

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

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019

**Hospital Service District No. 3  
Parish of Allen, State of Louisiana  
d/b/a Allen Parish Hospital  
A Component Unit of the Police Jury  
June 30, 2020 and 2019**

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## Independent Auditor's Report

Board of Commissioners  
Hospital Service District No. 3  
Parish of Allen, State of Louisiana  
d/b/a Allen Parish Hospital  
Kinder, Louisiana

### Report on the Financial Statements

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

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital'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 Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

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

***Emphasis of Matter***

The 2019 financial statements, before they were restated for the matters discussed in *Note 19*, were audited by other auditors, and their report thereon, dated December 30, 2019, expressed an unmodified opinion. 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

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

The Schedule of Per Diem and Other Compensation Paid to Board Members and the Schedule of Compensation, Benefits and Other Payment to Chief Executive Officer are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2020, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

*BKD, LLP*

Jackson, Mississippi  
November 2, 2020

**Hospital Service District No. 3  
Parish of Allen, State of Louisiana  
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A Component Unit of the Police Jury  
Management's Discussion and Analysis  
June 30, 2020 and 2019**

## **Introduction**

This management's discussion and analysis of the financial performance of the Hospital Service District No. 3, Parish of Allen, State of Louisiana d/b/a Allen Parish Hospital (the "Hospital") provides an overview of the Hospital's financial activities for the years ended June 30, 2020 and 2019. It should be read in conjunction with the accompanying financial statements of the Hospital.

### ***Financial Highlights***

- Unrestricted cash increased in 2020 by approximately \$130,000, or 40 percent after having decreased by approximately \$225,000, or 40 percent in 2019. In addition, investments increased by approximately \$9,700,000, of which approximately \$9,400,000 were received from the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- The Hospital's change in net position in 2020 was approximately \$2,598,000 and approximately (\$2,374,000) in 2019 (as restated).
- The Hospital reported operating income of approximately \$1,615,000 in 2020 and an operating loss of \$3,030,000 in 2019 (as restated). The operating income in 2020 increased by approximately \$4,645,000, or 153 percent over the operating loss reported in 2019. The operating loss in 2019 increased by approximately \$2,344,000, or 342 percent from the operating loss reported in 2018.
- Net nonoperating revenues increased by approximately \$327,000 or 50 percent in 2020 compared to 2019 and decreased by approximately \$55,000 (as restated), or 8 percent in 2019 compared to 2018.

### ***Using This Annual Report***

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

### ***The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position (Deficit)***

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

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

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

***The Statement of Cash Flows***

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

***The Hospital's Net Position***

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

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

	2020	2019 (As Restated)	2018 (As Restated)
<b>Assets</b>			
Patient accounts receivable, net	\$ 1,438,057	\$ 1,169,688	\$ 1,456,854
Other current assets	17,751,075	6,302,170	7,760,034
Capital assets, net	1,860,263	1,690,430	1,264,098
Other assets	-	-	36,000
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 21,049,395</u>	<u>\$ 9,162,288</u>	<u>\$ 10,516,986</u>

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	<b>2020</b>	<b>2019 (As Restated)</b>	<b>2018 (As Restated)</b>
<b>Liabilities</b>			
Total current liabilities	\$ 18,791,848	\$ 8,932,813	\$ 9,112,195
Long-term debt	1,154,101	1,723,995	525,555
<b>Total liabilities</b>	<b>19,945,949</b>	<b>10,656,808</b>	<b>9,637,750</b>
<b>Net Position</b>			
Net invested in capital assets	1,664,083	796,533	819,642
Restricted	-	76,194	-
Unrestricted	(560,637)	(2,367,247)	59,594
<b>Total net position (deficit)</b>	<b>1,103,446</b>	<b>(1,494,520)</b>	<b>879,236</b>
<b>Total liabilities and net position</b>	<b>\$ 21,049,395</b>	<b>\$ 9,162,288</b>	<b>\$ 10,516,986</b>

The Hospital had several significant changes in its assets and liabilities during 2020 and 2019, as shown in *Table 1*:

- Unrestricted cash increased in 2020 by approximately \$131,000, or 40 percent after having decreased by approximately \$225,000, or 40 percent in 2019. In addition, investments increased by approximately \$9,700,000, of which approximately \$9,400,000 were received from the CARES Act.
- Grants receivable associated with the Full Medicaid Pricing Program increased approximately \$2,355,000 in 2020, compared to 2019 and decreased by \$2,091,000 between 2019 and 2018.
- Deferred revenue increased in 2020 to approximately \$9,400,000, consistent with the increase in investments attributed to the CARES Act funding received that was unrecognized at year-end.
- Net investment in capital assets increased by approximately \$868,000, or 109 percent in 2020 after having decreased by approximately \$23,000, or 3 percent in 2019.



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- The Hospital's net position in 2020 improved by approximately \$2,598,000 and 2019 decreased by approximately \$2,374,000, as a result of decrease in changes in certain supplement payment programs.

***Operating Results and Changes in the Hospital's Net Position***

In 2020, the Hospital's change in net position increased from a deficit of approximately \$2,374,000 in 2019 to an increase of \$2,598,000 or a change of approximately \$4,972,000, as shown in Table 2. This increase is made up of several different components. The Hospital's change in net position decreased from approximately \$25,000 in 2018 to a deficit of \$2,374,000 in 2019.

***Table 2: Operating Results and Changes in Net Position***

	<b>2020</b>	<b>2019 (As Restated)</b>	<b>2018 (As Restated)</b>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 13,985,470	\$ 11,901,708	\$ 12,641,928
Other	22,247,513	19,015,793	25,296,894
Total operating revenues	<u>36,232,983</u>	<u>30,917,501</u>	<u>37,938,822</u>
<b>Operating Expenses</b>			
Salaries, wages and benefits	7,274,348	8,210,511	7,688,196
Purchased services and professional fees	4,592,551	3,913,178	2,613,813
Intergovernmental transfer expense	20,136,318	18,979,748	25,912,259
Supplies and other	2,370,910	2,587,020	2,184,227
Depreciation	244,045	257,049	226,527
Total operating expenses	<u>34,618,172</u>	<u>33,947,506</u>	<u>38,625,022</u>
<b>Operating Income (Loss)</b>	1,614,811	(3,030,005)	(686,200)
<b>Nonoperating Revenues (Expenses)</b>	<u>983,155</u>	<u>656,249</u>	<u>711,331</u>
<b>Increase (Decrease) Net Position</b>	<u>\$ 2,597,966</u>	<u>\$ (2,373,756)</u>	<u>\$ 25,131</u>

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***Operating Income (Loss)***

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

**2020**

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

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

**2019**

- The operating loss in 2019 decreased by approximately \$2,344,000, or 342 percent over 2018.
- Net patient service revenues declined approximately \$740,000, or 5.9 percent when compared to 2018.
- Salaries, wages and benefits increased approximately \$522,000, or 6.8 percent over 2018.
- Purchased services and professional fees increased 50 percent between 2018 and 2019, or approximately \$1,299,000.

***Nonoperating Revenues and Expenses***

Nonoperating revenues and expenses consist of property taxes levied by the Hospital, interest expense, interest income, and forgiveness of payables. Property taxes, interest expense and interest

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income remained relatively constant in 2020, as compared with 2019. During 2020, the Hospital reached an agreement with certain vendors to settle payables at less than balances due, which generated approximately \$315,000 of payables forgiveness.

***The Hospital's Cash Flows***

The Hospital's cash flows from operating activities for 2020, 2019 and 2018 were approximately \$270,000, (\$1,054,000) and 655,000, respectively. In addition, cash used in capital and related financing activities increased to approximately \$1,247,000 from cash generated from capital and financing activities with the repayment of the Series 2018 bonds during 2020.

***Capital Assets***

As of June 30, 2020, 2019 and 2018, the Hospital had approximately \$1,860,000, \$1,690,000 and \$1,288,000 invested in capital assets, net of accumulated depreciation, respectively. In 2020, 2019 and 2018, the Hospital had additions of approximately \$531,000, \$683,000 and \$203,000, respectively.

***Debt***

As of June 30, 2020, 2019 and 2018, the Hospital had approximately \$1,665,000, \$2,268,000 and \$811,000 in debt outstanding, respectively.

***Contacting the Hospital's Financial Management***

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

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**Balance Sheets**  
**June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b> <b>(Restated -</b> <b>Note 19)</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 464,677	\$ 334,144
Restricted cash and cash equivalents	-	636,249
Short-term investments	9,742,896	-
Patient accounts receivable, net of allowance; 2020 - \$1,437,000; 2019 - \$1,356,000	1,438,057	1,169,688
Accounts receivable - other	253,135	-
Grants receivable	6,860,640	4,505,621
Estimated third-party payor settlements	-	262,157
Inventory	217,730	306,316
Prepaid expenses	211,997	257,683
Total current assets	19,189,132	7,471,858
<b>Capital Assets, Net</b>	1,860,263	1,690,430
Total assets	\$ 21,049,395	\$ 9,162,288

	<b>2020</b>	<b>2019 (Restated - Note 19)</b>
<b>Liabilities and Net Position (Deficit)</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 511,222	\$ 544,288
Accounts payable	667,268	2,031,992
Estimated amounts due to third-party payors	577,778	324,411
Accrued expenses	775,040	842,083
Accrued intergovernmental transfers payables	6,828,658	5,190,039
Deferred revenue	9,431,882	-
	<hr/>	<hr/>
Total current liabilities	18,791,848	8,932,813
<b>Long-term Debt</b>	<hr/>	<hr/>
	1,154,101	1,723,995
	<hr/>	<hr/>
Total liabilities	19,945,949	10,656,808
<b>Net Position (Deficit)</b>		
Net investment in capital assets	1,664,083	796,533
Restricted	-	76,194
Unrestricted	(560,637)	(2,367,247)
	<hr/>	<hr/>
Total net position (deficit)	1,103,446	(1,494,520)
	<hr/>	<hr/>
Total liabilities and net position (deficit)	<u>\$ 21,049,395</u>	<u>\$ 9,162,288</u>

**Hospital Service District No. 3**  
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**Statements of Revenues, Expenses and Changes in Net Position (Deficit)**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019 (Restated - Note 19)</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2020 - \$1,381,000; 2019 - \$1,460,000	\$ 13,985,470	\$ 11,901,708
Other	22,247,513	19,015,793
Total operating revenues	36,232,983	30,917,501
<b>Operating Expenses</b>		
Salaries and wages	6,244,969	7,161,956
Employee benefits	1,029,379	1,048,555
Purchased services and professional fees	4,592,551	3,913,178
Intergovernmental transfer expense	20,136,318	18,979,748
Supplies and other	2,370,910	2,587,020
Depreciation	244,045	257,049
Total operating expenses	34,618,172	33,947,506
<b>Operating Income (Loss)</b>	1,614,811	(3,030,005)
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	772,807	759,315
Interest expense	(112,888)	(105,497)
Interest income	9,150	2,431
Forgiveness of payables	314,086	-
Total nonoperating revenues (expenses)	983,155	656,249
<b>Increase (Decrease) in Net Position</b>	2,597,966	(2,373,756)
<b>Net Position (Deficit), Beginning of Year, as Previously Reported</b>	(1,494,520)	568,446
<b>Adjustments Applicable to Prior Year</b>	-	310,790
<b>Net Position (Deficit), Beginning of Year, as Restated</b>	(1,494,520)	879,236
<b>Net Position (Deficit), End of Year</b>	\$ 1,103,446	\$ (1,494,520)

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**Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019 (Restated - Note 19)</b>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 13,920,795	\$ 12,392,825
Payments to governmental entities	(18,497,699)	(21,952,284)
Payments to suppliers and contractors	(7,823,527)	(6,155,453)
Payments to employees	(7,397,691)	(7,719,369)
Other receipts	20,068,506	22,379,919
Net cash provided by (used in) operating activities	<u>270,384</u>	<u>(1,054,362)</u>
<b>Noncapital Financing Activities</b>		
Property taxes	772,807	759,315
Governmental funding through CARES Act	9,431,882	-
Net cash provided by noncapital financing activities	<u>10,204,689</u>	<u>759,315</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of short-term investments	(9,742,896)	-
Interest on investments	9,150	2,431
Other assets	-	36,000
Net cash provided by (used in) investing activities	<u>(9,733,746)</u>	<u>38,431</u>
<b>Capital and Related Financing Activities</b>		
Proceeds from issuance of long-term debt	1,584,136	2,289,820
Principal payments on long-term debt	(2,194,424)	(898,434)
Interest payments on long-term debt	(112,888)	(105,497)
Purchase of capital assets	(523,867)	(617,940)
Net cash provided by (used in) capital and related financing activities	<u>(1,247,043)</u>	<u>667,949</u>
<b>Change in Cash and Cash Equivalents</b>	<b>(505,716)</b>	<b>411,333</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>970,393</b>	<b>559,060</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 464,677</u></b>	<b><u>\$ 970,393</u></b>

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**Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b> <b>(Restated -</b> <b>Note 19)</b>
<b>Reconciliation of Operating Income (Loss) to</b>		
<b>Net Cash Provided by (Used in) Operating Activities</b>		
Operating income (loss)	\$ 1,614,811	\$ (3,030,005)
Depreciation	244,045	257,049
Loss on disposal of capital assets	117,317	-
Provision for uncollectible accounts	1,381,255	1,459,775
Changes in operating assets and liabilities		
Patient accounts receivable	(1,649,624)	(1,172,609)
Grants receivable	(2,355,019)	2,091,447
Estimated amounts due from and to third-party payors	515,524	(399,667)
Inventory	88,586	(36,785)
Prepaid expenses and other	(207,449)	(181,041)
Accounts payable and accrued expenses	(1,117,681)	1,053,713
Accrued intergovernmental transfers payables	1,638,619	(1,096,239)
	<u>\$ 270,384</u>	<u>\$ (1,054,362)</u>
 <b>Reconciliation of Cash and Cash Equivalents to</b>		
<b>the Balance Sheets</b>		
Cash and cash equivalents	\$ 464,677	\$ 334,144
Restricted cash and cash equivalents	-	636,249
	<u>\$ 464,677</u>	<u>\$ 970,393</u>
 <b>Supplemental Cash Flows Information</b>		
Capital assets acquired through capital lease obligation	\$ 7,328	\$ 65,441
Forgiveness of payables	\$ 314,086	\$ -



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

***Nature of Operations***

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

***Hospital Land***

The land on which the Hospital was built was donated by Powell Lumber Company to Allen Parish Hospital Service District No. 3. The donation was made with the restriction that the land is to be used primarily as a site for a public hospital and should the donee or its successors or assignees fail to use the land for a public hospital, the title shall revert to Powell Lumber Company.

***Basis of Accounting and Presentation***

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

***Use of Estimates***

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

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***Cash Equivalents***

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2020, cash equivalents consisted primarily of money market accounts with brokers.

***Restricted Cash and Cash Equivalents***

Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to be paid to grantee hospitals through intergovernmental transfers are classified as restricted cash and cash equivalents in the accompanying balance sheets.

***Patient Accounts Receivable***

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

***Inventory***

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

***Capital Assets***

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

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

***Capital Asset Impairment***

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital

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asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended June 30, 2020 or 2019.

***Compensated Absences***

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

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

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

***Risk Management***

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

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

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

***Net Position***

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

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

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- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

***Net Patient Service Revenue***

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

***Patient Accounts Receivable***

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

***Charity Care***

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

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***Property Taxes***

The Hospital received approximately 2.2% percent in 2020 and 2019 of its financial support from property taxes. These funds were used as follows:

	<b>2020</b>	<b>2019</b>
Percentage used to support operations	57%	46%
Percentage used for debt service on bonds	43%	54%

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

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

***Income Taxes***

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

***Environmental Matters***

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a noncapital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital. At June 30, 2020 and 2019, management is not aware of any liability resulting from environmental matters.

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***Reclassifications***

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation. The reclassifications had no effect on the changes in its net position.

**Note 2: Deposits and Investments**

***Deposits***

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

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

At June 30, 2020 and 2019, none of the Hospital's bank balances were exposed to custodial credit risk.

***Investments***

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

At June 30, 2020 and 2019, the Hospital had \$9,742,896 and \$0 invested with the Louisiana Asset Management Pool (LAMP). LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interested in the pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. LAMP is not registered with the SEC as an investment company. LAMP's annual financial statements can be obtained from the Louisiana Legislative Auditor's website.

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***Fair Value***

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

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

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

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

***Interest Rate Risk***

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days, or 762 days for U.S. Government floating/variable rate investments. The WAM for the LAMP's total investments is 100 days from LAMP's monthly portfolio holdings as of June 30, 2020.

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***Credit Risk***

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

***Custodial Credit Risk***

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

***Concentration of Credit Risk***

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

***Summary of Carrying Values***

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

	<b>2020</b>	<b>2019 (Restated - Note 19)</b>
Carrying value		
Deposits	\$ 464,677	\$ 970,393
Investments	9,742,896	-
	<b>\$ 10,207,573</b>	<b>\$ 970,393</b>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 464,677	\$ 334,144
Restricted cash and cash equivalents	-	636,249
Short-term investments	9,742,896	-
	<b>\$ 10,207,573</b>	<b>\$ 970,393</b>



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**Note 3: Patient Accounts Receivable**

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at June 30, 2020 and 2019 consisted of:

	<u>2020</u>	<u>2019</u>
Medicare	\$ 500,370	\$ 656,744
Medicaid	638,367	580,966
Other third-party payors	389,444	783,041
Patients	<u>1,346,375</u>	<u>505,188</u>
	2,874,556	2,525,939
Less allowance for uncollectible accounts	<u>(1,436,499)</u>	<u>(1,356,251)</u>
	<u>\$ 1,438,057</u>	<u>\$ 1,169,688</u>

**Note 4: Restricted Cash**

A summary of restrictions on cash at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019 (Restated - Note 19)</u>
Series 2018A proceeds to be distributed	\$ -	\$ 76,194
Intergovernmental transfers-access grant to be distributed	<u>-</u>	<u>560,055</u>
Restricted cash	<u>\$ -</u>	<u>\$ 636,249</u>

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**Note 5: Capital Assets**

Capital assets activity for the years ended June 30, 2020 and 2019, were:

	<b>2020</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 19,550	\$ -	\$ -	\$ -	\$ 19,550
Land improvements	197,331	-	-	-	197,331
Buildings and leasehold improvements	2,410,796	758	-	30,955	2,442,509
Equipment	5,530,989	58,550	-	-	5,589,539
Construction in progress	212,897	471,887	117,317	(30,955)	536,512
	<u>8,371,563</u>	<u>531,195</u>	<u>117,317</u>	<u>-</u>	<u>8,785,441</u>
Less accumulated depreciation	6,681,133	244,045	-	-	6,925,178
Capital assets, net	<u>\$ 1,690,430</u>	<u>\$ 287,150</u>	<u>\$ 117,317</u>	<u>\$ -</u>	<u>\$ 1,860,263</u>
	<b>2019</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 19,550	\$ -	\$ -	\$ -	\$ 19,550
Land improvements	104,101	-	-	93,230	197,331
Buildings and leasehold improvements	2,144,742	76,851	-	189,203	2,410,796
Equipment	5,393,784	137,205	-	-	5,530,989
Construction in progress	26,005	469,325	-	(282,433)	212,897
	<u>7,688,182</u>	<u>683,381</u>	<u>-</u>	<u>-</u>	<u>8,371,563</u>
Less accumulated depreciation	6,424,084	257,049	-	-	6,681,133
Capital assets, net	<u>\$ 1,264,098</u>	<u>\$ 426,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,690,430</u>

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**Note 6: Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses included in current liabilities at June 30, 2020 and 2019 consisted of:

	<u>2020</u>	<u>2019</u>
Payable to suppliers and contractors	\$ 667,268	\$ 2,031,992
Payable to employees (including payroll taxes and benefits)	775,040	842,083
Accrued intergovernmental transfers payables	<u>6,828,658</u>	<u>5,190,039</u>
	<u>\$ 8,270,966</u>	<u>\$ 8,064,114</u>

During 2020, the Hospital reached an agreement with certain parties to settle payables balances for less than were due. As such, the Hospital recognized forgiveness of approximately \$314,000 during the year.

**Note 7: Line of Credit**

The Hospital obtained a revolving line of credit in the amount of \$150,000 at 6.25% on August 8, 2019. Payment of all outstanding principal plus all accrued interest is due on August 22, 2021. As of June 30, 2020, there is no balance outstanding.

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**Note 8: Long-term Debt**

The following is a summary of long-term obligation transactions for the Hospital for the years ended June 30, 2020 and 2019:

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

  

	<b>2019</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Series 2007 Bonds	\$ 123,000	\$ -	\$ 123,000	\$ -	\$ -
Series 2012 Bonds	367,000	-	367,000	-	-
Series 2018 Bonds	-	2,000,000	140,000	1,860,000	333,000
Note payable	-	289,820	175,434	114,386	114,386
Capital lease obligations	321,456	65,441	93,000	293,897	96,902
<b>Total long-term debt</b>	<b>\$ 811,456</b>	<b>\$ 2,355,261</b>	<b>\$ 898,434</b>	<b>\$ 2,268,283</b>	<b>\$ 544,288</b>

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

- Series 2007 Hospital improvements bonds, at a variable interest rate not to exceed 5.00 percent, due in variable semiannual installments, with full repayment at August 1, 2022, secured by a pledge of tax revenues.
- Series 2012 Hospital Improvement Bonds, at a variable interest rate not to exceed 6.00 percent, due in variable annual installments, with full repayment at November 1, 2019, secured by a pledge of tax revenues and excess revenues from hospital patient account receivables.
- Series 2018A Hospital Revenue Refunding Bonds, at 4.25 percent, due in variable annual installments beginning April 1, 2023, with full repayment at April 1, 2027, secured by a pledge of all income, revenue and receipts from the operations of the Hospital. These bonds were repaid during 2020.

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- Series 2018B Hospital Revenue Refunding Bonds, at 5.00 percent, due in variable annual installments, with full repayment at April 1, 2023, secured by a pledge of all income, revenue and receipts from the operations of the Hospital. These bonds were repaid during 2020.
- The Hospital received a Paycheck Protection Program (PPP) loan of \$1,329,692 in April 2020, from the SBA, designed to provide a direct incentive for small businesses to keep their workers on the payroll. The loan has an interest rate of 1 percent, due in installments of \$103,827, beginning in April 2021, with the balance due April 2022. The Hospital anticipates meeting the requirements for forgiveness of the loan in the next year.
- Note payable at an interest rate of 4.50 percent, with total monthly payments of \$23,545, secured by financed insurance policies and any additional premiums required under financed policies.
- Capital leases at varying rates of imputed interest from 5.43 percent to 8.93 percent, with total monthly payments ranging from \$998 to \$2,720 until 2023, collateralized by leased equipment with a net book value of \$351,172 and \$395,479 at June 30, 2020 and 2019, respectively.

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

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

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The debt service requirements on long-term debt (including capital leases) as of June 30, 2020, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2021	\$ 536,001	\$ 511,222	\$ 24,779
2022	1,119,953	1,110,484	9,469
2023	44,900	43,617	1,283
	<u>\$ 1,700,854</u>	<u>\$ 1,665,323</u>	<u>\$ 35,531</u>

**Note 9: Medical Malpractice Claims**

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

**Note 10: Employee Health Claims**

Effective March 1, 2019, substantially all of the Hospital’s employees and their dependents are eligible to participate in the Hospital’s employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$50,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount.

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

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Activity in the Hospital's accrued employee health claims liability during 2020 and 2019 is summarized as follows:

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 209,800	\$ -
Current year claims incurred and changes in estimates for claims incurred in prior years	768,515	209,800
Claims and expenses paid	824,815	-
Balance, end of year	\$ 153,500	\$ 209,800

**Note 11: Operating Leases**

The Hospital is committed under various noncancelable operating leases, all of which are for equipment. These leases expire in various years through 2023.

Future minimum lease payments at June 30, 2020, were:

2021	\$ 56,320
2022	55,704
2023	10,827
Future minimum lease payments	\$ 122,851

Total lease expense under noncancelable operating leases for the years ended June 30, 2020 and 2019, was approximately \$137,000 and \$140,000, respectively.

**Note 12: Net Patient Service Revenue**

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

*Medicare.* Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on

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

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

*Other.* Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Approximately 68 percent and 70 percent of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2020 and 2019, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

**Note 13: Charity Care**

The costs of charity care provided under the Hospital's charity care policy were approximately \$2,750 and \$15,000 for 2020 and 2019, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

**Note 14: Retirement Plan**

On February 9, 2004, the Hospital elected to participate in the State of Louisiana's Public Employees Deferred Compensation Plan, which is a defined contribution plan. The plan was established in accordance with R.S. 42:1301-1308, and Section 457 of the *Internal Revenue Code of 1986*, as amended. Employees are eligible to participate in the plan beginning on the date of hire, with a minimum contribution of \$10 per month, up to 100% of compensation, for those under age 50 not to exceed certain contribution limits for calendar years 2020 and 2019. The Hospital has



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elected to contribute 1% of the participating employees' pay. The Hospital holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in employer and employee contributions. The Hospital's contribution was \$18,103 and \$16,612 for the years ended June 30, 2020 and 2019, respectively. Employees contributed approximately \$140,000 and \$117,000 for the years ended June 30, 2020 and 2019, respectively.

**Note 15: Cooperative Endeavor Agreements**

The Hospital collaborated with a Rural Hospital Coalition ("RHC"), a nonprofit organization, to establish a grant program funded by various sources to ensure that adequate and essential medically necessary healthcare services are accessible and available to the service population subject to the availability of such grant funds. The Hospital entered into cooperative endeavor agreements ("CEAs") with other Louisiana hospital service districts, whereby the Hospital grants funding and awards intergovernmental transfer grants ("IGTs") to be used in accordance with the grant program. For the years ended June 30, 2020 and 2019, the Hospital recognized approximately \$20,909,000 and \$18,614,000 of grant program funding and IGT expense to other Louisiana hospital service districts of approximately \$19,917,000 and \$18,172,000, respectively.

At June 30, 2020 and 2019, the Hospital has recorded grants receivable under the program of approximately \$6,861,000 and \$4,506,000, and IGTs payable of approximately \$6,829,000 and \$5,190,000, respectively.

**Note 16: Contingencies**

***Medical Malpractice Claims***

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

***Admitting Physicians***

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

***General Litigation***

The Hospital is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by the Hospital's self-insurance

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program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheets, changes in net position or cash flows of the Hospital. Events could occur that would change this estimate materially in the near term.

**Note 17: Future Change in Accounting Principle**

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

**Note 18: COVID-19 Pandemic and CARES Act Funding**

Patient volumes and the related revenues for most of the Hospital's services were significantly impacted by COVID-19, as various policies were implemented by federal, state and local governments in response to the pandemic that have caused many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective surgical procedures by healthcare facilities.

While some of these restrictions have been eased and states have lifted moratoriums on nonemergent procedures, some restrictions remain in place, and some state and local governments are reimposing certain restrictions due to increasing rates of COVID-19 cases. While patient volumes and revenues experienced gradual improvement beginning in the latter part of May and continuing through July and August, the Hospital is unable to predict the future impact of the pandemic on the Hospital's operations.

The Hospital's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Hospital has taken precautionary steps to enhance its operational and

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financial flexibility and react to the risks the COVID-19 pandemic presents to the Hospital's business, including the following:

- Implemented certain cost reduction initiatives;
- Reduced or delayed certain planned projects and capital expenditures;
- During the year ended June 30, 2020, the Hospital received approximately \$9,400,000 in general Provider Relief Funds distributions, as provided for under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act.

The extent of the COVID-19 pandemic's adverse impact on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure. Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the impact of the pandemic on the Hospital's business. Decreases in cash flows and results of operations may have an impact on the inputs and assumptions used in significant accounting estimates, including contractual allowances related to uninsured patient accounts and professional and general liability reserves.

***Provider Relief Funds***

During the year ended June 30, 2020, the Hospital received approximately \$9,400,000 from the \$50 billion general distribution fund from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19.

The Hospital is accounting for such payments as conditional contributions. These payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the impact of the pandemic on the Hospital's operating results through June 30, 2020, the Hospital recognized \$0 related to these general distribution funds. The unrecognized amount of general distributions are recorded as part of restricted investments and deferred revenues in the accompanying balance sheets.

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The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the impact of the pandemic on the Hospital's revenues and expenses. If the Hospital is unable to attest to or comply with current or future terms and conditions due to clarification of regulations or through determination of reporting process defined by the Department of Health and Human Services, the Hospital's ability to retain some or all of the distributions received may be impacted.

***Paycheck Protection Program (PPP) Loan***

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

The Hospital has accounted for the PPP loan in accordance with GASB Statement No. 62. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. The PPP loan is included on the accompanying balance sheets as long-term debt in accordance with the term of the PPP loan agreement. See *Note 8* for additional information.

**Note 19: Restatement of Prior-year Financial Statements**

Fiscal year 2019 has been restated to appropriately reflect the Full Medicaid Payment (FMP) program with grantee hospitals under a Cooperative Endeavor Agreement as discussed in *Note 15*. Funds received or receivable under this program should be presented as other operating revenue. In addition, recognition of related receivables and payables under the program as of June 30, 2019 and 2018 were not reflected in the appropriate periods. Approximately \$6,597,000 of grant funds recorded in 2019 related to 2018. Similarly, approximately \$4,505,000 of grant funds were incorrectly recorded in 2020, which related to 2019. As a result of these changes in net patient service revenue, other operating revenue and intergovernmental transfer expense were adjusted by approximately \$21,010,000, \$18,823,000 and \$1,876,000, respectively. The effect of the adjustments resulted in an increase in opening net position for 2019 of approximately \$311,000 and decrease in net deficit for 2019 of approximately \$215,000.

Other operating revenues have also been restated to present property tax revenues of approximately \$759,000 as nonoperating revenues, as property taxes are considered a nonexchange transaction under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The restatement did not impact the change in net deficit for 2019.

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Certain limited-use assets (i.e., restricted cash) items were included as cash flow activities in investing, capital and financing activities rather than cash and cash equivalents in the statement of cash flows. Cash and cash equivalents have been restated to appropriately present all cash on the balance sheet at June 30, 2019. The restatement did not impact the change in net position (deficit) for 2019.

The following financial statement line items for fiscal year 2019 were affected by the correction.

	<b>Amounts Originally Reported</b>	<b>Restatements</b>	<b>Reclassification</b>	<b>As Restated</b>
<b>Balance Sheet</b>				
Restricted cash and equivalents	\$ -	\$ -	\$ 636,249	\$ 636,249
Grants receivable	-	4,505,621	-	4,505,621
Limited-use assets	560,055	-	(560,055)	-
Total current assets	2,890,043	4,505,621	(76,194)	7,471,858
Limited-use assets	76,194	-	(76,194)	-
Total assets	4,656,667	4,505,621	-	9,162,288
<b>Liabilities</b>				
Accrued expenses	1,062,083	-	(220,000)	842,083
Accrued intergovernmental transfers payables	560,055	4,409,984	220,000	5,190,039
Total current liabilities	4,522,829	4,409,984	-	8,932,813
Total liabilities	6,246,824	4,409,984	-	10,656,808
<b>Net Position</b>				
Unrestricted	(2,462,884)	95,637	-	(2,367,247)
Total net position (deficit)	(1,590,157)	95,637	-	(1,494,520)
Total liabilities and net position (deficit)	4,656,667	4,505,621	-	9,162,288
<b>Statement of Revenues, Expenses and Changes in Net Position (Deficit)</b>				
Net patient service revenue, net	32,813,108	(20,911,400)	-	11,901,708
Other	955,158	18,060,635	-	19,015,793
Total operating revenues	33,768,266	(2,850,765)	-	30,917,501
Intergovernmental transfer expense	20,856,045	(1,876,297)	-	18,979,748
Total operating expenses	35,823,803	(1,876,297)	-	33,947,506
Operating loss	(2,055,537)	(974,468)	-	(3,030,005)
Property taxes	-	759,315	-	759,315
Total nonoperating revenues (expenses)	(103,066)	759,315	-	656,249
Decrease in net position	(2,158,603)	(215,153)	-	(2,373,756)

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	<b>Amounts Originally Reported</b>	<b>Restatements</b>	<b>Reclassification</b>	<b>As Restated</b>
<b>Statement of Cash Flows</b>				
Receipts from and on behalf of patients	\$ 32,700,607	\$ (20,307,782)	\$ -	\$ 12,392,825
Payments to government entities	(20,295,990)	(1,656,294)	-	(21,952,284)
Payments to employees	(7,499,369)	(220,000)	-	(7,719,369)
Other receipts	955,158	21,424,761	-	22,379,919
Net cash used in operating activities	(295,047)	(759,315)	-	(1,054,362)
Property taxes	-	759,315	-	759,315
Net cash provided by noncapital financing activities	-	759,315	-	759,315
Purchase of limited-use assets	(560,055)	560,055	-	-
Net cash provided by (used in) investing activities	(521,624)	560,055	-	38,431
Purchase of limited-use assets	(76,194)	76,194	-	-
Net cash provided by capital and related financing activities	591,755	76,194	-	667,949
Cash and cash equivalents, end of year	334,144	636,249	-	970,393

**Note 20: Subsequent Event**

In August and October 2020, the Hospital and surrounding areas experienced the effects of two hurricanes. The Hospital incurred additional expenses during this time to maintain healthcare capacity such as rental of generators, additional staffing costs, supplies and other costs. The overall impacts are not yet determined or if governmental assistance may be available to cover such costs.

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

**Independent Auditor's Report**

Board of Commissioners  
Hospital Service District No. 3  
Parish of Allen, State of Louisiana  
d/b/a Allen Parish Hospital  
Kinder, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Hospital Service District No. 3, Parish of Allen, State of Louisiana d/b/a Allen Parish Hospital (the "Hospital"), which comprise the balance sheet as of June 30, 2020, and the related statements of revenues, expenses and changes in net position (deficit) and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2020.

***Internal Control Over Financial Reporting***

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

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

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 Hospital's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2020-001 to be a material weakness.

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. We consider the deficiencies described in accompanying schedule of findings and responses as items 2020-002 and 2020-003 to be significant deficiencies.

***Compliance and Other Matters***

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

***Hospital's Response to Finding***

The Hospital's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

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

**BKD, LLP**

Jackson, Mississippi  
November 2, 2020



**Hospital Service District No. 3  
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Schedule of Findings and Responses  
June 30, 2020**

Reference Number	Finding
2020-001	<p><b><i>Criteria or Specific Requirement</i></b> – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><b><i>Condition</i></b> – Certain items in the 2019 financial statements require adjusted presentation to be appropriately presented in the financial statements to be consistent with generally accepted accounting principles.</p> <p><b><i>Effect</i></b> – The 2019 financial statements were restated to appropriately present property taxes, full Medicaid pricing payments and related accruals, and all cash on the balance sheet within the cash flow statement rather than as cash flow activities in investing and financing activities.</p> <p><b><i>Cause</i></b> – Management relied on guidance provided by the prior auditor and their interpretations of generally accepted accounting principles as it related to these items.</p> <p><b><i>Recommendation</i></b> – Management should continue to review and refine its financial reporting process to ensure financing reporting is consistent with generally accepted accounting principles</p> <p><b><i>Views of Responsible Officials and Planned Corrective Actions</i></b> – Management will review financial statement presentation and research and seek guidance from auditor, as needed, to ensure reporting is consistent with generally accepted accounting principles.</p>

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Schedule of Findings and Responses  
June 30, 2020**

Reference Number	Finding
2020-002	<p><b><i>Criteria or Specific Requirement</i></b> – Credit balances on accounts receivable should be monitored and investigated regularly to determine if a refund or recoupment is necessary or a correcting adjustment is needed due to misposting of duplicative contractual adjustment.</p> <p><b><i>Condition</i></b> – The credit balances within accounts receivable total approximately \$273,000 at the Hospital and \$184,000 at the Rural Health Clinic, which is a decrease of approximately 25% from the prior year balance of approximately \$615,000 in aggregate.</p> <p><b><i>Effect</i></b> – Credit balances in accounts receivable have decreased; however, additional work is needed to provide refunds and/or recoupments to patients and third-party payors to reduce credit balances to a reasonable level.</p> <p><b><i>Cause</i></b> – Processes appear to be in place to identify and investigate credit balances in accounts receivable given the decrease noted above; however, additional work is needed to further reduce credit balances through refund or adjustment on a regular basis.</p> <p><b><i>Recommendation</i></b> – While credit balances are common in hospital accounts receivable, timely review and investigation are needed to manage the balance and reduce the impacts of refunds and misposting of contractual adjustments. We recommend management continue its process of reviewing and investigating credit balances to further reduce credit balances to a reasonable level.</p> <p><b><i>Views of Responsible Officials and Planned Corrective Actions</i></b> – Management has developed a process to monitor, review and investigate credit balances on a monthly basis. Management has set a goal to lower the value of credit balances no greater than 10% of net patient accounts receivable by June 30, 2021.</p>

**Hospital Service District No. 3  
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Schedule of Findings and Responses  
June 30, 2020**

Reference Number	Finding
2020-003	<p><b><i>Criteria or Specific Requirement</i></b> – Per Louisiana R.S. 39:1410.60, the Hospital is required to obtain approval from the State Bond Commission before borrowing money, incurring debt or issuing bonds.</p> <p><b><i>Condition</i></b> – The Hospital incurred two additional financings in 2020, the Payroll Protection Program (PPP) and financed insurance premiums through a third party over a period of 12 months.</p> <p><b><i>Effect</i></b> – The Hospital was unable to comply with Louisiana R.S. 39:1410.60.</p> <p><b><i>Cause</i></b> – Due to COVID-19 and timing, the Hospital was unable to obtain Bond Commission approval for the financing of the insurance premiums with a third-party.</p> <p><b><i>Recommendation</i></b> – The Hospital should continue to make every effort to seek and obtain State Bond Commission approval before incurring future debt.</p> <p><b><i>Views of Responsible Officials and Planned Corrective Actions</i></b> – Management will continue to make every effort to seek and obtain State Bond Commission approval before incurring future debt.</p>

**Hospital Service District No. 3  
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Summary Schedule of Prior Audit Findings  
June 30, 2019**

<b>Reference Number</b>	<b>Summary of Findings</b>	<b>Status</b>
2019-001	The Hospital staff should maintain segregation of duties to maintain effective internal controls.	Management has implemented certain mitigating controls to reduce the risk to a manageable level.
2019-002	Management should estimate a cost report settlement for Medicare and Medicaid and record on an interim basis. Additionally, prior settlements should be reconciled to payments and receipts.	Corrected.
2019-003	Credit balances on accounts receivable should be monitored and investigated to determine if a refund is warranted or a correcting adjustment is needed due to a misposting of a remittance advice.	Not corrected.
2019-004	The Hospital should monitor debt agreements to ensure compliance with covenants.	The Series 2018 bonds were repaid during 2020.
2019-005	Per Louisiana R.S. 39:1410.60, the Hospital is required to obtain approval from the State Bond Commission before borrowing money, incurring debt or issuing bonds.	Not corrected.

## **Supplementary Information**

**Hospital Service District No. 3  
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Schedule of Per Diem and Other Compensation Paid to Board Members  
Year Ended June 30, 2020**

	<b><u>Paid on Behalf of Commissioners</u></b>
Mr. Sherman Fontenot	\$ 360
Mr. David LaFargue	240
Mr. Roy Marcantel	400
Ms. Paula Manuel	320
Ms. Nancy Burleigh	360
Mr. Chad Guidry	400
Dr. Matthew Courville	440
	<hr/>
	\$ 2,520
	<hr/> <hr/>

**Hospital Service District No. 3  
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Schedule of Compensation, Benefits and  
Other Payment to Chief Executive Officer  
Year Ended June 30, 2020**

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

Purpose	Amount
Salary	\$ 122,482
Benefits - insurance	5,320
Benefits- retirement	-
Benefits - other	-
Vehicle provided by government	-
Per diem	-
Reimbursements	923
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
Professional dues	-
Cell phone	-