/a Morehouse General Hospital)
Summary Schedule of Prior Audit Findings
For the Year Ended May 31, 2020

There were no reported findings for the year ended May 31, 2019.