

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

Independent Auditor's Reports and Financial Statements

June 30, 2022 and 2021

**Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Police Jury
June 30, 2022 and 2021**

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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
A Component Unit of the Allen Parish Police Jury
Kinder, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the 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 years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in *Note 2* to the financial statements, on July 1, 2021, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement, No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Supplementary Information

Our audits were 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 are 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. 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 basic financial statements. The 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 December 22, 2022, 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.

FORVIS,LLP

Jackson, Mississippi
December 22, 2022

Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Police Jury
Management's Discussion and Analysis
June 30, 2022 and 2021

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, 2022 and 2021. It should be read in conjunction with the accompanying financial statements of the Hospital. During 2022, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, retroactively restating the amounts reported in the 2021 financial statements. The summarized financial information for the year ended June 30, 2020, included in management's discussion and analysis, was not restated for this adoption.

Financial Highlights

- Unrestricted cash increased in 2022 by approximately \$1,556,000, or 355% after having decreased by approximately \$26,000, or 6% in 2021. In addition, short-term investments decreased by approximately \$4,825,000, due to the construction of the new rural health clinic building. Restricted cash increased by approximately \$12,806,000, due to receipt of intergovernmental transfers prior to year-end, with expenditure of funds to grant recipients in July.
- The Hospital's change in net position in 2022 was approximately \$1,214,000 and approximately \$9,569,000 in 2021.
- The Hospital reported operating income of approximately \$375,000 and \$2,458,000 in 2022 and 2021, respectively. The operating income in 2022 decreased by approximately \$2,083,000, or 85% from the operating income reported in 2021. The operating income in 2021 increased by approximately \$529,000, or 27% over the operating income reported in 2020.
- Net nonoperating revenues decreased by approximately \$4,943,000, or 86% in 2022 compared to 2021, and increased by approximately \$5,112,000, or 764% in 2021, compared to 2020. The increase in 2021 is primarily driven by recognition of \$4,985,000 in Provider Relief funds.

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; 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.

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The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

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 of revenues, expenses, and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. 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.

Hospital Service District No. 3
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A Component Unit of the Allen Parish Police Jury
Management's Discussion and Analysis
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Table 1: Assets, Liabilities, and Net Position

	2022	2021 (As Restated)	2020
Assets			
Patient accounts receivable, net	\$ 2,190,732	\$ 1,657,917	\$ 1,438,057
Other current assets	28,415,421	20,207,053	17,751,075
Capital assets, net	9,102,960	3,343,963	1,860,263
Lease assets, net	118,385	270,052	-
	<u>39,827,498</u>	<u>25,478,985</u>	<u>21,049,395</u>
Total assets	\$ 39,827,498	\$ 25,478,985	\$ 21,049,395
Liabilities			
Total current liabilities	\$ 27,904,460	\$ 14,694,762	\$ 18,791,848
Lease liabilities	49,211	123,971	1,154,101
	<u>27,953,671</u>	<u>14,818,733</u>	<u>19,945,949</u>
Total liabilities	27,953,671	14,818,733	19,945,949
Net Position			
Net investment in capital assets	8,583,090	3,115,572	1,664,083
Unrestricted	3,290,737	7,544,680	(560,637)
	<u>11,873,827</u>	<u>10,660,252</u>	<u>1,103,446</u>
Total net position	11,873,827	10,660,252	1,103,446
Total liabilities and net position	\$ 39,827,498	\$ 25,478,985	\$ 21,049,395

The Hospital had several significant changes in its assets and liabilities during 2022 and 2021, as shown in *Table 1*:

- Unrestricted cash increased in 2022 by approximately \$1,556,000, or 355% after having decreased by approximately \$26,000, or 6% in 2021. In addition, short-term investments decreased by approximately \$4,825,000, due to the construction of the new rural health clinic building. Restricted cash increased by approximately \$12,806,000, due to receipt of intergovernmental transfers prior to year-end, with expenditure of funds to grant recipients in July.

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- Grants receivable associated with the Full Medicaid Pricing Program decreased approximately \$1,883,000 in 2022, compared to 2021 and increased approximately \$1,432,000 between 2021 and 2020.
- Capital assets, net increased in 2022 by approximately \$5,759,000, due to the construction of the new rural health clinic.
- Accrued intergovernmental transfers payables increased by approximately \$11,851,000 in 2022, due to timing of funds received from the supplemental payment program, and related remittance to grants.
- Net investment in capital assets increased by approximately \$5,468,000, or 176% in 2022, after having increased by approximately \$1,181,000, or 71% in 2021.
- The Hospital's net position in 2022 improved by approximately \$1,214,000 and 2021 improved by approximately \$9,569,000, as a result of the recognition of \$4,985,000 Coronavirus Aid, Relief, and Economic Security (CARES) Act fund received and forgiveness of Paycheck Protection Program (PPP) loan of \$1,330,000.

Operating Results and Changes in the Hospital's Net Position

In 2022, the Hospital's change in net position decreased from approximately \$9,569,000 in 2021 to \$1,214,000, or a change of approximately \$8,356,000, as shown in Table 2. This decrease is primarily due to the recognition of Provider Relief Funds in 2021. The Hospital's change in net position increased from approximately \$2,598,000 in 2020 to \$9,569,000 in 2021.

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Table 2: Operating Results and Changes in Net Position

	2022	2021 (As Restated)	2020
Operating Revenues			
Net patient service revenue, net	\$ 15,625,127	\$ 16,233,742	\$ 13,985,470
Other	27,610,403	17,394,040	22,247,513
Total operating revenues	<u>43,235,530</u>	<u>33,627,782</u>	<u>36,232,983</u>
Operating Expenses			
Salaries, wages and benefits	9,872,462	8,768,357	7,274,348
Purchased services and professional fees	4,942,858	4,651,020	4,592,551
Intergovernmental transfer expense	24,590,090	14,718,006	20,136,318
Supplies and other	3,086,089	2,678,629	2,056,824
Depreciation and amortization	368,903	353,551	244,045
Total operating expenses	<u>42,860,402</u>	<u>31,169,563</u>	<u>34,304,086</u>
Operating Income	375,128	2,458,219	1,928,897
Nonoperating Revenues	<u>838,447</u>	<u>5,781,379</u>	<u>669,069</u>
Income Before Special Item	1,213,575	8,239,598	2,597,966
Special Item	<u>-</u>	<u>1,329,692</u>	<u>-</u>
Increase in Net Position	1,213,575	9,569,290	2,597,966
Beginning Net Position, As Restated	<u>10,660,252</u>	<u>1,090,962</u>	<u>(1,494,520)</u>
Ending Net Position	<u>\$ 11,873,827</u>	<u>\$ 10,660,252</u>	<u>\$ 1,103,446</u>

Operating Income

The first component of the overall change in the Hospital's net position is its operating income – generally, the difference between net patient service and other operating revenues and the

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expenses incurred to perform those services. The Hospital reported operating income in 2022, 2021, and 2020. 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 Hospital to serve lower income and other residents.

2022

The operating income in 2022 decreased by approximately \$2,083,000, or 85%, as compared to 2021. The primary components of the decreased operating income are:

- A decrease in net patient service revenue, net of approximately \$705,000, or 4% over 2021.
- An increase in intergovernmental transfer expense of approximately \$9,872,000, or 67%, compared to 2021, partially offset by an increase in other revenues of \$9,460,000, or 58%.

2021

The operating income in 2021 increased by approximately \$529,000, or 27%, as compared to 2020. The primary components of the increased operating income are:

- An increase in net patient service revenue, net of approximately \$2,248,000, or 16% over 2020.
- A decrease in intergovernmental transfer expense of approximately \$5,418,000, or 27%, compared to 2020, partially offset by an increase in other revenues of \$4,853,000, or 22%.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist of property taxes levied by the Hospital, interest expense, and interest income. Property taxes, interest expense, and interest income remained relatively constant in 2022, as compared with 2021. In 2021, the most significant change related to recognition of \$4,985,000 of Provider Relief Funds.

The Hospital's Cash Flows

The Hospital's cash flows from operating activities for 2022, 2021, and 2020 were approximately \$13,488,000, \$1,273,000, and \$270,000, respectively. In addition, cash used in capital and related financing activities increased to approximately (\$5,856,000) with the construction of new capital projects.

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Capital and Lease Assets

As of June 30, 2022, 2021, and 2020, the Hospital had approximately \$9,103,000, \$3,344,000, and \$1,860,000 invested in capital assets, net of accumulated depreciation, respectively. In 2022, 2021, and 2020, the Hospital had additions of approximately \$5,976,000, \$1,891,000, and \$531,000, respectively. In addition, the Hospital had leased assets, net of accumulated amortization of approximately \$118,000, \$270,000, and \$0 as of June 30, 2022, 2021, and 2020, respectively.

Debt and Lease Liabilities

As of June 30, 2022, 2021, and 2020, the Hospital had approximately \$0, \$0, and \$1,665,000 in debt outstanding, respectively. The Hospital also had approximately \$124,000, \$275,000, and \$0 in lease liabilities as of June 30, 2022, 2021, and 2020, 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.

Hospital Service District No. 3
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Balance Sheets
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u> <u>(As Restated)</u>
Assets		
Current Assets		
Cash	\$ 1,994,711	\$ 438,372
Restricted cash	12,806,094	-
Short-term investments	5,158,495	9,983,657
Patient accounts receivable, net of allowance; 2022 - \$2,731,000; 2021 - \$1,370,000	2,190,732	1,657,917
Accounts receivable - other	1,514,649	1,023,875
Grants receivable	6,408,856	8,292,341
Inventory	271,026	253,271
Prepaid expenses	<u>261,590</u>	<u>215,537</u>
Total current assets	<u>30,606,153</u>	<u>21,864,970</u>
Capital Assets, Net	<u>9,102,960</u>	<u>3,343,963</u>
Lease Assets, Net	<u>118,385</u>	<u>270,052</u>
Total assets	<u>\$ 39,827,498</u>	<u>\$ 25,478,985</u>

	2022	2021 (As Restated)
Liabilities and Net Position		
Current Liabilities		
Current portion of lease liabilities	\$ 74,760	\$ 151,949
Accounts payable	1,615,312	992,083
Estimated amounts due to third-party payors	439,198	558,380
Accrued expenses	660,727	776,170
Accrued intergovernmental transfers payables	19,519,723	7,668,873
Revenues received in advance	<u>5,594,740</u>	<u>4,547,307</u>
Total current liabilities	27,904,460	14,694,762
Lease liabilities	<u>49,211</u>	<u>123,971</u>
Total liabilities	<u>27,953,671</u>	<u>14,818,733</u>
Net Position		
Net investment in capital assets	8,583,090	3,115,572
Unrestricted	<u>3,290,737</u>	<u>7,544,680</u>
Total net position	<u>11,873,827</u>	<u>10,660,252</u>
Total liabilities and net position	<u><u>\$ 39,827,498</u></u>	<u><u>\$ 25,478,985</u></u>

Hospital Service District No. 3
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Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021 (As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 - \$2,703,000; 2021 - \$1,589,000	\$ 15,625,127	\$ 16,233,742
Other	27,610,403	17,394,040
Total operating revenues	43,235,530	33,627,782
Operating Expenses		
Salaries and wages	8,749,649	7,354,688
Employee benefits	1,122,813	1,413,669
Purchased services and professional fees	4,942,858	4,651,020
Intergovernmental transfer expense	24,590,090	14,718,006
Supplies and other	3,086,089	2,678,629
Depreciation and amortization	368,903	353,551
Total operating expenses	42,860,402	31,169,563
Operating Income	375,128	2,458,219
Nonoperating Revenues (Expenses)		
Property taxes	839,357	809,802
CARES Act grants	-	4,984,575
Interest expense	(19,102)	(27,929)
Interest income	18,192	14,931
Total nonoperating revenues	838,447	5,781,379
Income Before Special Item	1,213,575	8,239,598
Special Item		
PPP loan forgiveness	-	1,329,692
Increase in Net Position	1,213,575	9,569,290
Net Position, Beginning of Year, As Previously Reported	10,660,252	1,103,446
Adjustments Applicable to Prior Years (Note 2)	-	(12,484)
Net Position, Beginning of Year, As Restated	10,660,252	1,090,962
Net Position, End of Year	\$ 11,873,827	\$ 10,660,252

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Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u> <u>(As Restated)</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 14,859,867	\$ 16,381,587
Payments to governmental entities	(12,739,240)	(13,877,791)
Payments to suppliers and contractors	(7,783,478)	(7,508,420)
Payments to employees	(9,987,905)	(8,784,771)
Other receipts	<u>29,138,568</u>	<u>15,062,797</u>
Net cash provided by operating activities	<u>13,487,812</u>	<u>1,273,402</u>
Noncapital Financing Activities		
Property taxes	839,357	809,802
Governmental funding through CARES Act	<u>1,047,433</u>	<u>100,000</u>
Net cash provided by noncapital financing activities	<u>1,886,790</u>	<u>909,802</u>
Capital and Related Financing Activities		
Principal payments on long-term debt	-	(139,451)
Principal payments on lease liabilities	(151,949)	(148,992)
Interest payments on long-term debt and lease liabilities	(19,102)	(26,704)
Purchase of capital assets	<u>(5,684,472)</u>	<u>(1,668,532)</u>
Net cash used in capital and related financing activities	<u>(5,855,523)</u>	<u>(1,983,679)</u>
Cash Flows from Investing Activities		
Purchase of short-term investments	(984,145)	(2,146,409)
Proceeds from sale of short-term investments	5,825,000	1,915,000
Interest on investments	<u>2,499</u>	<u>5,579</u>
Net cash provided by (used in) investing activities	<u>4,843,354</u>	<u>(225,830)</u>
Change in Cash	14,362,433	(26,305)
Cash, Beginning of Year	<u>438,372</u>	<u>464,677</u>
Cash, End of Year	<u>\$ 14,800,805</u>	<u>\$ 438,372</u>

Hospital Service District No. 3
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Statements of Cash Flows (Continued)
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u> <u>(As Restated)</u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating income	\$ 375,128	\$ 2,458,219
Depreciation and amortization	368,903	353,551
Provision for uncollectible accounts	2,702,772	1,589,389
Changes in operating assets and liabilities		
Patient accounts receivable	(3,235,587)	(1,809,249)
Grants receivable	1,883,485	(1,431,701)
Estimated amounts due to third-party payors	(119,182)	(19,398)
Inventory	(17,755)	(35,541)
Prepaid expenses and other	(536,827)	(774,280)
Accounts payable and accrued expenses	216,025	102,197
Accrued intergovernmental transfers payables	11,850,850	840,215
	<u>\$ 13,487,812</u>	<u>\$ 1,273,402</u>
Reconciliation of Cash to the Balance Sheets		
Cash	\$ 1,994,711	\$ 438,372
Restricted cash	<u>12,806,094</u>	<u>-</u>
	<u>\$ 14,800,805</u>	<u>\$ 438,372</u>
Supplemental Cash Flows Information		
Forgiveness of PPP loan	\$ -	\$ 1,329,692
Capital asset acquisitions included in accounts payable	\$ 514,284	\$ 222,523

Hospital Service District No. 3
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Notes to Financial Statements
June 30, 2022 and 2021

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 the Hospital. 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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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.

Inventories

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

Investments and Investment Income

The investment in the custody pool is reported at fair value. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments carried at fair value.

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. 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

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

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

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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, 2022 or 2021.

Lease Liabilities

The Hospital is a lessee for noncancellable leases. The Hospital recognizes a lease liability and an intangible lease asset (lease asset) in the financial statements. At the commencement of a lease, the Hospital initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The Hospital monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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*).

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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 two components on its balance sheets.

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

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.

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.

Property Taxes

The Hospital received approximately 2.1% and 1.8% in 2022 and 2021, respectively, of its financial support from property taxes. 100% of these funds were used to support operations in both 2022 and 2021.

The Hospital levies two property taxes on all property subject to taxation in the Hospital's 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.

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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.

Note 2: Change in Accounting Principle

On July 1, 2021, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, using a retrospective method of adoption to all leases in place and not yet completed at the beginning of the earliest period presented. The statement requires lessees to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible lease asset. The 2021 financial statements and disclosures were restated to reflect the impact of this adoption.

The effect of the changes made to the accompanying balance sheet, statement of revenues, expenses, and changes in net position, and statement of cash flows as of and for the year ended June 30, 2021 are as follows:

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	Amounts Originally Reported	Restatements	As Restated
Balance Sheet			
Capital assets, net	\$ 3,481,213	\$ (137,250)	\$ 3,343,963
Lease assets, net	-	270,052	270,052
Total assets	25,346,183	132,802	25,478,985
Liabilities			
Current portion of long-term debt	76,940	(76,940)	-
Current portion of lease liabilities	-	151,949	151,949
Accrued expenses	774,945	1,225	776,170
Total current liabilities	14,618,528	76,234	14,694,762
Long-term debt	43,617	(43,617)	-
Lease liabilities	-	123,971	123,971
Total liabilities	14,662,145	156,588	14,818,733
Net Position			
Net investment in capital assets	3,138,133	(22,561)	3,115,572
Unrestricted	7,545,905	(1,225)	7,544,680
Total net position	10,684,038	(23,786)	10,660,252
Total liabilities and net position	25,346,183	132,802	25,478,985
Statement of Revenues, Expenses and Changes in Net Position (Deficit)			
Supplies and other	2,759,757	(81,128)	2,678,629
Depreciation and amortization	270,105	83,446	353,551
Total operating expenses	31,167,245	2,318	31,169,563
Operating income	2,460,537	(2,318)	2,458,219
Interest expense	(18,945)	(8,984)	(27,929)
Total nonoperating revenues	5,790,363	(8,984)	5,781,379
Increase in net position	9,580,592	(11,302)	9,569,290
Net Position, Beginning of Year	1,103,446	(12,484)	1,090,962
Net Position, End of Year	10,684,038	(23,786)	10,660,252
Statement of Cash Flows			
Payments to suppliers and contractors	(7,589,548)	81,128	(7,508,420)
Net cash provided by operating activities	1,192,274	81,128	1,273,402
Principal payments on long-term debt	(215,074)	75,623	(139,451)
Principal payments on lease liabilities	-	(148,992)	(148,992)
Interest payments on long-term debt and lease liabilities	(18,945)	(7,759)	(26,704)
Net cash used in capital and related financing activities	(1,902,551)	(81,128)	(1,983,679)

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Note 3: 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, 2022 and 2021, none of the Hospital's bank balances of approximately \$14,862,000 and \$538,000, respectively, 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, 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, 2022 and 2021, the Hospital had \$5,158,495 and \$9,983,657 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 interest 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 Securities and Exchange Commission (SEC) as an investment company. LAMP's annual financial statements can be obtained from the Louisiana Legislative Auditor's website.

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

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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 56 days from LAMP's monthly portfolio holdings as of June 30, 2022.

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.

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Concentration of Credit Risk

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

Summary of Carrying Values

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

	<u>2022</u>	<u>2021</u>
Carrying value		
Deposits	\$ 14,800,805	\$ 438,372
Investments	<u>5,158,495</u>	<u>9,983,657</u>
	<u>\$ 19,959,300</u>	<u>\$ 10,422,029</u>
Included in the following balance sheets captions		
Cash	\$ 1,994,711	\$ 438,372
Restricted cash	12,806,094	-
Short-term investments	<u>5,158,495</u>	<u>9,983,657</u>
	<u>\$ 19,959,300</u>	<u>\$ 10,422,029</u>

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Note 4: 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, 2022 and 2021 consisted of:

	2022	2021
Medicare	\$ 640,405	\$ 433,442
Medicaid	656,833	636,784
Other third-party payors	564,968	325,423
Patients	3,059,307	1,632,589
	4,921,513	3,028,238
Less allowance for uncollectible accounts	(2,730,781)	(1,370,321)
	\$ 2,190,732	\$ 1,657,917

Note 5: Capital and Lease Assets

Capital assets activity for the years ended June 30, 2022 and 2021, were:

	2022				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 19,550	\$ 244,099	\$ -	\$ -	\$ 263,649
Land improvements	197,331	-	-	-	197,331
Buildings and leasehold improvements	2,452,760	-	-	-	2,452,760
Equipment	5,533,473	148,488	-	-	5,681,961
Construction in progress	2,091,967	5,583,646	-	-	7,675,613
	10,295,081	5,976,233	-	-	16,271,314
Less accumulated depreciation	6,951,118	217,236	-	-	7,168,354
Capital assets, net	\$ 3,343,963	\$ 5,758,997	\$ -	\$ -	\$ 9,102,960

Construction in progress at June 30, 2022, consisted of expenditures associated with the design of a hospital building and construction of a new rural healthcare building. The total project cost of construction, fee, and equipment is expected to total approximately \$21,000,000 through phase 1.

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Of this amount, approximately \$15,000,000 is being funded from USDA Financing, while the remaining is expected to be paid from operations.

	2021 (As Restated)				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 19,550	\$ -	\$ -	\$ -	\$ 19,550
Land improvements	197,331	-	-	-	197,331
Buildings and leasehold improvements	2,442,509	10,251	-	-	2,452,760
Equipment	5,208,124	190,620	-	134,729	5,533,473
Construction in progress	536,512	1,690,184	-	(134,729)	2,091,967
	<u>8,404,026</u>	<u>1,891,055</u>	<u>-</u>	<u>-</u>	<u>10,295,081</u>
Less accumulated depreciation	6,752,427	198,691	-	-	6,951,118
Capital assets, net	<u>\$ 1,651,599</u>	<u>\$ 1,692,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,343,963</u>

Lease assets activity for the years ended June 30, 2022 and 2021, were:

	2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Equipment	\$ 424,912	\$ -	\$ (152,627)	\$ 272,285
Less accumulated amortization	154,860	151,667	(152,627)	153,900
Lease assets, net	<u>\$ 270,052</u>	<u>\$ (151,667)</u>	<u>\$ -</u>	<u>\$ 118,385</u>

	2021			
	Beginning Balance	Additions	Disposals	Ending Balance
Equipment	\$ 424,912	\$ -	\$ -	\$ 424,912
Less accumulated amortization	-	154,860	-	154,860
Lease assets, net	<u>\$ 424,912</u>	<u>\$ (154,860)</u>	<u>\$ -</u>	<u>\$ 270,052</u>

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Note 6: 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 was due on August 22, 2021. As of June 30, 2021, there was no balance outstanding. The line of credit was not renewed when it expired in August 2021.

Note 7: Long-term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended June 30, 2022 and 2021:

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Lease liabilities	\$ 275,920	\$ -	\$ 151,949	\$ 123,971	\$ 74,760
Total long-term obligations	<u>\$ 275,920</u>	<u>\$ -</u>	<u>\$ 151,949</u>	<u>\$ 123,971</u>	<u>\$ 74,760</u>
	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Payroll Protection Program loan	\$ 1,329,692	\$ -	\$ 1,329,692	\$ -	\$ -
Note payable	139,451	-	139,451	-	-
Lease liabilities	424,912	-	148,992	275,920	151,949
Total long-term obligations	<u>\$ 1,894,055</u>	<u>\$ -</u>	<u>\$ 1,618,135</u>	<u>\$ 275,920</u>	<u>\$ 151,949</u>

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

- The Hospital received a Paycheck Protection Program (PPP) loan of \$1,329,692 in April 2020, from the Small Business Administration (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%, due in monthly installments of \$103,827, beginning in April 2021, with the balance due April 2022. On December 30, 2020, the Hospital received forgiveness of this loan.
- Note payable at an interest rate of 4.50%, with total monthly payments of \$23,545, secured by financed insurance policies and any additional premiums required under financed policies. This note was repaid in full during 2021.

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Lease liability activity for the years ended June 30 was:

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Equipment	\$ 275,920	\$ -	\$ 151,949	\$ 123,971	\$ 74,760
	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Equipment	\$ 424,912	\$ -	\$ 148,992	\$ 275,920	\$ 151,949

Note 8: Lease Liabilities

The Hospital leases equipment, the terms of which expire in various years through 2026. Variable payments of certain leases are based upon the contract terms and related usage. The leases were measured based upon the contract terms at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liabilities because they are not fixed in substance.

The following is a schedule by year of payments under the leases as of June 30, 2022:

Year Ending June 30,	Total to be Paid	Principal	Interest
2023	\$ 79,267	\$ 74,760	\$ 4,507
2024	28,931	27,158	1,773
2025	20,126	19,550	576
2026	2,524	2,503	21
	\$ 130,848	\$ 123,971	\$ 6,877

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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. At both June 30, 2022 and 2021, there was no accrual for medical malpractice claims. It is reasonably possible that the Hospital's estimate of losses will change by a material amount in the near term.

Note 10: Employee Health Claims

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, which is reported within accrued expenses on the balance sheets. 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.

Activity in the Hospital's accrued employee health claims liability during 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 137,181	\$ 153,500
Current year claims incurred and changes in estimates for claims incurred in prior years	593,871	911,293
Claims and expenses paid	<u>672,126</u>	<u>927,612</u>
Balance, end of year	<u>\$ 58,926</u>	<u>\$ 137,181</u>

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Note 11: 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 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, subject to a cap. 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 71% and 74% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2022 and 2021, 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 12: 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 2022 and 2021. The Hospital has elected to contribute 1% of the participating employees' pay. The Hospital holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in employer and employee contributions. The Hospital's contribution was approximately \$24,000 and \$16,000 for the years ended June 30, 2022 and 2021, respectively. Employees contributed approximately \$116,000 and \$97,000 for the years ended June 30, 2022 and 2021, respectively.

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Note 13: 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, 2022 and 2021, the Hospital recognized approximately \$25,864,000 and \$16,405,000 of grant program funding within operating revenues and IGT expense to other Louisiana hospital service districts of approximately \$24,590,000 and \$14,718,000, respectively.

At June 30, 2022 and 2021, the Hospital has recorded grants receivable under the program of approximately \$6,409,000 and \$8,292,000 and IGTs payable of approximately \$19,520,000 and \$7,669,000, respectively.

Note 14: Accountable Care Organization

During 2019, the Hospital began participating in an accountable care organization network, the Quality and Outcome Improvement Network (QIN), which has been hired by the Medicaid Managed Care Organizations (MCOs) to assist in their participation in the Medicaid Managed Care Incentive Payment (MCIP) Program, a program established by the Louisiana Department of Health. This program provides incentive payments to Medicaid MCOs for achieving quality reforms that increase access to healthcare, improve the quality of care, and/or enhance the health of the members the MCOs serve. Under this program, the Hospital recognized approximately \$2,252,000 and \$1,793,000 of revenue from QIN for the years ended June 30, 2022 and 2021, respectively, for meeting various quality milestones, recorded as other operating revenues in the statements of revenues, expenses, and changes in net position.

Note 15: 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 five admitting physicians, all contributing between 10% to 20% of the admissions to the Hospital.

Hospital Service District No. 3
Parish of Allen, State of Louisiana
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A Component Unit of the Allen Parish Police Jury
Notes to Financial Statements
June 30, 2022 and 2021

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 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 16: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. 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.

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 debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured patient accounts, and self-insured health liability reserves.

Provider Relief Funds

During the years ended June 30, 2022 and 2021, the Hospital received approximately \$1,047,000 and \$100,000 from the general other targeted distributions from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds. These distributions from the Provider Relief Funds 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, as defined by the Department of Health and Human Services (HHS).

The Hospital is accounting for such payments as voluntary nonexchange transactions. These payments are recognized as nonoperating revenues once the applicable terms and conditions required to retain the funds have been met and completion of the measurement period. Based on an analysis of the compliance and reporting requirements of the Provider Relief Funds and the impact of the pandemic on the Hospital's operating results through June 30, 2022, the Hospital recognized approximately \$0 and \$4,985,000 in 2022 and 2021, respectively, related to these general distribution and targeted funds, as Provider Relief Funds are applied after all other

Hospital Service District No. 3
Parish of Allen, State of Louisiana
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A Component Unit of the Allen Parish Police Jury
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June 30, 2022 and 2021

assistance is received, including state grants. These payments are recorded as nonoperating revenues in the statements of revenues, expenses, and changes in net position. The unrecognized amount of general distributions and targeted distributions are recorded as part of revenues received in advance in the accompanying balance sheets.

The Hospital has recognized revenue from the Provider Relief Funds based on guidance issued by the HHS as of June 30, 2022. The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Funds and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions may be affected. Additionally, the amounts recorded in the financial statements compared to the Hospital's Provider Relief Funds reporting could differ. Provider Relief Funds payments are subject to government oversight, including potential audits.

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%. The Hospital recognized the forgiveness of this loan as a gain in the financial statements during fiscal year 2021, when the loan was legally forgiven.

Note 17: Subsequent Events

The Hospital entered into an agreement subsequent to June 30, 2022 with a financial institution to issue bonds. The Series 2022 revenue bonds consist of Taxable Hospital Revenue Bonds in the original amount of \$1,500,000 dated October 6, 2022, bearing interest at 6.65%, and will be adjusted after the tenth year. The bonds are payable in monthly installments of approximately \$10,600 through October 2047.

The Hospital has also received interim financing in October 2022 of \$15,770,000 to be used for construction (see *Note 5*), with permanent financing to be backed by the United States Department of Agriculture. Interest is paid monthly at varying rates of 2.25% to 3.25%.



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**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
A Component Unit of the Allen Parish Police Jury
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 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 Hospital's balance sheet as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2022, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principles.

Report on 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 Hospital's 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 Hospital's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Commissioners
Hospital Service District No. 3
Parish of Allen, State of Louisiana
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Report on Compliance and Other Matters

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

Purpose of this Report

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

FORVIS,LLP

Jackson, Mississippi
December 22, 2022

**Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Police Jury
Schedule of Findings and Responses
June 30, 2022**

Reference Number	Finding
No matters are reportable	

Supplementary Information

**Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Police Jury
Schedule of Per Diem and Other Compensation Paid to Board Members
Year Ended June 30, 2022**

		<u>Paid on Behalf of Commissioners</u>
Mr. Sherman Fontenot	\$	160
Mr. Ernest Sickey		40
Mr. Roy Marcantel		400
Ms. Paula Manuel		280
Ms. Frances Cannon		240
Ms. Kimberly Calderera		120
Mr. Chad Guidry		440
Dr. Matthew Courville		440
		<hr/>
	\$	<u>2,120</u>

**Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Police Jury
Schedule of Compensation, Benefits and
Other Payment to Chief Executive Officer
Year Ended June 30, 2022**

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

Purpose	Amount
Salary	\$ 210,808
Benefits - insurance	5,364
Reimbursements	775
	\$ 216,947

Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Police Jury
Independent Accountant's Report on Applying Agreed-Upon Procedures
Year Ended June 30, 2022



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Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated in the attachment to this report on the control and compliance areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures as of and for the year ended June 30, 2022. The management of the Hospital Service District No. 3, Parish of Allen, State of Louisiana d/b/a Allen Parish Hospital (the Hospital), a component unit of Allen Parish Police Jury, is responsible for the control and compliance areas identified in LLA's Statewide Agreed-Upon Procedures.

The Hospital has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of LLA's Statewide Agreed-Upon Procedures requirements as of and for the year ended June 30, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are described in the attachment to this report.

We were engaged by the Hospital to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on LLA's Statewide Agreed-Upon Procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Under Louisiana Revised Statute 24:513, this report is distributed by LLA as a public document.

FORVIS,LLP

Jackson, Mississippi
December 23, 2022

Hospital Service District No. 3
Parish of Allen, State of Louisiana
d/b/a Allen Parish Hospital
A Component Unit of the Allen Parish Policy Jury
Agreed-Upon Procedures
Year Ended June 30, 2022

Written Policies and Procedures

Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - i) **Ethics** including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

**Hospital Service District No. 3
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Agreed-Upon Procedures
Year Ended June 30, 2022**

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Findings

The Hospital has a written budgeting policy included within their bylaws; however, the policy does not address amending the budget.

The Hospital has a purchasing policy; however, the policy does not address how vendors are added to the vendor list, the controls to ensure compliance with Public Bid Law, or the documentation required to be maintained for all bids and price quotes.

The Hospital does have a contracting policy; however, the policy does not address legal review or the monitoring process.

The Hospital does not have a written debt service policy; they follow Title 71, Treasury-Public Funds, Part III Bond Commission Debt Management.

The Hospital does have a Disaster Recovery Plan; however, the policy does not address frequency of backups, storage of backups, or the timely application of all patches/updates.

The Hospital does have a Sexual Harassment Policy; however, the policy does not address annual employee training or annual reporting requirements.

Except where otherwise stated, no exceptions were identified in the performance of the procedures listed above.

Board of Finance Committee

Procedures

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

Hospital Service District No. 3
Parish of Allen, State of Louisiana
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A Component Unit of the Allen Parish Policy Jury
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Year Ended June 30, 2022

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Findings

No exceptions were identified in the performance of the procedures listed above.

Bank Reconciliations

Procedures

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain, and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged),
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged), and
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

**Hospital Service District No. 3
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Agreed-Upon Procedures
Year Ended June 30, 2022**

Findings

Bank reconciliations did not provide evidence that a review of the bank statement had occurred.

No exceptions were identified in the performance of the procedures other than those listed above.

Collections (excluding electronic fund transfers)

Procedures

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily*

**Hospital Service District No. 3
Parish of Allen, State of Louisiana
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A Component Unit of the Allen Parish Policy Jury
Agreed-Upon Procedures
Year Ended June 30, 2022**

revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

Findings

No exceptions were identified in the performance of the procedures listed above.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

Procedures

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.

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- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Findings

Management listed one location, the Hospital's business office, that processed payments for the fiscal period and provided a listing of disbursements as it relates for the year ended June 30, 2022, and asserted the listing was complete.

The Director of Finance has the ability to add/modify vendor files, as well as process payments; however, there is no formal review of vendor file changes.

The Director of Finance is responsible for preparing/processing checks, as well as mailing the signed checks for payment.

Except where otherwise stated, no exceptions were identified in the performance of the procedures listed above.

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

Procedures

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases,

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Parish of Allen, State of Louisiana
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Year Ended June 30, 2022

exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

- b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Findings

No exceptions were identified in the performance of the procedures listed above.

Travel and Travel-Related Expense Reimbursement (excluding card transactions)

Procedures

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedures #1h).

**Hospital Service District No. 3
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Year Ended June 30, 2022**

- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings

No exceptions were identified in the performance of the procedures listed above.

Contracts

Procedures

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Findings

No exceptions were identified in the performance of the procedures listed above.

Payroll and Personnel

Procedures

- 16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

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Agreed-Upon Procedures
Year Ended June 30, 2022**

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours, and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Findings

No exceptions were identified in the performance of the procedures listed above.

Ethics (excluding nonprofits)

Procedures

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

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- a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Findings

No exceptions were identified in the performance of the procedures listed above.

Debt Service (excluding nonprofits)

Procedures

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Findings

No exceptions were identified in the performance of the procedures listed above.

Fraud Notice

Procedures

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

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Findings

No exceptions were identified in the performance of the procedures listed above.

Information Technology Disaster Recovery/Business Continuity

Procedures

25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**
- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Findings

Management provided a computer listing in effect during the year ended June 30, 2022, and asserted the listing was complete.

No exceptions were identified in the performance of the procedures listed above.

Sexual Harassment

Procedures

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

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27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
 - a) Number and percentage of public servants in the agency who have completed the training requirements,
 - b) Number of sexual harassment complaints received by the agency,
 - c) Number of complaints which resulted in a finding that sexual harassment occurred,
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action, and
 - e) Amount of time it took to resolve each complaint.

Findings

No exceptions were identified in the performance of the procedures listed above.

Management's Response

Management understands the importance of having policies and procedures in place and being able to monitor those policies and procedures for compliance. Management is in the process of updating all policy and procedure manuals hospital-wide and will consider the findings noted in this document as the policies and procedures are being updated. Management will also look at procedures that are currently in place that do not meet LLA's requirement to determine the changes necessary to ensure compliance.