

**Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
(A Component Unit of Allen Parish Policy Jury)**

Independent Auditor's Reports and Financial Statements

June 30, 2021 and 2020

**Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Police Jury
June 30, 2021 and 2020**

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Independent Auditor's Report

Board of Commissioners
Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Police Jury
Kinder, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Hospital Service District No. 3, Parish of Allen, State of Louisiana d/b/a Allen Parish Hospital (the Hospital), a component unit of the Allen Parish Police Jury, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The Schedule of Per Diem and Other Compensation Paid to Board Members and the Schedule of Compensation, Benefits and Other Payment to Chief Executive Officer as listed in the table of contents are required by the Louisiana Legislative Auditor and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Per Diem and Other Compensation Paid to Board Members and the Schedule of Compensation, Benefits and Other Payment to Chief Executive Officer are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Per Diem and Other Compensation Paid to Board Members

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and the Schedule of Compensation, Benefits and Other Payment to Chief Executive Officer are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 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.

BKD, LLP

Jackson, Mississippi
January 28, 2022

Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Police Jury
Management's Discussion and Analysis
June 30, 2021 and 2020

Introduction

This management's discussion and analysis of the financial performance of the Hospital Service District No. 3, Parish of Allen, State of Louisiana d/b/a Allen Parish Hospital (the "Hospital") provides an overview of the Hospital's financial activities for the years ended June 30, 2021 and 2020. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Unrestricted cash decreased in 2021 by approximately \$26,000, or 6 percent after having increased by approximately \$130,000, or 40 percent in 2020. In addition, investments increased by approximately \$241,000, due to additional fund received from the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- The Hospital's change in net position in 2021 was approximately \$9,581,000 and approximately \$2,598,000 in 2020.
- The Hospital reported operating income of approximately \$2,461,000 in 2021 and an operating income of approximately \$1,929,000 in 2020. The operating income in 2021 increased by approximately \$532,000, or 28 percent over the operating income reported in 2020. The operating income in 2020 increased by approximately \$4,645,000, or 153 percent from the operating loss reported in 2019.
- Net nonoperating revenues increased by approximately \$5,121,000 or 765 percent in 2021 compared to 2020 and increased by approximately \$327,000 or 50 percent in 2020 compared to 2019.

Using This Annual Report

The Hospital's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement

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of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in it. The Hospital's total net position—the difference between assets and liabilities—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheet. See financial highlights on the previous page and as shown below in Table 1 for further commentary on the change in net position.

Table 1: Assets, Liabilities, and Net Position

	2021	2020	2019
Assets			
Patient accounts receivable, net	\$ 1,657,917	\$ 1,438,057	\$ 1,169,688
Other current assets	20,207,053	17,751,075	6,302,170
Capital assets, net	<u>3,481,213</u>	<u>1,860,263</u>	<u>1,690,430</u>
Total assets	<u><u>\$ 25,346,183</u></u>	<u><u>\$ 21,049,395</u></u>	<u><u>\$ 9,162,288</u></u>

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	<u>2021</u>	<u>2020</u>	<u>2019</u>
Liabilities			
Total current liabilities	\$ 14,618,528	\$ 18,791,848	\$ 8,932,813
Long-term debt	43,617	1,154,101	1,723,995
Total liabilities	<u>14,662,145</u>	<u>19,945,949</u>	<u>10,656,808</u>
Net Position (Deficit)			
Net invested in capital assets	3,138,133	1,664,083	796,533
Restricted	-	-	76,194
Unrestricted	<u>7,545,905</u>	<u>(560,637)</u>	<u>(2,367,247)</u>
Total net position (deficit)	<u>10,684,038</u>	<u>1,103,446</u>	<u>(1,494,520)</u>
Total liabilities and net position	<u>\$ 25,346,183</u>	<u>\$ 21,049,395</u>	<u>\$ 9,162,288</u>

The Hospital had several significant changes in its assets and liabilities during 2021 and 2020, as shown in *Table 1*:

- Unrestricted cash decreased in 2021 by approximately \$26,000, or 6 percent after having increased by approximately \$131,000, or 40 percent in 2020. In addition, investments increased by approximately \$241,000, of which approximately \$100,000 were received from the CARES Act.
- Grants receivable associated with the Full Medicaid Pricing Program increased approximately \$1,432,000 in 2021, compared to 2020 and increased approximately \$2,355,000 between 2020 and 2019.
- Revenue received in advance decreased in 2021 to approximately \$4,547,307, consistent with the revenue recognized in relation to CARES Act revenue recognized during the year.
- Net investment in capital assets increased by approximately \$1,474,000, or 89 percent in 2021 after having increased by approximately \$868,000, or 109 percent in 2020.
- The Hospital's net position in 2021 improved by approximately \$9,581,000 as a result of the recognition of CARES Act fund received and 2020 improved by approximately \$2,598,000, as a result of decrease in changes in certain supplement payment programs.

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Operating Results and Changes in the Hospital's Net Position

In 2021, the Hospital's change in net position increased from approximately \$2,598,000 in 2020 to \$9,581,000 or a change of approximately \$11,521,000, as shown in Table 2. This increase is primarily due to the recognition of provider relief funds. The Hospital's change in net position increased from a deficit of approximately \$2,374,000 in 2019 to \$2,598,000 in 2020.

Table 2: Operating Results and Changes in Net Position

	2021	2020	2019
Operating Revenues			
Net patient service revenue, net	\$ 16,233,742	\$ 13,985,470	\$ 11,901,708
Other	<u>17,394,040</u>	<u>22,247,513</u>	<u>19,015,793</u>
Total operating revenues	<u>33,627,782</u>	<u>36,232,983</u>	<u>30,917,501</u>
Operating Expenses			
Salaries, wages and benefits	8,768,357	7,274,348	8,210,511
Purchased services and professional fees	4,651,020	4,592,551	3,913,178
Intergovernmental transfer expense	14,718,006	20,136,318	18,979,748
Supplies and other	2,759,757	2,056,824	2,587,020
Depreciation	<u>270,105</u>	<u>244,045</u>	<u>257,049</u>
Total operating expenses	<u>31,167,245</u>	<u>34,304,086</u>	<u>33,947,506</u>
Operating Income (Loss)	2,460,537	1,928,897	(3,030,005)
Nonoperating Revenues	<u>5,790,363</u>	<u>669,069</u>	<u>656,249</u>
Income Before Special Item	8,250,900	2,597,966	(2,373,756)
Special Item	<u>1,329,692</u>	<u>-</u>	<u>-</u>
Increase (Decrease) Net Position (Deficit)	<u>\$ 9,580,592</u>	<u>\$ 2,597,966</u>	<u>\$ (2,373,756)</u>

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Operating Income (Loss)

The first component of the overall change in the Hospital's net position is its operating income (loss) – generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Hospital reported operating income in both 2021 and 2020; in 2019, the Hospital reported an operating loss. This is consistent with the Hospital's recent operating history, as the Hospital was formed and is operated primarily to serve residents of Allen Parish and the surrounding area. The Hospital levies property taxes to provide sufficient resources to enable the facility to serve lower income and other residents.

2021

The operating income in 2021 increased by approximately \$532,000, or 28 percent as compared to 2020. The primary components of the increased operating income are:

- An increase in net patient service revenue, net of approximately \$2,248,000, or 16 percent over 2020.
- A decrease in intergovernmental transfer expense of approximately \$5,418,000, or 27 percent compared to 2020, partially offset by a decrease in other revenues of \$4,853,000 or 22 percent.

2020

The operating income in 2020 increased by approximately \$4,645,000, or 153 percent as compared to 2019. The primary components of the increased operating income are:

- An increase in net patient service revenue of approximately \$2,084,000, or 18 percent over 2019.
- An increase in other operating revenues attributed to approximately \$1,730,000 of a new Medicaid quality incentive program which began during 2020.
- A decrease in salaries, wages and benefits of approximately \$936,000, or 11 percent compared to 2019.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist of property taxes levied by the Hospital, interest expense and interest income. Property taxes, interest expense and interest income remained relatively constant in 2021, as compared with 2020.

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The Hospital's Cash Flows

The Hospital's cash flows from operating activities for 2021, 2020, and 2019 were approximately \$1,192,000, \$270,000, and (\$1,054,000), respectively. In addition, cash used in capital and related financing activities decreased to approximately (\$1,903,000) with the construction of new capital projects.

Capital Assets

As of June 30, 2021, 2020, and 2019, the Hospital had approximately \$3,481,000, \$1,860,000, and \$1,690,000 invested in capital assets, net of accumulated depreciation, respectively. In 2021, 2020, and 2019, the Hospital had additions of approximately \$1,891,000, \$531,000, and \$683,000, respectively.

Debt

As of June 30, 2021, 2020, and 2019, the Hospital had approximately \$121,000, \$1,665,000, and \$2,268,000 in debt outstanding, respectively.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to hospital administration by telephoning 337.738.2527.

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Balance Sheets
June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	\$ 438,372	\$ 464,677
Short-term investments	9,983,657	9,742,896
Patient accounts receivable, net of allowance; 2021 - \$1,370,000; 2020 - \$1,437,000	1,657,917	1,438,057
Accounts receivable - other	1,023,875	253,135
Grants receivable	8,292,341	6,860,640
Inventory	253,271	217,730
Prepaid expenses	215,537	211,997
Total current assets	21,864,970	19,189,132
Capital Assets, Net	3,481,213	1,860,263
Total assets	\$ 25,346,183	\$ 21,049,395

	2021	2020
Liabilities and Net Position		
Current Liabilities		
Current portion of long-term debt	\$ 76,940	\$ 511,222
Accounts payable	992,083	667,268
Estimated amounts due to third-party payors	558,380	577,778
Accrued expenses	774,945	775,040
Accrued intergovernmental transfers payables	7,668,873	6,828,658
Revenues received in advance	4,547,307	9,431,882
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Total current liabilities	14,618,528	18,791,848
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Long-term Debt	43,617	1,154,101
	<hr/>	<hr/>
Total liabilities	14,662,145	19,945,949
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Net Position		
Net investment in capital assets	3,138,133	1,664,083
Unrestricted	7,545,905	(560,637)
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Total net position	10,684,038	1,103,446
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Total liabilities and net position	<u>\$ 25,346,183</u>	<u>\$ 21,049,395</u>

Hospital Service District No. 3
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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2021 - \$1,589,000; 2020 - \$1,381,000	\$ 16,233,742	\$ 13,985,470
Other	17,394,040	22,247,513
Total operating revenues	33,627,782	36,232,983
Operating Expenses		
Salaries and wages	7,354,688	6,244,969
Employee benefits	1,413,669	1,029,379
Purchased services and professional fees	4,651,020	4,592,551
Intergovernmental transfer expense	14,718,006	20,136,318
Supplies and other	2,759,757	2,056,824
Depreciation	270,105	244,045
Total operating expenses	31,167,245	34,304,086
Operating Income	2,460,537	1,928,897
Nonoperating Revenues (Expenses)		
Property taxes	809,802	772,807
CARES Act grants	4,984,575	-
Interest expense	(18,945)	(112,888)
Interest income	14,931	9,150
Total nonoperating revenues (expenses)	5,790,363	669,069
Special Item		
PPP loan forgiveness	1,329,692	-
Increase in Net Position	9,580,592	2,597,966
Net Position (Deficit), Beginning of Year	1,103,446	(1,494,520)
Net Position, End of Year	\$ 10,684,038	\$ 1,103,446

Hospital Service District No. 3
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Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 16,381,587	\$ 13,920,795
Payments to governmental entities	(13,877,791)	(18,497,699)
Payments to suppliers and contractors	(7,589,548)	(7,823,527)
Payments to employees	(8,784,771)	(7,397,691)
Other receipts	<u>15,062,797</u>	<u>20,068,506</u>
Net cash provided by operating activities	<u>1,192,274</u>	<u>270,384</u>
Noncapital Financing Activities		
Property taxes	809,802	772,807
Proceeds from Paycheck Protection Program (PPP) loan	-	1,329,692
Proceeds from issuance of note payable	-	254,444
Payments of note payable	-	(229,379)
Governmental funding through CARES Act	<u>100,000</u>	<u>9,431,882</u>
Net cash provided by noncapital financing activities	<u>909,802</u>	<u>11,559,446</u>
Capital and Related Financing Activities		
Principal payments on long-term debt	(215,074)	(1,965,045)
Interest payments on long-term debt	(18,945)	(112,888)
Purchase of capital assets	<u>(1,668,532)</u>	<u>(523,867)</u>
Net cash used in capital and related financing activities	<u>(1,902,551)</u>	<u>(2,601,800)</u>
Cash Flows from Investing Activities		
Purchase of short-term investments	(2,146,409)	(9,742,896)
Proceeds from sale of short-term investments	1,915,000	-
Interest on investments	<u>5,579</u>	<u>9,150</u>
Net cash used in investing activities	<u>(225,830)</u>	<u>(9,733,746)</u>
Change in Cash	(26,305)	(505,716)
Cash, Beginning of Year	<u>464,677</u>	<u>970,393</u>
Cash, End of Year	<u>\$ 438,372</u>	<u>\$ 464,677</u>

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Statements of Cash Flows (Continued)
Years Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating income	\$ 2,460,537	\$ 1,928,897
Depreciation	270,105	244,045
Loss on disposal of capital assets	-	117,317
Forgiveness of accounts payable	-	(314,086)
Provision for uncollectible accounts	1,589,389	1,381,255
Changes in operating assets and liabilities		
Patient accounts receivable	(1,809,249)	(1,649,624)
Grants receivable	(1,431,701)	(2,355,019)
Estimated amounts due to third-party payors	(19,398)	515,524
Inventory	(35,541)	88,586
Prepaid expenses and other	(774,280)	(207,449)
Accounts payable and accrued expenses	102,197	(1,117,681)
Accrued intergovernmental transfers payables	840,215	1,638,619
	\$ 1,192,274	\$ 270,384
Supplemental Cash Flows Information		
Capital assets acquired through capital lease obligation	\$ -	\$ 7,328
Forgiveness of payables	\$ -	\$ 314,086
Forgiveness of PPP loan	\$ 1,329,692	\$ -
Capital asset acquisitions included in accounts payable	\$ 222,523	\$ -

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Notes to Financial Statements
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Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Hospital Service District No. 3, Parish of Allen, State of Louisiana d/b/a Allen Parish Hospital (the Hospital) is a component unit of the Allen Parish Police Jury. The jurors are elected officials who appoint members to the Board of Commissioners of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient, emergency, psychiatric, clinic and home health care services to patients in the Parish of Allen and surrounding areas.

Hospital Land

The land on which the Hospital was built was donated by Powell Lumber Company to the Hospital. The donation was made with the restriction that the land is to be used primarily as a site for a public hospital and should the donee or its successors or assignees fail to use the land for a public hospital, the title shall revert to Powell Lumber Company.

Basis of Accounting and Presentation

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

Use of Estimates

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

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Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventories

Inventories are stated at the lower of cost or market. Costs are determined using the first-in, first-out (FIFO) method or market basis.

Investments and Investment Income

The investment in the custody pool is reported at fair value. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments carried at fair value.

Capital Assets

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

Land improvements	5 to 20 years
Buildings and leasehold improvements	12 to 40 years
Equipment	3 to 20 years

Capital Asset Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended June 30, 2021 or 2020.

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Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned, whether the employee is expected to realize the benefit as time off or in cash.

Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Risk Management

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

The Hospital participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to health care providers (see *Note 9*).

The Hospital is self-insured for a portion of its exposure to risk of employee health claims. Annual estimated provisions are accrued for the self-insured employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Net Position

Net position of the Hospital is classified in two components on its balance sheets.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

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Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Hospital provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

Property Taxes

The Hospital received approximately 1.8 percent and 2.2 percent in 2021 and 2020, respectively, of its financial support from property taxes. 100% of these funds were used to support operations in both 2021 and 2020.

The Hospital levies two property taxes on all property subject to taxation in the Hospital's service district. The three mills tax was imposed for 10 years and has been renewed for an additional 10 years through 2026. The twelve mills tax was initially for 10 years and has subsequently been renewed for another 30 years through 2052.

Property taxes are assessed in November and are received beginning in December of each year and become delinquent after January of the following year. Revenue from property taxes is recognized in the year for which the taxes are levied.

Income Taxes

As an essential government function of Allen Parish, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

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Note 2: Revision

Fiscal year 2020 has been revised to reclassify proceeds from long-term debt of \$1,584,136 to noncapital financing activities on the statements of cash flows and to reclassify forgiveness of payables to operating expenses of \$314,086. These revisions did not have a material impact on the financial statement line items impacted and did not have any impact on changes in net position or total net position for 2020. The following financial statements line items for fiscal year 2020 were affected by the revision.

	As Previously Reported	Revisions	As Revised
Statement of Revenues, Expenses and Changes in Net Position			
Operating Expenses			
Supplies and other	\$ 2,370,910	\$ (314,086)	\$ 2,056,824
Total operating expenses	34,618,172	(314,086)	34,304,086
Operating Income	1,614,811	314,086	1,928,897
Nonoperating Revenues (Expenses)			
Forgiveness of payables	314,086	(314,086)	-
Total nonoperating revenues (expenses)	983,155	(314,086)	669,069
Statement of Cash Flows			
Noncapital Financing Activities			
Proceeds from PPP loan	-	1,329,692	1,329,692
Proceeds from issuance of note payable	-	254,444	254,444
Payments on note payable	-	(229,379)	(229,379)
Net cash provided by noncapital financing activities	10,204,689	1,354,757	11,559,446
Capital and Related Financing Activities			
Proceeds from issuance of long-term debt	1,584,136	(1,584,136)	-
Principal payments on long-term debt	(2,194,424)	229,379	(1,965,045)
Net cash used in capital and related financing activities	(1,247,043)	(1,354,757)	(2,601,800)
Reconciliation of Operating Income to			
Net Cash Provided by Operating Activities			
Operating income	1,614,811	314,086	1,928,897
Forgiveness of accounts payable	-	(314,086)	(314,086)

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Note 3: Deposits and Investments

Deposits

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

State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, and U.S. agencies.

At June 30, 2021 and 2020, none of the Hospital's bank balances were exposed to custodial credit risk.

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury, U.S. agencies and instrumentalities, and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At June 30, 2021 and 2020, the Hospital had \$9,983,657 and \$9,742,896 invested with the Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in the pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. LAMP is not registered with the Securities and Exchange Commission (SEC) as an investment company. LAMP's annual financial statements can be obtained from the Louisiana Legislative Auditor's website.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curve, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement 79, *Certain External Investment Pools and Pool Participants*. The Hospital's investment in LAMP is stated at fair value. The fair value is determined on a weekly basis by LAMP, and the value of the position in the external investment pool is the same as the net asset value of the pool shares. The Hospital considers these to be Level 2 investments.

Interest Rate Risk

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days, or 762 days for U.S. Government floating/variable rate investments. The WAM for the LAMP's total investments is 82 days from LAMP's monthly portfolio holdings as of June 30, 2021.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. LAMP is rated AAAM by Standard & Poor's.

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Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. LAMP participants' investments in the pool are evidenced by shares of the pool. Investment pools should be disclosed but not categorized, because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of Credit Risk

The Hospital's investment in LAMP as a pool investment is excluded from the 5 percent disclosure requirement.

Summary of Carrying Values

The carrying values of deposits above are included in the balance sheets as follows:

	2021	2020
Carrying value		
Deposits	\$ 438,372	\$ 464,677
Investments	9,983,657	9,742,896
	<u>\$ 10,422,029</u>	<u>\$ 10,207,573</u>
Included in the following balance sheets captions		
Cash	\$ 438,372	\$ 464,677
Short-term investments	9,983,657	9,742,896
	<u>\$ 10,422,029</u>	<u>\$ 10,207,573</u>

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Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at June 30, 2021 and 2020 consisted of:

	2021	2020
Medicare	\$ 433,442	\$ 500,370
Medicaid	636,784	638,367
Other third-party payors	325,423	389,444
Patients	1,632,589	1,346,375
	<u>3,028,238</u>	<u>2,874,556</u>
Less allowance for uncollectible accounts	<u>(1,370,321)</u>	<u>(1,436,499)</u>
	<u><u>\$ 1,657,917</u></u>	<u><u>\$ 1,438,057</u></u>

Note 5: Capital Assets

Capital assets activity for the years ended June 30, 2021 and 2020, were:

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 19,550	\$ -	\$ -	\$ -	\$ 19,550
Land improvements	197,331	-	-	-	197,331
Buildings and leasehold improvements	2,442,509	10,251	-	-	2,452,760
Equipment	5,589,539	190,620	-	134,729	5,914,888
Construction in progress	536,512	1,690,184	-	(134,729)	2,091,967
	<u>8,785,441</u>	<u>1,891,055</u>	<u>-</u>	<u>-</u>	<u>10,676,496</u>
Less accumulated depreciation	<u>6,925,178</u>	<u>270,105</u>	<u>-</u>	<u>-</u>	<u>7,195,283</u>
Capital assets, net	<u><u>\$ 1,860,263</u></u>	<u><u>\$ 1,620,950</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,481,213</u></u>

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Construction in progress at June 30, 2021, consisted of expenditures associated with the design of a hospital building and beginning construction of a new RHC building. The total project cost of construction, fee and equipment is expected to total approximately \$19,434,000.

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 19,550	\$ -	\$ -	\$ -	\$ 19,550
Land improvements	197,331	-	-	-	197,331
Buildings and leasehold improvements	2,410,796	758	-	30,955	2,442,509
Equipment	5,530,989	58,550	-	-	5,589,539
Construction in progress	212,897	471,887	117,317	(30,955)	536,512
	<u>8,371,563</u>	<u>531,195</u>	<u>117,317</u>	<u>-</u>	<u>8,785,441</u>
Less accumulated depreciation	6,681,133	244,045	-	-	6,925,178
Capital assets, net	<u>\$ 1,690,430</u>	<u>\$ 287,150</u>	<u>\$ 117,317</u>	<u>\$ -</u>	<u>\$ 1,860,263</u>

Note 6: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at June 30, 2021 and 2020 consisted of:

	2021	2020
Payable to suppliers and contractors	\$ 992,083	\$ 667,268
Payable to employees (including payroll taxes and benefits)	774,945	775,040
Accrued intergovernmental transfers payables	<u>7,668,873</u>	<u>6,828,658</u>
	<u>\$ 9,435,901</u>	<u>\$ 8,270,966</u>

During 2020, the Hospital reached an agreement with certain parties to settle payables balances for less than were due. As such, the Hospital recognized forgiveness of approximately \$314,000 during the year recorded as supplies and other expenses in the statements of revenues, expenses and changes in net position.

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Note 7: Line of Credit

The Hospital obtained a revolving line of credit in the amount of \$150,000 at 6.25% on August 8, 2019. Payment of all outstanding principal plus all accrued interest is due on August 22, 2021. As of June 30, 2021, there is no balance outstanding. The line of credit was not renewed when it expired in August 2021.

Note 8: Long-term Debt

The following is a summary of long-term obligation transactions for the Hospital for the years ended June 30, 2021 and 2020:

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Payroll Protection Program Loan	\$ 1,329,692	\$ -	\$ 1,329,692	\$ -	\$ -
Note payable	139,451	-	139,451	-	-
Capital lease obligations	196,180	-	75,623	120,557	76,940
Total long-term debt	\$ 1,665,323	\$ -	\$ 1,544,766	\$ 120,557	\$ 76,940

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Series 2018 Bonds	\$ 1,860,000	\$ -	\$ 1,860,000	\$ -	\$ -
Payroll Protection Program Loan	-	1,329,692	-	1,329,692	296,148
Note payable	114,386	254,444	229,379	139,451	139,451
Capital lease obligations	293,897	7,328	105,045	196,180	75,623
Total long-term debt	\$ 2,268,283	\$ 1,591,464	\$ 2,194,424	\$ 1,665,323	\$ 511,222

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

- Series 2018A Hospital Revenue Refunding Bonds, at 4.25 percent, due in variable annual installments beginning April 1, 2023, with full repayment at April 1, 2027, secured by a pledge of all income, revenue and receipts from the operations of the Hospital. These bonds were repaid during 2020.

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- Series 2018B Hospital Revenue Refunding Bonds, at 5.00 percent, due in variable annual installments, with full repayment at April 1, 2023, secured by a pledge of all income, revenue and receipts from the operations of the Hospital. These bonds were repaid during 2020.
- The Hospital received a Paycheck Protection Program (PPP) loan of \$1,329,692 in April 2020, from the Small Business Administration (SBA), designed to provide a direct incentive for small businesses to keep their workers on the payroll. The loan has an interest rate of 1 percent, due in monthly installments of \$103,827, beginning in April 2021, with the balance due April 2022. On December 30, 2020, the Hospital received forgiveness of this loan.
- Note payable at an interest rate of 4.50 percent, with total monthly payments of \$23,545, secured by financed insurance policies and any additional premiums required under financed policies. This note was repaid in full during 2021.
- Capital leases at varying rates of imputed interest from 5.43 percent to 8.93 percent, with total monthly payments ranging from \$998 to \$2,720 until 2024, collateralized by leased equipment, with a net book value of \$279,830 and \$351,172 at June 30, 2021 and 2020, respectively.

The debt service requirements on long-term debt (including capital leases) as of June 30, 2021, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2022	\$ 81,666	\$ 76,940	\$ 4,726
2023	41,861	40,600	1,261
2024	3,750	3,017	733
	<u>\$ 127,277</u>	<u>\$ 120,557</u>	<u>\$ 6,720</u>

Note 9: Medical Malpractice Claims

The Hospital participates in the Louisiana Patient’s Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered.

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In connection with the establishment of the Patient’s Compensation Fund (PCF), the State of Louisiana enacted legislation limiting the amount of health care provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF’s exposure to \$400,000 per occurrence. At both June 30, 2021 and 2020, there was no accrual for medical malpractice claims. It is reasonably possible that the Hospital’s estimate of losses will change by a material amount in the near term.

Note 10: Employee Health Claims

Substantially all of the Hospital’s employees and their dependents are eligible to participate in the Hospital’s employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$50,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount.

A provision is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported, which is reported within accrued expenses on the balance sheets. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital’s estimate will change by a material amount in the near term.

Activity in the Hospital’s accrued employee health claims liability during 2021 and 2020 is summarized as follows:

	2021	2020
Balance, beginning of year	\$ 153,500	\$ 209,800
Current year claims incurred and changes in estimates for claims incurred in prior years	911,293	768,515
Claims and expenses paid	927,612	824,815
Balance, end of year	\$ 137,181	\$ 153,500

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Note 11: Operating Leases

The Hospital is committed under various noncancelable operating leases, all of which are for equipment. These leases expire in various years through 2025.

Future minimum lease payments at June 30, 2021, were:

2022		\$ 125,459
2023		25,755
2024		14,928
2025		<u>7,464</u>
Future minimum lease payments		<u><u>\$ 173,606</u></u>

Total lease expense under noncancelable operating leases for the years ended June 30, 2021 and 2020, was approximately \$125,000 and \$137,000, respectively.

Note 12: Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare. Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates. The rural health clinic is reimbursed on cost-based methodology. The Hospital is reimbursed for certain services at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Medicaid. Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member. The rural health clinic is reimbursed on cost-based methodology. The Hospital is reimbursed for certain services at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid administrative contractor.

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively

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determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Approximately 74 percent and 68 percent of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2021 and 2020, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Note 13: Retirement Plan

On February 9, 2004, the Hospital elected to participate in the State of Louisiana's Public Employees Deferred Compensation Plan, which is a defined contribution plan. The plan was established in accordance with R.S. 42:1301-1308, and Section 457 of the *Internal Revenue Code of 1986*, as amended. Employees are eligible to participate in the plan beginning on the date of hire, with a minimum contribution of \$10 per month, up to 100% of compensation for those under age 50 not to exceed certain contribution limits for calendar years 2021 and 2020. The Hospital has elected to contribute 1% of the participating employees' pay. The Hospital holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in employer and employee contributions. The Hospital's contribution was approximately \$16,000 and \$18,000 for the years ended June 30, 2021 and 2020, respectively. Employees contributed approximately \$97,000 and \$140,000 for the years ended June 30, 2021 and 2020, respectively.

Note 14: Cooperative Endeavor Agreements

The Hospital collaborated with a Rural Hospital Coalition (RHC), a nonprofit organization, to establish a grant program funded by various sources to ensure that adequate and essential medically necessary health care services are accessible and available to the service population subject to the availability of such grant funds. The Hospital entered into cooperative endeavor agreements (CEAs) with other Louisiana hospital service districts, whereby the Hospital grants funding and awards intergovernmental transfer grants (IGTs) to be used in accordance with the grant program. For the years ended June 30, 2021 and 2020, the Hospital recognized approximately \$16,405,000 and \$20,909,000 of grant program funding reported as other operating revenues and IGT expense to other Louisiana hospital service districts of approximately \$14,718,000 and \$19,917,000, respectively.

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At June 30, 2021 and 2020, the Hospital has recorded grants receivable under the program of approximately \$8,292,000 and \$6,861,000, and IGTs payable of approximately \$7,669,000 and \$6,829,000, respectively.

Note 15: Public Private Partnership

During 2019, the Hospital began participating in an accountable care organization network, the Quality and Outcome Improvement Network (QIN), which has been hired by the Medicaid Managed Care Organizations (MCOs) to assist in their participation in the Medicaid Managed Care Incentive Payment (MCIP) Program, a program established by the Louisiana Department of Health. This program provides incentive payments to Medicaid MCOs for achieving quality reforms that increase access to health care, improve the quality of care, and/or enhance the health of the members the MCOs serve. Under this program, the Hospital recognized approximately \$1,793,000 and \$1,730,000 of revenue from QIN for the years ended June 30, 2021 and 2020, respectively, for meeting various quality milestones, recorded as other operating revenues in the statements of revenues, expenses and changes in net position.

Note 16: Contingencies

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *9*.

Admitting Physicians

The Hospital is served by two admitting physicians whose patients comprise approximately 50 percent of the Hospital's patient service revenues.

General Litigation

The Hospital is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by the Hospital's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not

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have a material adverse effect on the balance sheets, changes in net position or cash flows of the Hospital. Events could occur that would change this estimate materially in the near term.

Note 17: Future Change in Accounting Principle

In June 2017, GASB issued Statement No. 87 (GASB 87). The objective of GASB 87, *Leases*, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. GASB No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of GASB 87 are effective for financial statements for periods beginning after June 15, 2021.

Note 18: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic.

The extent of the COVID-19 pandemic's adverse impact on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast.

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the impact of the pandemic on the Hospital's business. Decreases in cash flows and results of operations may have an impact on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured patient accounts, and self-insured health liability reserves.

Provider Relief Funds

During the year ended June 30, 2021 and 2020, the Hospital received approximately \$100,000 and \$9,400,000 from the general other targeted distributions from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds. These distributions from the Provider Relief Funds are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions

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received have been used for health care related expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

The Hospital is accounting for such payments as voluntary nonexchange transactions. These payments are recognized as nonoperating revenue once the applicable terms and conditions required to retain the funds have been met and completion of the measurement period. Based on an analysis of the compliance and reporting requirements of the Provider Relief Funds and the impact of the pandemic on the Hospital's operating results through June 30, 2021, the Hospital recognized approximately \$4,985,000 and \$0 in 2021 and 2020, respectively, related to these general distribution and targeted funds, as Provider Relief Funds are applied after all other assistance received, including state grants. These payments are recorded as nonoperating revenues in our statements of revenues, expenses and changes in net position. The unrecognized amount of general distributions and targeted distributions are recorded as part of revenues received in advance in the accompanying balance sheets.

Guidance for reporting use of Provider Relief Funds payments received has changed significantly since distributions were authorized through the CARES Act in March 2020. The Hospital has evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by HHS subsequent to June 30, 2021, in accordance with GASB Codification Section 2250 and has concluded any impact on the June 30, 2021 FAQs would be recognized.

The Hospital has recognized revenue from the Provider Relief Funds based on guidance issued by the HHS as of June 30, 2021, and any clarifications issued by HHS subsequent to year-end, as recognized subsequent events. The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Funds and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions may be affected. Additionally, the amounts recorded in the financial statements compared to the Hospital's Provider Relief Funds reporting could differ. Provider Relief Funds payments are subject to government oversight, including potential audits.

Paycheck Protection Program (PPP) Loan

The CARES Act and other subsequent legislation also provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The PPP loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Hospital received a PPP loan of approximately \$1,300,000 in April 2020. The loan has an interest rate of 1 percent. The Hospital recognized the forgiveness of this loan as a gain in the financial statements during fiscal year 2021, when the loan was legally forgiven.

**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***

Independent Auditor's Report

Board of Commissioners
Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Police Jury
Kinder, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Hospital Service District No. 3, Parish of Allen, State of Louisiana d/b/a Allen Parish Hospital (the Hospital), which comprise the balance sheet as of June 30, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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

Board of Commissioners
Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Police Jury
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Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Jackson, Mississippi
January 28, 2022

**Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Police Jury
Schedule of Findings and Responses
June 30, 2021**

Reference Number	Finding
No matters are reportable	

**Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Police Jury
Summary Schedule of Prior Audit Findings
June 30, 2021**

Reference Number	Summary of Findings	Status
2020-001	Certain items in the 2019 financial statements require adjusted presentation to be appropriately presented in the financial statements to be consistent with generally accepted accounting principles.	Corrected.
2020-002	Credit balances on accounts receivable should be monitored and investigated to determine if a refund is warranted or a correcting adjustment is needed due to a misposting of a remittance advice.	Addressed within a reasonable amount.
2020-003	Per Louisiana R.S. 39:1410.60, the Hospital is required to obtain approval from the State Bond Commission before borrowing money, incurring debt or issuing bonds.	Corrected.

Supplementary Information

**Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Police Jury
Schedule of Per Diem and Other Compensation Paid to Board Members
Year Ended June 30, 2021**

	Paid on Behalf of Commissioners
Mr. Sherman Fontenot	\$ 360
Mr. Roy Marcantel	440
Ms. Paula Manuel	440
Mr. Chad Guidry	360
Dr. Matthew Courville	440
	<hr/>
	\$ 2,040
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**Hospital Service District No. 3
 Parish of Allen, State of Louisiana
 d/b/a Allen Parish Hospital
 A Component Unit of the Allen Parish Police Jury
 Schedule of Compensation, Benefits and
 Other Payment to Chief Executive Officer
 Year Ended June 30, 2021**

Agency Head Name: Jacqueline Rae Costley-Reviel
Position: Chief Executive Officer

Purpose	Amount
Salary	\$ 154,910
Benefits - insurance	5,364
Reimbursements	800
	\$ 161,074