

East Union Hospital Service District

Independent Auditor's Reports and Financial Statements

March 31, 2021 and 2020

East Union Hospital Service District

March 31, 2021 and 2020

Contents

Independent Auditor's Report.....	1
--	----------

Financial Statements

Balance Sheets.....	3
Statements of Revenues, Expenses and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	6

Supplementary Information

Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer.....	11
--	----

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor's Report.....	12
--	-----------

Schedule of Finding and Response	14
---	-----------

Summary Schedule of Prior Year Audit Finding	15
---	-----------

Independent Auditor's Report

Board of Commissioners
East Union Hospital Service District
Farmerville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of East Union Hospital Service District (the District), as of and for the years ended March 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 District'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 District's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
July 29, 2021

East Union Hospital Service District

Balance Sheets

March 31, 2021 and 2020

Assets

	2021	2020
Current Assets		
Cash	\$ 612,634	\$ 1,219,011
Property taxes receivable	25,474	19,534
Total current assets	638,108	1,238,545
 Capital Assets, Net	 4,266,296	 4,300,122
Total assets	<u>\$ 4,904,404</u>	<u>\$ 5,538,667</u>

Liabilities and Net Position

Current Liabilities		
Accounts payable	\$ 12,158	\$ 610,784
Total current liabilities	12,158	610,784
 Net Position		
Net investment in capital assets	4,266,296	3,822,024
Unrestricted	625,950	1,105,859
Total net position	4,892,246	4,927,883
Total liabilities and net position	<u>\$ 4,904,404</u>	<u>\$ 5,538,667</u>

East Union Hospital Service District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Rent revenue	\$ 28,944	\$ 28,567
Total operating revenues	<u>28,944</u>	<u>28,567</u>
Operating Expenses		
Supplies and other	74,114	126,119
Depreciation and amortization	<u>514,827</u>	<u>495,146</u>
Total operating expenses	<u>588,941</u>	<u>621,265</u>
Operating Loss	<u>(559,997)</u>	<u>(592,698)</u>
Nonoperating Revenues (Expenses)		
Property taxes	703,292	694,249
Interest income	476	1,010
Grants	<u>(179,408)</u>	<u>(86,459)</u>
Total nonoperating revenues, net	<u>524,360</u>	<u>608,800</u>
Increase (Decrease) in Net Position	(35,637)	16,102
Net Position, Beginning of Year	<u>4,927,883</u>	<u>4,911,781</u>
Net Position, End of Year	<u><u>\$ 4,892,246</u></u>	<u><u>\$ 4,927,883</u></u>

East Union Hospital Service District
Statements of Cash Flows
Years Ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Payments to suppliers and contractors	\$ (125,589)	\$ (63,927)
Rental revenue receipts	<u>28,944</u>	<u>28,567</u>
Net cash used in operating activities	<u>(96,645)</u>	<u>(35,360)</u>
Noncapital Financing Activities		
Property taxes supporting operations	697,352	691,723
Grant payments made	<u>(248,461)</u>	<u>(17,406)</u>
Net cash provided by noncapital financing activities	<u>448,891</u>	<u>674,317</u>
Capital and Related Financing Activities		
Purchase of capital assets	<u>(959,099)</u>	<u>(33,750)</u>
Net cash used in capital and related financing activities	<u>(959,099)</u>	<u>(33,750)</u>
Investing Activities		
Interest received on bank deposits	<u>476</u>	<u>1,010</u>
Net cash provided by investing activities	<u>476</u>	<u>1,010</u>
Increase (Decrease) in Cash	(606,377)	606,217
Cash, Beginning of Year	<u>1,219,011</u>	<u>612,794</u>
Cash, End of Year	<u><u>\$ 612,634</u></u>	<u><u>\$ 1,219,011</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (559,997)	\$ (592,698)
Depreciation and amortization	514,827	495,146
Changes in operating liabilities		
Accounts payable	<u>(51,475)</u>	<u>62,192</u>
Net cash used in operating activities	<u><u>\$ (96,645)</u></u>	<u><u>\$ (35,360)</u></u>
Supplemental Cash Flows Information		
Capital asset purchases in accounts payable	\$ -	\$ 478,098
Grant expenditures included in accounts payable	\$ -	\$ 69,053

East Union Hospital Service District

Notes to Financial Statements

March 31, 2021 and 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

East Union Hospital Service District (the District) was created by an ordinance of the Union Parish Police Jury on June 8, 1971. The District is a political subdivision in the state of Louisiana. The District's commissioners are appointed by the Union Parish Police Jury.

Since December 1, 1983, when the District discontinued operating Union General Hospital, Inc. (the Hospital), its operations consist of administration of the facilities through a cooperative endeavor agreement as discussed further in *Note 4*, rental of adjoining physicians' offices, collection and administration of tax receipts.

Basis of Accounting and Presentation

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, nonexchange transactions. Nonexchange transactions that are not program specific, property taxes, investment income and grants made are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

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

Property Taxes

The District levies a property tax on all property subject to taxation in the service district. Millage rates for 2021 and 2020 were 5.56 mills. The purpose of the tax is for constructing, maintaining, improving and operating the District. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District.

East Union Hospital Service District

Notes to Financial Statements

March 31, 2021 and 2020

Property taxes are levied by the District no later than November 15 of each year based on the preceding January 1 assessed property values. To secure payment, an enforceable lien attaches to the property on January 1, when the value is assessed. Property taxes become due and payable when levied between September 15 and November 15. This is the date on which an enforceable legal claim arises and the District records a receivable for the property tax assessment, less an allowance for uncollectible taxes. Property taxes are considered delinquent after December 31.

The District received substantially all of its financial support from property taxes in 2021 and 2020. These funds were used to support operations and support provided to the Hospital.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; and natural disasters. 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.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Assets over \$5,000 and a three-year useful life are capitalized under the District's capitalization policy. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the District:

Land improvements	5 – 25 years
Buildings and improvements	25 – 40 years
Equipment	3 – 25 years

Capital Asset Impairment

The District evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended March 31, 2021 and 2020.

Net Position

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

East Union Hospital Service District

Notes to Financial Statements

March 31, 2021 and 2020

Income Taxes

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

Operating Revenues and Expenses

The statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with rental and maintenance of the Hospital facility, the District's principal activity. Nonexchange revenues, including taxes, grants made and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to maintain the facility in accordance with agreements, other than financing costs.

Note 2: Deposits

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

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Louisiana; bonds of any city, county, school district or special road district of the state of Louisiana; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At March 31, 2021 and 2020, none of the District's bank balances of \$613,099 and \$1,220,672, respectively, were exposed to custodial credit risk.

East Union Hospital Service District
Notes to Financial Statements
March 31, 2021 and 2020

Note 3: Capital Assets

Capital assets activity for the years ended March 31 was:

2021					
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 115,554	\$ -	\$ -	\$ -	\$ 115,554
Land improvements	193,621	-	-	-	193,621
Buildings and improvements	6,941,349	286,613	-	319,250	7,547,212
Equipment	3,660,431	22,493	-	99,168	3,782,092
Construction in progress	463,416	171,895	-	(418,418)	216,893
	<u>11,374,371</u>	<u>481,001</u>	<u>-</u>	<u>-</u>	<u>11,855,372</u>
Less accumulated depreciation					
Land improvements	107,916	16,179	-	-	124,095
Buildings and improvements	3,682,158	304,820	-	-	3,986,978
Equipment	3,284,175	193,828	-	-	3,478,003
	<u>7,074,249</u>	<u>514,827</u>	<u>-</u>	<u>-</u>	<u>7,589,076</u>
Capital assets, net	<u>\$ 4,300,122</u>	<u>\$ (33,826)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,266,296</u>
2020					
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 115,554	\$ -	\$ -	\$ -	\$ 115,554
Land improvements	150,121	-	-	43,500	193,621
Buildings and improvements	6,880,114	61,235	-	-	6,941,349
Equipment	3,445,370	33,197	-	181,864	3,660,431
Construction in progress	271,364	417,416	-	(225,364)	463,416
	<u>10,862,523</u>	<u>511,848</u>	<u>-</u>	<u>-</u>	<u>11,374,371</u>
Less accumulated depreciation					
Land improvements	94,909	13,007	-	-	107,916
Buildings and improvements	3,390,865	291,293	-	-	3,682,158
Equipment	3,093,329	190,846	-	-	3,284,175
	<u>6,579,103</u>	<u>495,146</u>	<u>-</u>	<u>-</u>	<u>7,074,249</u>
Capital assets, net	<u>\$ 4,283,420</u>	<u>\$ 16,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,300,122</u>

East Union Hospital Service District
Notes to Financial Statements
March 31, 2021 and 2020

Note 4: Operating Agreements

On November 22, 1983, the District entered into a cooperative endeavor agreement with a newly formed nonprofit corporation named “Union General Hospital, Inc.” The agreement states the Hospital would operate the District’s hospital facility known as Union General Hospital in Farmerville, Louisiana, as well as all related moveable property. The Hospital is a Louisiana nonprofit corporation, which has received exemption from income taxes as an organization described under section 501(c)(3) of the IRC.

The agreement, dated September 8, 2010, had a “primary term” beginning September 8, 2010, and continuing until March 31, 2019. Thereafter, the agreement automatically renewed for an additional ten-year term renewal through March 31, 2029 with the same terms and conditions. The Hospital has agreed to maintain, at its expense, certain insurance, capital additions, and make necessary and proper repairs.

The District provided grants to the Hospital of \$179,408 and \$86,459 for the years ended March 31, 2021 and 2020, respectively.

At March 31, 2020, the District owed the Hospital \$592,624 for capital acquisitions, repair and maintenance reimbursements and grants incurred in fiscal year 2020 but not paid until fiscal year 2021, which are included in accounts payable. No amounts were payable from the District to the Hospital at March 31, 2021.

Supplementary Information

East Union Hospital Service District
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
Year Ended March 31, 2021

The District does not employ a Chief Executive Officer and no compensation, benefits or other payments were made during the year ending March 31, 2021 to an agency head. Accordingly, there are no amounts to report on the schedule of compensation, benefits and other payments to agency head or chief executive officer in accordance with Louisiana State Legislature (R.S. 24:513(A)(3)).

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of the Financial
Statements Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of Commissioners
East Union Hospital Service District
Farmerville, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of East Union Hospital Service District (the District), which comprise the balance sheet as of March 31, 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of finding and response as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

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

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of finding and response. The District's response was not subjected 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
July 29, 2021

East Union Hospital Service District
Schedule of Finding and Response
Year Ended March 31, 2021

Reference Number	Finding
2021-001	<p>Asset Capitalization</p> <p>Criteria – Generally accepted accounting standards require the capitalization of assets that are used in operations and have initial useful lives extending beyond a single reporting period. The District’s capitalization policy is to capitalize assets over a minimum dollar amount of \$5,000 with a useful life of three years or more. Accounting standards also require the depreciation of capital assets over their assigned useful life.</p> <p>Condition – The District improperly recorded all capital asset additions in 2021 as an expense and did not record an estimate for depreciation expense in 2021. Audit adjustments were proposed to properly state construction in progress, capital assets and related depreciation expense.</p> <p>Context – A formal review was not performed resulting in inaccurate financial information.</p> <p>Effect – Material misstatements in the financial statements and accompanying notes could occur and not be prevented or detected by the District’s internal control structure.</p> <p>Cause – This is largely due to the staff and resource limitations.</p> <p>Recommendation – We suggest the District review monthly and year-end closing procedures to ensure that accurate and relevant information is reflected in the financial statements.</p> <p>Views of responsible officials and planned corrective actions – The District acknowledges the limitations of the existing staffing levels and as a result will review current procedures to ensure the proper reporting of capital assets and related depreciation expense.</p>

East Union Hospital Service District
Summary Schedule of Prior Year Audit Finding
Year Ended March 31, 2021

Reference Number	Finding
2020-001	<p>Asset Capitalization</p> <p>Criteria – Generally accepted accounting standards require the capitalization of assets that are used in operations and have initial useful lives extending beyond a single reporting period. The District’s capitalization policy is to capitalize assets over a minimum dollar amount of \$5,000 with a useful life of three years or more. Accounting standards also require the depreciation of capital assets over their assigned useful life.</p> <p>Condition – The District improperly recorded all capital asset additions in 2020 as an expense and did not record an estimate for depreciation expense in 2020. Audit adjustments were proposed to properly state construction in progress, capital assets and related depreciation expense.</p> <p>Context – A formal review was not performed resulting in inaccurate financial information.</p> <p>Effect – Material misstatements in the financial statements and accompanying notes could occur and not be prevented or detected by the District’s internal control structure.</p> <p>Cause – This is largely due to the staff and resource limitations.</p> <p>Recommendation – We suggest the District review monthly and year-end closing procedures to ensure that accurate and relevant information is reflected in the financial statements.</p> <p>Views of responsible officials and planned corrective actions – The District acknowledges the limitations of the existing staffing levels and as a result will review current procedures to ensure the proper reporting of capital assets and related depreciation expense.</p>

Board of Commissioners
East Union Hospital Service District
Farmerville, Louisiana

As part of our audit of the financial statements of East Union Hospital Service District (the District) as of and for the year ended March 31, 2021, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under 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

An audit performed 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 is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The District's significant accounting policies are described in *Note 1* of the audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

No matters are reportable.

Financial Statement Disclosures

No matters are reportable.

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Areas in which adjustments were proposed include:

- Property tax receivable and related revenue
- Capital assets and related depreciation and other expense

Auditor's Judgments About the Quality of the District's Accounting Principles

No matters are reportable.

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (*attached*)

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the District as of and for the year ended March 31, 2021, 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, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matters that we consider to be a deficiency or material weakness.

Material Weakness

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

Deficiency

Segregation of Duties

Management is responsible for establishing and maintaining effective internal controls over financial reporting. When designing an internal control structure, conflicts in the segregation of duties among different accounting functions should be limited. Generally, access; monitoring and recording responsibilities should be assigned to different individuals. In instances where these duties are not segregated, potential internal control weaknesses exist. We identified the following matter where conflicts exist.

The administrative assistant has access to cash receipts and has responsibility to record the receipts as well as reconcile the bank statement. When individuals have the ability to access payments received, responsibility to record the deposits, and responsibility to reconcile the bank accounts, there is generally a risk of misappropriation. While the financials are reviewed at board meetings, there are no procedures in place to catch checks received but not deposited. We recommend management evaluate the cash receipt process and consider adding additional oversight procedures to mitigate this risk.

OTHER MATTERS

GASB Statement No. 87, *Leases* (GASB 87)

GASB 87 provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

GASB 87 is effective for the District's fiscal year ending March 31, 2023. Earlier application is encouraged. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun.

This communication is intended solely for the information and use of management, the board of commissioners, others within the District and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

July 29, 2021

Representation of:
East Union Hospital Service District
P.O. Box 941
Farmerville, LA 71241-0941

Provided to:
BKD, LLP
Certified Public Accountants
14241 Dallas Parkway, Suite 1100
Dallas, TX 75254-2961

The undersigned ("We") are providing this letter in connection with BKD's audits of our financial statements as of and for the years ended March 31, 2021 and 2020.

Our representations are current and effective as of the date of BKD's report: July 29, 2021.

Our engagement with BKD is based on our contract for services dated: June 9, 2021.

Our Responsibility and Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to BKD's report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Confirmation of Matters Specific to the Subject Matter of BKD's Report

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
 - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
 - b. Internal control to prevent and detect fraud.
3. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We

acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

4. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of meetings of the governing body held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
 - e. All significant contracts and grants.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
 - a. Misappropriation of assets.
 - b. Misrepresented or misstated assets, deferred outflows of resources, liabilities, deferred inflows of resources, or net position.
7. We have no knowledge of any known or suspected fraudulent financial reporting or misappropriation of assets involving:
 - a. Management or employees who have significant roles in internal control, or
 - b. Others, where activities of others could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, customers, regulators, suppliers, or others.
9. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.
10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

We understand that the term related party refers to an affiliate, management and members of their immediate families, component units, and any other party with which the entity may deal if the

entity can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

11. Except as reflected in the financial statements, there are no:

- a. Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
- b. Material transactions omitted or improperly recorded in the financial records.
- c. Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
- d. Events occurring subsequent to the statement of net position date through the date of this letter requiring adjustment or disclosure in the financial statements.
- e. Agreements to purchase assets previously sold.
- f. Restrictions on cash balances or compensating balance agreements.
- g. Guarantees, whether written or oral, under which the entity is contingently liable.

12. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

13. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

14. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

15. Adequate provisions and allowances have been accrued for any material losses from:

- a. Uncollectible receivables.
- b. Reducing obsolete or excess inventories to estimated net realizable value.
- c. Sales commitments, including those unable to be fulfilled.
- d. Purchase commitments in excess of normal requirements or above prevailing market prices.

16. Except as disclosed in the financial statements, the entity has:

- a. Satisfactory title to all recorded assets, and they are not subject to any liens, pledges, or other encumbrances.

- b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
- 17. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of net position date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 18. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
- 19. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
- 20. With respect to any nonattest services you have provided us during the year, including drafting the financial statements and maintaining capital asset schedules:
 - a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
 - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - d. We have evaluated the adequacy of the services performed and any findings that resulted.
- 21. With regard to deposit and investment activities:
 - a. All deposit, repurchase and reverse repurchase agreements, and investment transactions have been made in accordance with legal and contractual requirements.
 - b. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - c. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
- 22. As an entity subject to Government Auditing Standards:
 - a. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.

- b. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
- c. We have identified and disclosed to you any violations or possible violations of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
- d. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
- e. We have a process to track the status of audit findings and recommendations.
- f. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.
- g. We have provided our views on any findings, conclusions, and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with Government Auditing Standards.

23. With regard to supplementary information:

- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
- b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
- c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
- e. If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.

24. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, has been omitted from the report at our request and we acknowledge our responsibility for the exclusion of the information.

Alice Bailey 7.29.21
Alice Bailey, Board Chair

Faye Alexander
Faye Alexander, Administrative Assistant