

**CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER
AND AFFILIATE**

HOMER, LOUISIANA

JUNE 30, 2022, 2021, AND 2020

**CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER
AND AFFILIATE
TOWN OF HOMER, STATE OF LOUISIANA
YEARS ENDED JUNE 30, 2022, 2021 AND 2020**

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Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

This section of Claiborne Parish Hospital Service District #3 d/b/a/ Claiborne Memorial Medical Center and Affiliate's (Hospital's) annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal years that ended on June 30, 2022, 2021, and 2020. Please read it in conjunction with the financial statements in this report.

Overview of the Financial Statements

The financial statements contain the accounts of Claiborne Parish Hospital Service District #3 of Claiborne Parish, Louisiana. The governing authority of Claiborne Parish Hospital Service District #3 is the Claiborne Parish Hospital Board of Commissioners. The Financial Statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities.

This annual report consists of three components – the Management's Discussion and Analysis of Financial Condition and Operating Results (this section), the Independent Auditor's Report and the Financial Statements. The Financial Statements report the financial position of the Hospital and the results of its operations and its cash flows. The financial statements are prepared on the accrual basis of accounting.

The Balance Sheets include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. It provides information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital. The Statements of Revenues, Expenses, and Changes in Net Position report all of the revenues and expenses when the underlying transactions occur, regardless of when cash is received or paid. These statements measure the performance of the Hospital's operations during the years provided and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources.

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheets on page 4. Total net position increased during fiscal year 2022 by \$5,521,000 (41.44%) as reflected on the statements of revenues, expenses, and changes in net position. Total net position increased during fiscal year 2021 by \$3,558,000 (36.44%).

The primary purpose of the Statements of Cash Flows is to provide information about the Hospital's cash from operations, investing, and financing activities. The cash flow statements outline information as to sources and uses of cash as well as the change in the cash balance during the reporting period.

The annual report also includes Notes to the Financial Statements that are essential to gain a full understanding of the data provided in the Financial Statements. The Notes to the Financial Statements can be found immediately following the basic financial statements in this report.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Hospital Operations and Significant Events

The Hospital provides inpatient and outpatient and emergency hospital services, as well as skilled nursing (through "swing beds"), home health, and addiction recovery services to patients from Claiborne and surrounding parishes and counties. The hospital facility is licensed for 47 patient beds and has a state-of-the-art intensive care unit, a modern surgery suite, an emergency department, as well as physical and occupational therapy and specialty clinics.

The Hospital previously received two grants from the Department of Health and Human Services under the Rural Communities Opioid Response program related to development of an Opioid Treatment Facility, both of which are on a cost reimbursement basis. The initial grant of \$200,000 for planning purposes was completed in the FYE 21. The second grant has a 3 year project period for program implementation purposes. The initial award from this grant is \$1,000,000 for the budget period September 1, 2019 – August 31, 2022. To date, \$998,600 has been received from this grant.

FYE 2022 was the first full year of operations for three clinics purchased by the Hospital in March, 2021, two of which are accredited as Rural Health Clinics which provides increased reimbursement rates for Medicare and Medicaid services. The clinics had net patient revenue of \$3,827,317 for FY 2022 and \$648,365 for FY 2021.

The 10 bed Care Recovery Clinic opened in March, 2021 and is being operated within the hospital.

Financially the hospital effectively managed through the Covid-19 pandemic and has offset much of the lost revenue through Care Act payments and two Paycheck Protection Program (PPP) loans. The Hospital received funds primarily in the form of provider relief payments and Medicare advance payments. The total stimulus funds received excluding PPP loans were \$15,659,000 of which \$6,836,000 is recognized as revenue in FY 2022, \$2,803,000 was recognized as revenue in FY 2021 and \$1,769,000 was recognized as revenue in FY 2020. The first PPP loan of \$1,675,000 received in FY 2020 was fully forgiven in 2021. The second PPP loan of \$1,608,618 received in FY 2021 was fully forgiven in 2022. All stimulus funds will be recognized as revenue when conditions for use are met.

Financial Highlights

- The Hospital's total assets increased by \$1,767,000 or approximately 4.77% during fiscal year (FY) 2022. Significant changes include an increase of \$7,378,000 in cash and short-term investments primarily due to COVID-19 funds received not yet utilized. There was a \$1,665,000 increase in net patient receivables offset by a \$4,542,000 decrease in the receivable from acting as grantor of UPL payments for eight hospitals. There is also an increase in the liability for payment to the other hospitals of \$4,724,000 included in accounts payable at year-end. These funds are received to provide adequate and essential medically necessary healthcare services to low income or indigent patients. The Hospital's net payable from these payments at June 30, 2022 was \$8,888,000 as compared to a net receivable of \$379,000 at June 30, 2021. Overall liabilities decreased \$3,753,000 as the utilization and recoupment of \$7,617,000 in COVID-19 funds offset the increase in the UPL payment liability mentioned above. The Hospital's Paycheck Protection Program loan of \$1,608,000 was also forgiven in FY 2022. The Hospital's total assets increased by \$16,787,000 or approximately 82.5% during fiscal year (FY) 2021. Significant changes included an increase of \$4,790,000 in cash and short-term investments primarily due to COVID-19 funds received not yet utilized as of 6/30/21.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Additionally, there was a \$2,005,000 increase in net patient receivables and an \$8,060,000 increase in the receivable from acting as grantor of UPL payments for eight hospitals as well as \$572,000 depreciation of capital assets. There was also an increase in the liability for payment to the other hospitals of \$7,731,000 included in accounts payable at 6/30/21.

- Net patient revenues (exclusive of \$25,065,000 total UPL payments received as discussed above) increased by \$5,490,000 or approximately 33.4% in FY 2022 compared to an increase of \$3,709,000 or 29.2% in fiscal year 2021. The most significant increases were in laboratory, respiratory therapy, and pharmacy charges due to increased patient volume and treatment of Covid patients. Additionally, the clinics provided approximately \$3,827,000 in net revenue in FY 2022.
- Total 2022 operating expenses (exclusive of UPL grant payments made) increased \$9,784,000 or 49.89%, compared to a 33.4% increase in net patient revenues of \$5,490,000. Total operating expenses increased \$3,339,000 (20.51%) in fiscal year 2021. Primary 2022 increases were in salaries and benefits, most of which was attributable to the new rural health clinics, and supplies and drugs due to increased drug and infection control costs associated with Covid-19.

Financial Analysis of the Hospital

The Balance Sheets and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Hospital's activities. These two statements report the net position of the Hospital and changes in them. Increases or improvements, as well as decreases or declines in the net position, are indicators of the financial state of the Hospital. Other non-financial factors that should also be considered include changes in economic conditions, population growth and new or changed government legislation.

Balance Sheets

A summary of the Hospital's Balance Sheets is presented in the following table:

TABLE 1
Condensed Balance Sheets (In thousands)

	June 30,			
	2022	2021	2020	2019
Total current assets	\$ 27,325	\$ 29,000	\$ 13,803	\$ 8,504
Limited use assets (non current)	1,386	1,185	1,112	1,107
Other assets	391	393	-	-
Property, plant and equipment	9,740	6,498	5,374	5,362
Total assets	<u>\$ 38,842</u>	<u>\$ 37,076</u>	<u>\$ 20,289</u>	<u>\$ 14,973</u>
Total current liabilities	\$ 18,981	\$ 21,058	\$ 8,604	\$ 5,182
Long-term debt, net of current maturities	1,020	2,698	1,922	280
Total liabilities	<u>20,001</u>	<u>23,756</u>	<u>10,526</u>	<u>5,462</u>
Net position:				
Invested in capital assets, net of related debt	8,624	5,273	5,064	5,034
Restricted expendable	362	226	221	213
Unrestricted	9,855	7,821	4,478	4,264
Total net position	<u>18,841</u>	<u>13,320</u>	<u>9,763</u>	<u>9,511</u>
Total liabilities and net position	<u>\$ 38,842</u>	<u>\$ 37,076</u>	<u>\$ 20,289</u>	<u>\$ 14,973</u>

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Summary of Revenues, Expenses and Changes in Net Position

The following table presents a summary version of the Hospital's historical revenues and expenses for the years ended June 30, 2022, 2021, 2020 and 2019.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets (In thousands)

	Years Ended June 30			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net patient service revenue	\$ 46,973	\$ 37,247	\$ 28,648	\$ 33,116
Noncapital grants	255	123	5	4
Other revenue	1,442	1,055	1,060	1,344
Total operating revenues	<u>48,670</u>	<u>38,425</u>	<u>29,713</u>	<u>34,464</u>
Salaries	16,170	9,231	7,621	7,602
Benefits and payroll taxes	3,116	1,988	1,769	1,639
Supplies and drugs	4,470	3,170	2,199	2,271
Professional fees	2,055	2,321	2,205	2,262
Intergovernmental transfers - access grant exp	23,318	20,208	15,179	17,070
Other expenses	2,418	2,046	1,655	1,728
Insurance	410	278	253	213
Depreciation and amortization	758	579	572	625
Total operating expenses	<u>52,715</u>	<u>39,821</u>	<u>31,453</u>	<u>33,410</u>
Operating income (loss)	<u>(4,045)</u>	<u>(1,396)</u>	<u>(1,740)</u>	<u>1,054</u>
HHS stimulus revenue	6,836	2,803	1,769	-
PPP loan forgiveness income	1,609	1,675	-	-
Opioid grant funds	490	528	181	-
Investment income	29	27	32	26
Interest and service charges expense	(120)	(99)	(47)	(29)
Excess of revenues (expenses) before capital grants and contributions	<u>4,799</u>	<u>3,538</u>	<u>195</u>	<u>1,051</u>
Capital grants and contributions	722	19	57	40
Increase (decrease) in net position	<u>5,521</u>	<u>3,557</u>	<u>252</u>	<u>1,091</u>
Net position - beginning of year	<u>13,320</u>	<u>9,763</u>	<u>9,511</u>	<u>8,420</u>
Net position - end of year	<u>\$ 18,841</u>	<u>\$ 13,320</u>	<u>\$ 9,763</u>	<u>\$ 9,511</u>

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management’s Discussion and Analysis (Continued)

Operating Revenue

During fiscal years 2022, 2021, and 2020, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and other third party payors and patients who receive care in the Hospital’s facilities. Reimbursement for the Medicare and Medicaid programs and other third party payors is based upon established contracts. The difference between the full charge and payment is recognized as a contractual adjustment. In FY 2022, 2021 and 2020, the Hospital also received funds through various stimulus programs to offset the effects of the COVID-19 pandemic.

During fiscal years 2022, 2021, 2020 and 2019, the Hospital acted as grantor for the UPL program for eight area rural hospitals. As grantor, the hospital received total grant funds of \$25,065,404 for 2022, \$20,828,914 for 2021, \$15,939,460 for 2020, and \$17,884,603 for 2019 under the program, which is included as Medicaid patient service revenue, and disbursed \$23,317,929 for 2022, \$20,207,756 for 2021, \$15,179,269 for 2020, and \$17,070,486 for 2019 to participating hospitals. Grants under this program are to be used solely to provide adequate and essential medically necessary health care services to the citizens of the community who are low income and/or indigent. Other revenue includes interest income, sales tax revenue, cafeteria sales, and other miscellaneous services.

Table 4 represents the relative percentages of gross charges billed for patient services by payor (excluding the health clinics) for the fiscal years ended June 30, 2022, 2021, and 2020. Payor mix percentages are computed based on gross charges by payor compared to total gross patient charges, excluding the UPL grant funds discussed in the preceding paragraph.

TABLE 4
Payor Mix by Percentage of Gross Charges

	Year ended June 30		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Medicare	48%	57%	56%
Medicaid	28%	24%	25%
Commercial	18%	14%	15%
Self-pay and other	6%	5%	4%
Total patient revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>

Non-Operating Income

The Hospital holds designated and restricted funds in its Balance Sheet that are invested primarily in money market funds held at First Guaranty Bank and Gibsland Bank & Trust in Public Fund Service Accounts (PFSA). Total investment income earned was \$29,000, \$28,000, \$32,000, and \$26,000, in 2022, 2021, 2020, and 2019, respectively.

For FY 2022 and 2021, respectively, an additional \$26,000 and \$57,000 of investment income earned on stimulus funds was reclassified to stimulus revenue to comply with reporting requirements. All investment accounts are in NOW accounts and Money Market checking accounts earning interest currently at .04% to 1.04%.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Capital Grants and Contributions

Various grants were received to purchase equipment. The Claiborne Healthcare Foundation, an affiliate, received contributions of \$17,400, \$46,400, and \$57,000, during fiscal years 2022, 2021 and 2020, respectively that are restricted towards future capital expenditures. The Foundation contributed approximately \$14,000 and \$49,000, to the Hospital in FY 2021 and 2020 for equipment purchases.

In FY 2022, the hospital was awarded a USDA grant of \$707,000 to purchase telemedicine equipment to be placed in the hospital the clinics and local schools to provide telemedicine services to the schools.

Operating and Financial Performance

The highlights of the Hospital's Statements of Revenues, Expenses, and Changes in Net Position include:

- Patient days, increased to 5,951, increased to 4,214, and decreased to 4,139 for FY 2022, 2021, and 2020, respectively. This is an increase of 41%, compared to an increase of 2%, and a decrease of 15%, in overall activity for the past three years. A portion of the current year increase is due to inpatient days from the Care Recovery Unit.
- Salaries had a significant increase in FY 2022 and FY 2021 after a slight increase in FY 2020 and a slight decrease in FY 2019. Administration, emergency room and the health care clinics are the three areas that saw the largest increases in 2022. Manager salaries were increased due to competition for employees. Employed physicians providing emergency room coverage are now included in salaries with a corresponding decrease in professional fees. Employee benefits increased by \$1,127,000 overall in fiscal year 2022, primarily due to an increase in number of employees and salary increases. In fiscal year 2021 there was an increase in employee benefits of \$130,000 and an increase of \$130,000 in fiscal year 2020.
- Investment income was \$29,000, \$28,000, and \$32,000, for fiscal years 2022, 2021, and 2020, respectively. In FY 2022 and FY 2021, the income is net of investment income earned on stimulus funds as mentioned above. Rates have remained low throughout the period, however approximately \$4,900,000 and \$13,300,000 in Covid funds received were invested in FY 2022 and FY 2021, respectively.
- Professional fees decreased overall by \$266,000 in FY 2022, primarily due to the change in classification of emergency room physician compensation discussed above, partially offset by increases in physical and respiratory therapy. Fiscal year 2021 had an increase of \$116,000, primarily in respiratory therapy and the health care clinics. FY 20 had a decrease of \$57,000, primarily due to the closing of the senior care center.
- Supply and drug cost increased by \$1,300,000 in FY 2022 compared to an increase of \$971,000 in fiscal year 2021, primarily due to increased pharmacy costs related to Covid-19 patient care and increased costs of laboratory reagents for use with new equipment.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Accounts Receivable

Total accounts receivable at June 30, 2022 was substantially higher than June 30, 2021, partially due to increased patient revenue and increased receivables from the health clinics, offset by a decrease in the amount due from the FMP UPL program to \$4,498,000 as compared to \$9,040,000 at June 30, 2021. A slowdown in collections due to limited personnel and billing issues related to both the health care clinics and the Care Recovery Center also contributed to the increase in accounts receivable at June 30, 2022. Hospital personnel continue to work on outstanding claims and expect collections to improve in these areas. Accounts receivable had decreased the prior year primarily due to a decrease in patient revenue from March – June, 2020 due to Covid-19.

Capital Assets

The table below details significant additions to the Hospital's capital assets during the year ended June 30, 2022:

TABLE 3
Capital Investments

	<u>2022</u> <u>Cost</u>
<u>Equipment</u>	
Procedural stretchers	41,197
Computers for clinics	45,310
CT machine	330,476
Filmarray torch system	84,215
Mobile UV system robot	61,434
Chemistry analyzer	159,000
Patient ventilators	91,248
Wheelchairs	26,410
IQ Infusion pumps	115,500
Water disinfection system	28,172
LED Signs	76,850
Other	185,905
Total equipment	<u>1,245,717</u>

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Capital Assets (Continued)

Buildings

Clinic building and land	795,205
Clinic building improvements	38,688
	<u>833,893</u>

Construction in Progress

Roof replacement costs to date	800,380
Telephone system costs to date	110,496
Health clinics renovations	323,795
Telemedicine equipment	689,493
Other	16,087
Total construction in progress	<u>1,940,251</u>

Total major acquisitions	<u>\$ 4,019,861</u>
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Net capital assets increased by \$3,242,000 in FY 2022. This increase relates to \$4,020,000 in capital expenditures offset by \$19,300 in retirements and \$758,000 in depreciation of the Hospital's assets. Net capital assets increased by \$1,123,000 in FY 2021. This increase relates to \$1,702,000 in capital expenditures offset by \$579,000 in depreciation of the Hospital's assets. Table 3 highlights the major capital investments for FYE 2022.

Contacting the Hospital's Financial Management

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



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Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

Independent Auditors' Report

Report on the Financial Statements

Opinions

We have audited the accompanying combined financial statements of Claiborne Parish Hospital Service District #3, d/b/a Claiborne Memorial Medical Center and its affiliate (the Hospital), a component unit of the Town of Homer, Louisiana, as of and for the years ended June 30, 2022, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic combined financial statements as listed in the table of contents.

In our opinion, the accompanying combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Hospital, as of June 30, 2022, 2021 and 2020, and the respective changes in combined financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Claiborne Parish Hospital Service District #3 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Claiborne Parish Hospital Service District

#3's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Claiborne Parish Hospital Service District #3's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Claiborne Parish Hospital Service District #3's ability to continue as a going concern for a reasonable period of time.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages i through vii be presented to supplement the combined basic financial statements. Such information, although not a part of the combined basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the combined basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined basic financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's combined basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2022, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
December 17, 2022

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED BALANCE SHEETS
JUNE 30, 2022, 2021 AND 2020

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current:			
Cash and cash equivalents (Note 3)	\$ 10,382,027	\$ 3,004,735	\$ 4,927,639
Short-term investments (Note 3)	4,969,653	12,008,712	5,295,743
Receivables, net (Note 4)	9,858,665	12,802,490	2,737,130
Assets limited as to use - current (Notes 3 & 5)	253,069	126,807	126,796
Inventories	558,907	442,262	338,223
Prepaid expenses	517,232	522,930	290,773
Other current assets (Note 6)	785,887	92,409	86,305
Total current assets	<u>27,325,440</u>	<u>29,000,345</u>	<u>13,802,609</u>
Other:			
Unamortized bond fee	23,504	24,781	-
Goodwill	368,007	368,007	-
Assets limited as to use - non current (Notes 3 & 5)	1,385,946	1,184,779	1,111,885
Capital assets, net (Note 7)	<u>9,740,090</u>	<u>6,497,612</u>	<u>5,374,173</u>
Total assets	<u>\$ 38,842,987</u>	<u>\$ 37,075,524</u>	<u>\$ 20,288,667</u>
<u>LIABILITIES AND NET POSITION</u>			
Current:			
Accounts payable	\$ 13,908,111	\$ 9,504,777	\$ 1,547,282
Accrued expenses	1,675,625	1,269,940	785,531
COVID-19 Program liabilities	1,377,753	8,994,907	5,118,580
Estimated third-party payor settlements	1,924,598	1,152,495	1,089,839
Current maturities of long-term debt (Note 8)	96,000	134,549	62,300
Total current liabilities	<u>18,982,087</u>	<u>21,056,668</u>	<u>8,603,532</u>
Long-term debt, net of current maturities (Note 8)	<u>1,020,000</u>	<u>2,698,459</u>	<u>1,922,338</u>
Total liabilities	<u>20,002,087</u>	<u>23,755,127</u>	<u>10,525,870</u>
Net Position:			
Invested in capital assets, net of related debt	8,624,090	5,273,222	5,064,483
Restricted expendable (Note 5)	361,675	225,752	220,800
Unrestricted	<u>9,855,135</u>	<u>7,821,423</u>	<u>4,477,514</u>
Total net position	<u>18,840,900</u>	<u>13,320,397</u>	<u>9,762,797</u>
Total liabilities and net position	<u>\$ 38,842,987</u>	<u>\$ 37,075,524</u>	<u>\$ 20,288,667</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022, 2021 AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues:			
Net patient service revenue (Note 10)	\$ 46,973,440	\$ 37,246,802	\$ 28,647,869
Noncapital grants (Note 14)	255,230	122,817	4,596
Other operating revenue	<u>1,441,196</u>	<u>1,055,472</u>	<u>1,060,812</u>
 Total operating revenues	 <u>48,669,866</u>	 <u>38,425,091</u>	 <u>29,713,277</u>
Operating Expenses:			
Salaries	16,170,080	9,231,138	7,621,360
Benefits and payroll taxes	3,115,924	1,988,349	1,769,065
Supplies and drugs	4,469,646	3,170,457	2,199,279
Professional fees	2,054,916	2,321,094	2,204,754
Intergovernmental transfers - access grant expense	23,317,929	20,207,756	15,179,269
Other expenses	2,418,401	2,045,102	1,654,647
Insurance	410,237	278,370	253,585
Depreciation and amortization	<u>758,117</u>	<u>578,527</u>	<u>571,726</u>
Total operating expenses	<u>52,715,250</u>	<u>39,820,793</u>	<u>31,453,685</u>
 Operating income (loss)	 <u>(4,045,384)</u>	 <u>(1,395,702)</u>	 <u>(1,740,408)</u>
Nonoperating revenues (expenses)			
COVID 19 Stimulus revenue recognized (Note 17)	6,836,202	2,802,868	1,769,140
PPP loan forgiveness income	1,608,618	1,674,948	-
Opioid grant funds (Note 18)	489,681	527,613	181,305
Investment income	29,183	27,867	31,978
Interest expense	<u>(119,607)</u>	<u>(98,874)</u>	<u>(47,583)</u>
Total nonoperating revenues (expenses)	<u>8,844,077</u>	<u>4,934,422</u>	<u>1,934,840</u>
 Excess of revenues before capital grants and contributions	 4,798,693	 3,538,720	 194,432
Capital grants and contributions	<u>721,810</u>	<u>18,880</u>	<u>56,963</u>
 Increase in net position	 5,520,503	 3,557,600	 251,395
Net position at beginning of year	<u>13,320,397</u>	<u>9,762,797</u>	<u>9,511,402</u>
Net position at end of year	\$ <u>18,840,900</u>	\$ <u>13,320,397</u>	\$ <u>9,762,797</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022, 2021 AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:			
Cash receipts from and on behalf of patients	\$ 48,848,213	\$ 27,244,098	\$ 30,775,397
Other receipts and payments, net	2,197,033	1,699,796	1,224,443
COVID 19 Program funds received	1,060,203	6,679,195	6,887,720
Payments to suppliers and contractors	(28,377,462)	(20,400,734)	(23,388,890)
Payments for employees and benefits	<u>(18,880,319)</u>	<u>(10,735,077)</u>	<u>(9,292,721)</u>
Net cash provided by operating activities	<u>4,847,668</u>	<u>4,487,278</u>	<u>6,205,949</u>
Cash flows from investing activities:			
Interest on investments	29,183	27,867	31,978
Change in assets whose use is limited	(327,429)	(72,906)	(4,685)
Payments for goodwill	-	(368,007)	-
Proceeds from redemption of investments	7,039,059	-	-
Purchases of investments	<u>-</u>	<u>(6,712,969)</u>	<u>(4,974,520)</u>
Net cash provided (used) by investing activities	<u>6,740,813</u>	<u>(7,126,015)</u>	<u>(4,947,227)</u>
Cash flows from capital and related financing activities:			
Capital grants and contributions	17,404	18,880	56,963
Proceeds of PPP loan	-	1,608,618	1,674,948
Interest paid on long-term debt	(119,607)	(98,874)	(47,583)
Payments on capital lease obligation	(15,391)	(14,300)	(13,316)
Proceeds of long-term debt	-	1,000,000	-
Principal payments on long-term debt	(93,000)	(71,000)	(48,000)
Payment of bond fee	-	(25,525)	-
Proceeds from sale of capital assets	-	-	2,500
Purchase of capital assets	<u>(4,000,595)</u>	<u>(1,701,966)</u>	<u>(541,005)</u>
Net cash provided (used) by capital and related financing activities:	<u>(4,211,189)</u>	<u>715,833</u>	<u>1,084,507</u>
Net increase (decrease) in cash and cash equivalents	7,377,292	(1,922,904)	2,343,229
Beginning cash and cash equivalents	<u>3,004,735</u>	<u>4,927,639</u>	<u>2,584,410</u>
Ending cash and cash equivalents	\$ <u><u>10,382,027</u></u>	\$ <u><u>3,004,735</u></u>	\$ <u><u>4,927,639</u></u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022, 2021 AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (4,045,383)	\$ (1,395,702)	\$ (1,740,408)
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities:			
COVID 19 Program funds recorded as non-operating	6,836,202	2,802,868	1,769,140
Opioid grant funds recorded as non-operating	489,681	527,613	181,305
(Gain) loss on disposition of assets	-	-	(2,500)
Depreciation and amortization	758,117	578,527	571,726
Amortization of loan fee	1,277	787	-
(Increase) decrease in:			
Accounts receivable, net	2,943,825	(10,065,360)	2,077,008
Other assets	(100,019)	(342,342)	(57,744)
Increase (decrease) in:			
Accounts payable and accrued expenses	4,809,019	8,441,904	(1,761,678)
COVID 19 Program liabilities	(7,617,154)	3,876,327	5,118,580
Estimated third-party payor settlements	<u>772,103</u>	<u>62,656</u>	<u>50,520</u>
Net cash provided by operating activities	\$ <u>4,847,668</u>	\$ <u>4,487,278</u>	\$ <u>6,205,949</u>
Supplemental disclosure of cash flow information			
Cash payments for:			
Interest (net of interest capitalized)	\$ <u>118,697</u>	\$ <u>27,623</u>	\$ <u>27,873</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022, 2021 AND 2020

NOTE 1 – ORGANIZATION AND OPERATIONS

Legal Organizations

Claiborne Memorial Medical Center (the “Hospital”) operates as an enterprise fund of the Town of Homer, Louisiana. The Hospital is controlled by a board of directors, who are a separate and distinct body from the Selectmen of the Town of Homer. The board members consist of citizens appointed by the Mayor and Selectmen of the Town of Homer. The board members serve without compensation.

As the governing authority of the Town, for reporting purposes, the Town of Homer is the financial reporting entity for the Hospital. The Hospital’s financial accountability as a component unit, is defined in Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, as amended. The accompanying financial statements present information only on the funds maintained by the Hospital.

During the year ended June 30, 2015, governance of the hospital was transferred to Claiborne Parish Hospital Service District Number 3 based on a resolution requiring the parish to seek local tax support for the hospital. The hospital is now operating as Claiborne Memorial Medical Center.

Claiborne Healthcare Foundation, Inc. (the “Foundation”) was incorporated January 1, 2007, as a Louisiana non-profit organization to support specific capital projects that complement the mission of Homer Memorial Hospital. The Hospital Board has pledged to fund the operational expenses of the Foundation so that 100% of the contributions to the Foundation can be allocated according to the donors’ restrictions. The Foundation is included in the Hospital’s reporting entity because of the significance of its operational and financial relationship with the Hospital. Collectively, Claiborne Memorial Medical Center and its affiliate are hereafter referred to as the “Hospital”.

Nature of Business

The Hospital provides inpatient and outpatient and emergency hospital services, as well as skilled nursing (through “swing beds”), home health, and inpatient psychiatric services to patients from Claiborne and surrounding parishes and counties. The hospital facility is licensed for 47 patient beds and has a state-of-the-art intensive care unit, a modern surgery suite, an emergency department, as well as physical and occupational therapy and specialty clinics.

During the year ended June 30, 2021, the hospital purchased three local primary health care clinics. Two of the clinics have been accredited as Rural Health Clinics which provides increased reimbursement rates for Medicare and Medicaid services.

The Foundation’s purpose is to engage in the solicitation, receipt and administration of funds and property, and from time to time, to disburse such funds or property and the income therefrom, to or for the benefit of the Hospital.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The accompanying financial statements include the accounts and transactions of the Hospital combined with its affiliate, Claiborne Healthcare Foundation, Inc. All material intercompany accounts and transactions have been eliminated.

Enterprise Fund

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

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis of accounting in accordance with applicable pronouncements of the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus. The Hospital prepares its financial statements as a business-type activity in conformity with the applicable pronouncements of the GASB. Revenue, expenses, gains, losses, assets, and liabilities 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities at the date of the financial statements. 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 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.

Income Taxes

The Hospital is a political subdivision and exempt from taxation. The Foundation has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation has been classified as an organization other than a private foundation.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Foundation adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

The Foundation has evaluated its positions regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. With few exceptions, the Foundation is no longer subject to federal, state, or local tax examinations by tax authorities for years before June 30, 2018.

Cash and Cash Equivalents

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

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements, designated assets set aside by the Foundation Board, restricted by contributors’ designations for capital projects and designated assets set aside by the Hospital Board, over which the Hospital Board retains control and may at its discretion subsequently use for other purposes.

Patient Accounts Receivable

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 debts. 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 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

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable (Continued)

basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2022 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2022, 2021 or 2020.

Inventory

Inventories, which consist primarily of drugs and supplies, are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Capital Assets, Net

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

Building and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	5 to 20 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred. The Hospital capitalizes depreciable property and equipment valued at \$5,000 or more, with a useful life greater than two years. The cost of assets retired or otherwise disposed of and related accumulated depreciation is eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Net Position

The statement of net position reports net position as the difference between all other elements in a statement of net position and is displayed in three components – net investment in capital assets, restricted net position, and unrestricted net position.

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions of enabling legislation.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- c. Unrestricted – Consists of all other assets that do not meet the definition of “restricted” or “net investment in capital assets” as described above.

Deferred outflows represent the consumption of the Hospital’s net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period. The Hospital had no deferred outflows or inflows of resources at June 30, 2022, 2021 and 2020.

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.

Operating Revenues and Expenses

The Hospital’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Hospital’s principal activity. Non-exchange revenues, not including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

The Hospital formed collaborations with the State and area rural hospitals to more fully fund the Medicaid program and ensure the availability of quality healthcare services for the low income and needy population. These collaborations enable the rural hospitals to increase support for the state Medicaid program up to federal Medicaid Upper Payment Limits (UPL). During fiscal years 2022, 2021 and 2020 the Hospital acted as grantor for the UPL program for eight area rural hospitals. As grantor, the hospital received total grant funds of \$25,065,404, \$20,828,914, and \$15,939,460 under the program, which is included as Medicaid patient service revenue, and disbursed \$23,271,366, \$20,207,756, and \$15,179,269 to participating hospitals. In accordance with Medicaid reporting requirements, the total grant funds is included in net patient service revenue and the total disbursements to participating hospitals is included in operating expenses.

Grants and Contributions

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

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 estimated net realizable amounts from patients, third-party payers, and others for services rendered, and includes estimated retroactive

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue (Continued)

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.

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.

Credit Risk

The Hospital is located in Homer, 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 Hospital's estimate of collectability is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts. The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances. Provisions for bad debts are reported as offsets to net patient service revenues consistent with reporting practices for governmental healthcare entities.

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 4. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Risk Management

The Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters, except for workers compensation, general, and professional liability claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years. See Note 13 for discussion of professional and general liability risk.

Charity Care

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

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Public relations / advertising expenses totaled \$197,837, \$97,350, and \$53,335 for the years ended June 30, 2022, 2021 and 2020, respectively.

New Accounting Pronouncements Issued

GASB Statement No. 87, Leases – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governmental bodies. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. This statement is effective for the Hospital for the year ended June 30, 2022 but currently the Hospital has no material leases subject to the new standard.

NOTE 3 – DEPOSITS AND INVESTMENTS

Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds. Currently all amounts shown as investments are interest-bearing deposits. Louisiana law requires banks and savings and loan associations to secure a government’s deposits (cash in banks) by pledging qualifying securities as collateral. For this purpose, “cash in banks” is comprised of the account balances according to the banks’ records.

Account balances according to banks’ records at June 30, 2022, for the Hospital are as follows:

	<u>First Guaranty</u>	<u>Gibsland Bank and Trust</u>	<u>Citizens National</u>
Cash in bank	\$ <u>10,429,941</u>	\$ <u>6,897,647</u>	\$ <u>126,250</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>10,179,941</u>	\$ <u>6,647,647</u>	\$ <u>(123,750)</u>
Uncollateralized	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022, 2021 AND 2020

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Account balances according to banks' records at June 30, 2022, for the Foundation are as follows:

	<u>First</u> <u>Guaranty</u>	<u>Gibsland</u> <u>Bank</u>
Cash in banks	\$ <u>30,916</u>	\$ <u>46,861</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>-</u>	\$ <u>-</u>
Uncollateralized	\$ <u>-</u>	\$ <u>-</u>

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits might not be recovered. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. Claiborne Memorial Medical Center's deposits were entirely insured or collateralized by securities held by the pledging bank in the Hospital's name at June 30, 2022, 2021, and 2020. The Affiliate's (Foundation) had no uninsured deposits at June 30, 2022, 2021 and 2020.

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

The carrying amounts of deposits and investments are included in the Hospital's balance sheets at June 30 as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Carrying amount			
Deposits	\$ 10,382,027	\$ 3,004,735	\$ 4,927,639
Investments	<u>6,608,668</u>	<u>13,320,298</u>	<u>6,534,424</u>
Totals	\$ <u>16,990,695</u>	\$ <u>16,325,033</u>	\$ <u>11,462,063</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 10,382,027	\$ 3,004,735	\$ 4,927,639
Short-term investments	4,969,653	12,008,712	5,295,743
Assets limited as to use - current	253,069	126,807	126,796
Assets limited as to use - noncurrent	<u>1,385,946</u>	<u>1,184,779</u>	<u>1,111,885</u>
Totals	\$ <u>16,990,695</u>	\$ <u>16,325,033</u>	\$ <u>11,462,063</u>

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NOTE 4 – RECEIVABLES, NET AND PATIENT SERVICE REVENUE

Accounts Receivable

A summary of net receivables at June 30 is presented below:

	<u>2022</u>		<u>2021</u>		<u>2020</u>
Accounts receivable					
Patient accounts receivable, net of contractual allowances	\$ 9,026,947	\$	5,254,231	\$	2,387,578
Estimated uncollectibles	<u>(3,720,715)</u>		<u>(1,612,812)</u>		<u>(1,049,822)</u>
Net patient accounts receivable	5,306,232		3,641,419		1,337,756
Receivable - Medicaid Fiscal Intermediary	4,498,165		9,040,008		980,112
Third-party cost based settlements	<u>54,268</u>		<u>121,063</u>		<u>419,262</u>
Receivables, net	\$ <u>9,858,665</u>	\$	\$ <u>12,802,490</u>	\$	\$ <u>2,737,130</u>

The following is a summary of the mix of gross receivables from patients and third-party payers at June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Medicare	27%	21%	37%
Medicaid	24%	18%	16%
Other third-party payors	35%	21%	24%
Others	<u>14%</u>	<u>40%</u>	<u>23%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Patient Service Revenue

Percentage mix of gross revenue for the years ended June 30, 2022, 2021 and 2020 for patient services rendered under contract with major third-party payers follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Medicare	48%	57%	56%
Medicaid	28%	24%	25%
Commercial	18%	14%	15%
Self-pay and other	6%	5%	4%
Total patient revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>

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.

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NOTE 5 – ASSETS LIMITED AS TO USE

The components of assets limited as to use at June 30, is set forth in the following table. Investments are stated at fair value and are comprised primarily of certificates of deposit and money market brokerage accounts.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Restricted by third parties			
Capital improvement	\$ 108,606	\$ 98,945	\$ 94,004
Self-funded insurance fund	<u>253,069</u>	<u>126,807</u>	<u>126,796</u>
Total restricted by third parties	<u>361,675</u>	<u>225,752</u>	<u>220,800</u>
Internally designated by board			
Long-term investment fund	816,901	812,493	804,099
Investment fund	<u>460,439</u>	<u>273,341</u>	<u>213,782</u>
Total internally designated by board	<u>1,277,340</u>	<u>1,085,834</u>	<u>1,017,881</u>
Total assets limited as to use	1,639,015	1,311,586	1,238,681
Less: Current portion	<u>253,069</u>	<u>126,807</u>	<u>126,796</u>
Non current assets limited as to use	\$ <u><u>1,385,946</u></u>	\$ <u><u>1,184,779</u></u>	\$ <u><u>1,111,885</u></u>

NOTE 6 – OTHER CURRENT ASSETS

The following is a summary of other current assets at June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Grant receivables	\$ 707,436	\$ -	\$ -
Education contracts receivable	21,487	19,000	22,498
Sales tax receivable	55,608	69,634	60,032
Miscellaneous receivables	<u>1,356</u>	<u>3,775</u>	<u>3,775</u>
Balance, end of year	\$ <u><u>785,887</u></u>	\$ <u><u>92,409</u></u>	\$ <u><u>86,305</u></u>

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NOTE 7 – CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation at June 30:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>
Land and improvements	\$ 384,827	\$ 85,000	\$ -	\$ 469,827
Buildings and improvements	13,221,325	782,863	19,266	13,984,922
Leasehold improvements	54,967	-	-	54,967
Equipment	8,117,951	1,211,747	47,280	9,282,418
Construction in progress	<u>213,247</u>	<u>1,940,251</u>	<u>-</u>	<u>2,153,498</u>
Total	21,992,317	4,019,861	66,546	25,945,632
Accumulated depreciation	<u>(15,494,705)</u>	<u>(758,117)</u>	<u>47,280</u>	<u>(16,205,542)</u>
Net	<u>\$ 6,497,612</u>	<u>\$ 3,261,744</u>	<u>\$ 113,826</u>	<u>\$ 9,740,090</u>
	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2021</u>
Land and improvements	\$ 384,827	\$ -	\$ -	\$ 384,827
Buildings and improvements	12,358,223	863,102	-	13,221,325
Leasehold improvements	20,620	34,347	-	54,967
Equipment	7,402,278	715,673	-	8,117,951
Construction in progress	<u>124,403</u>	<u>712,243</u>	<u>623,399</u>	<u>213,247</u>
Total	20,290,351	2,325,365	623,399	21,992,317
Accumulated depreciation	<u>(14,916,178)</u>	<u>(578,527)</u>	<u>-</u>	<u>(15,494,705)</u>
Net	<u>\$ 5,374,173</u>	<u>\$ 1,746,838</u>	<u>\$ 623,399</u>	<u>\$ 6,497,612</u>
	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
Land and improvements	\$ 384,827	\$ -	\$ -	\$ 384,827
Buildings and improvements	12,358,223	-	-	12,358,223
Leasehold improvements	20,620	-	-	20,620
Equipment	6,843,635	558,643	-	7,402,278
Construction in progress	<u>99,035</u>	<u>25,368</u>	<u>-</u>	<u>124,403</u>
Total	19,706,340	584,011	-	20,290,351
Accumulated depreciation	<u>(14,344,452)</u>	<u>(571,726)</u>	<u>-</u>	<u>(14,916,178)</u>
Net	<u>\$ 5,361,888</u>	<u>\$ 12,285</u>	<u>\$ -</u>	<u>\$ 5,374,173</u>

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NOTE 8 – LONG-TERM DEBT

A summary of long-term debt and capital lease obligations at June 30 follows:

	June 30, 2021	Additions	Payments	June 30, 2022	Due Within One Year
2015 Series bonds payable	229,000	-	53,000	176,000	56,000
2020 Series bonds payable	980,000	-	40,000	940,000	40,000
Paycheck Protection Program loan	1,608,618	-	1,608,618	-	-
Great American capital lease	15,390	-	15,390	-	-
Total	\$ 2,833,008	\$ -	\$ 1,717,008	\$ 1,116,000	\$ 96,000

	June 30, 2020	Additions	Payments	June 30, 2021	Due Within One Year
2015 Series bonds payable	280,000	-	51,000	229,000	53,000
2020 Series bonds payable	-	1,000,000	20,000	980,000	40,000
Paycheck Protection Program loan	1,674,948	1,608,618	1,674,948	1,608,618	26,159
Great American capital lease	29,690	-	14,300	15,390	15,390
Total	\$ 1,984,638	\$ 2,608,618	\$ 1,760,248	\$ 2,833,008	\$ 134,549

	June 30, 2019	Additions	Payments	June 30, 2020	Due Within One Year
2015 Series bonds payable	328,000	-	48,000	280,000	48,000
Paycheck Protection Program loan	-	1,674,948	-	1,674,948	-
Great American capital lease	-	43,006	13,316	29,690	14,300
Total	\$ 328,000	\$ 1,717,954	\$ 61,316	\$ 1,984,638	\$ 62,300

The terms and due dates of the Hospital's long-term debt, at June 30, 2022, 2021 and 2020, follow:

- 3.75% 2015 Hospital revenue bonds, principal payable in annual installments due December 1 of each year, beginning at \$40,000 and increasing in increments of \$2,000- \$3,000 annually. Interest is payable in semi-annual installments. The bonds are collateralized by a pledge of Hospital operating revenue. Bonds mature on December 1, 2024.
- In December, 2020, the Hospital adopted a resolution issuing \$1,000,000 of Hospital Revenue Bonds, Series 2020. The Series 2020 bonds mature according to maturity schedules contained in the bond documents beginning on June 1, 2021, with schedule maturities ranging from \$40,000 -\$65,000 each year through June 1, 2040. Interest is payable in semi-annual installments at 2.5%.

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NOTE 8 – LONG-TERM DEBT (Continued)

- In May 2020, the Hospital received a \$1,674,948 loan under the Small Business Administration’s Paycheck Protection Program (the “Program”). Loan proceeds are to be used to cover payroll expenses and certain other overhead expenses as defined by the Program. This loan was fully forgiven in the year ended June 30, 2021. In March, 2021, the Hospital received an additional loan of \$1,608,618 under the Program with conditions similar to above. This loan was fully forgiven in the year ended June 30, 2022.
- Capital lease obligation with imputed interest rate of 7.15%, collateralized by equipment with a cost of \$43,006 and book value of \$15,482 at June 30, 2022. Principal and interest payments of \$1,330 began July, 2019 and the lease was fully paid as of June 30, 2022.

Scheduled principal and interest repayments on long-term debt and capital lease obligations, excluding the PPP loan are as follows:

<u>Year Ending June 30,</u>	Long-Term Debt	
	Principal	Interest
2023	\$ 96,000	29,050
2024	104,000	24,949
2025	106,000	21,394
2026	45,000	20,250
2027	45,000	19,125
2028-2032	250,000	77,500
2033-2037	285,000	44,875
2038-2041	185,000	4,749
Total	\$ 1,116,000	\$ 241,892

NOTE 9 – OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The Hospital previously rented space for IOP Services from North Claiborne Hospital Service District No. 1 for \$2,500 per month on an annual renewal lease. During the year ended June 30, 2019, the Hospital Service District entered into a Cooperative Endeavor Agreement to manage and control the property previously leased. See Note 16 for discussion of the Cooperative Endeavor Agreement. All current operating leases are on a short-term renewal basis. The Hospital currently has no material operating leases.

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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 acute, psychiatric and outpatient services rendered to Medicare program beneficiaries are paid primarily by prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare bad debts and are paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The difference between a final settlement and an estimated settlement in any year is reported as an adjustment of net patient service revenue in the year the final settlement is made.

Medicaid - Inpatient acute and psychiatric services are reimbursed based on a prospective reimbursement methodology. The Hospital is reimbursed at a prospective rate which is adjusted annually based on published market basket updates (inpatient) or adjusted cost-to-charge ratios per annual cost reports (outpatient) as submitted by the Hospital and settle by the Medicaid fiscal intermediary.

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

Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services before settlement amounts become final. Revenue derived from the Medicaid program is subject to audit and adjustment and must be accepted by the State of Louisiana, Department of Health and Hospitals before the settlement amount becomes final. The Hospital does not anticipate significant adverse adjustments on cost reports which remain open.

Home health services are paid by Medicare under a per episode prospective payment system (PPS) and by Medicaid under a PPS per visit method. Commercial and uninsured visits are not significant.

Following is a schedule of patient service revenue at established rates and charges foregone for the years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Gross patient service charges	\$ 64,741,455	\$ 48,627,296	\$ 35,225,920
Medicaid UPL grants received as grantor	25,065,404	20,828,914	15,939,460
Medicare and Medicaid contractual adjustments	(31,461,433)	(24,391,940)	(18,627,586)
Other third-party payor contractual adjustments	(8,181,922)	(6,059,040)	(2,396,020)
Provision for bad debts	<u>(3,190,064)</u>	<u>(1,758,428)</u>	<u>(1,493,905)</u>
Net patient service revenue	\$ <u>46,973,440</u>	\$ <u>37,246,802</u>	\$ <u>28,647,869</u>

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NOTE 10 – NET PATIENT SERVICE REVENUE (Continued)

The Hospital receives a substantial portion of its revenue from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Medicare and Medicaid gross patient charges	\$ 50,734,493	\$ 37,093,780	\$ 28,499,704
Contractual adjustments	<u>(31,461,433)</u>	<u>(24,391,940)</u>	<u>(18,627,586)</u>
Program patient service revenue without Medicaid UPL Intermediary Payments	\$ <u>19,273,060</u>	\$ <u>12,701,840</u>	\$ <u>9,872,118</u>
% of total gross patient charges from Medicare and Medicaid	<u>78%</u>	<u>76%</u>	<u>81%</u>
% of total net patient revenue from Medicare and Medicaid	<u>41%</u>	<u>34%</u>	<u>34%</u>

NOTE 11 – COMPENSATED ABSENCES

As of June 30, 2022, 2021, and 2020, the Hospital has accrued a compensated absence liability of \$687,871, \$543,934, and \$420,107, respectively. The Hospital pays accrued vacation absences upon termination if proper notice and termination procedures are followed.

NOTE 12 – RETIREMENT PLANS

Effective January 1, 2007, employees may participate in a qualified defined contribution retirement plan (exempt under Section 457(b) of the Internal Revenue Code). Each employee is eligible to join the plan upon completion of 90 days of continuous full-time employment. Employees are immediately 100% vested on contributions to the plan through a salary reduction agreement.

Effective January 1, 2007, the Hospital sponsors a money purchase pension plan (exempt under Section 401(a) of the Internal Revenue Code). The Hospital contributes a match amount equal to the 457(b) employee deferral contribution up to a maximum of 5% of compensation for eligible employees that are actively employed on the last day of each plan year.

Acuff and Associates is the third party administrator of the 457(b) and the 401(a) plans. The Board of Commissioners adopted these plans and may change the terms of the plans to improve administration and can, at their discretion, increase or decrease the contribution percentages.

Employer contributions to the plans totaled \$352,703, \$185,926, and \$164,051 for the years ended June 30, 2022, 2021 and 2020, respectively.

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NOTE 13 – CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. To the extent that resolution of contingencies results in amounts which vary from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

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

Further, in order to continue receiving reimbursement from the Medicare programs, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determination. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital. The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as privacy, licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional and General Liability Risk - Effective for claims filed after May 1, 2004, the Hospital discontinued professional and general liability insurance coverage through the Louisiana Hospital Association Trust Fund. The Hospital continues to participate in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The PCF provides for \$400,000 in coverage for actual claims (attorney fees are the Hospital's responsibility) per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The PCF places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

The Hospital included provision of \$25,000, \$25,000, and \$35,000 at June 30, 2022, 2021, and 2020, respectively, for professional liability losses and legal defense costs not covered by the Louisiana Patient's Compensation Fund. The Hospital is contingently liable for losses and related defense costs

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NOTE 13 – CONTINGENCIES (Continued)

from professional liability not underwritten by the Louisiana Patient’s Compensation Fund. The Hospital included no provision at June 30, 2022, 2021, and 2020 for uninsured general liability losses. The Hospital is contingently liable for losses and related defense costs from general liability.

A reconciliation of the changes in the aggregate uninsured professional and general liability is as follows:

	Professional/General Liability		
	2022	2021	2020
Balance, beginning of year	\$ 25,000	\$ 35,000	\$ 55,000
Claim payments	-	-	(54,000)
Change in estimate	-	(35,000)	(1,000)
Incurred claims	-	25,000	35,000
	\$ 25,000	\$ 25,000	\$ 35,000
Balance, end of year	\$ 25,000	\$ 25,000	\$ 35,000

NOTE 14 – GRANT REVENUE

The primary grant received other than the Opioid program grant was a USDA grant award in the amount of \$707,000 to provide funds to place telemedicine equipment in local schools to provide health services through the hospital and clinics. Additional grants were received which provided funding for outdoor signage for the hospital and clinics.

NOTE 15 – UPPER PAYMENT LIMIT (UPL) PROGRAM REVENUES

The Hospital formed collaborations with the State and several hospitals in Louisiana to more fully fund the Medicaid program and ensure the availability of quality healthcare services for the low income and needy population. The Hospital received grants of \$621,158, \$760,191, and \$814,117 in 2022, 2021 and 2020, respectively under this program. As a condition of the grant agreement, the Hospital, along with other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement. The gross income from these grants is included in net patient service revenue and payments to other participating hospitals is shown as Intergovernmental transfers in operating expenses.

NOTE 16 – COOPERATIVE ENDEAVOR AGREEMENT

During FYE 2019, the Hospital Service District (HSD 3) entered into a Cooperative Endeavor Agreement with Claiborne Parish Hospital Service District #1 (HSD 1) which consolidated healthcare operations within Claiborne Parish and transferred control and management over facilities owned by HSD 1 to HSD 3. The Hospital’s Intensive Outpatient Services program was previously located in one facility which is currently not occupied. The other was previously leased to a medical clinic the Hospital purchased in FY 2021. The Hospital received monthly rental income from the medical clinic effective March, 2019 through March 2021.

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NOTE 17 – CARES ACT FUNDING

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law by the President of the United States. Included in the CARES Act was a healthcare provider relief fund (PRF), administered by the Department of Health and Human Services (HHS) and to be distributed to healthcare providers. The purpose of the PRF is to help providers offset certain costs incurred as a result of COVID-19 including the impact to the provider's revenue if applicable. Providers were allocated a portion of the PRF based on prior revenue information reported to CMS in their annual Medicare cost reports. The Hospital determined that, based on the guidance provided by HHS, sufficient additional costs related to COVID-19 are allocable to PRF payments received and has recognized \$6,836,202, \$2,802,868 and \$1,769,140 as non-operating revenue for the years ended June 30, 2022, 2021 and 2020 respectively. The remaining funds of \$1,034,282 will be recognized as revenue as qualifying expenditures are made. Funds expended under the Provider Relief Fund program are subject to single audit requirements beginning with the Hospital's June 30, 2021 year-end, based on required reporting periods for use of funds.

Additionally, in response to the COVID-19 pandemic, CMS advanced to all providers funds under the CMS Accelerated and Advance Payment Program. The funds advanced under this program are required to begin being repaid 12 months from the award date. Beginning 12 months after the advance payments were made, CMS will automatically recoup 25% of all payments otherwise owed to the providers for 11 months. After the 11 months have elapsed, if there are still amounts yet to be repaid from the advance payment, CMS will automatically recoup 50% of all payments otherwise owed to providers for 6 months. At the end of this six-month period, if there are any amounts still unpaid, CMS will send a letter to the provider requesting the full repayment of the amount still outstanding. The Hospital was advanced \$2,378,000 under this program. Recoupment began in April, 2021. At June 30, 2022, the remaining liability of \$343,471 is recorded as a current liability in the statement of net position.

NOTE 18 – OPIOID GRANT PROGRAM

The Hospital has received two grants from the Department of Health and Human Services under the Rural Communities Opioid Response program related to development of an Opioid Treatment Facility, both of which are on a cost reimbursement basis. The initial grant of \$200,000, approved in May, 2019, was a one year grant for planning purposes. To date, \$200,000 has been received from this grant. The second grant has a 3 year project period for program implementation purposes. The initial award from this grant is \$1,000,000 for the budget period September 1, 2019 – August 31, 2022. To date, \$998,600 has been received from this grant.

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NOTE 19 – CLAIBORNE HEALTHCARE FOUNDATION (AFFILIATE)

The accompanying combined financial statements include the accounts of the Foundation, with intercompany accounts eliminated. Foundation contributions received of \$17,404, \$46,404, and \$56,963 are included in capital grants and contributions for the years ended June 30, 2022, 2021, and 2020, respectively. For the year ended June 30, 2021, the Foundation also received contributions of \$27,524 which were paid to an individual battling cancer. Hospital support of operational expenses for the Foundation were \$4,299, \$1,754, and \$143 during years ended June 30, 2022, 2021, and 2020, respectively.

Following is a summary of net position and results of operations of the Foundation as of June 30, 2022, 2021, and 2020.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Limited use assets	\$ <u>108,606</u>	\$ <u>98,945</u>	\$ <u>94,004</u>
	-	-	
NET POSITION	<u>108,606</u>	<u>98,945</u>	<u>94,004</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 108,606</u>	<u>\$ 98,945</u>	<u>\$ 94,004</u>
	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUE			
Contributions from third parties	\$ 17,404	\$ 46,404	\$ 56,963
Non-cash contributions from Hospital	4,299	1,754	143
Interest & gain/loss on investments	<u>18</u>	<u>15</u>	<u>17</u>
Total Revenue	<u>21,721</u>	<u>48,173</u>	<u>57,123</u>
EXPENSES			
Grants to Claiborne Memorial Medical Center	0	13,875	48,885
Other grants paid	7,568	27,524	-
Other expense	456	933	120
Administrative expense	<u>4,036</u>	<u>900</u>	<u>143</u>
Total Expenses	<u>12,060</u>	<u>43,232</u>	<u>49,148</u>
Increase (decrease) in net position	<u>\$ 9,661</u>	<u>\$ 4,941</u>	<u>\$ 7,975</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022, 2021 AND 2020

NOTE 20 – RELATED PARTY TRANSACTIONS

As discussed in Note 9, the Hospital signed a lease agreement with a medical clinic for a portion of the property received in the Cooperative Endeavor Agreement for a monthly rental of \$4,000. The lease term was August 1, 2019 – July 31, 2024. The clinic was acquired by the Hospital and the lease was terminated in April 2021. One of the shareholders of the previous medical clinic is a Hospital board member. The total rent income related to this lease received in the years ended June 30, 2021 and 2020 was \$36,000 and \$44,000, respectively.

There was no compensation paid to board members for the years ended June 30, 2022, 2021 or 2020.

NOTE 21 – UNCERTAINTIES

In March, 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Hospital. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

NOTE 22 – SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 17, 2022, which is the date the financial statements were available to be issued and determined the following disclosures.

SUPPLEMENTARY FINANCIAL INFORMATION

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Routine services:			
Adult and pediatric	\$ 4,895,293	\$ 4,429,642	\$ 4,168,726
Intensive care unit	1,724,125	1,547,317	1,328,410
Care recovery unit	1,516,497	575,484	-
Senior care	-	-	494,001
IOP services	-	601	823,750
Swing bed	<u>156,996</u>	<u>145,971</u>	<u>156,996</u>
 Total routine services	 <u>8,292,911</u>	 <u>6,699,015</u>	 <u>6,971,883</u>
Other professional services:			
Operating room			
Inpatient	65,842	60,736	75,007
Outpatient	<u>535,156</u>	<u>527,703</u>	<u>539,672</u>
 Total	 <u>600,998</u>	 <u>588,439</u>	 <u>614,679</u>
Anesthesia			
Inpatient	650	13,260	38,415
Outpatient	<u>4,160</u>	<u>210,860</u>	<u>245,310</u>
 Total	 <u>4,810</u>	 <u>224,120</u>	 <u>283,725</u>
Radiology			
Inpatient	1,313,282	1,469,186	1,263,863
Outpatient	<u>5,956,471</u>	<u>4,946,324</u>	<u>4,223,359</u>
 Total	 <u>7,269,753</u>	 <u>6,415,510</u>	 <u>5,487,222</u>
Laboratory			
Inpatient	2,271,124	2,445,294	1,926,261
Outpatient	<u>8,146,492</u>	<u>5,445,049</u>	<u>3,194,081</u>
 Total	 <u>10,417,616</u>	 <u>7,890,343</u>	 <u>5,120,342</u>
Blood			
Inpatient	331,228	243,522	224,407
Outpatient	<u>291,577</u>	<u>156,315</u>	<u>133,317</u>
 Total	 <u>\$ 622,805</u>	 <u>\$ 399,837</u>	 <u>\$ 357,724</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Respiratory therapy			
Inpatient	\$ 5,504,950	\$ 4,967,594	\$ 2,496,102
Outpatient	<u>1,442,001</u>	<u>974,821</u>	<u>595,455</u>
Total	<u>6,946,951</u>	<u>5,942,415</u>	<u>3,091,557</u>
Physical therapy			
Inpatient	211,422	150,846	74,085
Outpatient	<u>563,099</u>	<u>267,069</u>	<u>158,410</u>
Total	<u>774,521</u>	<u>417,915</u>	<u>232,495</u>
Occupational therapy			
Inpatient	319,298	257,715	76,335
Outpatient	<u>601,038</u>	<u>610,083</u>	<u>182,290</u>
Total	<u>920,336</u>	<u>867,798</u>	<u>258,625</u>
Central supply			
Inpatient	370,610	328,030	369,927
Outpatient	<u>475,180</u>	<u>438,351</u>	<u>406,793</u>
Total	<u>845,790</u>	<u>766,381</u>	<u>776,720</u>
Pharmacy			
Inpatient	4,862,800	4,405,888	2,517,962
Outpatient	<u>3,448,195</u>	<u>2,720,390</u>	<u>1,877,605</u>
Total	<u>8,310,995</u>	<u>7,126,278</u>	<u>4,395,567</u>
Outpatient treatment area			
Outpatient	<u>560,274</u>	<u>362,992</u>	<u>192,570</u>
Total	\$ <u>560,274</u>	\$ <u>362,992</u>	\$ <u>192,570</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Emergency room			
Inpatient	\$ 2,252,415	\$ 1,566,924	\$ 970,292
Outpatient	<u>8,991,971</u>	<u>7,738,320</u>	<u>5,542,535</u>
Total	<u>11,244,386</u>	<u>9,305,244</u>	<u>6,512,827</u>
Home health			
Skilled nursing visits	705,914	589,996	707,850
Physical therapy visits	112,625	120,840	178,875
Occupational and speech therapy visits	288	-	-0-
Aide visits	51,480	34,210	36,410
Medical supplies	<u>9,515</u>	<u>9,006</u>	<u>6,849</u>
Total	<u>879,822</u>	<u>754,052</u>	<u>929,984</u>
Outpatient clinics			
Patient service revenue	<u>7,049,487</u>	<u>866,957</u>	<u>-</u>
Total	<u>7,049,487</u>	<u>866,957</u>	<u>-</u>
UPL grant funds received as grantor	<u>25,065,404</u>	<u>20,828,914</u>	<u>15,939,460</u>
Other professional services			
Inpatient	17,503,621	15,908,995	10,032,656
Outpatient	38,065,101	25,265,234	17,291,397
Home health	<u>879,822</u>	<u>754,052</u>	<u>929,984</u>
Total other professional services	<u>56,448,544</u>	<u>41,928,281</u>	<u>28,254,037</u>
Gross patient service charges	<u>89,806,859</u>	<u>69,456,210</u>	<u>51,165,380</u>
Contractual adjustments	(39,643,355)	(30,450,980)	(21,023,606)
Provision for bad debts	(3,190,064)	(1,758,428)	(1,493,905)
Charity care	<u>-</u>	<u>-</u>	<u>-</u>
Total patient service allowances	<u>(42,833,419)</u>	<u>(32,209,408)</u>	<u>(22,517,511)</u>
Net patient service revenue	<u>\$ 46,973,440</u>	<u>\$ 37,246,802</u>	<u>\$ 28,647,869</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OTHER OPERATING REVENUE
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cafeteria	\$ 138,608	\$ 95,533	\$ 130,063
Medical records	724	750	2,722
Vending machines	3,429	2,999	5,445
Rental income	-	36,000	46,000
Sales tax revenue	752,598	685,882	625,423
Purchase discounts	36,647	21,504	17,019
Medicaid Physician IPA	275,403	160,714	133,412
Gain (loss) on asset dispositions	-	-	2,500
Miscellaneous	<u>233,787</u>	<u>52,090</u>	<u>98,228</u>
Total other operating revenue	\$ <u>1,441,196</u>	\$ <u>1,055,472</u>	\$ <u>1,060,812</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Salaries:			
Administrative and general	\$ 2,229,203	\$ 1,769,865	\$ 1,353,190
Plant operations and maintenance	178,576	146,257	123,440
Quality	19,251	10,581	23,574
Housekeeping	231,401	206,366	176,588
Dietary and cafeteria	246,393	211,476	190,823
Nursing administration	208,130	91,006	57,909
Central supply	116,613	55,585	26,262
Pharmacy	336,025	294,154	282,521
Medical records	228,664	193,873	182,029
Nursing services	1,767,690	1,513,129	1,458,023
Intensive OP services	-	-	179,716
Intensive care unit	884,544	711,607	682,586
Senior care unit	-	-	203,160
Operating room	238,525	219,572	219,137
Anesthesia	-	-	34,012
Radiology	390,143	347,159	317,563
Laboratory	800,485	565,766	553,264
Respiratory therapy	334,441	284,559	304,531
Emergency room	1,949,579	1,133,604	991,436
Rural Health Clinics	5,144,819	993,064	-
Care Recovery Unit	556,403	216,271	-
Home health	251,613	212,580	208,647
Outpatient treatment area	<u>57,582</u>	<u>54,664</u>	<u>52,949</u>
 Total salaries	 \$ <u>16,170,080</u>	 \$ <u>9,231,138</u>	 \$ <u>7,621,360</u>
 Benefits and payroll taxes:			
Payroll taxes	\$ 1,117,451	\$ 682,123	\$ 556,954
Health insurance	1,309,267	852,872	834,927
Other benefits	<u>689,206</u>	<u>453,354</u>	<u>377,184</u>
 Total benefits and payroll taxes	 \$ <u>3,115,924</u>	 \$ <u>1,988,349</u>	 \$ <u>1,769,065</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – SUPPLIES AND DRUGS
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Administration	\$ 790,383	\$ 737,013	\$ 539,836
Housekeeping	167,603	89,148	98,598
Maintenance	12,208	8,622	7,738
Dietary	299,835	211,016	213,795
Medical records	7,635	1,876	19,758
Adults and pediatrics	159,747	388,040	152,237
Infection control	17,912	1,601	-
Intensive care unit	120,394	80,541	64,975
Intensive outpatient program	-	-	2,059
Emergency room	83,628	59,670	61,102
Operating room	56,681	66,179	46,641
Anesthesiology	-	-	315
Radiology	20,540	14,584	16,867
Laboratory	1,000,876	440,095	414,155
Blood	139,998	72,572	76,904
Physical therapy	1,197	1,311	575
Occupational therapy	841	492	680
Central supply	(4,747)	6,366	2,543
Respiratory therapy	36,017	31,066	32,363
Pharmacy	1,012,320	871,189	413,950
Outpatient treatment area	11,193	7,075	6,865
Quality	881	195	166
Rural health clinics	471,954	34,461	-
Care recovery unit	24,331	21,136	-
Home health	38,219	26,209	26,110
Senior care	-	-	1,047
	<u> </u>	<u> </u>	<u> </u>
Total supplies and drugs	\$ <u>4,469,646</u>	\$ <u>3,170,457</u>	\$ <u>2,199,279</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Anesthesiology	\$ 158,080	\$ 135,593	\$ 50,171
Laboratory	212,216	183,569	142,829
Respiratory therapy	163,856	64,274	2,430
Physical therapy	304,806	151,936	124,519
Occupational therapy	209,598	195,527	127,717
Pharmacy	17,502	23,829	29,727
Intensive care unit	-	5,270	-
Emergency room	461,680	1,137,173	1,256,794
Outpatient treatment area	63,930	64,946	67,817
Intensive OP services	-	-	39,000
Home health	36,210	37,154	57,375
Senior care	-	-	52,969
Dietary	22,039	20,663	28,425
Medical records	128,166	56,527	50,708
Care recovery unit	60,713	43,962	-
Rural health clinics	66,479	60,022	-
Quality	43,266	41,602	40,002
Administration	<u>106,375</u>	<u>99,047</u>	<u>134,271</u>
 Total professional fees	 \$ <u>2,054,916</u>	 \$ <u>2,321,094</u>	 \$ <u>2,204,754</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Legal and accounting	\$ 288,960	\$ 274,672	\$ 223,965
Repairs and maintenance	446,400	477,338	480,406
Utilities	461,095	320,636	278,839
Telephone	150,694	63,150	61,878
Travel	24,830	7,745	23,503
Rentals	256,056	267,869	253,728
License, inspection and membership fees	170,153	166,481	152,570
Education	43,722	36,273	8,050
Postage	36,704	40,415	30,470
Public relations	197,837	97,350	53,335
Miscellaneous	<u>341,950</u>	<u>293,173</u>	<u>87,903</u>
 Total other expenses	 \$ <u>2,418,401</u>	 \$ <u>2,045,102</u>	 \$ <u>1,654,647</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PER DIEM AND
OTHER COMPENSATION PAID TO HOSPITAL BOARD MEMBERS
YEARS ENDED JUNE 30, 2022, 2021, AND 2020

	----- TERM -----		Compensation 2022
	BEGAN	ENDING	
Commissioners:			
Mr. Mark Alan Brown	Sept. 2015	Dec. 2022	None
Ms. Beverlee Kilgore	Sept. 2015	Dec. 2022	None
Mayor Xanthe Seals	Jan. 2019	Dec. 2023	None
Dr. Sam Abshire	Oct. 2015	Dec. 2023	None
Dr. Mark Haynes	Oct. 2015	Dec. 2023	None
Ms. Nicole Ware	Jun. 2022	Dec. 2026	None
Mr. Sherman E. Brown	Oct. 2017	Dec. 2023	None
Mr. Kevin Gray	Jan. 2019	Dec. 2023	None
Wade Holloway	Oct. 2021	Dec. 2025	None

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	Federal Expenditures
<u>United States Department of Health and Human Services</u>		
Direct Programs:		
Rural Health Clinic Vaccine Confidence Program	93.912	99,058
Rural Communities Opioid Response - Implementation	93.912	489,681
Provider Relief Fund	93.498	<u>6,925,922</u>
Total Direct Programs		<u>7,514,661</u>
Passed Through Louisiana Office of Public Health:		
Small Rural Hospital Improvement Grant Program	93.301	<u>255,197</u>
Total United States Department of Health and Human Services		<u>7,769,858</u>
<u>United States Department of Agriculture</u>		
Direct Programs:		
Distance Learning and Telemedicine Grant	10.855	<u>704,406</u>
Total United States Department of Agriculture		<u>704,406</u>
Total Federal Expenditures		<u>\$ 8,474,264</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Claiborne Parish Hospital Service District #3. (the Hospital) under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Claiborne Parish Hospital Service District #3, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

2. Summary of Significant Accounting Policies

- a) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b) The Hospital has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
- c) The amounts shown as expenditures includes \$25,921 of interest earned on Provider Relief Funds.

3. Claiborne Parish Hospital Service District #3 did not expend any federal awards in the form of noncash assistance during the fiscal year.

4. Reporting of Provider Relief Funds on the Schedule is based on reporting the use of funds received through June 30, 2022 which were reported on Reporting Periods 2 and 3. Below is a reconciliation of the revenue recognized to the amount shown as expenditures on the Schedule.

5. Reconciliation of Expenditures to Revenue Recognized in Financial Statements

<u>Revenue</u>	
Recognized in FYE 6/30/21	\$ 89,720
Recognized in FYE 6/30/22	<u>6,836,202</u>
 Total Expenditures per Schedule	 <u>\$6,925,922</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF INSURANCE COVERAGE
YEAR ENDED JUNE 30, 2022

RISK COVERED	COVERAGE	PERIOD
Directors & Officers Liability	\$2,100,000	08/17/21-08/17/22
Commercial Insurance Package	Damage to Covered Property	\$45,613,115 08/17/21-08/17/22
	Time Element Loss	Included 08/17/21-08/17/22
	Expediting Expense	\$ 2,500,000 08/17/21-08/17/22
Physician & Surgeons Prof. Liability	LHA Physicians Trust Per Occurrence	\$100,000 07/1/21 -07/1/22
	LHA Physicians Trust Annual Aggregate	\$300,000 07/1/21 -07/1/22
	LA Patients Comp Fund	\$400,000 07/1/21 -07/1/22
Commercial Automobile	Each Accident	\$1,000,000 08/17/21-08/17/22
Crime Policy	Employee Theft	\$500,000 11/1/18 - 11/1/22
	ERISA	\$500,000 11/1/18 - 11/1/22
	Computer Crime	\$500,000 11/1/18 - 11/1/22
	Funds Transfer Fraud	\$500,000 11/1/18 - 11/1/22
ER Physicians Liability	Each Medical Incident	\$1,000,000 3/1/22- 2/28/23
	Aggregate	\$3,000,000 3/1/22- 2/28/23
Property Insurance - Clinic Buildings	General Aggregate Limit	\$2,100,000 3/25/22 - 3/25/23
	Products / Completed Operations	Included
	Personal & Advertising Injury Limit	\$1,000,000
	Each Occurrence Limit	\$1,000,000
	Damage to Premises Rented	\$100,000
	Medical Expense Limit per person	\$5,000
Patient's Compensation Fund		\$125,000 3/1/22- 2/28/23

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2022

Agency Head: Tina Haynes, CEO

Salary	219,222
Benefits – retirement	10,961
Registration fees	1,495
Travel	2,125
Dues	1,120
Reimbursements	1,034
Other – Tuition	2,255



PREMIER PLAZA
1900 N. 18TH STREET, SUITE 300 | MONROE, LOUISIANA 71201
318.388.3108 (P) | 318.429.2124 (F)

Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Claiborne Parish Hospital Service District #3, d/b/a Claiborne Memorial Medical Center and its affiliate (the Hospital) as of and for the year ended June 30, 2022, and have issued our report thereon dated December 17, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, we consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2022-01 and 2022-02.

Compliance and Other Matters

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

The Hospital's Response to Findings

The Hospital's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Hospital's response and, accordingly, we express no opinion on it.

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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
December 17, 2022



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318.388.3108 (P) | 318.429.2124 (F)

Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by The Uniform Guidance

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's major federal programs for the year ended June 30, 2022. Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

We have audited the financial statements of the Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate's basic financial statements. We issued our report thereon dated December 17, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Heard, McElroy & Vestal, LLC

Monroe, Louisiana
December 17, 2022

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate
2. No instances of noncompliance material to the basic financial statements of Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate were disclosed during the audit.
3. Material weaknesses in internal control, relating to the audit of the financial statements are reported.
4. No material weaknesses in internal control over compliance, relating to the audit of a major federal award program, are reported.
5. The auditor's report on compliance for the major federal award programs for Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate expresses an unmodified opinion.
6. There were no audit findings relative to major federal award programs for Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate
7. The program tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
DHHS – Provider Relief Fund	93.498

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Claiborne Parish Hospital Service District #3 d/b/a Claiborne Memorial Medical Center and its affiliate was not determined to be a low-risk auditee.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section II. Financial Statement Findings

2022-01 – Financial Statements

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 115 places more responsibility on management to ensure the propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary to internally complete the reporting requirements. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls.

Recommendation: Management should either: (a) obtain the resources necessary to internally prepare or review the auditor’s preparation of the Hospital’s financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost of “a” overrides the benefit of correcting this control deficiency.

Response: Due to the Hospital’s size, the cost of obtaining and/or training personnel with the complete knowledge of GAAP would not be cost effective. The CFO has extensive accounting knowledge and will work closely with the auditors in the preparation of the financial statements and will review the statements prior to issuance.

2022-02 – Bank Reconciliations

Finding: It was noted that monthly bank reconciliations of the operating account were not being reconciled to the general ledger cash accounts. Because the variance involved both prior and current year activity, Hospital personnel were unable to determine the cause of the variance. There was also no independent review of the bank reconciliations once prepared.

Recommendation: Management should review with hospital personnel the proper procedures to insure that all bank activity is reconciled to the general ledger on a monthly basis to insure proper financial reporting. Each bank reconciliation should be independently reviewed by a member of management and the review documented.

Response: A new Controller has been hired to assist with monthly accounting work and should be able to assist with the reconciliations. The CFO is implementing new reconciliation procedures on this account and will see that reconciliations are independently reviewed prior to monthly financial statements being prepared.

Section III. Federal Award Findings

None

Section IV. Management Letter

Not applicable

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section II. Financial Statement Findings

2021-01 – Financial Statements

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 115 places more responsibility on management to ensure the propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary to internally complete the reporting requirements. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls.

Recommendation: Management should either: (a) obtain the resources necessary to internally prepare or review the auditor's preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost of "a" overrides the benefit of correcting this control deficiency.

Response: Due to the Hospital's size, the cost of obtaining and/or training personnel with the complete knowledge of GAAP would not be cost effective. The CFO has extensive accounting knowledge and will work closely with the auditors in the preparation of the financial statements and will review the statements prior to issuance.

Current status: Not resolved – See finding 2022-01.

2021-02 – Bank Reconciliations

Finding: It was noted that monthly bank reconciliations of the operating account were not being reconciled to the general ledger cash accounts. Because the variance involved both prior and current year activity, Hospital personnel were unable to determine the cause of the variance. There was also no independent review of the bank reconciliations once prepared.

Recommendation: Management should review with hospital personnel the proper procedures to insure that all bank activity is reconciled to the general ledger on a monthly basis to insure proper financial reporting. Each bank reconciliation should be independently reviewed by a member of management and the review documented.

Response: The CFO is implementing new reconciliation procedures on this account and will see that reconciliations are independently reviewed prior to monthly financial statements being prepared.

Current status: Not resolved – See finding 2022-02.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section II. Financial Statement Findings (Continued)

Section III. Federal Award Findings

None

Section IV. Management Letter

Not applicable



REGIONS TOWER
333 TEXAS STREET, SUITE 1525 | SHREVEPORT, LOUISIANA 71101
318.429.1525 (P) | 318.429.2124 (F)

December 17, 2022

Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. Claiborne Memorial Medical Center's (CMMC) management is responsible for those C/C areas identified in the SAUPs.

CMMC has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

The entity has written policies and procedures that adequately address the budget function.

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

The entity's policy does not address the addition of vendors.

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

The entity has written policies and procedures that adequately address the disbursements function.

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

The entity has written policies and procedures that adequately address the receipts and collections function.

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

The entity has written policies and procedures that adequately address the payroll and personnel function.

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

The entity has written policies and procedures that adequately address the contracting function.

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

The entity has written polices and procedures that adequately address the credit card function.

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

The entity has written policies and procedures that adequately address the travel and expense reimbursement function.

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

The entity has policies and procedures that adequately address ethics requirements.

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

Not applicable to the entity.

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The entity has policies and procedures that adequately address information technology disaster recovery/business continuity requirements.

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

The entity has policies and procedures that adequately address sexual harassment requirements.

Board or Finance Committee

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

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

The entity's Board of Directors and Finance Committee met monthly in accordance with its bylaws.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds⁷.

Each meeting's minutes referred to budget-to-actual financial statement comparisons.

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

Not applicable to the entity.

Bank Reconciliations

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

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

No exceptions noted.

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

Bank reconciliations were not reviewed or approved by member of management.

Management's response: We do have policies in place dictating that bank reconciliations be reviewed/ approved by a member of management. Going forward we will make sure these policies are implemented and carried out.

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

Management has no documentation to support the research of reconciling items older than 12 months.

Management's response: We will implement measures to document research of reconciling items that that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections (excluding electronic funds transfers)

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

The entity has four physical locations where deposits are prepared and reconciled.

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

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

No exceptions noted.

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

The entity does not have appropriate segregation of duties relating to collections, preparing and making deposits, and posting to the general ledger.

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

The entity does not have appropriate segregation of duties relating to collections, preparing and making deposits, and posting to the general ledger.

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

The entity does not have appropriate segregation of duties relating to collections, preparing and making deposits, and posting to the general ledger.

Management's response: Areas noted will be reviewed and further segregation of duties will be implemented where possible. For areas where segregation to the extent desired is not possible due to the size of the department, supervision and review by management will be increased.

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

No exceptions noted.

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

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

In lieu of pre-numbering receipts, all receipts are recorded onto a daily receipt listing that is reconciled to the validated deposit slip in order to ensure the completeness of deposits.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

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

Per listing provided by management, payments are processed through one location - the Accounts Payable Department.

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

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

Job duties appear properly segregated.

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

Job duties appear properly segregated.

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

Controller is approving payments and has the authority to add vendors.

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

The A/P clerk duties include processing payments and mailing the checks.

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

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

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

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
No exceptions noted.

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

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

Obtained listing and related documentation of all active cards from Management.

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

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

Monthly statements and related payments are reviewed and approved by management and/or members of the Board of Directors, as applicable.

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

No exceptions noted.

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

No exceptions noted.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid

expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Contracts

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

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

The contracts selected for testing were not subject to bid as the contracts in question were required by state or purchase contract, related to ongoing service agreements, or for specific property acquisition.

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

No exceptions to procedure noted.

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

No exceptions to procedure noted.

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

No exceptions to procedure noted.

Payroll and Personnel

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

Obtained listing from Management and agreed selected employees' salaries and pay rates without exception.

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

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

Payroll records maintained by the payroll software.

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

No exceptions noted.

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

Cumulative leave records are maintained by the payroll software.

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

No exceptions noted.

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

Per Management there were no terminations in the period covered.

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

Management’s representation obtained covering these statements.

Ethics

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

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

One employee selected for testing did not have the annual ethics training.

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

N/A – no changes to the entity’s ethics policy during the fiscal period.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management’s representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.

Not applicable to the entity.

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

Not applicable to the entity.

Fraud Notice

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

N/A – no misappropriations of public funds identified during the fiscal period.

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

No exceptions noted.

Information Technology Disaster Recovery/Business Continuity

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

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

We performed the procedure and discussed the results with management.

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

We performed the procedure and discussed the results with management.

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

We performed the procedure and discussed the results with management.

Sexual Harassment

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

One test selection did not complete sexual harassment in the current year.

Management’s response: We will implement policies and procedures to monitor annual training.

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

Sexual harassment policy not posted at premise or on the website.

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

- a. Number and percentage of public servants in the agency who have completed the training requirements;
- b. Number of sexual harassment complaints received by the agency;
- c. Number of complaints which resulted in a finding that sexual harassment occurred;
- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e. Amount of time it took to resolve each complaint.

We note the entity does not have a sexual harassment report. Per discussion with Human Resource Manager there has not been a sexual harassment complaint in the last five years between two hospital employees.

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

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

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

Heard, McElroy & Vestal, LLC