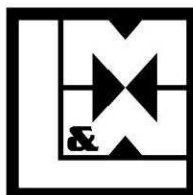


ABBEVILLE GENERAL HOSPITAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
  
FOR THE YEARS ENDED  
DECEMBER 31, 2020, 2019, AND 2018



**LESTER, MILLER & WELLS**  
*A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*

HOSPITAL SERVICE DISTRICT NO. 2  
OF THE PARISH OF VERMILION, STATE OF LOUISIANA  
d/b/a ABBEVILLE GENERAL HOSPITAL  
HOSPITAL ENTERPRISE FUND  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

TABLE OF CONTENTS

	<u>Page No.</u>
Management's Discussion and Analysis .....	i-ix
Independent Auditors' Report on the Financial Statements and Supplementary Information.....	1-3
 Financial Statements	
Statements of Net Position .....	4
Statements of Revenues, Expenses and Changes in Net Position.....	5
Statements of Cash Flows .....	6-7
Notes to Financial Statements .....	8-26
 Supplementary Information	
Schedules of Net Patient Service Revenues .....	28-31
Schedules of Other Operating Revenues .....	32
Schedules of Operating Expenses.....	33-35
Schedule of Compensation Paid to Board Members .....	36
Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer.....	37
Schedule of Insurance Policies.....	38
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 <i>Government Auditing Standards</i> .....	39-40
Auditors' Schedule of Findings and Questioned Costs.....	41-42

Abbeville General Hospital  
Abbeville, Louisiana

Management's Discussion and Analysis

Our discussion and analysis of Abbeville General Hospital's (Hospital's) financial performance provides an overview of the Hospital's financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the Hospital's financial statements, which begin on page 4.

**Financial Highlights**

- The Hospital's total assets increased by approximately \$16,713,000 or roughly 34.7%. The Hospital's total liabilities increased by approximately \$12,894,000 or roughly 117.6%. The increase in the Hospital's total assets and liabilities is largely related to additional funding made available in the wake of the COVID-19 pandemic including Provider Relief Funds of \$6,317,879, Medicare Advance Payments of \$4,893,997, and an SBA Loan of \$4,836,593. The Hospital paid back the Medicare Advance Payments in March of 2021 and received forgiveness for the full amount of the SBA Loan in June of 2021.
- During the year, the Hospital's net operating loss increased by approximately \$1,243,000 due to an increase in Operating Expenses. Expenses were up 2.7% or approximately \$1,487,000. The Hospital had a net operating loss of \$2,212,095.

**Using This Annual Report**

The Hospital's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

**The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position**

Our analysis of the Hospital finances begins on page 4. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received and paid.

These two statements report the Hospital's net position and changes in them. You can think of the Hospital's net position – the difference between assets and liabilities – as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measure of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

**The Statement of Cash Flows**

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Abbeville General Hospital  
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

**The Hospital's Net Position**

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheet on page 4. The Hospital's net position increased in 2020 by \$3,819,378, while it increased by \$1,796,757 (5.1% in 2019) and increased by \$1,464,792 (4.3% in 2018), as indicated in **Table 1**.

**Table 1: Assets, Liabilities and Net Assets**

		December 31		
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Current Assets	\$ 34,304,935	\$ 17,620,309	\$ 16,455,641	\$ 17,448,896
Nondepreciable Capital Assets	1,552,486	1,327,977	9,012,163	4,066,818
Depreciable Capital Assets – Net	26,224,198	26,851,815	19,028,331	20,211,086
Other Assets, Including Board - Designated Investments	<u>2,762,788</u>	<u>2,331,362</u>	<u>3,137,613</u>	<u>6,471,565</u>
Total Assets	<u>\$ 64,844,407</u>	<u>\$ 48,131,463</u>	<u>\$ 47,633,748</u>	<u>\$ 48,198,365</u>
Current Liabilities	\$ 13,095,997	\$ 5,153,570	\$ 5,717,424	\$ 7,033,822
Long-term Liabilities	<u>10,763,432</u>	<u>5,812,293</u>	<u>6,547,481</u>	<u>7,260,492</u>
Total Liabilities	23,859,429	10,965,863	12,264,905	14,294,314
Net Position	<u>40,984,978</u>	<u>37,165,600</u>	<u>35,368,843</u>	<u>33,904,051</u>
Total Liabilities and Net Position	<u>\$ 64,844,407</u>	<u>\$ 48,131,463</u>	<u>\$ 47,633,748</u>	<u>\$ 48,198,365</u>

A significant component of the change in the Hospital's current assets is the increase in cash, accounts receivable and other receivables. During the latter part of fiscal year 2017, the Hospital converted to a new electronic health records system, which delayed the process of claims. In fiscal year 2017, other receivables increased by roughly \$2,105,000, while cash increased by \$1,315,304. Since 2017, the Hospital improved its collections of accounts receivable. This resulted in a decrease in accounts receivable of approximately \$982,000, \$1,182,000 and \$566,000 in fiscal year 2020, 2019 and 2018, respectively. Cash decreased roughly \$567,000 in 2018 due to funding of construction projects and subsequently increased by \$2,410,000 in 2019 due to completion of said construction projects and the retirement of short-term investments of \$465,000. In fiscal year 2020, cash increased by \$14,833,000 due to the receipt of Medicare Advance Payments of \$4,894,000, Provider Relief Funds of \$6,318,000, and an SBA Loan of \$4,837,000. The Hospital paid back the Medicare Advance Payments in March of 2021 and received forgiveness for the full amount of the SBA Loan in June of 2021.



Abbeville General Hospital  
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

**Revenues, Expenses and Changes in the Hospital's Net Position**

The following table presents a summary of the Hospital's revenues, expenses and changes in net position for the fiscal years ended December 31, 2020, 2019, 2018 and 2017.

**Table 2: Revenues, Expenses and Changes in Net Position**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues:				
Net Patient Svc Revenue	\$ 46,969,369	\$ 46,789,340	\$ 42,551,877	\$ 42,325,311
Other Revenue	6,896,486	6,832,489	5,818,820	5,843,949
Total Revenues	<u>53,865,855</u>	<u>53,621,829</u>	<u>48,370,697</u>	<u>48,169,260</u>
Expenses:				
Salaries & Benefits	32,817,028	31,527,959	29,448,030	27,481,355
Medical Supplies	6,192,015	6,616,308	6,415,644	5,596,863
Professional Fees	4,438,068	3,614,086	3,856,869	2,931,596
Other Operating Expense	9,618,504	9,922,442	9,447,075	8,908,969
Depr & Amort	3,012,335	2,910,218	2,566,437	1,950,116
Total Operating Expense	<u>56,077,950</u>	<u>54,591,013</u>	<u>51,734,055</u>	<u>46,868,899</u>
Net Operating Income (Loss)	<u>(2,212,095)</u>	<u>(969,184)</u>	<u>(3,363,358)</u>	<u>1,300,361</u>
Investment Income	64,237	30,049	23,268	24,988
Interest Expense	(173,872)	(207,565)	(118,923)	(114,947)
Gain (Loss) on Disposal of Assets	-0-	(7,048)	(5,014)	-0-
Sales Tax Revenue	3,139,386	2,895,178	2,942,513	2,743,413
Provider Relief Funds	2,900,171	-0-	-0-	-0-
Capital Grants	<u>101,551</u>	<u>55,327</u>	<u>1,986,306</u>	<u>1,492,078</u>
Changes in Net Position	3,819,378	1,796,757	1,464,792	5,445,893
Net Position – Beginning of Year	<u>37,165,600</u>	<u>35,368,843</u>	<u>33,904,051</u>	<u>28,458,158</u>
Net Position – End of Year	<u>\$ 40,984,978</u>	<u>\$ 37,165,600</u>	<u>\$ 35,368,843</u>	<u>\$ 33,904,051</u>

Abbeville General Hospital  
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

**Operating Income**

The first component of the overall change in the Hospital's net position is its operating income (loss) -- generally, the difference between net patient service revenue and other revenue, and the expenses incurred to perform those services. The Hospital reported a positive operating income for 2017 and a negative operating income for each year thereafter. In each of the past three years, operating revenues have increased in large part due to the net patient revenue and grant revenue increases. Operating revenue for 2020 increased by \$244,026 compared to an increase of \$5,251,132 or 10.9% in 2019 and an increase of \$201,437 or 0.4% in 2018. Lost revenues attributable to COVID-19 for 2020 are estimated to be approximately \$2,128,000 and will be reimbursed through the Provider Relief Funds.

Over the past several years the Hospital industry has experienced the trend of inpatient services shifting towards outpatient. This trend is attributed to advances in medicine and the changes in third-party payors requiring more stringent criteria for inpatient admissions and length of stay. Such increases have occurred in the operating room, radiology, laboratory, oncology, and rural health clinics. However, in 2020, the Hospital experienced an increase in acute inpatient services and a decrease in inpatient psychiatric services as seen in **Table 5**. Additionally, the Hospital's outpatient volume decreased due to the COVID-19 pandemic.

Total salaries and benefits expense increased \$1,289,069 or 4.1% in 2020, \$2,079,929 or 7.1% in 2019, and \$1,966,675 or 7.2% in 2018. Total salaries and benefits have increased over the past three years. As a percentage of net patient service revenue, salary and benefit expense was approximately 69.9%, 67.4% and 69.2% for the fiscal years ended December 2020, 2019 and 2018, respectively. The Hospital employs various physicians. The total salaries of physicians are \$3,465,706, \$3,101,237 and \$2,520,341 for 2020, 2019 and 2018, respectively.

The rate of health care inflation has a direct effect on the cost of services provided by the Hospital. A component of the Hospital's costs is expenses for medical and professional services. In 2020, medical and professional services costs totaled \$4.4 million or 7.9% of total expenses and an increase of 22.8% over 2019. In 2019, they totaled \$3.6 million or 6.6% of total expenses and a decrease of 6.3% over 2018.

**Source of Revenue**

During fiscal year 2020, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and 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. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes operating grants, sales tax support, cafeteria sales, rental income and other miscellaneous services.

**Table 3** presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2020, 2019, 2018 and 2017. As more individuals chose Medicare Advantage HMO over Traditional Medicare, the Medicare payor mix has decreased while commercial has increased.

Abbeville General Hospital  
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

**Source of Revenue (continued)**

**Table 3: Payor Mix by Percentage**

	Year-end December 31			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Medicare	32.6%	35.6%	38.2%	38.0%
Medicaid	36.6%	35.1%	35.2%	37.3%
Blue Cross Blue Shield	11.7%	10.9%	10.7%	10.7%
Commercial Insurance	16.1%	14.8%	11.8%	8.2%
Self-Pay and Other	<u>3.0%</u>	<u>3.6%</u>	<u>4.1%</u>	<u>5.8%</u>
Total Patient Revenues	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**Other Revenue**

Other revenue includes operating grants, cafeteria sales, rental income and other miscellaneous services. Other revenue increased by \$63,997 or 0.9%.

**Table 4: Other Revenue**

	Year-end December 31			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Other Revenue:				
Cafeteria Sales	\$ 190,167	\$ 320,306	\$ 304,308	\$ 300,233
Joint Venture Revenue	-0-	-0-	(4,911)	-0-
Vending Machine Commission	12,065	12,400	12,677	12,242
Grants	3,445,694	5,074,037	5,279,340	5,336,630
Physician Office Rentals	122,877	133,028	112,275	85,820
Medical Records Abstract Fees	7,113	7,619	10,167	9,824
Managed Care Incentive Payments	2,496,084	1,109,768	-0-	-0-
340B Revenue	589,726	137,772	52,652	14,363
Other	<u>32,760</u>	<u>37,559</u>	<u>52,312</u>	<u>84,837</u>
Total Other Revenue	<u>\$ 6,896,486</u>	<u>\$ 6,832,489</u>	<u>\$ 5,818,820</u>	<u>\$ 5,843,949</u>

**Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of sales tax revenue, capital grants, and interest income. The capital grant of \$101,551 was a portion of the GOSHEP grant which was awarded for the purpose of constructing a dual-purpose safe room. The dual-purpose safe room is now the new inpatient psychiatric facility. However, during a hurricane it will be utilized as a safe shelter for essential Hospital personnel and emergency first responders. Investment income increased 113.7% to \$64,237 in fiscal year 2020 from \$30,049 in 2019.

Abbeville General Hospital  
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

**Nonoperating Revenues and Expenses (continued)**

In 2008, voters of the District passed a half cent sales tax in perpetuity. Sales tax revenue increased 8.4% to \$3,139,386 in fiscal year 2020 from \$2,895,178 in 2019. In 2020, the Hospital received \$6,317,879 in Provider Relief Funds to prevent, prepare for and respond to the coronavirus. During 2020, the Hospital recognized \$2,900,171 of Provider Relief Funds as nonoperating revenues.

**Operating and Financial Performance**

Overall, activity at the Hospital, as measured by admissions of adults, pediatrics, and newborns, increased by 12.0% to 1,705 admissions in 2020 from 1,522 admissions in 2019. Patient days increased 8.5% from 5,349 in fiscal year 2019 to 5,802 in fiscal year 2020, and decreased 5.5% from fiscal year 2018 to 2019. The average length of stay for acute care patients (excluding newborns) decreased 2.6% from 2019 to 2020.

**Table 5: Patient and Hospital Statistical Data**

	Year-end December 31			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Admissions:				
Adult and Pediatric	1,467	1,318	1,234	1,403
Newborn	238	204	233	255
BMC	553	582	519	531
Patient Days:				
Adult and Pediatric	5,469	5,054	5,309	5,685
BMC	4,371	4,822	5,059	5,101
Medicare (Included in Adult & Pediatric)	2,322	2,573	2,971	3,057
Medicaid (Included in Adult & Pediatric)	74	65	103	103
Medicaid Managed Care	1,888	1,454	1,516	1,556
Newborn	333	295	352	476
Operating Room Procedures	2,061	2,086	1,876	2,028
Emergency Room Visits	14,697	18,731	18,935	20,468
Average Daily Census (Excluding Newborn):				
Adult and Pediatric	14.94	13.85	14.55	15.58
BMC	11.94	13.21	13.86	13.98
Average Length of Stay (Excluding Newborn):				
All Acute Care Patients	3.73	3.83	4.30	4.05
Medicare Patients	4.78	4.62	5.12	5.01
Medicaid and Managed Care Patients	2.58	2.77	2.97	2.88
Percentage of Acute-Care Patient Days:				
Medicare	42.46%	50.91%	55.96%	53.77%
Medicaid	35.87%	30.06%	30.50%	29.18%
Full-Time Equivalents (FTE's)	434	444	437	425

Abbeville General Hospital  
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

**Operating and Financial Performance (continued)**

Allowances decreased over prior year as described in the table below:

**Table 6: Allowance Summary**

		Year-end December 31			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	
Allowances:					
Medicare Contractual Allowances	\$ 33,532,923	\$ 40,769,961	\$ 40,943,434	\$ 38,281,367	
Medicaid Contractual Allowances	32,068,378	35,895,441	34,877,349	30,219,426	
Blue Cross, Louisiana State Employees, and other Contractual Allowances	27,188,477	26,345,190	21,814,951	23,265,932	
Provision for Bad Debt	4,675,422	6,099,166	4,139,538	5,030,318	
Other Adjustments	1,827,429	1,896,945	556,040	804,685	
Charity Care	<u>400,669</u>	<u>208,538</u>	<u>648,294</u>	<u>1,363,469</u>	
Total Allowances	<u>\$ 99,693,298</u>	<u>\$ 111,215,241</u>	<u>\$ 102,979,606</u>	<u>\$ 98,965,197</u>	

The Hospital experienced an increase in accounts receivable collection efforts as days of revenue in accounts receivable decreased from 44 days in 2019 to 37 days in 2020. The days of revenue in accounts receivable for 2018 was 59 days. Excluded from net patient service revenue are charges forgone for patient services falling under the Hospital's charity care policy. Based on established rates, gross charges of \$400,669 were forgone during 2020, compared to \$208,538 in 2019, and \$648,294 in 2018.

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of 2020, the Hospital had \$27.8 million invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2020, the Hospital purchased capital assets costing \$2,609,227. Of this, \$849,000 (32.5%) was the acquisition of new equipment and building repairs as can be seen in **Table 8**.



Abbeville General Hospital  
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

**Capital Asset and Debt Administration (continued)**

**Table 7: Capital Assets**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Nondepreciable Capital Assets				
Land	\$ 875,780	\$ 875,780	\$ 875,780	\$ 875,780
Construction in Progress	676,706	452,197	8,136,383	3,191,038
Total Nondepreciable Capital Assets	<u>\$ 1,552,486</u>	<u>\$ 1,327,977</u>	<u>\$ 9,012,163</u>	<u>\$ 4,066,818</u>
Depreciable Capital Assets				
Land Improvements	\$ 1,572,866	\$ 1,311,043	\$ 1,078,939	\$ 1,070,509
Building & Equipment	66,700,546	64,801,100	54,987,842	53,902,276
Intangibles	3,213,222	3,213,222	3,213,222	3,203,283
Subtotal	71,486,634	69,325,365	59,280,003	58,176,068
Less Accumulated Depr. & Amort.	45,262,436	42,473,550	40,251,672	37,964,982
Total Depreciable Capital Assets, net	<u>\$ 26,224,198</u>	<u>\$ 26,851,815</u>	<u>\$ 19,028,331</u>	<u>\$ 20,211,086</u>

**Table 8: Major Purchases Over \$100,000 During 2020**

<u>Capital Investment</u>	<u>2020 Cost</u>
CT Scan Suite (under construction)	336,000
Parking lot resurfacing	227,000
Pharmacy renovation	286,000

**Debt**

At year-end, the Hospital had \$10,648,885 in short-term and long-term debt including \$5,812,292 of Revenue and Sales Tax Bonds and an SBA Loan of \$4,836,593. The SBA Loan was forgiven in full in June of 2021. Long-term debt increased by \$4,101,000 in 2020 compared to a decrease of \$713,000 in fiscal year 2019. More detailed information about the Hospital's long-term liabilities is presented in the Note 8 to basic financial statements. Total debt outstanding represents approximately 16.4% of the Hospital's total assets at December 31, 2020 versus prior years of 13.6% and 15.2% respectfully. Other long-term liabilities for fiscal year 2020 include the long-term portion of Medicare Advance Payments totaling \$3,257,227. The Medicare Advance Payments, including the current portion, were repaid in March of 2021 in the amount of \$4,893,997.

**Other Economic Factors**

The outbreak of COVID-19 in 2020 may continue to impact the operations of the Hospital. Uncertainties surrounding the pandemic, including the duration of the outbreak and availability of resources, may result in an overall negative economic impact on operations.

Abbeville General Hospital  
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

**Contacting the Hospital's Financial Management**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the 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  
Karlie P. Brister, CPA

Brenda J. Lloyd, CPA  
Timothy J. Deshotel, CPA  
Andrew J. Wynn, CPA  
P. Trae' O'Pry, CPA, CVA

Retired 2015  
Bobby G. Lester, CPA

### Independent Auditors' Report

To the Board of Commissioners  
Hospital Service District No. 2  
Parish of Vermilion, State of Louisiana  
Abbeville, Louisiana

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Hospital Service District No. 2, Parish of Vermilion, State of Louisiana, Abbeville General Hospital (the Hospital), a component unit of the Vermilion Parish Police Jury, as of and for the years ended December 31, 2020, 2019 and 2018, 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 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 auditors' 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 opinions.

Board of Commissioners  
Hospital Service District No. 2  
Parish of Vermilion, State of Louisiana  
Abbeville, Louisiana  
Page Two

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of December 31, 2020, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the financial information of Vermilion Parish Hospital Service District No. 2 and do not purport to, and do not, present fairly the financial position of Vermilion Parish Police Jury as of December 31, 2020, 2019 and 2018, 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 "ix" 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 response 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 accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.



Board of Commissioners  
Hospital Service District No. 2  
Parish of Vermilion, State of Louisiana  
Abbeville, Louisiana  
Page Three

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2021, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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

August 10, 2021



ABBEVILLE GENERAL HOSPITAL  
STATEMENTS OF NET POSITION  
DECEMBER 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents (Note 3)	\$ 19,041,497	\$ 4,208,543	\$ 1,798,074
Certificates of deposit	-0-	-0-	464,630
Limited use assets (Note 6)	2,001	3,752	8,583
Accounts receivable, net of allowances for uncollectibles (Note 4)	4,697,530	5,679,816	6,862,090
Estimated third-party payor settlements	4,728,517	2,288,475	1,007,728
Other receivables	4,300,520	3,927,171	5,048,314
Inventories	1,070,662	986,300	937,118
Prepaid expenses	464,208	526,252	329,104
<b>Total Current Assets</b>	<u>34,304,935</u>	<u>17,620,309</u>	<u>16,455,641</u>
<b>Non-Current Assets</b>			
Nondepreciable capital assets (Note 5)	1,552,486	1,327,977	9,012,163
Depreciable capital assets, net (Note 5)	26,224,198	26,851,815	19,028,331
Limited use assets (Note 6)	2,671,909	2,240,483	2,810,113
Other	90,879	90,879	327,500
<b>Total Assets</b>	<u>\$ 64,844,407</u>	<u>\$ 48,131,463</u>	<u>\$ 47,633,748</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 1,451,183	\$ 1,547,044	\$ 1,672,693
Accrued salary and payroll taxes	968,719	778,678	571,230
Accrued vacation payable (Note 7)	1,486,950	1,218,872	1,230,831
Estimated third-party payor settlements	35,180	4,795	610,329
Accrued retirement	923,552	831,475	877,708
Other liabilities	33,255	37,518	41,622
Unearned revenue	3,417,708	-0-	-0-
Medicare advance payments	1,636,770	-0-	-0-
Current portion of long-term debt (Note 8)	3,142,680	735,188	713,011
<b>Total Current Liabilities</b>	<u>13,095,997</u>	<u>5,153,570</u>	<u>5,717,424</u>
<b>Long-term Liabilities</b>			
Medicare advance payments	3,257,227	-0-	-0-
Long-term debt (Note 8)	7,506,205	5,812,293	6,547,481
<b>Total Liabilities</b>	<u>23,859,429</u>	<u>10,965,863</u>	<u>12,264,905</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	17,127,799	21,632,311	20,780,002
Restricted: sales tax proceeds	1,231,717	841,783	865,342
Restricted: sinking funds	384,342	365,248	345,724
Restricted: bond proceeds	6,715	6,883	722,946
Unrestricted	22,234,405	14,319,375	12,654,829
<b>Total Net Position</b>	<u>40,984,978</u>	<u>37,165,600</u>	<u>35,368,843</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 64,844,407</u>	<u>\$ 48,131,463</u>	<u>\$ 47,633,748</u>

See accompanying notes to financial statements.



ABBEVILLE GENERAL HOSPITAL  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues			
Net patient service revenues (Note 9)	\$ 46,969,369	\$ 46,789,340	\$ 42,551,877
Grants	46,617	63,242	21,297
Intergovernmental transfer grants	3,399,077	5,010,795	5,258,043
Other operating revenues	<u>3,450,792</u>	<u>1,758,452</u>	<u>539,480</u>
Total Revenues	<u>53,865,855</u>	<u>53,621,829</u>	<u>48,370,697</u>
Expenses			
Salaries	27,709,143	26,428,790	24,629,781
Benefits and payroll taxes	5,107,885	5,099,169	4,818,249
Supplies and drugs	6,192,015	6,616,308	6,415,644
Professional fees	4,438,068	3,614,086	3,856,869
Other expenses	8,593,837	8,909,016	8,474,260
Insurance	1,024,667	1,013,426	972,815
Depreciation and amortization	<u>3,012,335</u>	<u>2,910,218</u>	<u>2,566,437</u>
Total Expenses	<u>56,077,950</u>	<u>54,591,013</u>	<u>51,734,055</u>
Operating Income (Loss)	<u>(2,212,095)</u>	<u>(969,184)</u>	<u>(3,363,358)</u>
Nonoperating Revenues (Expenses)			
Sales taxes	3,139,386	2,895,178	2,942,513
Provider relief funds	2,900,171	-0-	-0-
Interest income	64,237	30,049	23,268
Interest expense	(173,872)	(207,565)	(118,923)
Gain (loss) on disposal of assets	<u>-0-</u>	<u>(7,048)</u>	<u>(5,014)</u>
Change in Net Position before Capital Grants	3,717,827	1,741,430	(521,514)
Capital grants	<u>101,551</u>	<u>55,327</u>	<u>1,986,306</u>
Changes in Net Position	3,819,378	1,796,757	1,464,792
Beginning Net Position	<u>37,165,600</u>	<u>35,368,843</u>	<u>33,904,051</u>
Ending Net Position	\$ <u>40,984,978</u>	\$ <u>37,165,600</u>	\$ <u>35,368,843</u>

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 50,435,995	\$ 46,085,333	\$ 42,481,331
Other receipts from operations	6,523,137	7,953,632	6,155,050
Cash payments to employees and for employee-related cost	(32,266,832)	(31,378,703)	(29,400,386)
Cash payments for other operating expenses	<u>(20,371,029)</u>	<u>(20,528,919)</u>	<u>(20,948,783)</u>
Net cash provided (used) by operating activities	<u>4,321,271</u>	<u>2,131,343</u>	<u>(1,712,788)</u>
Cash flows from investing activities:			
Cash distributions / (purchases) from investments	(429,675)	1,039,091	3,418,579
Interest income	<u>64,237</u>	<u>30,049</u>	<u>23,268</u>
Net cash provided (used) by investing activities	<u>(365,438)</u>	<u>1,069,140</u>	<u>3,441,847</u>
Cash flows from non-capital financing activities:			
Proceeds from provider relief funds	6,317,879	-0-	-0-
Proceeds from sales tax collections	3,139,386	2,895,178	2,942,513
Proceeds from long-term debt	<u>4,836,593</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided (used) by non-capital financing activities	<u>14,293,858</u>	<u>2,895,178</u>	<u>2,942,513</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,609,227)	(2,821,870)	(6,367,037)
Principal payments on long-term debt	(735,189)	(713,011)	(690,743)
Interest payments capitalized	-0-	-0-	(81,282)
Proceeds from disposal of assets	-0-	1,927	32,996
Proceeds from capital grants	101,551	55,327	1,986,306
Interest expense	<u>(173,872)</u>	<u>(207,565)</u>	<u>(118,923)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(3,416,737)</u>	\$ <u>(3,685,192)</u>	\$ <u>(5,238,683)</u>

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL  
STATEMENTS OF CASH FLOWS (Continued)  
YEARS ENDED DECEMBER 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net increase (decrease) in cash and cash equivalents	\$ 14,832,954	\$ 2,410,469	\$ (567,111)
Beginning cash and cash equivalents	<u>4,208,543</u>	<u>1,798,074</u>	<u>2,365,185</u>
Ending cash and cash equivalents	\$ <u>19,041,497</u>	\$ <u>4,208,543</u>	\$ <u>1,798,074</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>178,135</u>	\$ <u>211,669</u>	\$ <u>204,641</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (2,212,095)	\$ (969,184)	\$ (3,363,358)
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation and amortization	3,012,335	2,910,218	2,566,437
Changes in current assets (increase) decrease			
Accounts receivable	982,286	1,182,274	565,986
Estimated third-party payor settlements	(2,440,042)	(1,280,747)	(670,635)
Other receivables	(373,349)	1,121,143	336,230
Inventories	(84,362)	(49,182)	40,757
Prepaid expenses	62,044	(197,148)	150,461
Changes in current liabilities increase (decrease)			
Accounts payable	(95,861)	(125,649)	(1,417,102)
Accrued salary and payroll taxes	190,041	207,448	(69,219)
Accrued vacation payable	268,078	(11,959)	30,690
Estimated third-party payor settlements	30,385	(605,534)	34,103
Accrued retirement	92,077	(46,233)	86,173
Other liabilities	(4,263)	(4,104)	(3,311)
Medicare advance payments	<u>4,893,997</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided (used) by operating activities	\$ <u>4,321,271</u>	\$ <u>2,131,343</u>	\$ <u>(1,712,788)</u>

See accompanying notes to financial statements.



ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Vermilion Parish Hospital Service District No. 2 (the Hospital or the District) was created by an ordinance of the Vermilion Parish Police Jury on February 6, 1962.

The District is a political subdivision of the Vermilion Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Vermilion Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Vermilion Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Vermilion 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 District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, skilled nursing (through "swing-beds"), emergency, inpatient acute hospital services, inpatient and outpatient psychiatric services and three rural health clinics.

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 measurement focus.

Cash and Cash Equivalents

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

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

The District provides medical care primarily to Vermilion 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 District has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 9. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

The District 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 made 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 accounts receivable are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expense 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, or market basis.

Income Taxes

The District's income is exempt from taxation.

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Debt and Equity Securities

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

Capital Assets

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

Buildings and Improvements	5 to 40 years
Fixed Equipment	15 to 20 years
Major Movables	3 to 20 years
Intangibles	3 to 8 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 the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal 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 consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted 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 capital assets net of related debt or restricted.

Revenue and Expenses

The Hospital's 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 providing health care services – the Hospital's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Grants and Contributions

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

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 disclosures 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.

Advertising

The District expenses advertising cost as incurred. Advertising expense for the years ended December 31, 2020, 2019, and 2018 totaled \$121,929, \$159,151, and \$92,871, respectively.

Environmental Matters

The District is subject to laws and regulations relating to the protection of the environment. The District'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 District'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 District. At December 31, 2020, 2019, and 2018, management is not aware of any liability resulting from environmental matters.

Reclassifications

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

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. 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.

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 June 15, 2021.

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the Hospital to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the Hospital be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a 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. As of December 31, 2020, 2019 and 2018, the balances reported by financial institutions were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name.

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



ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Carrying amount			
Deposits	\$ 21,437,853	\$ 6,179,613	\$ 4,348,084
Investments	<u>277,554</u>	<u>273,165</u>	<u>733,316</u>
	<u>\$ 21,715,407</u>	<u>\$ 6,452,778</u>	<u>\$ 5,081,400</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 19,041,497	\$ 4,208,543	\$ 1,798,074
Certificates of deposit	-0-	-0-	464,630
Assets whose use is limited - current	2,001	3,752	8,583
Assets whose use is limited - noncurrent	<u>2,671,909</u>	<u>2,240,483</u>	<u>2,810,113</u>
	<u>\$ 21,715,407</u>	<u>\$ 6,452,778</u>	<u>\$ 5,081,400</u>

Account balances according to banks' records at December 31, for the Hospital are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash in Bank	\$ <u>21,660,713</u>	\$ <u>6,388,233</u>	\$ <u>4,985,220</u>
Insured by FDIC	\$ <u>18,370,926</u>	\$ <u>4,916,859</u>	\$ <u>3,718,412</u>
Collateralization by fair market value	\$ <u>3,289,787</u>	\$ <u>1,471,374</u>	\$ <u>1,266,808</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Patient accounts receivable	\$ 8,979,530	\$ 10,969,816	\$ 11,048,090
Estimated allowances for uncollectibles	<u>(4,282,000)</u>	<u>(5,290,000)</u>	<u>(4,186,000)</u>
Net accounts receivable	\$ <u>4,697,530</u>	\$ <u>5,679,816</u>	\$ <u>6,862,090</u>

The following is a summary of the mix of gross receivables from patients and third-party payors at December 31:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Medicare	17%	21%	36%
Medicaid and Medicaid managed care plans	27%	21%	20%
Blue Cross	7%	7%	7%
Commercial and other third-party payors	27%	26%	20%
Patients	<u>22%</u>	<u>25%</u>	<u>17%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>



ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 5 - CAPITAL ASSETS, NET

The following is a summary of capital assets and related accumulated depreciation at December 31:

	<u>2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>2020</u>
Nondepreciable capital assets					
Land	\$ 875,780	\$ -0-	\$ -0-	\$ -0-	\$ 875,780
Construction in progress	<u>452,197</u>	<u>1,089,060</u>	<u>-0-</u>	<u>(864,551)</u>	<u>676,706</u>
Total nondepreciable capital assets	\$ <u>1,327,977</u>	\$ <u>1,089,060</u>	\$ <u>-0-</u>	\$ <u>(864,551)</u>	\$ <u>1,552,486</u>
Depreciable capital assets					
Land improvements	\$ 1,311,043	\$ 15,000	\$ -0-	\$ 246,823	\$ 1,572,866
Buildings	35,653,957	53,409	1,596	613,228	36,318,998
Fixed equipment	9,252,313	115,200	7,561	-0-	9,359,952
Major movables	19,894,830	1,336,558	214,292	4,500	21,021,596
Intangibles	<u>3,213,222</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,213,222</u>
Total depreciable capital assets	69,325,365	1,520,167	223,449	864,551	71,486,634
Accumulated depreciation and amortization	<u>42,473,550</u>	<u>3,012,335</u>	<u>223,449</u>	<u>-0-</u>	<u>45,262,436</u>
Total depreciable capital assets, net	\$ <u>26,851,815</u>	\$ <u>(1,492,168)</u>	\$ <u>-0-</u>	\$ <u>864,551</u>	\$ <u>26,224,198</u>

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 5 - CAPITAL ASSETS, NET (Continued)

	<u>2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>2019</u>
Nondepreciable capital assets					
Land	\$ 875,780	\$ -0-	\$ -0-	\$ -0-	\$ 875,780
Construction in progress	<u>8,136,383</u>	<u>1,394,978</u>	<u>8,975</u>	<u>(9,070,189)</u>	<u>452,197</u>
Total nondepreciable capital assets	\$ <u>9,012,163</u>	\$ <u>1,394,978</u>	\$ <u>8,975</u>	\$ <u>(9,070,189)</u>	\$ <u>1,327,977</u>
Depreciable capital assets					
Land improvements	\$ 1,078,939	\$ 39,263	\$ 4,200	\$ 197,041	\$ 1,311,043
Buildings	28,848,437	292,027	8,714	6,522,207	35,653,957
Fixed equipment	7,149,642	190,122	-0-	1,912,549	9,252,313
Major movables	18,989,763	1,142,101	675,426	438,392	19,894,830
Intangibles	<u>3,213,222</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,213,222</u>
Total depreciable capital assets	59,280,003	1,663,513	688,340	9,070,189	69,325,365
Accumulated depreciation and amortization	<u>40,251,672</u>	<u>2,910,218</u>	<u>688,340</u>	<u>-0-</u>	<u>42,473,550</u>
Total depreciable capital assets, net	\$ <u>19,028,331</u>	\$ <u>(1,246,705)</u>	\$ <u>-0-</u>	\$ <u>9,070,189</u>	\$ <u>26,851,815</u>

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 5 - CAPITAL ASSETS, NET (Continued)

	<u>2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>2018</u>
Nondepreciable capital assets					
Land	\$ 875,780	\$ -0-	\$ -0-	\$ -0-	\$ 875,780
Construction in progress	<u>3,191,038</u>	<u>5,113,013</u>	<u>2,995</u>	<u>(164,673)</u>	<u>8,136,383</u>
Total nondepreciable capital assets	\$ <u>4,066,818</u>	\$ <u>5,113,013</u>	\$ <u>2,995</u>	\$ <u>(164,673)</u>	\$ <u>9,012,163</u>
Depreciable capital assets					
Land improvements	\$ 1,070,509	\$ 8,430	\$ -0-	\$ -0-	\$ 1,078,939
Buildings	28,881,710	29,021	62,294	-0-	28,848,437
Fixed equipment	6,910,780	107,971	2,782	133,673	7,149,642
Major movables	18,109,786	1,098,663	249,686	31,000	18,989,763
Intangibles	<u>3,203,283</u>	<u>9,939</u>	<u>-0-</u>	<u>-0-</u>	<u>3,213,222</u>
Total depreciable capital assets	58,176,068	1,254,024	314,762	164,673	59,280,003
Accumulated depreciation and amortization	<u>37,964,982</u>	<u>2,566,437</u>	<u>279,747</u>	<u>-0-</u>	<u>40,251,672</u>
Total depreciable capital assets, net	\$ <u>20,211,086</u>	\$ <u>(1,312,413)</u>	\$ <u>35,015</u>	\$ <u>164,673</u>	\$ <u>19,028,331</u>

NOTE 6 - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include certificates of deposit set aside by the Board of Commissioners for the following purposes:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>By Third Parties</u>			
Held by ordinance for use of sales tax	\$ 1,231,717	\$ 841,783	\$ 865,342
Sales tax bond proceeds	6,715	6,883	722,946
Sinking fund requirements	384,342	365,248	345,724
Employee benefit trust fund	2,001	3,752	8,583

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 6 - ASSETS WHOSE USE IS LIMITED (Continued)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>By Board</u>			
Capital projects	\$ 281,696	\$ 277,311	\$ 272,914
Retirement funding	767,439	749,258	603,187
Less limited use assets required for current liabilities	<u>(2,001)</u>	<u>(3,752)</u>	<u>(8,583)</u>
Non-current limited use assets	\$ <u>2,671,909</u>	\$ <u>2,240,483</u>	\$ <u>2,810,113</u>

NOTE 7 - COMPENSATED ABSENCES

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$1,486,950, \$1,218,872, and \$1,230,831, of vacation pay at December 31, 2020, 2019 and 2018. 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 District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 8 - LONG-TERM DEBT

A summary of long-term debt, including capital leases, at December 31, follows:

	<u>2019</u>	<u>Additions</u>	<u>Payments</u>	<u>2020</u>	<u>Due Within One Year</u>
Revenue Bond, Series 2009	\$ 1,977,481	\$ -0-	\$ 84,189	\$ 1,893,292	\$ 87,957
Sales Tax Bond, Series 2015	3,175,000	-0-	491,000	2,684,000	506,000
Sales Tax Bond, Series 2017	1,395,000	-0-	160,000	1,235,000	165,000
SBA Loan	<u>-0-</u>	<u>4,836,593</u>	<u>-0-</u>	<u>4,836,593</u>	<u>2,383,723</u>
Total	\$ <u>6,547,481</u>	\$ <u>4,836,593</u>	\$ <u>735,189</u>	\$ <u>10,648,885</u>	\$ <u>3,142,680</u>

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 8 - LONG-TERM DEBT (Continued)

	<u>2018</u>	<u>Additions</u>	<u>Payments</u>	<u>2019</u>	<u>Due Within One Year</u>
Revenue Bond, Series 2009	\$ 2,058,492	\$ -0-	\$ 81,011	\$ 1,977,481	\$ 84,188
Sales Tax Bond, Series 2015	3,652,000	-0-	477,000	3,175,000	491,000
Sales Tax Bond, Series 2017	<u>1,550,000</u>	<u>-0-</u>	<u>155,000</u>	<u>1,395,000</u>	<u>160,000</u>
Total	\$ <u>7,260,492</u>	\$ <u>-0-</u>	\$ <u>713,011</u>	\$ <u>6,547,481</u>	\$ <u>735,188</u>

	<u>2017</u>	<u>Additions</u>	<u>Payments</u>	<u>2018</u>	<u>Due Within One Year</u>
Revenue Bond, Series 2009	\$ 2,136,235	\$ -0-	\$ 77,743	\$ 2,058,492	\$ 81,011
Sales Tax Bond, Series 2015	4,115,000	-0-	463,000	3,652,000	477,000
Sales Tax Bond, Series 2017	<u>1,700,000</u>	<u>-0-</u>	<u>150,000</u>	<u>1,550,000</u>	<u>155,000</u>
Total	\$ <u>7,951,235</u>	\$ <u>-0-</u>	\$ <u>690,743</u>	\$ <u>7,260,492</u>	\$ <u>713,011</u>

The following are the terms and due dates of the Hospital's long-term debt at December 31:

- Revenue Bond, Series 2009 at 4.125% collateralized by pledge and dedication of hospital revenue, with principal and interest payable in monthly installments of \$13,700, starting September 9, 2012, through August 9, 2036.
- Sales Tax Bond, Series 2015 at 2.00% collateralized by the proceeds of sales taxes, with principal payable annually and interest semi-annually, starting March 1, 2016 through September 1, 2025.
- Sales Tax Bond, Series 2017 at 2.24% collateralized by the proceeds of sales taxes, with principal payable annually and interest semi-annually, starting March 1, 2018 through September 1, 2027.
- Paycheck Protection Program loan used to pay for employee payroll expenses. The loan repayment originally commenced seven months after the loan date of April 28, 2020; however, legislation was passed to delay the first payment until August 13, 2021. The Hospital has applied for loan forgiveness through the Small Business Administration. If the loan is not forgiven, then it will be repaid in ten equal installments of \$491,760 including principal and interest at 1%.

The Hospital has covenanted to establish a Reserve Fund and Contingency Fund with required monthly deposits for its Revenue Bond, Series 2009. The required monthly deposits are \$685 to each the Reserve Fund and Contingency Fund. Once the Reserve Fund reaches a balance of \$164,400 the monthly deposits cease and the required monthly deposits for the Contingency Fund will increase to \$1,370.

The Hospital has covenanted to establish a Sinking Fund with required monthly deposits for its Sales Tax Bonds, Series 2015 and 2017. The required monthly deposits are equal to the annual debt service divided by twelve. The debt service is paid through the sinking fund.

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 8 - LONG-TERM DEBT (Continued)

Scheduled principal and interest repayments on the long-term debt follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 3,142,680	\$ 237,263	\$ 3,379,943
2022	3,235,522	226,186	3,461,708
2023	801,507	126,580	928,087
2024	826,335	107,152	933,487
2025	852,698	86,448	939,146
2026 to 2030	962,512	247,144	1,209,656
2031 to 2035	721,893	100,107	822,000
2036	<u>105,738</u>	<u>58,662</u>	<u>164,400</u>
Totals	\$ <u>10,648,885</u>	\$ <u>1,189,542</u>	\$ <u>11,838,427</u>

NOTE 9 - NET PATIENT SERVICE REVENUES

The District has agreements with third-party payors that provide for payments to the District 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 payment received under the Medicare low volume add-on was \$957,067, \$921,639 and \$897,304 for the years ended December 31, 2020, 2019 and 2018. Because the Hospital qualifies as a Medicare Dependent Hospital (MDH), it receives additional reimbursement. The additional payments received under MDH status were \$-0-, \$43,015 and \$109,124 for the years ended December 31, 2020, 2019 and 2018. The benefits related to MDH designation expired on May 12, 2019. Outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis. Swing bed services are reimbursed based on a prospectively determined rate per patient day. Adult psychiatry services are reimbursed based on a prospective method based on length of stay, diagnosis, and other factors. The District's Medicare cost reports have been settled by the Medicare fiscal intermediary through December 31, 2016. The intermediary may reopen and further adjust any year within three years of the date of a Notice of Program Reimbursement.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. Adult psychiatry services are reimbursed on a prospectively determined per diem rate. The District's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through December 31, 2014.

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 9 - NET PATIENT SERVICE REVENUES (Continued)

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. Blue Cross Blue Shield "BCBS" is the largest commercial provider. BCBS charges were 12%, 11% and 11% of the total gross charges for the years ended December 31, 2020, 2019 and 2018, respectively.

The following is a summary of the Hospital's net patient revenues for the years ended December 31:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Gross charges	\$ 143,675,329	\$ 155,244,004	\$ 143,007,661
Less charges associated with charity patients	<u>400,669</u>	<u>208,538</u>	<u>648,294</u>
Gross patient service revenue	143,274,660	155,035,466	142,359,367
Less deductions from revenue:			
Contractual adjustments	92,789,778	103,010,592	97,635,734
Policy discounts	1,827,429	1,896,945	556,040
Physician supplement revenue	<u>(2,987,338)</u>	<u>(2,760,577)</u>	<u>(2,523,822)</u>
Patient service revenue (net of contractual adjustments)	51,644,791	52,888,506	46,691,415
Less provision for bad debts	<u>4,675,422</u>	<u>6,099,166</u>	<u>4,139,538</u>
Net patient service revenue less provision for bad debts	\$ <u>46,969,369</u>	\$ <u>46,789,340</u>	\$ <u>42,551,877</u>

The Hospital receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended December 31:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Medicare and Medicaid patient charges	\$ 99,427,722	\$ 109,717,970	\$ 105,067,809
Contractual adjustments	<u>(66,211,483)</u>	<u>(77,060,462)</u>	<u>(76,058,575)</u>
Program patient service revenue	\$ <u>33,216,239</u>	\$ <u>32,657,508</u>	\$ <u>29,009,234</u>
Percent of total gross patient charges	<u>69%</u>	<u>71%</u>	<u>73%</u>
Percent of total net patient revenues	<u>71%</u>	<u>70%</u>	<u>68%</u>

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. These adjustments resulted in a decrease in net patient service revenue of \$40,471, \$286,681 and \$843,110 in 2020, 2019 and 2018, respectively. In 2020, the Hospital received \$795,914 in a Medicare Volume Decrease Adjustment, which was included in income.



ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 10 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund ("PCF") 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 PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

NOTE 11 - CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 9) - 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.

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 10) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust.

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 11 - CONTINGENCIES (Continued)

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a global pandemic. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the Hospital. The occurrence and extent of such an impact will depend on future developments, including the duration and spread of the virus, government quarantine measures, voluntary and precautionary restriction on travel or meetings, the effects on the financial markets, and the effects on the economy overall, all of which are uncertain. The Hospital received \$6,317,879 in Provider Relief Funds, as described in Note 21, to prevent, prepare for and respond to the coronavirus and as reimbursement to the Hospital for eligible expenses and lost revenues. The Hospital applied for and received a Payroll Protection Program (PPP) loan, discussed in Note 8, in order to continue paying employee salaries during the COVID-19 pandemic. Additionally, the Hospital applied for and received \$4,893,997 in Medicare Advance Payments, as described in Note 22, in order to increase its cash flow position.

NOTE 12 - PENSION PLAN

The District has a defined contribution pension plan, established in accordance with Section 401(a) of the *Internal Revenue Code*. The District also has a second voluntary defined contribution pension plan, established in accordance with Section 457 of the *Internal Revenue Code* for employee contributions only. The Abbeville General Hospital retirement plans are administered by The Standard Insurance Company who holds all plan assets. Any eligible employee who is credited with at least one year of preliminary service, in which the employee has 1,000 hours of service during that time period, will qualify to participate in the plan. The District contributes five percent of the covered payroll to the 401(a) pension plan. The District holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in their contributions. The District has a five-year vesting schedule that applies to the employer contributions. Actual contributions made by the District for the years ended December 31, 2020, 2019 and 2018 were \$897,596, \$810,236, and \$860,439. The employees of the District contributed \$594,944, \$599,415 and \$622,561 for the years ended December 31, 2020, 2019 and 2018, respectively.

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 13 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental expense charged to operations as incurred. Total lease expense under noncancelable operating leases was \$284,103 for the year ended December 31, 2020. The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2020, that have initial or remaining lease terms in excess of one year.

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 286,090
2022	204,690
2023	153,825
2024	144,703
2025	<u>41,289</u>
Total minimum lease payments	\$ <u>830,597</u>

NOTE 14 - PURCHASE AGREEMENTS

The Hospital is committed to purchases of laboratory supplies for the next year at the then prevailing market prices. At December 31, 2020, 2019, and 2018, these committed purchases amounted to \$231,467, \$327,441 and \$315,673.

NOTE 15 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical coverage for its employees. A third-party administers the group medical coverage for the Hospital. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$90,000 or aggregate claims exceeding \$4,007,360 per year. There were no significant changes in insurance coverage from the prior year. 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 the changes in the Hospital's claims liability for the years ended December 31:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning of the year	\$ 271,860	\$ 114,825	\$ 270,656
Plus: Claims incurred and changes in estimate	2,225,815	2,372,499	2,139,075
Less: Claims paid	<u>2,261,681</u>	<u>2,215,464</u>	<u>2,294,906</u>
End of the year	\$ <u>235,994</u>	\$ <u>271,860</u>	\$ <u>114,825</u>

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

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 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 200% scale. Accordingly, the Hospital does not report the amounts 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. The costs of caring for charity care patients were approximately \$155,000, \$72,000 and \$228,000 for the years ended December 31, 2020, 2019 and 2018, respectively. Funds received through grants, which pay part of the cost of charity and uninsured care, were approximately \$67,000, \$215,000 and \$451,000 for the years ended December 31, 2020, 2019 and 2018, respectively.

NOTE 17 - SALES TAX REVENUE

On July 19, 2008, the voters of the District passed a half cent sales tax in perpetuity. The terms of the vote stipulated that the sales tax was in lieu of ad valorem taxes; therefore no further ad valorem taxes would be collected by the District. The sales tax collections are restricted to paying the cost of emergency room operations and acquiring, maintaining and improving hospital buildings, equipment and other capital facilities within the Hospital Service District No. 2. Sales tax revenue is approximately 5%, 5% and 6% of the total revenues in 2020, 2019, and 2018, respectively.

NOTE 18 - GRANT REVENUE

The District recognized capital grant income of approximately \$102,000, \$55,000 and \$1,986,000 from the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) for the construction of a dual purpose safe room for the years ended December 31, 2020, 2019 and 2018, respectively.

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

NOTE 19 - INTERGOVERNMENTAL TRANSFER GRANTS

The Hospital entered into a cooperative endeavor agreement with a regional public hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The IGT grant income is \$3,399,077, \$5,010,795 and \$5,258,043 for the years ended December 31, 2020, 2019 and 2018, respectively.

ABBEVILLE GENERAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

NOTE 20 - COMMITMENTS

The Hospital entered into various construction contracts, which totaled \$450,417, including change orders as of December 31, 2020. The Hospital paid \$367,575 towards these commitments as of December 31, 2020.

The Hospital has also entered into software contracts, which totaled \$7,369,601 as of December 31, 2020. The Hospital paid \$4,204,068 towards these commitments as of December 31, 2020.

NOTE 21 - UNEARNED REVENUE

The Hospital received \$6,317,879 in Provider Relief Funds (the funds) via the Coronavirus Aid Relief and Economic Security (CARES) Act during the fiscal year ending December 31, 2020. The funds were issued by the U.S. Department of Health & Human Services (HHS) in response to the Coronavirus pandemic to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. The Hospital recognized \$2,900,171 as non-operating grant revenue in the fiscal year ending December 31, 2020, based on the information available as of December 31, 2020. The unrecognized amount of \$3,417,708 is reported in unearned revenue in the accompanying statement of net position. The Hospital will submit a report of healthcare related expenses and lost revenues attributable to coronavirus from inception through June 30, 2021. Funds received in excess of the reported expenses and lost revenues, if any, will be owed to HHS. As a result, the amount recorded in the financial statements compared to the Hospital's Provider Relief Fund reporting could differ. This difference could be materially different from current estimates.

NOTE 22 - MEDICARE ADVANCE PAYMENTS

The Hospital applied for and received \$4,893,997 in Medicare Advance Payments during April 2020. The advance payments are to assist the Hospital due to the reduction in volume experienced by the restrictions placed by the Louisiana Department of Health in response to the coronavirus pandemic. These restrictions included the postponement of elective procedures. The advance payments will be collected through future Medicare claims, with \$1,636,770 expected to be collected within one year.

NOTE 23 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 10, 2021, and determined that no material events occurred that require disclosure, except those noted below. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

On March 25, 2021, the Hospital repaid the Medicare Advance Payments totaling \$4,893,997.

On June 8, 2021, the Small Business Administration forgave the Hospital's loan of \$4,836,593 plus accrued interest of \$53,799.

In fiscal year 2021, the Hospital entered into three (3) major construction contracts totaling approximately \$4,768,000, of which \$1,117,000 will be reimbursed by the GOSHEP Hazard Mitigation Grant Program.

## SUPPLEMENTARY INFORMATION



ABBEVILLE GENERAL HOSPITAL  
SCHEDULES OF NET PATIENT SERVICE REVENUES  
YEARS ENDED DECEMBER 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Routine Services:			
Adults and pediatric	\$ 7,335,470	\$ 5,429,259	\$ 5,702,620
Intensive care unit	2,719,984	2,580,727	2,525,371
Swing bed	-0-	1,638	-0-
Psychiatric	6,719,554	7,056,165	7,072,738
Nursery	<u>362,952</u>	<u>325,484</u>	<u>333,442</u>
 Total	 <u>17,137,960</u>	 <u>15,393,273</u>	 <u>15,634,171</u>
Other Professional Services:			
Operating room			
Inpatient	3,309,411	3,213,945	2,290,817
Outpatient	<u>7,214,701</u>	<u>6,915,196</u>	<u>5,933,323</u>
 Total	 <u>10,524,112</u>	 <u>10,129,141</u>	 <u>8,224,140</u>
Recovery room			
Inpatient	153,644	152,269	142,276
Outpatient	<u>515,361</u>	<u>555,556</u>	<u>503,877</u>
 Total	 <u>669,005</u>	 <u>707,825</u>	 <u>646,153</u>
Anesthesia			
Inpatient	820,779	793,668	715,281
Outpatient	<u>1,726,568</u>	<u>1,572,665</u>	<u>1,453,804</u>
 Total	 <u>2,547,347</u>	 <u>2,366,333</u>	 <u>2,169,085</u>
Diagnostic imaging			
Inpatient	3,325,690	3,560,783	3,589,192
Outpatient	<u>19,768,200</u>	<u>23,691,778</u>	<u>22,032,047</u>
 Total	 <u>23,093,890</u>	 <u>27,252,561</u>	 <u>25,621,239</u>
Laboratory			
Inpatient	6,411,132	6,026,586	5,617,512
Outpatient	<u>23,941,973</u>	<u>26,512,624</u>	<u>24,147,888</u>
 Total	 <u>\$ 30,353,105</u>	 <u>\$ 32,539,210</u>	 <u>\$ 29,765,400</u>

ABBEVILLE GENERAL HOSPITAL  
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)  
YEARS ENDED DECEMBER 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Blood			
Inpatient	\$ 291,827	\$ 225,058	\$ 238,610
Outpatient	<u>218,878</u>	<u>239,539</u>	<u>224,629</u>
Total	<u>510,705</u>	<u>464,597</u>	<u>463,239</u>
Cardiopulmonary			
Inpatient	2,946,241	2,963,770	3,132,747
Outpatient	<u>576,354</u>	<u>719,266</u>	<u>1,348,003</u>
Total	<u>3,522,595</u>	<u>3,683,036</u>	<u>4,480,750</u>
Physical therapy			
Inpatient	202,216	312,297	306,210
Outpatient	<u>25,552</u>	<u>42,742</u>	<u>28,763</u>
Total	<u>227,768</u>	<u>355,039</u>	<u>334,973</u>
EKG			
Inpatient	718,691	850,421	604,037
Outpatient	<u>1,913,621</u>	<u>2,536,119</u>	<u>1,765,719</u>
Total	<u>2,632,312</u>	<u>3,386,540</u>	<u>2,369,756</u>
Central supply			
Inpatient	706,260	617,175	648,007
Outpatient	<u>848,948</u>	<u>1,008,191</u>	<u>916,426</u>
Total	<u>1,555,208</u>	<u>1,625,366</u>	<u>1,564,433</u>
Pharmacy			
Inpatient	5,970,234	5,494,779	5,209,096
Outpatient	<u>16,264,531</u>	<u>19,639,569</u>	<u>17,674,036</u>
Total	<u>22,234,765</u>	<u>25,134,348</u>	<u>22,883,132</u>
Dialysis			
Inpatient	266,560	251,009	265,582
Outpatient	<u>33,039</u>	<u>23,134</u>	<u>49,205</u>
Total	\$ <u>299,599</u>	\$ <u>274,143</u>	\$ <u>314,787</u>

ABBEVILLE GENERAL HOSPITAL  
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)  
YEARS ENDED DECEMBER 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Sleep center	\$ <u>1,271,989</u>	\$ <u>1,420,358</u>	\$ <u>1,238,688</u>
Outpatient psychiatric program	<u>1,470,047</u>	<u>2,369,933</u>	<u>1,489,980</u>
Infusion/oncology services			
Inpatient	4,393	3,963	2,619
Outpatient	<u>1,491,669</u>	<u>1,868,235</u>	<u>1,330,539</u>
Total	<u>1,496,062</u>	<u>1,872,198</u>	<u>1,333,158</u>
Emergency department			
Inpatient	2,459,363	2,213,067	2,160,617
Outpatient	<u>10,893,493</u>	<u>13,396,449</u>	<u>13,996,064</u>
Total	<u>13,352,856</u>	<u>15,609,516</u>	<u>16,156,681</u>
Observation room			
Inpatient	8,683	199,405	15,197
Outpatient	<u>2,847,384</u>	<u>2,480,651</u>	<u>1,488,178</u>
Total	<u>2,856,067</u>	<u>2,680,056</u>	<u>1,503,375</u>
Rural health clinics	<u>7,322,187</u>	<u>7,708,397</u>	<u>6,814,521</u>
Urgent care clinic	<u>597,750</u>	<u>272,134</u>	<u>-0-</u>
Total Other Professional Services	<u>126,537,369</u>	<u>139,850,731</u>	<u>127,373,490</u>
Gross Charges	143,675,329	155,244,004	143,007,661
Less charges associated with charity patients	<u>(400,669)</u>	<u>(208,538)</u>	<u>(648,294)</u>
Gross patient service revenue	\$ <u>143,274,660</u>	\$ <u>155,035,466</u>	\$ <u>142,359,367</u>

ABBEVILLE GENERAL HOSPITAL  
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)  
YEARS ENDED DECEMBER 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Less deductions from revenue:			
Contractual adjustments	\$ (92,789,778)	\$ (103,010,592)	\$ (97,635,734)
Policy discounts	(1,827,429)	(1,896,945)	(556,040)
Physician supplemental revenue	<u>2,987,338</u>	<u>2,760,577</u>	<u>2,523,822</u>
Patient service revenue	51,644,791	52,888,506	46,691,415
Less provision for bad debts	<u>(4,675,422)</u>	<u>(6,099,166)</u>	<u>(4,139,538)</u>
Net Patient Service Revenue	\$ <u><u>46,969,369</u></u>	\$ <u><u>46,789,340</u></u>	\$ <u><u>42,551,877</u></u>

ABBEVILLE GENERAL HOSPITAL  
SCHEDULES OF OTHER OPERATING REVENUES  
YEARS ENDED DECEMBER 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cafeteria sales	\$ 190,167	\$ 320,306	\$ 304,308
Joint venture revenue	-0-	-0-	(4,911)
Vending machine commission	12,065	12,400	12,677
Physician office rentals	122,877	133,028	112,275
Medical records abstract fees	7,113	7,619	10,167
340B revenue	589,726	137,772	52,312
Miscellaneous revenue	32,760	37,559	52,652
Managed care incentive payments	<u>2,496,084</u>	<u>1,109,768</u>	<u>-0-</u>
Total other operating revenue	\$ <u>3,450,792</u>	\$ <u>1,758,452</u>	\$ <u>539,480</u>

ABBEVILLE GENERAL HOSPITAL  
SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS  
YEARS ENDED DECEMBER 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Human resources	\$ 145,388	\$ 126,981	\$ 123,359
Administration	3,578,909	3,178,910	3,004,869
Facility maintenance	542,127	556,384	625,058
Laundry and linen	34,027	28,296	28,728
Housekeeping	625,803	522,284	569,419
Food and nutrition	616,257	671,482	640,888
Nursing administration	810,870	757,985	708,849
Materials management	203,029	236,427	241,787
Pharmacy	897,565	854,814	780,264
Health information management	1,539,056	1,604,369	1,609,880
Nursing services, acute care	2,191,671	2,032,058	1,932,456
Nursing services, intensive care unit	931,226	851,404	829,174
Nursing services, psychiatric unit	1,443,328	1,359,120	1,152,273
Nursing services, nursery	201,358	162,170	164,674
Operating room	1,469,041	1,409,520	1,168,820
Recovery room	494,173	443,890	393,590
Anesthesiology	1,660,255	1,483,350	1,410,797
Diagnostic imaging	1,439,606	1,342,557	1,189,840
Laboratory	1,061,761	1,037,660	1,003,939
Cardiopulmonary	704,806	642,201	570,006
Dialysis	143,362	127,875	129,002
Sleep center	16,948	17,571	-0-
Outpatient psychiatric program	98,345	176,457	181,573
Infusion/oncology services	447,811	429,275	335,397
Emergency department	1,849,792	1,878,835	1,666,626
Rural health clinics	4,175,514	4,122,487	4,135,653
Specialty clinic	20,710	21,837	23,688
Urgent care clinic	366,405	352,591	9,172
	<u>27,709,143</u>	<u>26,428,790</u>	<u>24,629,781</u>
Total salaries			
Payroll taxes	1,867,112	1,796,020	1,692,994
Health insurance	2,225,815	2,372,499	2,139,075
Pension plan	897,596	810,236	860,439
Other	117,362	120,414	125,741
	<u>5,107,885</u>	<u>5,099,169</u>	<u>4,818,249</u>
Total benefits			
Total salaries and benefits	\$ <u>32,817,028</u>	\$ <u>31,527,959</u>	\$ <u>29,448,030</u>



ABBEVILLE GENERAL HOSPITAL  
SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES  
YEARS ENDED DECEMBER 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Nursing service	\$ 525,384	\$ 367,163	\$ 388,413
Intensive care unit	85,966	95,072	111,674
Psychiatric unit	283,493	298,141	462,236
Nursery	4,001	50,070	137,557
Operating room	376,670	344,162	262,444
Anesthesiology	40,431	36,687	34,406
Diagnostic imaging	85,132	130,426	185,405
Laboratory	574,315	426,003	379,781
Cardiopulmonary	2,222	2,879	3,091
Physical therapy	89,440	90,695	92,420
EKG	95,601	119,966	131,126
Sleep center	195,782	233,392	240,853
Outpatient psychiatric program	647,160	269,306	40,171
Infusion/oncology services	518,885	422,846	247,627
Emergency department	134,337	226,570	530,615
Rural health clinics	778,749	499,191	609,050
Urgent care clinic	500	1,517	-0-
	<hr/>	<hr/>	<hr/>
Total professional fees	\$ <u>4,438,068</u>	\$ <u>3,614,086</u>	\$ <u>3,856,869</u>

ABBEVILLE GENERAL HOSPITAL  
SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES  
YEARS ENDED DECEMBER 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Management fees	\$ -0-	\$ 18,689	\$ 115,037
Miscellaneous service fees	1,100,082	1,068,178	968,826
Legal and accounting	164,485	180,041	143,346
Supplies	1,505,317	1,377,423	1,366,710
Repairs and maintenance	2,118,190	2,148,194	2,123,310
Utilities	879,772	976,429	812,777
Telephone	184,991	73,882	81,750
Travel and education	61,201	72,077	60,848
Rentals	706,605	617,008	531,329
Recruitment and advertising	121,929	159,151	92,871
Intergovernmental transfer	1,142,400	1,501,450	1,620,000
Miscellaneous	<u>608,865</u>	<u>716,494</u>	<u>557,456</u>
 Total other expenses	 \$ <u>8,593,837</u>	 \$ <u>8,909,016</u>	 \$ <u>8,474,260</u>

ABBEVILLE GENERAL HOSPITAL  
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS  
YEARS ENDED DECEMBER 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Robert Leblanc	\$ -0-	\$ 2,125	\$ 1,900
John Boudreaux	2,375	2,625	2,000
Corbett Lebouef, MD	-0-	-0-	450
Jody Landry	2,375	2,750	1,900
Oswald Broussard	2,375	2,625	1,700
John Budden	2,250	2,750	1,125
Anita Levy	2,375	2,625	2,000
Daleon Primeaux	2,125	2,375	1,575
Kelly Richard	<u>2,375</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>16,250</u>	\$ <u>17,875</u>	\$ <u>12,650</u>

ABBEVILLE GENERAL HOSPITAL  
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENTS TO CHIEF EXECUTIVE OFFICER  
FOR THE YEAR ENDED DECEMBER 31, 2020

Agency Head Name:  
Position:

Ray Landry  
CEO

<u>Purpose</u>	<u>Amount</u>
Salary	338,908
Health insurance	10,014
Retirement	12,232
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	973
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	345
Cell phone	1,498

ABBEVILLE GENERAL HOSPITAL  
SCHEDULE OF INSURANCE POLICIES  
FOR THE YEAR ENDED DECEMBER 31, 2020

Risk Covered	Coverage Limits		Beginning	Ending
	Per Occurrence	In Aggregate		
General Liability	\$ 500,000	\$ 2,000,000	11/1/2019	11/1/2020
General Liability	\$ 500,000	\$ 2,000,000	11/1/2020	11/1/2021
Directors and Officers	\$ 250,000	\$ 2,000,000	2/27/2019	5/30/2020
Directors and Officers	\$ 250,000	\$ 2,000,000	5/31/2020	5/30/2021
Professional Liability	\$ 100,000	\$ 2,000,000	11/1/2019	11/1/2020
Professional Liability	\$ 100,000	\$ 2,000,000	11/1/2020	11/1/2021
Patient Compensation Fund	\$ 400,000		11/1/2019	11/1/2020
Patient Compensation Fund	\$ 400,000		11/1/2020	11/1/2021
Cyber Liability	\$ 1,000,000	\$ 1,000,000	11/1/2019	11/1/2020
Cyber Liability	\$ 2,000,000	\$ 2,000,000	11/1/2020	11/1/2021
Property Insurance		\$ 88,810,144	5/30/2019	5/30/2020
Property Insurance		\$ 90,000,000	5/30/2020	5/30/2021
Flood Insurance		\$ 500,000	7/29/2019	7/29/2020
Flood Insurance		\$ 500,000	7/29/2020	7/29/2021
Prof. Liab./PCF Coverage	\$ 100,000	\$ 300,000	8/1/2019	8/1/2020
Prof. Liab./PCF Coverage	\$ 100,000	\$ 300,000	8/1/2020	8/1/2021
Worker's Compensation		\$ 1,000,000	1/1/2020	1/1/2021



## 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  
Karlie P. Brister, CPA

Brenda J. Lloyd, CPA  
Timothy J. Deshotel, CPA  
Andrew J. Wynn, CPA  
P. Trae' O'Pry, CPA, CVA

Retired 2015  
Bobby G. Lester, CPA

### 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. 2  
Parish of Vermilion, State of Louisiana  
Abbeville, 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 Hospital Service District No. 2, Parish of Vermilion ("the Hospital"), a component unit of the Vermilion Parish Police Jury, as of and for the years ended December 31, 2020, 2019 and 2018, 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 August 10, 2021.

#### Internal Control Over Financial Reporting

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

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

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



Board of Commissioners  
Hospital Service District No. 2  
Parish of Vermilion, State of Louisiana  
Abbeville, Louisiana  
Page Two

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Lester, Miller & Wells*

Certified Public Accountants  
Alexandria, Louisiana

August 10, 2021



ABBEVILLE GENERAL HOSPITAL  
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2020

**Section I. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – None

Management letter issued – No

*Federal Awards*

- Not applicable

**Section II. Financial Statement Findings**

None Reported

**Section III. Federal Awards Findings and Questioned Costs**

None Reported

**Section IV. Management Letter**

Not Applicable



ABBEVILLE GENERAL HOSPITAL  
AUDITORS' SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2020

**Section I. Financial Statement Findings**

None Reported

**Section II. Federal Awards Findings and Questioned Costs**

Not Applicable

**Section III. Management Letter**

Not Applicable

