

AVOUELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
BUNKIE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Avoyelles Parish Hospital Service District No. 1
d/b/a Bunkie General Hospital
Bunkie, Louisiana

June 30, 2020 and 2019

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Glen P. Langlinais, CPA
Gayla F. Russo, CPA

Michael P. Broussard, CPA
Elizabeth L. Whitford, CPA
John W. O'Bryan, CPA
Barrett B. Perry, CPA
Elizabeth N. DeBaillon, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Avoyelles Parish Hospital Service District No. 1
d/b/a Bunkie General Hospital
Bunkie, Louisiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Avoyelles Parish Hospital Service District No. 1, State of Louisiana, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury, ("the Hospital"), as of June 30, 2020 and 2019, 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, 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 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.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1 Parish of Avoyelles, State of Louisiana, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Accounting Standards*, we have also issued our report dated December 21, 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 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 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.



LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

December 21, 2020

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

STATEMENT OF NET POSITION

FOR THE YEARS ENDED JUNE 30,

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 9,331,314	\$ 3,973,628
Accounts Receivables, Less Allowance for Doubtful Accounts of \$679,954 in 2020 and \$873,050 in 2019	1,620,616	1,974,307
Due from Third Party Payors	890,253	715,605
Other Receivables	524,864	496,510
Inventories	369,061	340,539
Prepaid Expenses	75,170	87,572
Total Current Assets	12,811,278	7,588,161
 ASSETS LIMITED TO USE		
By Bond Indenture	450,899	394,614
Total Assets Whose Use is Limited	450,899	394,614
 PROPERTY, PLANT AND EQUIPMENT		
Property, Plant and Equipment Cost	9,876,885	10,181,804
Less: Accumulated Depreciation	7,252,901	7,575,307
Total Property, Plant and Equipment	2,623,984	2,606,497
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding Debt	3,419	4,276
Total Deferred Outflows of Resources	3,419	4,276
 TOTAL ASSETS	 \$ 15,889,580	 \$ 10,593,548

The accompanying notes are an integral part of these financial statements.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

STATEMENT OF NET POSITION **FOR THE YEARS ENDED JUNE 30,**
LIABILITIES AND NET POSITION

	2020	2019
CURRENT LIABILITIES		
Accounts Payable	\$ 414,452	\$ 799,764
Accrued Salaries and Related Withholdings	284,373	225,881
Accrued Vacation and Holiday Expense	284,065	252,043
Current Portion of Long-Term Debt	2,225,858	255,159
Due to Third Party Payors	837,211	1,105,434
Credit Balances	44,382	43,607
Interest Payable	4,001	4,001
Total Current Liabilities	4,094,342	2,685,889
 LONG-TERM DEBT		
Revenue Refunding Bonds - Series 2013	204,000	269,000
Capital Lease Payable	122,356	235,638
Provider Relief Funds	3,885,942	-
Total Long-Term Liabilities	4,212,298	504,638
TOTAL LIABILITIES	8,306,640	3,190,527
 NET POSITION		
Invested in Capital Assets, Net of Related Debt	2,113,005	1,842,699
Restricted Net Position (Expendable)	450,899	394,614
Unrestricted	5,019,036	5,165,708
TOTAL NET POSITION	7,582,940	7,403,021
 TOTAL LIABILITIES AND NET POSITION	 \$ 15,889,580	 \$ 10,593,548

The accompanying notes are an integral part of these financial statements.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION **FOR THE YEARS ENDED JUNE 30,**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:		
Net Patient Service Revenues before Provision for Doubtful Accounts	\$ 14,123,433	\$ 13,620,457
Less: Provisions for Doubtful Accounts	<u>(1,185,468)</u>	<u>(694,305)</u>
Net Patient Service Revenue after Provision for Doubtful Accounts	12,937,965	12,926,152
Intergovernmental Transfers - Operating Revenue	656,516	1,050,929
Advalorem Taxes	140,083	137,697
Other Operating Revenue	<u>437,446</u>	<u>379,043</u>
TOTAL OPERATING REVENUE	<u>14,172,010</u>	<u>14,493,821</u>
OPERATING EXPENSES:		
Professional Services	8,884,023	8,529,649
Payroll Taxes and Employee Benefits	1,529,001	1,540,725
General and Administrative	4,214,584	4,184,126
Depreciation and Amortization	<u>559,653</u>	<u>530,841</u>
TOTAL OPERATING EXPENSES	<u>15,187,261</u>	<u>14,785,341</u>
LOSS FROM OPERATIONS	<u>(1,015,251)</u>	<u>(291,520)</u>
NON-OPERATING REVENUES (EXPENSES)		
Grant Revenue	1,210,833	1,388,230
Interest Income	5,881	7,109
Interest Expense	(20,213)	(24,369)
Loss on Sale of Asset	<u>(1,331)</u>	<u>(2,373)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,195,170</u>	<u>1,368,597</u>
CHANGE IN NET POSITION	<u>179,919</u>	<u>1,077,077</u>
TOTAL NET POSITION, BEGINNING	<u>7,403,021</u>	<u>6,325,944</u>
TOTAL NET POSITION, ENDING	<u>\$ 7,582,940</u>	<u>\$ 7,403,021</u>

The accompanying notes are an integral part of these financial statements.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Patients	\$ 12,913,943	\$ 10,443,621
Intergovernmental Transfers - Operating Revenue	829,212	1,088,605
Ad Valorem Taxes	140,083	137,697
Cash Received from Other Sources	253,719	382,987
Cash Payments to Suppliers for Goods and Services	(6,675,849)	(6,317,693)
Cash Payments to Employees for Services and Benefits	(8,200,538)	(7,595,758)
Net Cash Flows Provided By Operating Activities	<u>(739,430)</u>	<u>(1,860,541)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:		
Acquisition of Property and Equipment	(578,469)	(874,998)
Proceeds from Long-Term Debt	5,927,177	-
Principal Payments on Long-Term Debt	(248,818)	(298,956)
Net Cash Flows (Used In) Capital and Related Financial Activities	<u>5,099,890</u>	<u>(1,173,954)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Proceeds from Grant Revenue	1,067,843	1,384,089
Net Cash Flows Provided By Non-Capital Financing Activities	<u>1,067,843</u>	<u>1,384,089</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	5,881	7,109
Interest Expense	(20,213)	(26,376)
Net Cash Flows (Used In) Financing Activities	<u>(14,332)</u>	<u>(19,267)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,413,971	(1,669,673)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, INCLUDING \$394,614 AND \$964,148 LIMITED AS TO USE FOR 2020 AND 2019, RESPECTIVELY	<u>4,368,242</u>	<u>6,037,915</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING \$450,899 AND \$394,614 LIMITED AS TO USE FOR 2020 AND 2019, RESPECTIVELY	<u>\$ 9,782,213</u>	<u>\$ 4,368,242</u>

The accompanying notes are an integral part of these financial statements.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	2020	2019
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating Loss	\$ (1,014,396)	\$ (291,520)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and Amortization	559,653	530,841
Provision for Doubtful Accounts	1,185,468	694,305
Increase in Receivables and Due from Third Parties	(1,159,237)	(3,087,131)
(Increase) Decrease in Inventories and Prepaid Expenses	(16,120)	8,727
(Decrease) Increase in Accounts Payable and Accrued Expenses	(294,798)	284,237
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ (739,430)	\$ (1,860,541)

The accompanying notes are an integral part of these financial statements.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The Avoyelles Parish Hospital Service District No. 1, d/b/a Bunkie General Hospital (the "Hospital") was created by an ordinance of the Avoyelles Parish Police Jury on February 14, 1968. The District is comprised of and embraces the territory contained within the Parish of Avoyelles, State of Louisiana, as constituted as of the date of the ordinance.

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

GASB Codification Sections 2100, 2600, and J50 (formerly GASB 14) established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Police Jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Police Jury.
2. An organization for which the Police Jury does not appoint a voting majority but is fiscally dependent on the Police Jury.
3. An organization for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Police Jury appoints all of the members of the Hospital's governing board and has the ability to impose its will on the Hospital, the Hospital was determined to be a component unit of the Avoyelles Parish Police Jury. The accompanying financial statements present information only on the funds maintained by the Hospital and do not present information on the Police Jury, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

Accounting Standards. The Hospital's financials are presented using the economic resources measurement focus and the accrual basis of accounting under Governmental Accounting Standards Board (GASB) Statement No. 20 (GASB Cod. Sec. P80), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and to the AICPA, *Audit and Accounting Guide - Health Care Organizations*, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

Enterprise Fund. The Hospital utilizes the enterprise fund method of accounting and follows guidance in GASB Codification Section P80. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Substantially all revenues and expenses are subject to accrual. The basic financial statements include Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Assets Whose Use is Limited. Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements and future indenture agreements, over which the Board retains control and may at its discretion subsequently use for other purposes; assets set aside in accordance with agreements with third-party payors; and assets held by trustees under indenture agreements and self-insurance trust agreements.

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

Capital Assets. Capital assets are carried at cost, or if donated, at fair value at date of donation. Capital assets are defined by the Hospital as assets with an initial individual cost of more than \$5,000 and an initial useful life of three years or greater. Depreciation is computed using the straight-line method over the assets' estimated useful lives generally ranging from three to forty years. Equipment under capital lease is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Net Position. Net position represents the difference between assets and liabilities. Net position classifications are defined as follows:

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position invested in capital assets, net of related debt, is reduced by unspent debt proceeds.

Restricted Expendable Net Position consists of non-capital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures.

Unrestricted Net Position consists of remaining net assets that do not meet the definition of the two preceding categories. Unrestricted net position often is designated to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by management, but can be removed or modified.

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Costs of Borrowing. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

Investments. Investments, including assets limited as to use, are recorded at fair value in accordance with Governmental Accounting Standards Board Codification Section 150 "Investments". Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are measured at fair value in the balance sheet. Securities traded on a national or international exchange are valued at the last reported sales price

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

at current exchange rates. Investment income, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in non-operating income.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. See the disclosure regarding Net Patient Service Revenue below for further discussion of significant estimates involving the revenue recognition methods of the Hospital.

Net Patient Service Revenue and Related Receivables. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as settlements are determined.

The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances. Patient receivables are carried at original charge amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a timely basis. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Patient receivables are written off when deemed uncollectible. Recoveries of patient receivables previously written off are recorded when received.

Compensated Absences. Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences on the Hospital's Statement of Net Position was \$284,065 and \$252,043 for 2020 and 2019, respectively.

Ad Valorem Taxes. Property taxes were levied on January 1, on property values assessed on that date. Notices of tax liability are mailed on or about November 1, of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1, of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered available in that period. Available includes those property tax receivables expected to be collected within sixty days after year end. However, the receivable for property taxes is recorded at January 1, the lien date.

Grants and Contributions. From time to time, the Hospital 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 of the eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Operating Revenues and Expenses. The Hospital's Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues and expenses. Revenues are considered available in the period earned and expenses are considered payable in the period incurred. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including grants, and contributions received for purposes other than capital asset acquisitions, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes. The Hospital is a political subdivision and exempt from taxes.

Advertising. The Hospital expenses advertising costs as incurred.

Environmental Matters. Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at the time, management is not aware of any environmental matters which need to be considered.

Reclassifications. To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net position.

NOTE 2: MAJOR SOURCE OF REVENUE

The Hospital participated in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 62% and 70% of its gross patient service revenue from patients covered by the Medicare and Medicaid programs for the years ended June 30, 2020 and 2019, respectively.

NOTE 3: ACCOUNTS RECEIVABLE - PATIENTS

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies the trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance and a provision for bad debts, if necessary. For receivables associated with Medicaid, Commercial and Self-pay patients, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience and on the age of the receivables balance. The aged balance indicates that third-party claims have reached an age where the probability of payment is low and the self-pay patients are unable or unlikely to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Patients Accounts Receivable consists of the following:

	2020	2019
Total Patients Accounts Receivable	\$ 3,659,036	\$ 4,377,389
Less: Allowances for Doubtful Accounts and Contractual Allowances	2,038,420	2,403,082
Net Patient Accounts Receivable	\$ 1,620,616	\$ 1,974,307

NOTE 4: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. Payment arrangements include prospectively determined rates-per-discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 4: NET PATIENT SERVICE REVENUE, CONTINUED

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

A summary of the payment arrangements with major third-party payors follows:

Medicare - The Hospital is paid for inpatient and outpatient services rendered to Medicare program beneficiaries under cost based reimbursement methodology. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The retrospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization, which is under contract with the Hospital to perform such reviews.

The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2018. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as settlements are determined.

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through June 30, 2014. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as settlements are determined.

The Louisiana Legislature, through the Healthcare Reform Act of 2007 and Act 1 of 2010, tasked the Department of Health and Hospitals (the DHH) to create a new system of care. In response, the DHH reformed its reimbursement methodology for Medicaid patients from a fee-for-service system to the use of a Coordinated Care Network (CCN). During 2011, the DHH enabled certain third-party payor companies to contract with providers under the CCN methodology. The Hospital is currently contracted and enrolled with payors participating in the Coordinated Care Network. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary.

The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges and prospectively determined daily rates.

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts, recognized in the period from these major sources, is as follows.

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JUNE 30, 2020 AND 2019

NOTE 4: NET PATIENT SERVICE REVENUE, CONTINUED

Net Patient Service Revenue by Payor before Provision for Doubtful Accounts:

	<u>2020</u>	<u>2019</u>
Medicare	\$ 5,791,892	\$ 4,555,106
Medicaid	2,908,205	3,442,645
All Other Payors	<u>5,423,336</u>	<u>5,622,706</u>
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	<u>\$ 14,123,433</u>	<u>\$ 13,620,457</u>

The following schedule represents total Net Patient Service Revenue:

	<u>2020</u>	<u>2019</u>
Gross Patient Service Revenue	\$ 27,817,143	\$ 28,713,738
Less: Contractual Adjustments	<u>13,693,710</u>	<u>15,093,281</u>
Net Patient Service Revenue Before Provision for Doubtful Accounts	14,123,433	13,620,457
Less: Provision for Doubtful Accounts	<u>1,185,468</u>	<u>694,305</u>
Net Patient Service Revenue	<u>\$ 12,937,965</u>	<u>\$ 12,926,152</u>

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, is as follows:

	<u>June 30, 2020</u>			
	<u>06/30/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/20</u>
Land Improvements	\$ 297,254	\$ -	\$ -	\$ 297,254
Buildings	4,756,483	1,215,075	-	5,971,558
Fixed Equipment	406,239	8,519	210,434	204,324
Major Movables	<u>3,931,199</u>	<u>23,649</u>	<u>672,955</u>	<u>3,281,893</u>
Total Cost	9,391,175	1,247,243	883,389	9,755,029
Less: Accumulated Depreciation	<u>7,575,307</u>	<u>559,653</u>	<u>882,058</u>	<u>7,252,902</u>
Total Net Depreciable Assets	1,815,868	687,590	1,331	2,502,127
Land	121,857	-	-	121,857
Construction in Progress	<u>668,772</u>	<u>525,416</u>	<u>1,194,188</u>	<u>-</u>
Net Property, Plant and Equipment	<u>\$ 2,606,497</u>	<u>\$ 1,213,006</u>	<u>\$1,195,519</u>	<u>\$ 2,623,984</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 5: PROPERTY, PLANT AND EQUIPMENT, CONTINUED

	<u>June 30, 2019</u>			
	<u>06/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/19</u>
Land Improvements	\$ 297,254	\$ -	\$ -	\$ 297,254
Buildings	4,736,398	20,085	-	4,756,483
Fixed Equipment	417,281	59,583	70,625	406,239
Major Movables	3,829,098	139,369	37,268	3,931,199
Total Cost	<u>9,280,031</u>	<u>219,037</u>	<u>107,893</u>	<u>9,391,175</u>
Less: Accumulated Depreciation	<u>7,139,547</u>	<u>530,841</u>	<u>95,081</u>	<u>7,575,307</u>
Total Net Depreciable Assets	2,140,484	(311,804)	12,812	1,815,868
Land	121,857	-	-	121,857
Construction in Progress	<u>-</u>	<u>668,772</u>	<u>-</u>	<u>668,772</u>
Net Property, Plant and Equipment	<u>\$ 2,262,341</u>	<u>\$ 356,968</u>	<u>\$ 12,812</u>	<u>\$ 2,606,497</u>

Depreciation expense for the fiscal years ended June 30, 2020 and 2019 was \$559,653 and \$530,841, respectively.

The cost of the total assets under capital lease was \$1,240,953 and \$1,240,953 for the years ended June 30, 2020 and 2019, respectively with total related amortization expense of \$196,541 and \$205,633 for the year ended June 30, 2020 and 2019, respectively.

NOTE 6: LONG-TERM DEBT

Long-term debt at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Revenue refunding bonds, dated May 1, 2013 bearing interest of increasing from .5% to 3.25%, maturing March 1, 2024, with interest payable semi-annually, collateralized by the Hospital's gross receipts	\$ 269,000	\$ 333,000
Capital Lease Payable, dated January 1, 2016, bearing interest of 5.90%, maturing December 1, 2020, with principal due monthly collateralized by hematology equipment	1,820	5,303
Capital Lease Payable, dated May 29, 2015, bearing interest of 4.70%, maturing June 3, 2020, with principal due monthly collateralized by X-Ray equipment	-	10,052
Capital Lease Payable, dated August 1, 2015, bearing interest of 4.70%, maturing August 1, 2020, with principal due monthly collateralized by R & F Room equipment	19,096	87,227

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 6: LONG-TERM DEBT, CONTINUED

Capital Lease Payable, dated February 23, 2016, bearing interest of 3.52%, maturing June 1, 2021, with principal due monthly collateralized by chemistry analyzer equipment	17,073	36,912
Capital Lease Payable, dated September 1, 2017, bearing interest of 5.16%, maturing September 1, 2020, with principal due monthly collateralized by holter monitors	1,217	5,932
Capital Lease Payable, dated December 21, 2017, bearing interest of 2.29%, maturing December 1, 2022, with principal due monthly collateralized by CT equipment	202,773	281,371
Small Business Administration Paycheck Protection Program Loan, dated April 21, 2020 bearing an interest rate of 1.0%, with payments due monthly	1,000,000	-
HHS Provider Relief Funds, bearing no interest, no repayment plan established	3,885,942	-
Accelerated Medicare Payments, bearing no interest, repayment due through reimbursement deductions	<u>1,041,235</u>	<u>-</u>
Total	\$ 6,438,156	\$ 759,797
Less: Current Portion	<u>2,225,858</u>	<u>255,159</u>
Long-Term Portion	<u>\$ 4,212,298</u>	<u>\$ 504,638</u>

The Hospital obtained a line of credit agreement with Cottonport Bank for \$1,000,000 with interest rate of 1.00% on June 21, 2020. There were no borrowings against the line of credit at June 30, 2020.

A summary of debt activity for the year ended is as follows:

June 30, 2020

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Refunding Bonds - Series 2013	\$ 333,000	\$ -	\$ 64,000	\$ 269,000	\$ 65,000
Capital Lease Obligations	426,797	-	184,819	241,979	119,623
COVID-19 Related Debt	-	5,927,177	-	5,927,177	2,041,235
Total	<u>\$ 759,797</u>	<u>\$5,927,177</u>	<u>\$ 248,819</u>	<u>\$6,438,156</u>	<u>\$2,225,858</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 6: LONG-TERM DEBT, CONTINUED

June 30, 2019

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Refunding Bonds - Series 2013	\$ 395,000	\$ -	\$ 62,000	\$ 333,000	\$ 64,000
Capital Lease Obligations	663,753	-	236,956	426,797	191,159
Total	\$ 1,058,753	\$ -	\$ 298,956	\$ 759,797	\$255,159

Scheduled repayments on long-term debt are as follows:

June 30, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$6,111,800	\$ 12,190	\$6,123,990
2022	148,278	8,171	156,449
2023	108,078	4,575	112,653
2025	70,000	2,275	72,275
Total	\$6,438,156	\$ 27,211	\$6,465,367

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 255,159	\$ 19,284	\$ 274,443
2021	178,283	12,115	190,398
2022	148,278	8,171	156,449
2023	108,077	4,575	112,652
2024	70,000	2,275	72,275
Total	\$ 759,797	\$ 46,420	\$ 806,217

NOTE 7: OPERATING LEASES

The Hospital leases medical equipment under operating lease agreements. Total rent expense for equipment leased under operating leases for June 30, 2020 and 2019 was \$95,270 and \$69,752, respectively.

NOTE 8: PENSION PLAN

Employees have available retirement coverage through an employee funded defined contribution 457 plan, Bunkie General Hospital Service Defined Compensation Program, administered by Nationwide Retirement Solutions. Each pay period the Hospital contributes to a separate 401(A) plan for full-time employees who work 60 or more hours per pay period and have completed a ninety day probationary period. The Hospital contributes 3% of the employee's salary. If an employee elects to participate, the employee will be required to contribute a minimum of 3% of their base pay toward the program. Employees will become 100% vested in the Hospital's contributions after three full years of employment. Pension cost amounted to \$84,320 and \$100,629 for the year ended June 30, 2020 and 2019, respectively. Forfeitures of \$16,379 were applied to pension expense as a reduction of employer contributions for the years ended June 30, 2020 and 2019, respectively.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 9: ASSETS LIMITED AS TO USE

On May 15, 2004, the Hospital accepted an offer from the United States Department of Agriculture Rural Development to make a loan in order to acquire, construct and/or install improvements and replacements to the hospital facilities of the District, including appurtenant equipment and accessories. On May 1, 2013, the Hospital issued Hospital Revenue Bonds, Series 2013 through which a current refunding of the 2004 Revenue Bonds was enacted. This refunding renewed cash restrictions required by the Series 2004 bonds as follows:

All income earned from operations of the Hospital is to be deposited in the hospital operating fund. Funds are to be expensed in the following order of priority and for the following purposes.

- (1) The payment of reasonable expenses of administration, operation and maintenance of the Hospital.
- (2) A cash transfer to the Hospital Sinking Fund by the 20th day of each month, sums equal to the total amount of principal and interest falling due on the next payment date for the Bonds.

It is the contention of management that the accounting requirements of the revenue bonds issues were met.

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at June 30, 2020 and 2019 are set forth in the following table:

	2020	2019
Under Indenture Agreement	\$ 450,899	\$ 394,614
Total Assets Limited as to Use	\$ 450,899	\$ 394,614

NOTE 10: CASH FLOWS SUPPLEMENTAL INFORMATION

Cash and cash equivalents consist of the following:

	2020	2019
Cash and Cash Equivalents	\$ 9,331,314	\$ 3,973,628
Assets Whose Use is Limited		
By Bond Indenture	450,899	394,614
Total Cash and Cash Equivalents	\$ 9,782,213	\$ 4,368,242

Total interest paid by the Hospital was \$20,213 and \$26,376 for the fiscal year ending June 30, 2020 and 2019, respectively.

NOTE 11: EMPLOYEE HOSPITALIZATION PLAN

The Hospital maintains a medical benefits trust. Employees with more than 90 days of service can participate. The trust pays all claims from funds provided from the Hospital. The trust agreement provides that should it not have sufficient funds to cover its obligations, the Hospital is obligated to fund the shortfall.

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JUNE 30, 2020 AND 2019

NOTE 11: EMPLOYEE HOSPITALIZATION PLAN, CONTINUED

The Hospital purchases "excess" insurance coverage that provides for payment of individual claims in excess of \$40,000 or aggregate annual claims in excess of \$1,000,000.

NOTE 12: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents, and insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at June 30, 2020 and 2019, is as follows:

	2020	2019
Medicare	30%	40%
Medicaid	20%	15%
Commercial and Other Third-Party Payors	17%	14%
All Other	33%	31%
	100%	100%

NOTE 13: BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The hospital must follow Louisiana state statutes regarding collateralization. Per Louisiana Revised Statute 39:1225, the amount of the security shall at all times be equal to one hundred percent of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

At June 30, 2020 and 2019, the Hospital had bank balances as follows:

	2020	2019
Insured (FDIC)	\$ 500,000	\$ 500,000
Letter of Credit	7,250,000	4,000,000
Collateralized by Securities Held by the Financial Institution's Trust Department in the Hospital's Name	3,275,677	1,888,741
Total Collateral for Cash Balances	\$ 11,025,677	\$ 6,388,741
Carrying value	\$ 9,911,648	\$ 4,440,681

NOTE 14: RISK MANAGEMENT

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

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 14: RISK MANAGEMENT, CONTINUED

to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability and worker's compensation. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has only included these allocations or equity amounts assigned to the Hospital by the trust fund in its financial statements.

NOTE 15: AD VALOREM TAXES

The Hospital levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the Board of Commissioners as recommended by the local tax assessor. Property taxes are collected through the local sheriff and remitted, net of collection fees, to the Hospital. The sheriff's office is responsible for collection, including establishing lien, levy and due dates of property taxes. Ad valorem recognized for June 30, 2020 and 2019 is \$140,083 and \$137,697, respectively.

NOTE 16: JOINT VENTURE

The Hospital entered into a cooperative endeavor (i.e. joint venture) with a home health company on March 1, 2004. The Hospital shares one-third of the profits and losses, and leases space to this organization. Thus far, the joint venture has experienced profits and distributed the hospital's proportional share to the hospital each year. For more information on joint venture financial statements, contact Hospital administration.

NOTE 17: NET POSITION

Net position for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Invested in Capital Assets, Net of Related Debt	\$ 2,113,005	\$ 1,842,699
Restricted Net Position:		
By Bond Indenture (Expendable)	450,899	394,614
Unrestricted	5,019,036	5,165,708
Total Net Position	\$ 7,582,940	\$ 7,403,021

NOTE 18: CHARITY CARE

The Hospital provides services without charge or at amounts less than its rates to patients who meet the criteria of its charity care policy. The criterion for charity care considers items such as family income, net worth, extent of financial obligations for healthcare services, etc. The Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported in revenue.

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges forgone based on established rates, were approximately \$31,596 and \$26,131 and for the years ended June 30, 2020 and 2019, respectively.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 18: CHARITY CARE, CONTINUED

Management estimates that approximately \$16,719 and \$12,904 of costs were related to charity care for the years ended June 30, 2020 and 2019, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

NOTE 19: BOND DEFEASANCE

On May 1, 2013, the Hospital issued \$680,000 in Revenue Bonds (Refunding Bonds, Series 2013) with interest rates ranging from .50 - 3.25% and annual debt service payments from \$66,466 to \$72,275. These bonds were issued through a current refunding of \$714,903 of outstanding 2004 Revenue Bonds bearing an interest rate of 4.5%. The net proceeds of \$680,000, after payment of \$9,488 in debt issuance costs plus an additional \$14,188 of sinking fund and \$37,577 of reserve fund monies were used to immediately refund the 2004 Revenue Bonds.

As a result, the 2004 Revenue Bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$9,415. This amount is reflected on the Statement of Net Position as Deferred Outflows of Resources and is being amortized over the remaining life of the refunded debt, which has the same life as the original note; the Deferred Charge on Refunding Debt is \$3,419 and \$4,276 for years ended June 30, 2020 and 2019, respectively. The current refunding resulted in the reduction of aggregate debt service payments over eleven years by \$121,244, and the Hospital obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$65,041. The effective interest rate on the new issue is 2.579%.

NOTE 20: GOVERNMENTAL REGULATIONS

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 participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. 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 as well as other applicable government laws and regulation. 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.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Hospital. Federal healthcare reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Hospital's principal payors. It is not possible at this time to determine the impact on the Hospital of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Hospital in future years.

NOTE 21: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB's new lease accounting standard, GASB Statement No. 87, was issued in June of 2017. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 21: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS, CONTINUED

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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The requirements of the Statement are effective for reporting periods beginning after December 15, 2019. Statement number 95 postponed the effective date for 18 months. New effective date is fiscal years beginning after June 15, 2021 Early application is encouraged.

NOTE 22: GRANT REVENUE

The Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer (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 aggregate IGT grant income is \$656,516 and \$1,050,929 for the years ended June 30, 2020 and 2019, respectively.

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

NOTE 23: CARES ACT FUNDING

In response to the COVID-19 pandemic, Congress passed H.R. 748, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which was signed into law by the President on March 27, 2020. This Act established several different tranches of funds meant to ensure businesses would be able to continue paying their employees and other bills despite the reduction in revenue. The hospital received funds from three of the different portions of funds: The Small Business Administration's Paycheck Protection Program, the Medicare Accelerated Program, and Provider Relief Funds.

Paycheck Protection Program

The hospital received \$1,000,000 on April 14, 2020. This money was to be used for payroll costs, utility payments, lease agreements, and interest on mortgage obligations. If certain criteria are met, all or part of the loan will be forgiven. Any portion that isn't forgiven must be repaid over two years at an interest rate of 1%.

Medicare Accelerated Program

The hospital received \$1,041,235 in Medicare Accelerated Payments on April 10, 2020. This program has been in existence but was amended and expanded by the Act for the purposes of getting more funding to Medicare Part A providers and Part B suppliers. These funds will be withheld by CMS from Medicare remittances starting a year from the date they were received.

Provider Relief Funds

The Hospital received \$3,885,942 under this section of the CARES Act. The terms and conditions require that recipients be able to demonstrate that lost revenues and increased expenses attributable to COVID-19, excluding expenses and losses that have been reimbursed from other sources, exceed the total amount of Provider Relief funding received. A repayment mechanism has yet to be established.

NOTE 24: SUBSEQUENT EVENTS

On November 24, 2020, Bunkie General Hospital received a notice of Paycheck Protection Program Forgiveness Payment of \$1,000,000 and interest of \$5,945.

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through December 21, 2020 the date the financial statements were available to be issued.

AVOUELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
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SCHEDULE OF PATIENT SERVICE REVENUE **FOR THE YEARS ENDED JUNE 30,**

	<u>2020</u>	<u>2019</u>
INPATIENT SERVICE REVENUES		
Daily Patient Services:		
Adult and Pediatric	\$ 107,461	\$ 165,686
Dietary	6,550	-
Swing-Bed	1,496,405	1,280,243
Total	<u>1,610,416</u>	<u>1,445,929</u>
Other Nursing Services:		
Emergency Service	7,333	13,283
Total	<u>7,333</u>	<u>13,283</u>
Professional Services:		
Blood	5,500	6,000
EKG	4,290	660
Inhalation Therapy	232,947	348,010
Intravenous Therapy	(652)	348
Laboratory	319,961	296,924
Pharmacy	587,034	646,169
Physical/Speech Therapy	2,043,109	1,386,330
Professional Fees	76,970	86,035
Radiology	125,134	109,915
	<u>3,394,293</u>	<u>2,880,391</u>
TOTAL INPATIENT SERVICE REVENUE	<u>5,012,042</u>	<u>4,339,603</u>

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SCHEDULE OF PATIENT SERVICE REVENUE **FOR THE YEARS ENDED JUNE 30,**

	<u>2019</u>	<u>2018</u>
OUTPATIENT SERVICE REVENUES		
Nursing Services:		
Adult and Pediatric	\$ 75	-
Dietary	200	-
Emergency Service	4,206,180	\$ 4,755,867
Hospitalist	11,690	13,376
Observation	1,964,514	2,330,593
Total	<u>6,182,659</u>	<u>7,099,836</u>
Professional Services:		
Blood	30,630	22,000
Cardiac Rehab	100,750	98,510
Clinic - Family Care Center	774,938	782,834
Clinic - Rural Health	829,674	876,055
EKG	262,845	74,580
Endoscopy	111,200	210,289
Inhalation Therapy	377,679	385,189
Intensive Psychiatric Therapy	2,038,200	2,870,803
Intravenous Therapy	4,921	4,237
Laboratory	5,493,697	5,343,745
Pharmacy	549,945	687,862
Physical Therapy	25,150	21,080
Professional Fees	296,422	272,115
Radiology	5,080,614	5,050,463
Wound Care	645,777	574,538
Total	<u>16,622,442</u>	<u>17,274,300</u>
TOTAL OUPATIENT SERVICE REVENUE	<u>22,805,101</u>	<u>24,374,136</u>
GROSS PATIENT SERVICE REVENUE	27,817,143	28,713,739
CONTRACTUAL ADJUSTMENTS	<u>(13,693,710)</u>	<u>(15,093,281)</u>
NET PATIENT SERVICE REVENUE	<u>\$ 14,123,433</u>	<u>\$ 13,620,458</u>

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

SCHEDULE OF OTHER OPERATING REVENUES FOR THE YEARS ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>
Cafeteria and Vendor sales	\$ 63,328	\$ 69,036
Ideal Protein	-	6,415
Joint Venture	105,799	73,000
Pharmacy Sales - Employees	53,556	42,966
340B Outside Pharmacy Sales	101,254	98,015
Rental Income	11,500	14,300
Other	<u>102,009</u>	<u>75,311</u>
 TOTAL OTHER OPERATING REVENUES	 <u>\$ 437,446</u>	 <u>\$ 379,043</u>

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
BUNKIE, LOUISIANA

SCHEDULE OF PROFESSIONAL SERVICES

FOR THE YEARS ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>
Salaries:		
Cardiac Rehab / Fitness	\$ 109,130	\$ 99,692
Central Supply	50,231	46,132
Clinic - Family Care Center	678,895	648,836
Clinic - Rural Health	685,342	592,507
Emergency Room	705,430	655,512
Endoscopy	3,170	4,367
Inhalation Therapy	382,144	321,486
Laboratory	384,083	359,265
Nursing	1,055,789	952,161
PT/OT/ST	360,929	270,530
Radiology	381,937	358,881
Other	13,542	22,567
Total Salaries	<u>4,810,622</u>	<u>4,331,936</u>
 Supplies and Other Expenses:		
Blood	20,225	13,802
Central Supply	36,620	20,805
Clinic - Family Care Center	60,389	53,978
Clinic - Rural Health	97,860	133,951
Emergency Room	1,206,057	1,183,648
Endoscopy	16,485	7,419
Hospitalist	200	-
Inhalation Therapy	28,519	60,705
IOP	565,292	766,989
Laboratory	463,705	478,396
Nursing	227,328	208,899
Pharmacy	919,469	919,517
PT/OT/ST	11,201	10,567
Radiology	196,154	161,256
Wound Care	207,489	167,419
Other	16,408	10,362
Total Supplies and Other Expenses	<u>4,073,401</u>	<u>4,197,713</u>
 TOTAL PROFESSIONAL SERVICES	 <u>\$ 8,884,023</u>	 <u>\$ 8,529,649</u>

AVOUELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES **FOR THE YEARS ENDED JUNE 30,**

	<u>2020</u>	<u>2019</u>
Salaries:		
Administrative	\$ 1,388,799	\$ 1,343,398
Dietary	158,389	138,997
Housekeeping	113,381	105,945
Maintenance	153,567	143,415
Medical Records	167,814	178,628
Total Salaries	<u>1,981,950</u>	<u>1,910,383</u>
Supplies and Other Expenses:		
Administrative	1,563,873	1,591,188
Cat Scan	-	702
Dietary	118,634	121,139
Housekeeping	58,796	61,718
Maintenance	455,525	468,905
Medical Records	35,806	30,091
Total Supplies and Other Expenses	<u>2,232,634</u>	<u>2,273,743</u>
TOTAL GENERAL AND ADMINISTRATIVE SERVICES	<u>\$ 4,214,584</u>	<u>\$ 4,184,126</u>

AVOUELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a/ BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

GOVERNING BOARD COMPENSATION

The Board of Commissioners received no compensation for the years ended June 30, 2020 and 2019.

AVOUELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER

JUNE 30,

	<u>2020</u>	<u>2019</u>
LINDA DEVILLE		
Salary	\$ 139,339	\$ 136,818
Benefits-Insurance	994	6,706
Benefits-Retirement	4,180	4,105
Benefits-Basic Life	137	-
Travel	822	1,954
	<u>\$ 145,472</u>	<u>\$ 149,583</u>



Glen P. Langlinais, CPA
Gayla F. Russo, CPA

Michael P. Broussard, CPA
Elizabeth L. Whitford, CPA
John W. O'Bryan, CPA
Barrett B. Perry, CPA
Elizabeth N. DeBaillon, CPA

INDEPENDENT AUDITOR'S 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. 1 Parish of Avoyelles
d/b/a Bunkie General Hospital
Bunkie, Louisiana

We have audited, in accordance with the 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. 1, Parish of Avoyelles, State of Louisiana, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury (the Hospital), as of and for the year ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 21, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed

no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hospital's Response to Findings

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

Purpose of this Report

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

This report is intended for the information and use of the Board of Commissioners and management of the Hospital, others within the organization, federal awarding agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties.

Sincerely,



LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

December 21, 2020

We have audited the financial statements of Hospital Service District No. 1 Parish of Avoyelles, State of Louisiana, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury, as of and for the years ended June 30, 2020 and 2019, and have issued our report thereon dated December 21, 2020.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audits of the financial statements as of June 30, 2020 and 2019 resulted in unmodified opinions.

Section I: Summary of Auditor's Reports

A - Report on Internal Control and Compliance Material to the Financial Statements

Compliance:

Compliance Material to Financial Statements: No

Internal Control:

Material Weaknesses: Yes

Significant Deficiencies: No

Section II: Financial Statement Findings

A - Material Weaknesses

Finding 2020-1 Proposed Audit Adjustments

Criteria and Condition: The proposed audit adjustments for the fiscal year ended June 30, 2020 and 2019 had material effects on the financial statements. Material audit adjustments were made in the area of cost report settlements.

Cause: Due to the timing of the preparation of the cost report, an accurate estimate of the cost report settlement is difficult to determine, causing a material adjustment to the financial statements.

Effect: The Hospital's management has approved and posted all proposed audit entries.

Recommendation: Management should perform a comprehensive review of financial statements, estimates and journal entries before closing the fiscal year.

Management Response: The Hospital will work to reduce audit adjustments for the cost report by incorporating a monthly cost report estimate. We intend to eliminate or reduce material audit adjustments.

Section III: Management Letter Items

There are no management letter items at June 30, 2020.

HOSPITAL SERVICE DISTRICT NO. 1 PARISH OF AVOUELLES
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

Section I - Internal Control and Compliance Material to the Financial Statements

Finding 2019-1 Segregation of Duties

The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Status: Resolved.

Finding 2019-2 Proposed Audit Adjustments

The proposed audit adjustments for the fiscal year ended June 30, 2019 and 2018 had material effects on the financial statements.

Status: Unresolved. See Finding 2020-1.