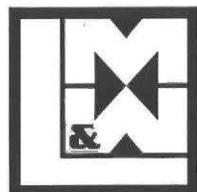


ALLEN PARISH HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
JUNE 30, 2019, 2018 AND 2017



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

Hospital Service District No. 3
 Of the Parish of Allen, State of Louisiana
 d/b/a Allen Parish Hospital
 Hospital Enterprise Fund
 Years Ended June 30, 2019, 2018 and 2017

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Hospital Service District No. 3
Of the Parish of Allen, State of Louisiana
Allen Parish Hospital

Management's Discussion and Analysis

This section of the annual financial report for Hospital Service District No. 3 of Allen Parish, State of Louisiana d/b/a Allen Parish Hospital (the Hospital) provides background information and management's analysis of the Hospital's financial performance during the fiscal years that ended June 30, 2019, 2018, and 2017. Please read it in conjunction with the financial statements beginning on page 4 and notes to the financial statements beginning on page 8 in this report.

Financial Highlights

- The Hospital's total assets increased by \$736,749 in 2019, \$228,245 in 2018 and \$590,851 in 2017. Limited-use assets increased by \$636,249 in 2019 with a related liability in the amount of \$560,055. Patient accounts receivable decreased by \$287,166 and capital assets increased by \$426,332 in 2019.
- The Hospital's total liabilities increased by \$2,895,352 in 2019 and \$513,904 in 2018, compared to a decrease of \$373,691 in 2017. The Hospital's accounts payable increased by \$552,632 in 2019, and the Hospital's long-term debt increased by \$1,198,440 in 2019. Accrued expenses increased by \$721,081.
- Total operating revenue for the Hospital increased by \$1,663,947 in 2019 and \$5,122,934 in 2018, compared to a decrease of \$5,180,822 in 2017. Operating expenses increased by \$3,485,059 and \$6,374,742 in 2018, following a decrease of \$6,507,240 in 2017. The Hospital experienced an operating loss of \$2,055,537 for fiscal year 2019 and \$234,425 for fiscal year 2018, compared to operating income of \$1,017,383 for fiscal year 2017.
- The Hospital collaborated with a rural hospital trade organization to establish a grant program. The Hospital entered into cooperative endeavor agreements with other regional public rural hospitals to provide intergovernmental transfer grant (IGT) funds to provide healthcare to low income patients. Operating expenses include IGT grant expense of \$20,048,664, \$18,825,981 and \$13,930,744 for fiscal years 2019, 2018, and 2017, respectively.
- The Hospital received property tax revenues of \$759,315, \$762,565 and \$748,397 for fiscal years 2019, 2018, and 2017, respectively.

Required Financial Statements

The financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements provide overall information about the Hospital's financial activities on both short-term and long-term basis. The statements of net position present information about its assets (resources) and liabilities (the amounts obligated to its creditors). The statements of revenue, expenses, and changes in net position present information about the current and prior year's activities in revenues and expenses. This statement also provides useful information for determining whether the Hospital's patient service revenue and other revenue sources were sufficient to allow the Hospital to recover all of its costs. The final required financial statement is the statement of cash flows which provides information about the Hospital's cash from operations, investing and financing activities. In addition, this statement provides useful information such as the source of cash flow, cash utilization, and the change in the cash balance during the reporting period.

Hospital Service District No. 3
Of the Parish of Allen, State of Louisiana
Allen Parish Hospital

Management's Discussion and Analysis

Financial Analysis of the Hospital

The statement of net position and the statement of revenue, 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 it. Increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other financial factors such as changes in the healthcare industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Net Position

A summary of the Hospital's Statements of Net Position are presented in Table 1 below:

TABLE 1
Condensed Statements of Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total current assets	\$ 2,890,043	\$ 2,619,820	\$ 2,367,806	\$ 1,884,907
Limited-use assets	76,194	-0-	-0-	-0-
Nondepreciable capital assets (Note 7)	232,447	45,555	19,550	19,550
Depreciable capital assets, net (Note 7)	1,457,983	1,218,543	1,268,317	1,160,365
Other assets	-0-	36,000	36,000	36,000
Total assets	<u>\$ 4,656,667</u>	<u>\$ 3,919,918</u>	<u>\$ 3,691,673</u>	<u>\$ 3,100,822</u>
Total current liabilities	\$ 4,522,829	\$ 2,825,917	\$ 2,147,525	\$ 2,428,474
Long-term debt, net of current maturities	1,723,995	525,555	690,043	782,785
Total liabilities	6,246,824	3,351,472	2,837,568	3,211,259
Invested in capital assets, net of related debt	796,533	819,642	870,922	869,701
Restricted	76,194	-0-	-0-	-0-
Unrestricted	(2,462,884)	(251,196)	(16,817)	(980,138)
Total liabilities and net position	<u>\$ 4,656,667</u>	<u>\$ 3,919,918</u>	<u>\$ 3,691,673</u>	<u>\$ 3,100,822</u>

As referenced in Table 1, total assets increased by \$736,749, \$228,245 and \$590,851 in 2019, 2018 and 2017, respectively. Limited-use assets increased by \$636,249 in 2019 as a result of undisbursed IGT funds on hand. These funds resulted in an increase of current assets and liabilities of \$560,055. Total liabilities increased by \$2,895,352 in 2019 and \$513,904 in 2018, compared to a decrease of \$373,691 in 2017. Current liabilities increased by \$1,696,912 in 2019 due to an increase of \$552,632 in accounts payable and an increase of \$721,081 in accrued expenses. Long-term debt increased by \$1,198,440 in 2019. The current ratio decreased to 0.7 and 0.9 in 2019 and 2018, respectively, compared to 1.1 in 2017.

Hospital Service District No. 3
Of the Parish of Allen, State of Louisiana
Allen Parish Hospital

Management's Discussion and Analysis

Summary of Revenue, Expenses and Changes in Net Position

The following table represents the Hospital's Statements of Revenue, Expenses and Changes in Net Position for the fiscal years ended June 30:

TABLE 2
Condensed Statements of Revenue, Expenses and Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net patient service revenue	\$ 32,813,108	\$ 31,163,579	\$ 25,889,209	\$ 30,869,294
Maintenance taxes	759,315	762,565	748,397	753,012
Other revenue	195,843	178,175	343,779	539,902
Total operating revenues	<u>33,768,266</u>	<u>32,104,319</u>	<u>26,981,385</u>	<u>32,162,208</u>
Salaries and employee benefits	8,220,450	7,688,196	6,983,417	6,416,733
Supplies and other	2,429,848	1,923,114	1,731,374	1,490,022
Professional, mgt. and consulting fees	3,765,135	2,613,813	2,216,746	1,707,292
Intergovernmental transfer expense	20,856,045	19,625,981	14,584,994	22,352,900
Insurance	295,276	261,113	225,925	264,603
Depreciation and amortization	257,049	226,527	221,546	239,693
Total operating expenses	<u>35,823,803</u>	<u>32,338,744</u>	<u>25,964,002</u>	<u>32,471,243</u>
Operating income (loss)	(2,055,537)	(234,425)	1,017,383	(309,035)
Nonoperating income (expenses)	<u>(103,066)</u>	<u>(51,234)</u>	<u>(52,841)</u>	<u>(53,987)</u>
Excess of revenue over expenses	(2,158,603)	(285,659)	964,542	(363,022)
Beginning net position	568,446	854,105	(110,437)	252,585
Ending net position	<u>\$ (1,590,157)</u>	<u>\$ 568,446</u>	<u>\$ 854,105</u>	<u>\$ (110,437)</u>

Sources of Revenues

Net Patient Service Revenue

During fiscal year 2019, the Hospital derived the majority of its total revenue from patient services. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. Total net patient service revenues increased by \$1,649,529 in 2019. Medicaid FMP funds increased by \$120,650 and \$5,248,856 in 2019 and 2018, respectively, compared to a decrease of \$7,281,070 in 2017. Contractual allowances increased by \$2,884,521, \$577,611 and \$5,572,613 during 2019, 2018 and 2017, respectively.

Hospital Service District No. 3
Of the Parish of Allen, State of Louisiana
Allen Parish Hospital

Management's Discussion and Analysis

Sources of Revenues (Continued)

Other Revenue

Other revenue includes cafeteria sales, rental income, grant income and other miscellaneous services. The Hospital holds designated and restricted funds in its balance sheets that are primarily on demand savings accounts.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30:

TABLE 3
Payor Mix by Percentage

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare	29.4%	28.1%	27.0%	31.5%
Medicaid	42.3%	42.7%	41.4%	28.9%
Commercial	24.7%	21.3%	24.1%	26.5%
Self-pay and other	<u>3.6%</u>	<u>7.9%</u>	<u>7.5%</u>	<u>13.1%</u>
Total patient revenue	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Operating and Financial Performance

The following summarizes the Hospital's Statements of Revenue, Expenses and Changes in Net Position between 2019, 2018 and 2017.

Acute patient discharges decreased to 361 in 2019 compared to 365 in 2018. There was an increase of 71 discharges in recovery unit (psychiatric) in 2019. Total patient days decreased 8.5% to 6,921 in 2019 from 7,561 in 2018. The average length of stay for acute patients increased during the past year to 3.1 days, compared to 2.9 days in 2018 and 3.2 in 2017. The average length of stay for skilled care patients decreased to 15.6 in 2019 from 15.8 in 2018 and 18.8 in 2017. Length of stay for psychiatric care during 2019 was 6.8 days compared to 8.6 days in 2018 and 8.3 days in 2017.

Net days in accounts receivable decreased to 35.3 in 2019 compared to 50.3 days in 2018 and 53.6 days in 2017.

Employee related expenses increased 6.92% in 2019. As a percentage of net patient service revenue, these expenses are 25.0%, 24.7% and 27.0% in 2019, 2018, and 2017, respectively.

Hospital Service District No. 3
Of the Parish of Allen, State of Louisiana
Allen Parish Hospital

Management's Discussion and Analysis

Operating and Financial Performance (Continued)

Supplies and other expenses increased by \$506,734, \$191,740 and \$241,352 in 2019, 2018 and 2017, respectively. Supplies and other expenses change with the volume of patient services. The Hospital focuses on appropriately managing supply contracts to improve in supply cost management.

Professional, management and consulting fees increased by \$1,151,322, \$397,067 and \$509,454 in fiscal year 2019, 2018 and 2017, respectively. The Hospital contracted with additional outside consultants during the year, including a contract management company for psychiatric services.

Intergovernmental grant expenditures increased by \$1,222,683 and \$4,895,237 in 2019 and 2018, respectively, as discussed in Note 18 to the financial statements.

Insurance expense increased by \$34,163 in 2019 and \$35,188 in 2018, compared to a decrease of \$38,678 in 2017.

Depreciation and amortization expense increased by \$30,522 in 2019 and \$4,981 in 2018 compared to a decrease of \$18,146 in 2017.

Interest expense increased by \$52,377 in 2019, compared to a decrease of \$5,853 in 2018 and an increase of \$3,093 in 2017. The fluctuations in interest expense over the last three years are directly related to the financing activity by the Hospital within the respective fiscal year.

Maintenance tax income decreased \$3,250 or 0.43% in 2019 after an increase of \$14,168 or 1.89% in 2018. Maintenance tax income decreased by \$4,615 or 0.61% in 2017.

Other operating revenue increased by \$17,668 in 2019 after decreasing by \$165,604 and \$196,122 in 2018 and 2017, respectively. The decrease in 2018 was mainly attributable to a decrease of about \$179,000 in the grant the Hospital received from Medicare for improving its electronic health records as discussed in Note 17 of the financial statements.

The Hospital has experienced significant losses in the prior fiscal years, which has led to a decline in the financial position. Management has implemented plans to alleviate this negative trend. Management intends to reduce various overhead contract expenses of approximately \$1,275,000, which will not impact the Hospital's revenues. After the balance sheet date, the 12 mills property tax was extended for an additional 30 years. This will increase the Hospital's borrowing amounts. The Hospital has qualified to receive a Medicaid quality incentive payment for the next fiscal year. The estimate of the payment is approximately \$1,500,000.

Hospital Service District No. 3
Of the Parish of Allen, State of Louisiana
Allen Parish Hospital

Management's Discussion and Analysis

Capital Assets

The Hospital's capital assets activities are included in Table 4 below:

**TABLE 4
Capital Assets**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 216,881	\$ 123,651	\$ 123,651	\$ 124,481
Buildings	2,367,964	2,101,910	2,101,910	2,102,750
Fixed equipment	337,754	257,550	257,550	307,791
Major movable equipment	5,236,067	5,179,066	5,002,313	4,827,491
Construction in progress	<u>212,897</u>	<u>26,005</u>	<u>-0-</u>	<u>-0-</u>
Totals at historical cost	8,371,563	7,688,182	7,485,424	7,362,513
Less accumulated depreciation and amortization	<u>6,681,133</u>	<u>6,424,084</u>	<u>6,197,557</u>	<u>6,182,598</u>
Net capital assets	\$ <u>1,690,430</u>	\$ <u>1,264,098</u>	\$ <u>1,287,867</u>	\$ <u>1,179,915</u>

Building additions in the amount of \$266,054 resulted from the purchase of the new home health building and renovations to the rural health clinic.

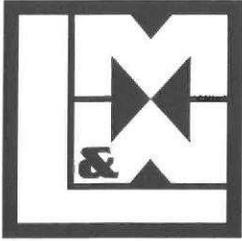
As of June 30, 2019, the hospital entered into various construction projects totaling \$774,262.

Long-Term Debt

As of June 30, 2019, the Hospital had \$2,268,283 in debt compared to \$811,456 in 2018 and \$953,945 in 2017. More detailed information about the Hospital's long-term liabilities is presented in the notes to financial statements.

Contacting the Hospital's Financial Manager

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



LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653
Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758
Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107
Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

Members: American Institute of Certified Public Accountants • Society of Louisiana Certified Public Accountants

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

Brenda J. Lloyd, CPA
Karlie P. Brister, CPA

Retired 2015
Bobby G. Lester, CPA

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 3
Parish of Allen, State of Louisiana
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, Allen Parish Hospital (the Hospital), a component unit of the Allen Parish Police Jury, as of and for the years ended June 30, 2019, 2018 and 2017, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 3, Parish of Allen, Allen Parish Hospital (the Hospital) as of June 30, 2019, 2018 and 2017, and the changes in its financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Allen Parish Hospital Service District No. 3 and do not purport to, and do not, present fairly the financial position of Allen Parish Police Jury as of June 30, 2019, 2018 and 2017, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally



Board of Commissioners
Hospital Service District No. 3
Parish of Allen, State of Louisiana
Kinder, Louisiana
Page Three

accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019, on our consideration of the Hospital's internal control over financial reporting and 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.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

December 30, 2019



Allen Parish Hospital
Statements of Net Position
June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 334,144	\$ 559,060	\$ 300,902
Limited-use assets (Note 4)	560,055	-0-	-0-
Patient accounts receivable, net of estimated uncollectibles (Note 5)	1,169,688	1,456,854	1,551,020
Estimated third-party payor settlements	262,157	257,733	183,584
Inventory	306,316	269,531	262,641
Prepaid expenses	<u>257,683</u>	<u>76,642</u>	<u>69,659</u>
 Total current assets	 <u>2,890,043</u>	 <u>2,619,820</u>	 <u>2,367,806</u>
Limited-use assets (Note 4)	76,194	-0-	-0-
Nondepreciable capital assets (Note 6)	232,447	45,555	19,550
Depreciable capital assets, net (Note 6)	1,457,983	1,218,543	1,268,317
Other assets	<u>-0-</u>	<u>36,000</u>	<u>36,000</u>
 Total assets	 <u>\$ 4,656,667</u>	 <u>\$ 3,919,918</u>	 <u>\$ 3,691,673</u>
 Liabilities and Net Position			
Current liabilities:			
Accounts payable	\$ 2,031,992	\$ 1,479,360	\$ 842,159
Accrued expenses (Note 7)	1,062,083	341,002	343,024
Estimated third-party payor settlements	324,411	719,654	698,440
Intergovernmental transfers-access grant payable	560,055	-0-	-0-
Current maturities of long-term debt (Note 8)	<u>544,288</u>	<u>285,901</u>	<u>263,902</u>
 Total current liabilities	 <u>4,522,829</u>	 <u>2,825,917</u>	 <u>2,147,525</u>
 Long-term debt, net of current maturities (Note 8)	 <u>1,723,995</u>	 <u>525,555</u>	 <u>690,043</u>
 Total liabilities	 <u>6,246,824</u>	 <u>3,351,472</u>	 <u>2,837,568</u>
 Net position:			
Invested in capital assets, net of related debt	796,533	819,642	870,922
Restricted	76,194	-0-	-0-
Unrestricted	<u>(2,462,884)</u>	<u>(251,196)</u>	<u>(16,817)</u>
 Total net position	 <u>(1,590,157)</u>	 <u>568,446</u>	 <u>854,105</u>
 Total liabilities and net position	 <u>\$ 4,656,667</u>	 <u>\$ 3,919,918</u>	 <u>\$ 3,691,673</u>

See accompanying notes to financial statements.

Allen Parish Hospital
 Statements of Revenue, Expenses and Changes in Net Position
 Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues:			
Net patient service revenue	\$ 32,813,108	\$ 31,163,579	\$ 25,889,209
Grant income	118,516	116,568	211,350
Maintenance taxes	759,315	762,565	748,397
Other	<u>77,327</u>	<u>61,607</u>	<u>132,429</u>
 Total operating revenues	 <u>33,768,266</u>	 <u>32,104,319</u>	 <u>26,981,385</u>
Operating expenses:			
Salaries and benefits	8,220,450	7,688,196	6,983,417
Medical supplies and drugs	586,916	479,635	520,853
Supplies	315,854	257,397	250,225
Professional, management and consulting fees	3,765,135	2,613,813	2,216,746
Intergovernmental transfer expense	20,856,045	19,625,981	14,584,994
Other expenses	1,527,078	1,186,082	960,296
Insurance	295,276	261,113	225,925
Depreciation and amortization	<u>257,049</u>	<u>226,527</u>	<u>221,546</u>
 Total operating expenses	 <u>35,823,803</u>	 <u>32,338,744</u>	 <u>25,964,002</u>
 Operating income (loss)	 (2,055,537)	 (234,425)	 1,017,383
Nonoperating revenues (expenses):			
Interest income	2,431	1,886	6,132
Interest expense	<u>(105,497)</u>	<u>(53,120)</u>	<u>(58,973)</u>
 Changes in net position	 (2,158,603)	 (285,659)	 964,542
 Beginning net position	 <u>568,446</u>	 <u>854,105</u>	 <u>(110,437)</u>
 Ending net position	 \$ <u>(1,590,157)</u>	 \$ <u>568,446</u>	 \$ <u>854,105</u>

See accompanying notes to financial statements.

Allen Parish Hospital
Statements of Cash Flows
Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 32,700,607	\$ 31,204,810	\$ 25,808,047
Other operating cash receipts	955,158	940,740	1,092,176
Cash paid to governmental entities	(20,295,990)	(19,625,981)	(14,584,994)
Cash paid to suppliers	(6,155,453)	(4,174,712)	(4,583,438)
Cash paid to employees and for employee benefits	<u>(7,499,369)</u>	<u>(7,690,218)</u>	<u>(6,976,720)</u>
Net cash provided (used) by operating activities	<u>(295,047)</u>	<u>654,639</u>	<u>755,071</u>
Cash flows from investing activities:			
Cash invested in limited-use assets	(560,055)	-0-	-0-
Interest on investments	2,431	1,886	6,132
Other assets	<u>36,000</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided (used) by investing activities	<u>(521,624)</u>	<u>1,886</u>	<u>6,132</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(898,434)	(270,004)	(378,966)
Interest expense on long-term debt	(105,497)	(53,120)	(58,973)
Cash invested in limited-use assets	(76,194)	-0-	-0-
Cash received from long-term borrowing	2,289,820	-0-	-0-
Acquisition of capital assets	<u>(617,940)</u>	<u>(75,243)</u>	<u>(155,801)</u>
Net cash provided (used) by capital and related financing activities	<u>591,755</u>	<u>(398,367)</u>	<u>(593,740)</u>
Net increase (decrease) in cash and cash equivalents	(224,916)	258,158	167,463
Cash and cash equivalents, beginning of year	<u>559,060</u>	<u>300,902</u>	<u>133,439</u>
Cash and cash equivalents, end of year	\$ <u><u>334,144</u></u>	\$ <u><u>559,060</u></u>	\$ <u><u>300,902</u></u>

See accompanying notes to financial statements.

Allen Parish Hospital
 Statements of Cash Flows (Continued)
 Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (2,055,537)	\$ (234,425)	\$ 1,017,383
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	257,049	226,527	221,546
Changes in:			
Patient accounts receivable	287,166	94,166	(216,881)
Estimated third-party payor settlements	(4,424)	(74,149)	(63,462)
Inventory	(36,785)	(6,890)	(21,716)
Prepaid expenses	(181,041)	(6,983)	(13,377)
Accounts payable	552,632	637,201	(374,299)
Accrued expenses	721,081	(2,022)	6,696
Estimated third-party payor settlements	(395,243)	21,214	199,181
Intergovernmental transfers-access grant	<u>560,055</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided (used) by operating activities	\$ <u>(295,047)</u>	\$ <u>654,639</u>	\$ <u>755,071</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>92,567</u>	\$ <u>55,763</u>	\$ <u>54,423</u>
Equipment acquired under capital lease	\$ <u>65,441</u>	\$ <u>127,515</u>	\$ <u>173,697</u>

See accompanying notes to financial statements.

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

The Allen Parish Hospital Service District No. 3 (the "Hospital" or the "District") was created by an ordinance of the Allen Parish Police Jury.

The Hospital is a political subdivision of the Allen Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Allen Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Allen Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Allen Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides acute and psychiatric inpatient services, skilled nursing (through "swing-beds"), emergency, home health, and outpatient services, including a rural health clinic, primarily for the residents of Allen Parish.

Hospital Land

The land on which the Hospital was built was donated by Powell Lumber Company to Allen Parish Hospital Service District No. 3. 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 their successors or assignees fail to use the land for a public hospital, the title shall revert to Powell Lumber Company.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

Basis of Accounting

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking, money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities of more than 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.

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

The District provides medical care primarily to Allen Parish residents and grants credit to patients, substantially all of whom are local residents. The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians who 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 11. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenue

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

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

Patient Accounts Receivable

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

Inventory

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Buildings	12 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 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 cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are currently credited or charged to nonoperating revenue.

Net Position

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

Revenue and Expenses

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

Grants and Contributions

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

Restricted Revenues

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

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Hospital expenses advertising cost as incurred. Advertising expense for the years ended June 30, 2019, 2018, and 2017 totaled \$52,191, \$47,619, and \$32,042, respectively.

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital. At June 30, 2019, 2018, and 2017, management is not aware of any liability resulting from environmental matters.

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.

Use of Estimates

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

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 and dental benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Reclassifications

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

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87 (GASB 87). The objective of GASB Statement No. 87, Leases, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement 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 this Statement are effective for financial statements for periods beginning after December 15, 2019.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investing is performed in accordance with investment policies complying with state statutes. 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.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of bank failure, the Hospital's deposits may not be returned to it. 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. The Hospital's deposits were entirely insured or entirely collateralized by securities held by the pledged bank's trust department in the Hospital's name at June 30, 2019, 2018, and 2017.

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

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Carrying amount			
Deposits	\$ <u>970,393</u>	\$ <u>559,060</u>	\$ <u>300,902</u>
	\$ <u><u>970,393</u></u>	\$ <u><u>559,060</u></u>	\$ <u><u>300,902</u></u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 334,144	\$ 559,060	\$ 300,902
Current limited-use assets	560,055	-0-	-0-
Non-current limited-use assets	<u>76,194</u>	<u>-0-</u>	<u>-0-</u>
	\$ <u><u>970,393</u></u>	\$ <u><u>559,060</u></u>	\$ <u><u>300,902</u></u>

Account balances according to bank's records at June 30, 2019, for the Hospital are as follows:

	<u>Jeff Davis</u> <u>Bank</u>	<u>Sabine</u> <u>Bank</u>
Cash in bank	\$ <u>957,544</u>	\$ <u>76,194</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>76,194</u>
Collateralization by fair market value	\$ <u>707,544</u>	\$ <u>-0-</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 4 - LIMITED-USE ASSETS

A summary of limited-use assets is presented below:

<u>By Third Parties</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Series 2018A proceeds to be distributed	\$ 76,194	\$ -0-	\$ -0-
 <u>By Management</u>			
Intergovernmental transfers-access grant to be distributed	560,055	-0-	-0-
Less limited-use assets required for current liabilities	<u>(560,055)</u>	<u>-0-</u>	<u>-0-</u>
 Non-current limited-use assets	 \$ <u>76,194</u>	 \$ <u>-0-</u>	 \$ <u>-0-</u>

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Patients	\$ 2,525,940	\$ 3,350,446	\$ 3,335,549
Estimated allowances for uncollectibles	<u>(1,356,252)</u>	<u>(1,893,592)</u>	<u>(1,784,529)</u>
 Net accounts receivable	 \$ <u>1,169,688</u>	 \$ <u>1,456,854</u>	 \$ <u>1,551,020</u>

In fiscal year 2019, management changed the methodology for estimating the allowances for accounts receivable by reducing the threshold for accounts to be considered completely uncollectible. This increased the allowance and reduced net patient service revenue by approximately \$139,000.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Medicare	26%	21%	19%
Medicaid	23%	19%	27%
Commercial and other third-party payors	31%	24%	25%
Self pay	<u>20%</u>	<u>36%</u>	<u>29%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Medicare, Medicaid and third-party payors are shown net of contractual allowances.

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 6 - CAPITAL ASSETS

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

	<u>2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2019</u>
Nondepreciable capital assets					
Land	\$ 19,550	\$ -0-	\$ -0-	\$ -0-	\$ 19,550
Construction in progress	<u>26,005</u>	<u>469,325</u>	<u>-0-</u>	<u>(282,433)</u>	<u>212,897</u>
Total nondepreciable capital assets	<u>\$ 45,555</u>	<u>\$ 469,325</u>	<u>\$ -0-</u>	<u>\$ (282,433)</u>	<u>\$ 232,447</u>
Depreciable capital assets					
Land improvements	\$ 104,101	\$ -0-	\$ -0-	\$ 93,230	\$ 197,331
Buildings	2,101,910	76,851	-0-	189,203	2,367,964
Fixed equipment	257,550	80,204	-0-	-0-	337,754
Major movable equipment	5,136,234	57,001	-0-	-0-	5,193,235
Leasehold improvements	<u>42,832</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>42,832</u>
Total depreciable capital assets	7,642,627	214,056	-0-	282,433	8,139,116
Accumulated depreciation	<u>6,424,084</u>	<u>257,049</u>	<u>-0-</u>	<u>-0-</u>	<u>6,681,133</u>
Total depreciable capital assets, net	<u>\$ 1,218,543</u>	<u>\$ (42,993)</u>	<u>\$ -0-</u>	<u>\$ 282,433</u>	<u>\$ 1,457,983</u>
	<u>2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2018</u>
Nondepreciable capital assets					
Land	\$ 19,550	\$ -0-	\$ -0-	\$ -0-	\$ 19,550
Construction in progress	<u>-0-</u>	<u>26,005</u>	<u>-0-</u>	<u>-0-</u>	<u>26,005</u>
Total nondepreciable capital assets	<u>\$ 19,550</u>	<u>\$ 26,005</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 45,555</u>
Depreciable capital assets					
Land improvements	\$ 104,101	\$ -0-	\$ -0-	\$ -0-	\$ 104,101
Buildings	2,101,910	-0-	-0-	-0-	2,101,910
Fixed equipment	257,550	-0-	-0-	-0-	257,550
Major movable equipment	4,959,481	176,753	-0-	-0-	5,136,234
Leasehold improvements	<u>42,832</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>42,832</u>
Total depreciable capital assets	7,465,874	176,753	-0-	-0-	7,642,627
Accumulated depreciation	<u>6,197,557</u>	<u>226,527</u>	<u>-0-</u>	<u>-0-</u>	<u>6,424,084</u>
Total depreciable capital assets, net	<u>\$ 1,268,317</u>	<u>\$ (49,774)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,218,543</u>

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 6 - CAPITAL ASSETS (Continued)

	<u>2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2017</u>
Nondepreciable capital assets					
Land	\$ 19,550	\$ -0-	\$ -0-	\$ -0-	\$ 19,550
Total nondepreciable capital assets	<u>\$ 19,550</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 19,550</u>
Depreciable capital assets					
Land improvements	\$ 104,931	\$ -0-	\$ 830	\$ -0-	\$ 104,101
Buildings	2,102,750	-0-	840	-0-	2,101,910
Fixed equipment	307,791	-0-	50,241	-0-	257,550
Major movable equipment	4,784,659	329,498	154,676	-0-	4,959,481
Leasehold improvements	42,832	-0-	-0-	-0-	42,832
Total depreciable capital assets	7,342,963	329,498	206,587	-0-	7,465,874
Accumulated depreciation	<u>6,182,598</u>	<u>221,546</u>	<u>206,587</u>	<u>-0-</u>	<u>6,197,557</u>
Total depreciable capital assets, net	<u>\$ 1,160,365</u>	<u>\$ 107,952</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,268,317</u>

A summary of assets held under capital leases, which are included in capital assets, at June 30 follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Equipment	\$ 523,560	\$ 492,315	\$ 364,800
Accumulated depreciation	<u>140,033</u>	<u>96,836</u>	<u>43,447</u>
Total	<u>\$ 383,527</u>	<u>\$ 395,479</u>	<u>\$ 321,353</u>

NOTE 7 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid time off and sick days depending on length of service. Employees may accumulate paid time off and sick leave up to a specified maximum depending on years of service. The Hospital charged operations for accrued paid time off and vested sick pay of \$210,983, \$202,664 and \$202,664 in 2019, 2018 and 2017, respectively. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 8 - LONG-TERM DEBT

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

	June 30, <u>2018</u>	<u>Additions</u>	<u>Payments</u>	June 30, <u>2019</u>	Due Within <u>One Year</u>
Series 2012 bonds	\$ 367,000	\$ -0-	\$ 367,000	\$ -0-	\$ -0-
Series 2007 bonds	123,000	-0-	123,000	-0-	-0-
Series 2018 bonds	-0-	2,000,000	140,000	1,860,000	333,000
Capital lease obligations	321,456	65,441	93,000	293,897	96,902
Note payable	<u>-0-</u>	<u>289,820</u>	<u>175,434</u>	<u>114,386</u>	<u>114,386</u>
 Total	 \$ <u>811,456</u>	 \$ <u>2,355,261</u>	 \$ <u>898,434</u>	 \$ <u>2,268,283</u>	 \$ <u>544,288</u>
	June 30, <u>2017</u>	<u>Additions</u>	<u>Payments</u>	June 30, <u>2018</u>	Due Within <u>One Year</u>
Series 2012 bonds	\$ 537,000	\$ -0-	\$ 170,000	\$ 367,000	\$ 179,000
Series 2007 bonds	144,000	-0-	21,000	123,000	22,000
Capital lease obligations	<u>272,945</u>	<u>127,515</u>	<u>79,004</u>	<u>321,456</u>	<u>84,901</u>
 Total	 \$ <u>953,945</u>	 \$ <u>127,515</u>	 \$ <u>270,004</u>	 \$ <u>811,456</u>	 \$ <u>285,901</u>
	June 30, <u>2016</u>	<u>Additions</u>	<u>Payments</u>	June 30, <u>2017</u>	Due Within <u>One Year</u>
Series 2012 bonds	\$ 699,000	\$ -0-	\$ 162,000	\$ 537,000	\$ 170,000
Series 2007 bonds	164,000	-0-	20,000	144,000	21,000
Series 2014 bonds	150,000	-0-	150,000	-0-	-0-
Capital lease obligations	<u>146,214</u>	<u>173,697</u>	<u>46,966</u>	<u>272,945</u>	<u>72,902</u>
 Total	 \$ <u>1,159,214</u>	 \$ <u>173,697</u>	 \$ <u>378,966</u>	 \$ <u>953,945</u>	 \$ <u>263,902</u>

The following are the terms and due dates of the Hospital's long-term debt at June 30:

- Series 2007 Hospital Improvement Bonds, at a variable interest rate not to exceed 5.00%, due in variable semi-annual installments with full repayment at August 1, 2022, secured by a pledge of tax revenues.
- Series 2012 Hospital Improvement Bonds, at a variable interest rate not to exceed 6.00%, due in variable annual installments with full repayment at November 1, 2019, secured by a pledge of tax revenues and excess revenues from Hospital patient account receivables.
- Series 2014 Certificate of Indebtedness, at 4.75%, due in two annual installments of \$150,000, secured by a pledge of tax revenues. This obligation was fully repaid on September 1, 2016.

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 8 - LONG-TERM DEBT (Continued)

- Series 2018A Hospital Revenue Refunding Bonds, at 4.25%, 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 operation of the Hospital.
- Series 2018B Hospital Revenue Refunding Bonds, at 5.00%, due in variable annual installments with full repayment at April 1, 2023, secured by a pledge of all income, revenue and receipts from the operation of the Hospital.
- Capital leases at varying rates of imputed interest from 5.43% to 8.93%, with total monthly payments ranging from \$998 to \$2,720 until 2023, collateralized by leased equipment with a net book value of \$395,479 at June 30, 2019.
- Note payable at an interest rate of 4.04%, with total monthly payments of \$28,838, secured by financed insurance policies and any additional premiums required under financed policies.

On November 28, 2018, the Hospital issued \$2,000,000 of revenue bonds for the purpose of refunding \$468,000 of then-outstanding 2007 and 2012 revenue bonds. The difference between cash flow required to service the old debt and that required to service the new debt and complete the refunding was an expenditure of \$42,550. The economic loss resulting from the transaction was \$70,510.

Terms of indebtedness for the Series 2018 bonds require separate bank accounts be established for each bond series. The required accounts include a bond proceed accounts, sinking fund accounts, and a tax collection fund. Both the sinking fund accounts and tax collection fund have required limits established by the bond covenants. In addition, the Hospital is required to prepare and to adopt a budget prior to the beginning of each fiscal year. An amount sufficient to pay the principal and interest must be budgeted. The Hospital is required to have an annual financial audit completed within six (6) months of the Hospital's fiscal year end. The Hospital must be in full compliance with all covenants and there must be no delinquency in order to issue future bonds.

Scheduled principal and interest payments on long-term debt and payments on capital obligations are as follows:

Year Ending <u>June 30,</u>	<u>Bonds</u>		<u>Capital Lease Obligation</u>		<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 333,000	\$ 88,500	\$ 96,902	\$ 15,366	\$ 114,386	\$ 964
2021	350,000	71,850	74,912	10,151	-0-	-0-
2022	368,000	54,350	76,347	5,319	-0-	-0-
2023	387,000	35,950	40,139	1,722	-0-	-0-
2024	99,000	17,935	5,597	179	-0-	-0-
2025 - 2027	<u>323,000</u>	<u>27,838</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>1,860,000</u>	\$ <u>296,423</u>	\$ <u>293,897</u>	\$ <u>32,737</u>	\$ <u>114,386</u>	\$ <u>964</u>

The assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 9 - OPERATING LEASES

The hospital is committed under various noncancelable operating leases, all of which are for equipment. These expire in various years through 2023. Future minimum lease payments are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2020	\$ 108,552
2021	56,320
2022	55,704
2023	10,827
2024	<u>-0-</u>
 Totals	 \$ <u>231,403</u>

Total lease expense under noncancelable operating leases for the years ended June 30, 2019, 2018, and 2017, was \$117,643, \$155,528, and \$30,047, respectively.

NOTE 10 - 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. At June 30, 2019, 2018 and 2017 there were 25, 23 and 23 plan members, respectively. 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 \$19,000, \$18,500 and \$18,000 in calendar years 2019, 2018 and 2017, respectively, for those 50 or older \$25,000, \$24,500 and \$24,000 are the contribution limits for calendar years 2018, 2017 and 2016, respectively. 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 \$16,612, \$13,957 and \$14,265 for the years ended June 30, 2019, 2018 and 2017, respectively. Employees contributed \$117,482, \$85,104, and \$78,977 for the years ended June 30, 2019, 2018 and 2017, respectively.

NOTE 11 - PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2022, if not extended by Congress. The additional payments received under the Medicare low volume add-on were \$184,577, \$168,077, and \$148,474 for the years ended June 30, 2019, 2018, and 2017, respectively. The rural health clinic is paid on a cost based methodology. Outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis. Swing bed services are reimbursed

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 11 - PATIENT SERVICE REVENUE (Continued)

based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors. Inpatient psychiatric services are reimbursed based upon a prospective methodology based upon length of stay, diagnosis, and other factors. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost reports have been examined by the Medicare fiscal intermediary through June 30, 2016.

Medicaid - Inpatient acute and psychiatric services are reimbursed based on a prospectively determined per diem rate. Rural health clinics are paid on a cost based methodology. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through June 30, 2014.

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

The Hospital's previous reimbursements are subject to review by Medicare and Medicaid representatives. These representatives have several initiatives in progress. No material liabilities have been identified to date under these review programs; however, the potential exists for future claims. These will be recognized in the year the amounts are determined, if any.

The following is a summary of the Hospital's net patient service revenue for the years ended June 30:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Gross charges	\$ 31,551,816	\$ 26,926,072	\$ 26,831,257
Less charges associated with charity patients	<u>(13,525)</u>	<u>(9,133)</u>	<u>(10,076)</u>
Gross patient service revenue	31,538,291	26,916,939	26,821,181
Less deductions from revenue:			
Medicaid FMP	20,705,390	20,584,740	15,335,884
Contractual allowances	(17,348,655)	(14,464,134)	(13,886,523)
Discounts	<u>(622,143)</u>	<u>(216,131)</u>	<u>(330,287)</u>
Patient service revenue (net of contractual adjustments)	34,272,883	32,821,414	27,940,255
Provision for bad debts	<u>(1,459,775)</u>	<u>(1,657,835)</u>	<u>(2,051,046)</u>
 Net patient service revenue	 \$ <u>32,813,108</u>	 \$ <u>31,163,579</u>	 \$ <u>25,889,209</u>

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 11 - PATIENT SERVICE REVENUE (Continued)

The Hospital generated a substantial portion of its charges from Medicare and Medicaid programs at discounted rates. The following is a summary of gross Medicare and Medicaid patient charges:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Medicare and Medicaid gross patient charges	\$ 22,605,259	\$ 19,035,747	\$ 18,342,535
Contractual adjustments	<u>(12,647,058)</u>	<u>(10,753,570)</u>	<u>(10,223,152)</u>
Program patient service revenue without Medicaid FMP	<u>\$ 9,958,201</u>	<u>\$ 8,282,177</u>	<u>\$ 8,119,383</u>
Percent of total gross patient charges	<u>72%</u>	<u>71%</u>	<u>68%</u>
Percent of total net patient revenue without Medicaid FMP	<u>82%</u>	<u>78%</u>	<u>77%</u>

NOTE 12 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund ("PCF"), the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

The Hospital has acquired additional coverage for professional medical malpractice liability through a private insurance carrier by purchasing a claims-made policy.

NOTE 13 - CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 11) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined. Further, in order to continue receiving reimbursement from the Medicare program, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 13 - CONTINGENCIES (Continued)

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

Professional Liability Risk (Note 12) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund.

Litigation and Other Matters - Various other claims in the ordinary course of business are pending against the Hospital. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

NOTE 14 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical and drug coverage for its employees. The Hospital entered into an agreement on March 1, 2019, with a third-party administrator (Boon-Chapman Benefit Administrators, Inc.) to administer the plan. The plan year runs from January 1 through December 31. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier provides for payment of 100% of claims in excess of \$50,000 per covered individual. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, and frequency of claims. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

The following is a summary of changes in the Hospital's claims liability for the year ended June 30:

		<u>2019</u>
Beginning of the year	\$	-0-
Plus: Claims incurred and changes in estimate, net of reinsurance		209,800
Less: Claims paid		<u>-0-</u>
End of the year, included in accrued expenses	\$	<u><u>209,800</u></u>

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 15 - AD VALOREM TAXES

The Hospital levies two property taxes on all property subject to taxation in the service district. The three mills tax was imposed for ten years, beginning with the year 2007 and ending with the year 2016, subsequently renewed for another ten years ending with the year 2026. The twelve mills tax runs for a period of ten years, beginning with the year 2003 and ending with the year 2012, subsequently renewed for another ten years ending with the year 2022. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the Hospital. Property tax notices are mailed by November 5 each year and are due by December 31. The lien date is January 31.

NOTE 16 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of the charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 150% scale. Accordingly, the Hospital does not report the amount it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. Amounts identified as charity care charges were \$13,525, \$9,133 and \$10,076, for the years ended June 30, 2019, 2018 and 2017, respectively. The costs related to the charity care charges were approximately \$15,000, \$10,000, and \$9,000, for the fiscal years ended in 2019, 2018 and 2017, respectively. Funds received through UCC and grants, which pay part of the cost of charity and uninsured care, were approximately \$6,000, \$4,000, and \$3,000 for the years ended June 30, 2019, 2018 and 2017, respectively.

NOTE 17 - GRANTS

The District recognized operating grant income of approximately \$179,000 from Medicare during the year ended June 30, 2017 as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payment is "demonstrating meaningful use", which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in during the next few years in three stages, with each progressive stage incorporating more stringent measures. The District's policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the District meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

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

Allen Parish Hospital
Notes to Financial Statements
Years Ended June 30, 2019, 2018 and 2017

NOTE 18 - IGT GRANT EXPENSE

The Hospital ("Grantor") collaborated with a rural hospital trade organization ("RHC") to establish a grant program, whereby Grantor entered into cooperative endeavor agreements ("CEAs") with other regional public rural hospitals ("Grantees") to provide intergovernmental transfer grant ("IGT") funds to enhance access to adequate and essential medically necessary healthcare services to the rural communities served by Grantees. Grant amounts were calculated based upon schedules prepared by RHC when it was determined that sufficient funds were available to make such IGT grants. The aggregate IGT grant expense is \$20,048,664, \$18,825,981, and \$13,930,744 for the years ended June 30, 2019, 2018 and 2017, respectively.

NOTE 19 - COMMITMENTS

The Hospital entered into various construction contracts, which totaled \$774,262, including change orders as of June 30, 2019. The Hospital paid \$2,500 toward these commitments as of June 30, 2019.

NOTE 20 - GOING CONCERN

The Hospital has experienced significant losses in the prior fiscal years, which has led to a decline in the financial position. Additionally, the Hospital has experienced problems meeting its current obligations. As of June 30, 2019, the Hospital's current liabilities exceed its current assets by approximately \$1,633,000. Additionally, the Hospital has a negative net position of \$1,590,157. Also, during fiscal year 2019, the Hospital had negative cash flows provided by operating activities as shown on the statement of cash flows.

Management has implemented plans to alleviate this negative trend. Management intends to reduce various overhead contract expenses of approximately \$1,275,000. The reduction in expenses will not impact the Hospital's revenues. The Hospital will place on the ballot an extension of the 12 mills property tax for an additional 30 years. The annual estimated revenue from the tax is \$637,000 at this time. This will increase the Hospital's borrowing amounts. The Hospital has qualified to receive a Medicaid quality incentive payment for the next fiscal year. The estimate of the payment is approximately \$1,500,000.

NOTE 21 - SUBSEQUENT EVENTS

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.

On November 16, 2019, the 12 mills property tax, as mentioned in Note 15, was renewed by citizens of the parish for an additional thirty (30) year term ending with the year 2052.

The Hospital received approximately \$748,000, or 50%, of the expected Medicaid quality incentive payment in December 2019.

Management has evaluated subsequent events through the date that the financials were available to be issued, December 30, 2019. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

Allen Parish Hospital
Schedules of Net Patient Service Revenue
Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Routine services			
Adult and pediatric	\$ 2,291,653	\$ 2,146,716	\$ 2,141,135
Psychiatric	8,534,912	6,670,287	7,294,722
Swing bed	<u>790,897</u>	<u>98,119</u>	<u>143,619</u>
Total routine services	<u>11,617,462</u>	<u>8,915,122</u>	<u>9,579,476</u>
Other professional services			
Radiology	2,327,994	2,251,405	2,203,731
Nuclear medicine	496,632	330,135	296,420
Laboratory	2,417,382	3,152,464	3,079,764
Blood	73,412	94,985	66,574
Intravenous therapy	71,981	152,469	98,546
Respiratory therapy	942,749	818,612	806,223
Physical therapy	907,845	953,817	1,002,762
Electrocardiology	314,681	275,185	277,625
Central supply	155,793	227,689	198,134
Pharmacy	1,442,019	1,755,875	1,788,662
Observation room	234,997	150,783	151,609
Rural health clinic	4,150,044	1,950,403	2,010,233
Emergency room	5,565,857	5,189,532	4,635,541
Home health visits	680,620	629,009	523,200
Contract physician	<u>152,348</u>	<u>78,587</u>	<u>112,757</u>
Total other professional services	<u>19,934,354</u>	<u>18,010,950</u>	<u>17,251,781</u>
Gross charges	<u>31,551,816</u>	<u>26,926,072</u>	<u>26,831,257</u>
Less charges associated with charity patients	<u>(13,525)</u>	<u>(9,133)</u>	<u>(10,076)</u>
Gross patient service revenue	31,538,291	26,916,939	26,821,181
Less deductions from revenue:			
Medicaid FMP	20,705,390	20,584,740	15,335,884
Contractual allowances	(17,348,655)	(14,464,134)	(13,886,523)
Discounts	<u>(622,143)</u>	<u>(216,131)</u>	<u>(330,287)</u>
Patient service revenue	34,272,883	32,821,414	27,940,255
Less provision for bad debts	<u>(1,459,775)</u>	<u>(1,657,835)</u>	<u>(2,051,046)</u>
Net patient service revenue	<u>\$ 32,813,108</u>	<u>\$ 31,163,579</u>	<u>\$ 25,889,209</u>

Allen Parish Hospital
Schedules of Other Operating Revenue
Years Ended June 30,

	<u>2019</u>		<u>2018</u>		<u>2017</u>
Meals	\$ 21,413	\$	24,680	\$	20,265
Medical records transcript fees	11,804		10,144		9,923
Rental	-0-		13,075		7,800
Other income	10,227		5,072		94,441
340B income	<u>33,883</u>		<u>8,636</u>		<u>-0-</u>
 Total other operating revenue	 <u>\$ 77,327</u>	\$	 <u>61,607</u>	\$	 <u>132,429</u>

Allen Parish Hospital
Schedules of Operating Expenses - Salaries and Benefits
Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Administration	\$ 603,440	\$ 418,334	\$ 382,749
Plant operations and maintenance	216,455	127,729	97,062
Housekeeping	86,504	80,749	67,171
Dietary and cafeteria	140,011	133,184	123,662
Medical records	115,797	121,972	126,442
Nursing services, acute care	1,040,953	949,865	836,139
Psychiatric unit	882,052	1,816,097	1,637,197
Radiology	276,897	318,448	301,985
Laboratory	409,827	336,316	372,455
Respiratory therapy	174,331	167,562	141,982
Central supply	56,949	29,613	19,206
Pharmacy	226,047	223,574	220,807
Emergency room	776,504	843,742	791,989
Home health	360,397	296,018	298,659
Rural health clinic	<u>1,795,792</u>	<u>880,878</u>	<u>741,894</u>
 Total salaries	 <u>7,161,956</u>	 <u>6,744,081</u>	 <u>6,159,399</u>
 Payroll taxes	 521,863	 482,382	 437,197
Health insurance	518,021	444,655	368,419
Retirement	16,612	13,957	14,265
Other	<u>1,998</u>	<u>3,121</u>	<u>4,137</u>
 Total benefits	 <u>1,058,494</u>	 <u>944,115</u>	 <u>824,018</u>
 Total salaries and benefits	 <u>\$ 8,220,450</u>	 <u>\$ 7,688,196</u>	 <u>\$ 6,983,417</u>

Allen Parish Hospital
Schedules of Operating Expenses - Other Expenses
Years Ended June 30,

	<u>2019</u>		<u>2018</u>		<u>2017</u>
Legal and accounting	\$ 202,974	\$	198,298	\$	188,240
Repairs and maintenance	288,732		152,568		172,460
Telephone	79,284		75,202		88,424
Utilities	139,750		131,525		125,862
Travel	139,397		102,380		127,305
Rentals	156,545		224,979		91,199
Dues and subscriptions	202,979		97,791		75,505
Miscellaneous	<u>317,417</u>		<u>203,339</u>		<u>91,301</u>
 Total other expenses	 \$ <u>1,527,078</u>	\$	 <u>1,186,082</u>	\$	 <u>960,296</u>

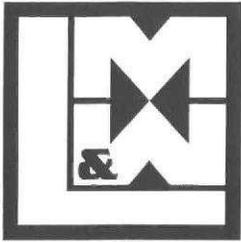
Allen Parish Hospital
Schedules of Per Diem and
Other Compensation Paid to Board Members
Year Ended June 30, 2019

	<u>Paid on Behalf of Commissioners</u>
Mr. Sherman Fontenot	\$ -0-
Mr. David LaFargue	-0-
Mr. Roy Marcantel	-0-
Ms. Paula Manuel	-0-
Ms. Nancy Burleigh	-0-
Mr. Chad Guidry	-0-
Dr. Matthew Courville	<u>-0-</u>
 Total	 \$ <u><u>-0-</u></u>

Allen Parish Hospital
Schedule of Compensation, Benefits and
Other Payments to Chief Executive Officer
Year Ended June 30, 2019

Agency Head Name: Jackie Reviel
Position: CEO

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 136,344
Health insurance	4,616
Retirement	-0-
Life insurance	24
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	121
Registration fees	545
Conference travel	958
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	-0-
Cell phone	-0-



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A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653
Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758
Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107
Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

Members: American Institute of Certified Public Accountants • Society of Louisiana Certified Public Accountants

John S. Wells, CPA
Robert G. Miller, CPA
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Hospital Service District No. 3
Parish of Allen, State of Louisiana
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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Service District No. 3, Parish of Allen, a component unit of the Allen Parish Police Jury ("the Hospital"), as of and for the years ended June 30, 2019, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal

Board of Commissioners
Hospital Service District No. 3
Parish of Allen, State of Louisiana
Kinder, Louisiana
Page Two

control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items that we consider to be significant deficiencies: 2019-001, 2019-002 and 2019-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items: 2019-004 and 2019-005.

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. The Hospital's response was not subject to the auditing procedures applied in the audit of the financial statements 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 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.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

December 30, 2019



Allen Parish Hospital
Schedule of Current Year Findings and Responses
Year Ended June 30, 2019

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified – No
- Significant deficiencies identified – Yes

Compliance:

- Noncompliance issues noted – Yes

Management letter issued – No

Federal Awards – Not applicable

Section II. Financial Statement Findings

FINDING 2019-001 - Segregation of Duties

Criteria: The Hospital staff should maintain a segregation of duties for effective internal control.

Condition: The Hospital does not maintain segregation of duties in all job functions.

Cause: Segregation is not feasible due to small staff size.

Effect: A weakness in internal controls over job duties and functions, allowing possible fraud.

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

Response: Internal controls will be in place to prevent intentional and unintentional errors. The CFO is reviewing the reconciliations each month after the controller completes the process.

FINDING 2019-002 - Medicare and Medicaid Cost Report Settlements

Criteria: Management should estimate a cost report settlement for Medicare and Medicaid and record on an interim basis. Additionally, prior settlements should be reconciled to payments and receipts.

Condition: A current estimate for Medicare and Medicaid cost report settlements is not made and the payments and receipts for prior cost reports are not reconciled.



Allen Parish Hospital
Schedule of Current Year Findings and Responses
Year Ended June 30, 2019

Section II. Financial Statement Findings (Continued)

FINDING 2019-002 - Medicare and Medicaid Cost Report Settlements (Continued)

Cause: Management elected not to prepare an estimate for the current year cost report settlement due to the cost outweighing the benefit. Lack of reconciliation of prior year settlements is a management oversight.

Effect: Receivables and net patient service revenue was understated by approximately \$300,000.

Recommendation: We recommend that an estimate for the current year Medicare and Medicaid cost report be made and recorded on an interim basis. Also, payments and receipts for prior year cost report settlements should be reconciled to a subsidiary schedule.

Response: A mid-year review/estimate will be requested from the cost report preparers and an adjustment will be made to the internal reports accordingly.

FINDING 2019-003 - Credit Balances

Criteria: 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.

Condition: The credit balance for accounts receivable grew from \$268,366 at June 30, 2018 to \$615,116 at June 30, 2019.

Cause: This is a management oversight.

Effect: Credit balances in accounts receivable are overstated due to posting errors or patients/third-parties are not receiving refunds in a timely manner.

Recommendation: We recommend that management of the Hospital assign the duty of investigating credit balances on patient accounts to one person who will make necessary adjustments to or timely refunds of the balances as needed on a monthly basis.

Response: All credit balances will be addressed and a process will be implemented to keep the level of credit balances below one day of net patient revenue by year end.

FINDING 2019-004 - Bond Covenants

Criteria: The Hospital should monitor debt agreements to ensure compliance with covenants.

Condition: For the Series 2018 Revenue Bonds, the Hospital did not establish and maintain all the required bank accounts.

Cause: This is a management oversight.



Allen Parish Hospital
Schedule of Current Year Findings and Responses
Year Ended June 30, 2019

Section II. Financial Statement Findings (Continued)

FINDING 2019-004 - Bond Covenants (Continued)

Effect: The Hospital is not in compliance with the bond covenants which could prevent issuance of future bonds.

Recommendation: We recommend establishing and funding the required bank accounts in accordance with the bond covenants and monitoring the balances on an ongoing basis.

Response: The bond documents refer to using the tax revenue to establish the sinking funds and the first tax deposit was not made until November. The cash has been transferred from the operating account to the sinking fund accounts and is funded accordingly.

FINDING 2019-005 - State Bond Commission

Criteria: 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.

Condition: The Hospital financed insurance premiums through a third-party over a period of 12 months without obtaining State Bond Commission approval.

Cause: This is a management oversight.

Effect: The Hospital is not in compliance with Louisiana R.S. 39:1410.60.

Recommendation: The Hospital should obtain State Bond Commission approval before incurring any future debt.

Response: The Hospital financed the insurance as it has in the past. The requirement to get State Bond Commission approval has not been identified in the past and legal counsel has not advised otherwise. The Hospital will get State Bond Commission approval.

Section III. Federal Awards Findings and Questioned Costs

Not applicable

Section IV. Management Letter

Not applicable



Allen Parish Hospital
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2019

Section I. Financial Statement Findings

FINDING 2018-001 - Financial Statements

Fiscal Year Initially Reported: June 30, 2007

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

Resolution: This matter has been resolved.

FINDING 2018-002 - Segregation of Duties

Fiscal Year Initially Reported: June 30, 2007

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

Resolution: This matter has not been resolved. See current year finding 2019-001.

FINDING 2018-003 - Retirement Contributions

Fiscal Year Initially Reported: June 30, 2016

Recommendation: The Hospital should remit the employees' withholdings for their retirement plan within ten days of the payroll end date.

Resolution: This matter has been resolved.

FINDING 2018-004 - Home Health Accounts Receivable Valuation

Fiscal Year Initially Reported: June 30, 2018

Recommendation: We recommend management change the process for recording the estimate of home health accounts receivable based on uncompleted episodes.

Resolution: This matter has been resolved.



Allen Parish Hospital
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2019

Section I. Financial Statement Findings (Continued)

FINDING 2018-005 - Credit Card

Recommendation: We recommend segregating the custody of credit and department store cards from employees who have access to recording payables and journal entries.

Resolution: This matter has been resolved.

Section II. Federal Awards Findings and Questioned Costs

Not applicable

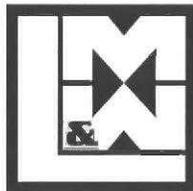
Section III. Management Letter

Not applicable



ALLEN PARISH HOSPITAL
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON
PROCEDURES

FOR THE YEAR ENDED
JUNE 30, 2019



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS



LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653
Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758
Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107
Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

Members: American Institute of Certified Public Accountants • Society of Louisiana Certified Public Accountants

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

Brenda J. Lloyd, CPA
Karlie P. Brister, CPA

Retired 2015
Bobby G. Lester, CPA

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
of Allen Parish Hospital Service District No. 3
d/b/a Allen Parish Hospital
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Allen Parish Hospital Service District No. 3 d/b/a Allen Parish Hospital (Hospital) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

The agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose of which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - 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.

To the Board of Commissioners
of Allen Parish Hospital Service District No. 3
d/b/a Allen Parish Hospital
and the Louisiana Legislative Auditor

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **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

Exceptions: The policy for purchasing did not include procedures for adding vendors. The Hospital did not have a policy for receipts/collections, including receiving, recording, and preparing deposits. The policy for contracts did not include procedures for legal review. The policy for credit cards did not include allowable business uses. The Hospital did not have a policy requiring all employees, including elected officials, to annually attest through signature verification that they have read the ethics policy. The Hospital did not have a policy for debt service regarding approval and reporting requirements. The Hospital did not have a written policy for disaster recovery and business continuity.

Management's Response: Management will amend the current Purchasing policy to include the Hospital's procedure for adding vendors. Management will prepare a policy to describe the Hospital's procedures for handling receipts/collections, which will include receiving, recording, and preparing deposits. Management will amend the Hospital's current Contracting policy to include procedures for obtaining a legal review of its contracts. Management will amend the current Credit Card policy to include allowable business uses of the Hospital credit cards. Management will prepare an Ethics policy that will outline the procedure which requires all employees, including elected officials, to annually attest through signature verification that they have read the Hospital's ethics policy. Management will prepare a Debt Service policy which will outline the Hospital's procedure on obtaining debt issuance approval, how the Hospital discloses and/or EMMA reports requirements, and what the Hospital's debt reserve requirements and debt service requirements are. Management will prepare a Disaster Recovery/Business continuity policy which will identify critical data and the frequency of data backups, the Hospital's backup storage locations, what procedures the Hospital utilizes when testing the backups and verifying that the backups can be restored. Additionally, the policy will describe the use of antivirus software on hospital systems, timely application of software patches and updates to all available systems and software, and identification of personnel involved, processes utilized, and tools needed to recover operations after a critical event.



To the Board of Commissioners
of Allen Parish Hospital Service District No. 3
d/b/a Allen Parish Hospital
and the Louisiana Legislative Auditor

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

Exceptions: No exceptions were noted in applying the above procedures.

Bank Reconciliations

3. Obtain a listing of client 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, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exceptions: Of the five bank accounts tested, five (5) did not have evidence that management or a board member reviewed the reconciliation.

Management's Response: The CFO, who does not handle cash, post ledgers, or issue checks, will initial, date, and review each bank reconciliation.



To the Board of Commissioners
of Allen Parish Hospital Service District No. 3
d/b/a Allen Parish Hospital
and the Louisiana Legislative Auditor

Collections

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).
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.
 - 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.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
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.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one 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).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Exceptions: No exceptions were noted in applying the above procedures.



To the Board of Commissioners
of Allen Parish Hospital Service District No. 3
d/b/a Allen Parish Hospital
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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).
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.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Exceptions: The person responsible for processing payments is responsible for mailing signed checks. The person responsible for processing payments is not prohibited from adding/modifying vendor files. Changes are not reviewed by another employee. The five (5) disbursements tested did not include evidence of segregation of duties.

Management's Response: Management will educate and enforce internal controls and segregation of duties surrounding processing payments, mailing signed checks, adding to, and modifying vendor files. Changes to the vendor files will be reviewed by the Controller when additions and modifications are entered by a staff member that processes payments.

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

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



To the Board of Commissioners
of Alien Parish Hospital Service District No. 3
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- 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, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Observe that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 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).

Exceptions: Of the twenty-four (24) transactions tested, four (4) transactions did not have the original itemized receipt, eleven (11) transactions did not have written documentation of the business purpose, and four (4) transactions did not include documentation of individuals participating in meals. Of the five (5) cards selected, three (3) did not have evidence of review and approval, in writing, by someone other than the authorized card holder.

Management's Response: Management will make every effort to obtain an original credit card receipt and possess documentation which explains the business purpose associated with each credit card transaction. If meals are purchased utilizing the Hospital's credit card, Management will make every effort to document the names of individuals participating in the transaction. The Controller or CFO will review and provide a written approval of each credit card transaction and monthly credit card statement.

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, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.



To the Board of Commissioners
of Allen Parish Hospital Service District No. 3
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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:
- 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.
 - Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - 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.

Exceptions: No exceptions were noted in applying the above procedures.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.



To the Board of Commissioners
of Allen Parish Hospital Service District No. 3
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and the Louisiana Legislative Auditor

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Exceptions: No exceptions were noted in applying the above procedures.

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.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Exceptions: Employees did not attest through signature verification that he or she had read the Hospital's ethics policy during the fiscal period.

Management's Response: The Director of Human Resources will implement a signature verification system for all employees to attest that they have read the Hospital's ethics policy during the fiscal period.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one 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.

Exceptions: For the two bonds tested, sinking fund accounts were not maintained in accordance with the debt covenants.

Management's Response: Management will comply with requirements set forth in the debt covenants by reserving the required funding amounts for the bond payments and the interest payments associated with the Series 2018A and 2018B Bonds.



To the Board of Commissioners
of Allen Parish Hospital Service District No. 3
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Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds

Exceptions: No exceptions were noted in applying the above procedures.

We were not engaged to and did not conduct an examination or review, 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.

The purpose of this report is 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.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

November 22, 2019



