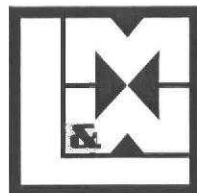


ABBEVILLE GENERAL HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2021, 2020, AND 2019



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

HOSPITAL SERVICE DISTRICT NO. 2
 OF THE PARISH OF VERMILION, STATE OF LOUISIANA
 d/b/a ABBEVILLE GENERAL HOSPITAL
 HOSPITAL ENTERPRISE FUND
 YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

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Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis

Our discussion and analysis of Abbeville General Hospital's (Hospital's) financial performance provides an overview of the Hospital's financial activities for the fiscal year ended December 31, 2021. Please read it in conjunction with the Hospital's financial statements, which begin on page 5.

Financial Highlights

- The Hospital's total assets decreased by approximately \$1,015,000 or roughly 1.6%. The Hospital's total liabilities decreased by approximately \$10,288,000 or roughly 43.1%. The decrease in the Hospital's total assets and liabilities is largely related to the repayment of \$4,894,000 of Medicare Advance Payments and forgiveness of an SBA Loan of \$4,837,000. The Hospital paid back the Medicare Advance Payments in March of 2021 and received forgiveness for the full amount of the SBA Loan in June of 2021.
- During the year, the Hospital's net operating loss decreased by approximately \$925,000 due to an increase in Operating Revenues. Revenues were up 12.4% or approximately \$6,669,000. The Hospital had a net operating loss of \$1,286,709. Total changes in net position for 2021 is \$9,247,934 which includes sales tax revenue of \$3,466,288 as well as other nonoperating revenue.

Using This Annual Report

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

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

Our analysis of the Hospital finances begins on page 5. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received and paid.

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

The Statement of Cash Flows

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

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheet on page 5. The Hospital's net position increased in 2021 by \$9,273,306 (22.6%), while it increased by \$3,819,378 (10.3% in 2020) and increased by \$1,796,757 (5.1% in 2019), as indicated in **Table 1**.

Table 1: Assets, Liabilities and Net Assets

	December 31			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Current Assets	\$28,206,710	\$34,304,935	\$17,620,309	\$16,455,641
Nondepreciable Capital Assets	6,708,062	1,552,486	1,327,977	9,012,163
Depreciable Capital Assets – Net	26,454,784	26,224,198	26,851,815	19,028,331
Other Assets, Including Board - Designated Investments	<u>2,459,777</u>	<u>2,762,788</u>	<u>2,331,362</u>	<u>3,137,613</u>
Total Assets	<u>\$63,829,333</u>	<u>\$64,844,407</u>	<u>\$48,131,463</u>	<u>\$47,633,748</u>
Current Liabilities	\$ 9,300,365	\$13,095,997	\$ 5,153,570	\$ 5,717,424
Long-term Liabilities	<u>4,270,684</u>	<u>10,763,432</u>	<u>5,812,293</u>	<u>6,547,481</u>
Total Liabilities	13,571,049	23,859,429	10,965,863	12,264,905
Net Position	<u>50,258,284</u>	<u>40,984,978</u>	<u>37,165,600</u>	<u>35,368,843</u>
Total Liabilities and Net Position	<u>\$63,829,333</u>	<u>\$64,844,407</u>	<u>\$48,131,463</u>	<u>\$47,633,748</u>

A significant component of the change in the Hospital's current assets is the increase in cash, accounts receivable and other receivables. In recent years, the Hospital has improved its collections of accounts receivable resulting in a decrease in accounts receivable of approximately \$982,000, \$1,182,000 and \$566,000 in fiscal year 2020, 2019 and 2018, respectively. The increase in accounts receivable from 2020 to 2021 of \$1,534,000 is attributable to an increase in patient volume, and therefore net patient services revenue, in the wake of the COVID-19 pandemic. Cash decreased roughly \$567,000 in 2018 due to funding of construction projects and subsequently increased by \$2,410,000 in 2019 due to completion of said construction projects and the retirement of short-term investments of \$465,000. In fiscal year 2020, cash increased by \$14,833,000 due to the receipt of Medicare Advance Payments of \$4,894,000, Provider Relief Funds of \$6,318,000, and an SBA Loan of \$4,837,000. In Fiscal Year 2021, cash decreased by \$6,306,000 due to repayment of Medicare Advance Payments of \$4,894,000 in March of 2021 and funding of construction projects of approximately \$6,100,000. In June of 2021, the 2020 SBA Loan of \$4,837,000 was forgiven in full.

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

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

The following table presents a summary of the Hospital's revenues, expenses and changes in net position for the fiscal years ended December 31, 2021, 2020, 2019 and 2018.

Table 2: Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues:				
Net Patient Svc Revenue	\$53,539,464	\$46,969,369	\$46,789,340	\$42,551,877
Other Revenue	6,995,093	6,896,486	6,832,489	5,818,820
Total Revenues	<u>60,534,557</u>	<u>53,865,855</u>	<u>53,621,829</u>	<u>48,370,697</u>
Expenses:				
Salaries & Benefits	35,019,024	32,817,028	31,527,959	29,448,030
Medical Supplies	8,443,827	6,192,015	6,616,308	6,415,644
Professional Fees	5,096,202	4,438,068	3,614,086	3,856,869
Other Operating Expense	10,302,342	9,618,504	9,922,442	9,447,075
Depr & Amort	2,959,871	3,012,335	2,910,218	2,566,437
Total Operating Expense	<u>61,821,266</u>	<u>56,077,950</u>	<u>54,591,013</u>	<u>51,734,055</u>
Net Operating Income (Loss)	<u>(1,286,709)</u>	<u>(2,212,095)</u>	<u>(969,184)</u>	<u>(3,363,358)</u>
Investment Income	88,155	64,237	30,049	23,268
Interest Expense	(211,209)	(173,872)	(207,565)	(118,923)
Gain (Loss) on Disposal of Assets	(1,606,945)	-0-	(7,048)	(5,014)
Sales Tax Revenue	3,466,288	3,139,386	2,895,178	2,942,513
COVID-19 Awards	3,443,081	2,900,171	-0-	-0-
Loan Forgiveness	4,890,392	-0-	-0-	-0-
Capital Grants	490,253	101,551	55,327	1,986,306
Changes in Net Position	9,273,306	3,819,378	1,796,757	1,464,792
Net Position – Beginning of Year	<u>40,984,978</u>	<u>37,165,600</u>	<u>35,368,843</u>	<u>33,904,051</u>
Net Position – End of Year	<u>\$50,258,284</u>	<u>\$40,984,978</u>	<u>\$37,165,600</u>	<u>\$35,368,843</u>

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Operating Income

The first component of the overall change in the Hospital's net position is its operating income (loss) – generally, the difference between net patient service revenue and other revenue, and the expenses incurred to perform those services. The Hospital reported a negative operating income in each of the past four years. In each of the past four years, operating revenues have increased in large part due to the net patient revenue and grant revenue increases. Operating revenue for 2021 increased by \$6,668,702 or 12.4% compared to an increase of \$244,026 or 0.5% in 2020, an increase of \$5,251,132 or 10.9% in 2019, and an increase of \$201,437 or 0.5% in 2018. Lost revenues attributable to COVID-19 for 2020 were estimated to be approximately \$2,128,000 and were reimbursed through the Provider Relief Funds.

Over the past several years the Hospital industry has experienced the trend of inpatient services shifting towards outpatient. This trend is attributed to advances in medicine and the changes in third-party payors requiring more stringent criteria for inpatient admissions and length of stay. Such increases have occurred in the operating room, radiology, laboratory, oncology, and rural health clinics. However, in 2021, the Hospital experienced an increase in acute inpatient services and inpatient psychiatric services as seen in **Table 5**. Additionally, the Hospital's outpatient volume increased in 2021 after a decrease in 2020 due to the COVID-19 pandemic.

Total salaries and benefits expense increased \$2,201,996 or 6.7% in 2021, \$1,289,069 or 4.1% in 2020, and \$2,079,929 or 7.1% in 2019. Total salaries and benefits have increased over the past three years. As a percentage of net patient service revenue, salary and benefit expense was approximately 65.4%, 69.9% and 67.4% for the fiscal years ended December 2021, 2020 and 2019, respectively. In response to the nursing shortage caused by the COVID-19 pandemic, the Hospital has experienced higher staffing costs in the form of incentive payments as well as increased reliance on agency nursing services. The Hospital employs various physicians. The total salaries of physicians are \$3,878,958, \$3,465,706 and \$3,107,237 for 2021, 2020 and 2019, respectively.

The rate of health care inflation has a direct effect on the cost of services provided by the Hospital. A component of the Hospital's costs is expenses for medical and professional services. In 2021, medical and professional services costs totaled \$5.1 million or 8.2% of total expenses and an increase of 14.8% over 2020. In 2020, they totaled \$4.4 million or 7.9% of total expenses and a decrease of 22.8% over 2019.

Source of Revenue

During fiscal year 2021, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes operating grants, sales tax support, cafeteria sales, rental income and other miscellaneous services.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2021, 2020, 2019 and 2018. As more individuals chose Medicare Advantage HMO over Traditional Medicare, the Medicare payor mix has decreased while commercial has increased.

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Source of Revenue (continued)

Table 3: Payor Mix by Percentage

	Year-end December 31			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Medicare	27.6%	32.6%	35.6%	38.2%
Medicaid	37.7%	36.6%	35.1%	35.2%
Medicare Managed Care	15.1%	10.0%	8.4%	5.5%
Blue Cross Blue Shield	10.9%	11.7%	10.9%	10.7%
Commercial Insurance	6.9%	6.1%	6.4%	6.2%
Self-Pay and Other	<u>1.8%</u>	<u>3.0%</u>	<u>3.6%</u>	<u>4.2%</u>
Total Patient Revenues	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Other Revenue

Other revenue includes operating grants, cafeteria sales, rental income and other miscellaneous services. Other revenue increased by \$98,607 or 1.4%.

Table 4: Other Revenue

	Year-end December 31			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Other Revenue:				
Cafeteria Sales	\$ 235,048	\$ 190,167	\$ 320,306	\$ 304,308
Joint Venture Revenue	-0-	-0-	-0-	(4,911)
Vending Machine Commission	11,821	12,065	12,400	12,677
Grants	3,387,901	3,445,694	5,074,037	5,279,340
Physician Office Rentals	102,862	122,877	133,028	112,275
Medical Records Abstract Fees	9,538	7,113	7,619	10,167
Managed Care Incentive Payment	2,498,545	2,496,084	1,109,768	-0-
340B Revenue	401,510	589,726	137,772	52,652
Other	<u>347,868</u>	<u>32,760</u>	<u>37,559</u>	<u>52,312</u>
Total Other Revenue	<u>\$ 6,995,093</u>	<u>\$ 6,896,486</u>	<u>\$ 6,832,489</u>	<u>\$ 5,818,820</u>

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of sales tax revenue, capital grants, and interest income. In fiscal year 2021, the hospital was awarded a GOSHEP grant for the purpose of purchasing a new emergency generator of which, \$490,253 has been recognized. The capital grant of \$101,551 in 2020, \$55,327 in 2019, and \$1,986,306 in 2018 are attributable to a GOSHEP grant which was awarded for the purpose of constructing a dual-purpose safe room. The dual-purpose safe room is now the new inpatient psychiatric facility. However, during a hurricane it will be utilized as a safe shelter for essential Hospital personnel and emergency first responders. Investment income increased 37.2% to \$88,155 in fiscal year 2021 from \$64,237 in 2020.

In 2021 and 2020, the Hospital received several grant awards to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. In 2020, approximately \$2,900,000 of COVID-19 grant awards were recognized as nonoperating revenue, of which, approximately \$2,128,000 was attributable to lost revenues. In 2021, it was estimated that there were no lost revenues attributable to COVID-19, however, approximately \$3,443,000 of COVID-19 grant awards were recognized as nonoperating revenue related to COVID-19 expenditures. In 2021, the Hospital recognized approximately \$4,890,000 of loan forgiveness income after the Small Business Administration forgave the Hospital's PPP loan.

In 2008, voters of the District passed a half cent sales tax in perpetuity. Sales tax revenue increased 10.4% to \$3,466,288 in fiscal year 2021 from \$3,139,386 in 2020. In 2020 and 2021, the Hospital received approximately \$7.3 million in COVID-19 grant awards in response to the coronavirus. During 2021 and 2020, the Hospital recognized \$3,443,081 and \$2,900,171, respectively, of Provider Relief Funds as nonoperating revenues. The remaining portion will be recognized in future years as nonoperating revenues and is shown as unearned revenue in the current liabilities section of the statement of net position.

Operating and Financial Performance

Overall, activity at the Hospital, as measured by admissions of adults, pediatrics, and newborns, increased by 5.8% to 1,803 admissions in 2021 from 1,705 admissions in 2020. Patient days increased 18.6% from 5,802 in fiscal year 2020 to 6,883 in fiscal year 2021, and increased 8.5% from fiscal year 2019 to 2020. The average length of stay for acute care patients (excluding newborns) increased 14.2% from 2020 to 2021 and is a result of higher acuity from treating COVID-19 patients.

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Operating and Financial Performance (continued)

Table 5: Patient and Hospital Statistical Data

	Year-end December 31			
	2021	2020	2019	2018
Admissions:				
Adult and Pediatric	1,526	1,467	1,318	1,234
Newborn	277	238	204	233
BMC	539	553	582	519
Patient Days:				
Adult and Pediatric	6,500	5,469	5,054	5,309
BMC	4,479	4,371	4,822	5,059
Medicare (Included in Adult & Pediatric)	2,415	2,322	2,573	2,971
Medicare Managed Care	1,401	378	85	21
Medicaid (Included in Adult & Pediatric)	54	74	65	103
Medicaid Managed Care	1,911	1,888	1,454	1,516
Newborn	383	333	295	352
Operating Room Procedures	2,548	2,061	2,086	1,876
Emergency Room Visits	16,777	14,697	18,731	18,935
Average Daily Census (Excluding Newborn):				
Adult and Pediatric	17.81	14.94	13.85	14.55
BMC	12.27	11.94	13.21	13.86
Average Length of Stay (Excluding Newborn):				
All Acute Care Patients	4.26	3.73	3.83	4.30
Medicare Patients	5.32	4.78	4.62	5.12
Medicare Managed Care Patients	6.25	4.61	6.54	3.50
Medicaid and Managed Care Patients	2.66	2.58	2.77	2.97
Percentage of Acute-Care Patient Days:				
Medicare	37.15%	42.46%	50.91%	55.96%
Medicare Managed Care	21.55%	6.91%	1.68%	0.40%
Medicaid	30.23%	35.87%	30.06%	30.50%
Full-Time Equivalentents (FTE's)	452	434	444	437

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Operating and Financial Performance (continued)

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

Table 6: Allowance Summary

	Year-end December 31			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Allowances:				
Medicare Contractual Allowances	\$ 35,604,008	\$ 33,532,923	\$ 40,769,961	\$ 40,943,434
Medicaid Contractual Allowances	42,671,378	32,068,378	35,895,441	34,877,349
Medicare HMO Contractual Allowances	18,558,490	10,838,056	10,221,971	4,399,018
Blue Cross, Louisiana State Employees, and other Contractual Allowances	20,765,670	16,350,421	16,123,219	17,415,933
Provision for Bad Debt	3,573,752	4,675,422	6,099,166	4,139,538
Other Adjustments	1,160,856	1,827,429	1,896,945	556,040
Charity Care	<u>181,570</u>	<u>400,669</u>	<u>208,538</u>	<u>648,294</u>
 Total Allowances	 <u>\$ 122,515,724</u>	 <u>\$ 99,693,298</u>	 <u>\$ 111,215,241</u>	 <u>\$ 102,979,606</u>

The Hospital experienced a decrease in accounts receivable collection efforts as days of revenue in accounts receivable increased from 37 days in 2020 to 42 days in 2021. The days of revenue in accounts receivable for 2019 was 44 days. Excluded from net patient service revenue are charges forgone for patient services falling under the Hospital's charity care policy. Based on established rates, gross charges of \$181,570 were forgone during 2021, compared to \$400,669 in 2020, and \$208,538 in 2019.

Capital Asset and Debt Administration

Capital Assets

At the end of 2021, the Hospital had \$33.2 million invested in capital assets, net of accumulated depreciation and amortization, as detailed in Note 5 to the financial statements. In 2021, the Hospital purchased capital assets costing \$9,952,986. Of this, \$7,653,000 (76.9%) was the acquisition of new equipment and building repairs as can be seen in **Table 8**.

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Capital Asset and Debt Administration (continued)

Table 7: Capital Assets

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Nondepreciable Capital Assets				
Land	\$ 875,780	\$ 875,780	\$ 875,780	\$ 875,780
Construction in Progress	5,832,282	676,706	452,197	8,136,383
Total Nondepreciable Capital Assets	<u>\$ 6,708,062</u>	<u>\$ 1,552,486</u>	<u>\$ 1,327,977</u>	<u>\$ 9,012,163</u>
Depreciable Capital Assets				
Land Improvements	\$ 1,572,866	\$ 1,572,866	\$ 1,311,043	\$ 1,078,939
Building & Equipment	66,822,510	66,700,546	64,801,100	54,987,842
Intangibles	3,213,222	3,213,222	3,213,222	3,213,222
Subtotal	71,608,598	71,486,634	69,325,365	59,280,003
Less Accumulated Depr. & Amort.	45,153,814	45,262,436	42,473,550	40,251,672
Total Depreciable Capital Assets, net	<u>\$ 26,454,784</u>	<u>\$ 26,224,198</u>	<u>\$ 26,851,815</u>	<u>\$ 19,028,331</u>

Table 8: Major Purchases Over \$100,000 During 2021

<u>Capital Investment</u>	<u>2021 Cost</u>
MEP Project (under construction)	1,438,000
MRI Machine (under construction)	1,365,000
MRI Suite Renovation (under construction)	1,038,000
Generator (under construction)	543,000
PACS (under construction)	438,000
3-D Mammography System	388,000
Ventilators	330,000
Omnicell System (under construction)	307,000
Operating Room Upgrades (under construction)	272,000
Operating Room Upgrades	268,000
IV Pumps	263,000
Chiller	252,000
Phone System	139,000
Drive-up Testing Canopies	132,000
Telemetry Monitors	125,000
EKG Machines	123,000
Dietary Upgrades	119,000
Laparoscopic Equipment	113,000

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Debt

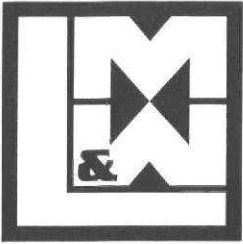
At year-end, the Hospital had \$5,053,336 in short-term and long-term debt consisting of Revenue and Sales Tax Bonds. Long-term debt decreased by \$5,596,000 in 2021 compared to an increase of \$4,101,000 in fiscal year 2020. The large increase in 2020 is attributable to an SBA Loan of \$4,837,000, which was forgiven in full in June of 2021. More detailed information about the Hospital's long-term liabilities is presented in the Note 8 to basic financial statements. Total debt outstanding represents approximately 7.9% of the Hospital's total assets at December 31, 2021 versus prior years of 16.4% and 13.6% respectfully. Other long-term liabilities for fiscal year 2021 decreased due to the repayment of 2020 long-term portion of Medicare Advance Payments totaling \$3,257,227. The Medicare Advance Payments, including the 2020 current portion, were repaid in March of 2021 in the amount of \$4,893,997.

Other Economic Factors

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

Contacting the Hospital's Financial Management

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



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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Hospital Service District No. 2, Parish of Vermilion, State of Louisiana, Abbeville General Hospital (the Hospital), a component unit of the Vermilion Parish Police Jury, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of December 31, 2021, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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.



Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Vermilion Parish Hospital Service District No. 2 and do not purport to, and do not, present fairly the financial position of Vermilion Parish Police Jury as of December 31, 2021, 2020 and 2019, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "x" 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Board of Commissioners
Hospital Service District No. 2
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 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.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

June 23, 2022



ABBEVILLE GENERAL HOSPITAL
STATEMENTS OF NET POSITION
DECEMBER 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Current Assets			
Cash and cash equivalents (Note 3)	\$ 12,735,545	\$ 19,041,497	\$ 4,208,543
Limited use assets (Note 6)	2,011	2,001	3,752
Accounts receivable, net of allowances for uncollectibles (Note 4)	6,231,541	4,697,530	5,679,816
Estimated third-party payor settlements	2,723,748	4,728,517	2,288,475
Other receivables	4,844,142	4,300,520	3,927,171
Inventories	1,108,238	1,070,662	986,300
Prepaid expenses	561,485	464,208	526,252
Total Current Assets	<u>28,206,710</u>	<u>34,304,935</u>	<u>17,620,309</u>
Non-Current Assets			
Nondepreciable capital assets (Note 5)	6,708,062	1,552,486	1,327,977
Depreciable capital assets, net (Note 5)	26,454,784	26,224,198	26,851,815
Limited use assets (Note 6)	2,368,898	2,671,909	2,240,483
Other	90,879	90,879	90,879
Total Assets	<u>\$ 63,829,333</u>	<u>\$ 64,844,407</u>	<u>\$ 48,131,463</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 3,306,290	\$ 1,451,183	\$ 1,547,044
Accrued salary and payroll taxes	1,104,655	968,719	778,678
Accrued vacation payable (Note 7)	1,641,070	1,486,950	1,218,872
Estimated third-party payor settlements	581,068	35,180	4,795
Accrued retirement	872,873	923,552	831,475
Other liabilities	28,475	33,255	37,518
Unearned revenue	983,281	3,417,708	-0-
Medicare advance payments	-0-	1,636,770	-0-
Current portion of long-term debt (Note 8)	782,653	3,142,680	735,188
Total Current Liabilities	<u>9,300,365</u>	<u>13,095,997</u>	<u>5,153,570</u>
Long-term Liabilities			
Medicare advance payments	-0-	3,257,227	-0-
Long-term debt (Note 8)	4,270,684	7,506,205	5,812,293
Total Liabilities	<u>13,571,049</u>	<u>23,859,429</u>	<u>10,965,863</u>
Net Position			
Invested in capital assets, net of related debt	28,109,509	17,127,799	21,632,311
Restricted (Note 6)	1,464,869	1,624,775	1,217,666
Unrestricted	20,683,906	22,232,404	14,315,623
Total Net Position	<u>50,258,284</u>	<u>40,984,978</u>	<u>37,165,600</u>
Total Liabilities and Net Position	<u>\$ 63,829,333</u>	<u>\$ 64,844,407</u>	<u>\$ 48,131,463</u>

See accompanying notes to financial statements.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues			
Net patient service revenues (Note 9)	\$ 53,539,464	\$ 46,969,369	\$ 46,789,340
Grants	3,583	46,617	63,242
Intergovernmental transfer grants	3,384,318	3,399,077	5,010,795
Other operating revenues	<u>3,607,192</u>	<u>3,450,792</u>	<u>1,758,452</u>
 Total Revenues	 <u>60,534,557</u>	 <u>53,865,855</u>	 <u>53,621,829</u>
 Expenses			
Salaries	30,167,856	27,709,143	26,428,790
Benefits and payroll taxes	4,851,168	5,107,885	5,099,169
Supplies and drugs	8,443,827	6,192,015	6,616,308
Professional fees	5,096,202	4,438,068	3,614,086
Other expenses	9,276,009	8,593,837	8,909,016
Insurance	1,026,333	1,024,667	1,013,426
Depreciation and amortization	<u>2,959,871</u>	<u>3,012,335</u>	<u>2,910,218</u>
 Total Expenses	 <u>61,821,266</u>	 <u>56,077,950</u>	 <u>54,591,013</u>
 Operating Income (Loss)	 <u>(1,286,709)</u>	 <u>(2,212,095)</u>	 <u>(969,184)</u>
 Nonoperating Revenues (Expenses)			
Sales taxes	3,466,288	3,139,386	2,895,178
COVID-19 grant awards	3,443,081	2,900,171	-0-
Loan forgiveness	4,890,392	-0-	-0-
Interest income	88,155	64,237	30,049
Interest expense	(211,209)	(173,872)	(207,565)
Gain (loss) on disposal of assets	<u>(1,606,945)</u>	<u>-0-</u>	<u>(7,048)</u>
 Change in Net Position before Capital Grants	 8,783,053	 3,717,827	 1,741,430
Capital grants	<u>490,253</u>	<u>101,551</u>	<u>55,327</u>
 Changes in Net Position	 9,273,306	 3,819,378	 1,796,757
 Beginning Net Position	 <u>40,984,978</u>	 <u>37,165,600</u>	 <u>35,368,843</u>
 Ending Net Position	 <u>\$ 50,258,284</u>	 <u>\$ 40,984,978</u>	 <u>\$ 37,165,600</u>

See accompanying notes to financial statements.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 49,662,113	\$ 50,435,995	\$ 46,085,333
Other receipts from operations	6,451,471	6,523,137	7,953,632
Cash payments to employees and for employee-related cost	(34,779,647)	(32,266,832)	(31,378,703)
Cash payments for other operating expenses	<u>(22,126,889)</u>	<u>(20,371,029)</u>	<u>(20,528,919)</u>
Net cash provided (used) by operating activities	<u>(792,952)</u>	<u>4,321,271</u>	<u>2,131,343</u>
Cash flows from investing activities:			
Cash distributions / (purchases) from investments	303,001	(429,675)	1,039,091
Interest income	<u>88,155</u>	<u>64,237</u>	<u>30,049</u>
Net cash provided (used) by investing activities	<u>391,156</u>	<u>(365,438)</u>	<u>1,069,140</u>
Cash flows from non-capital financing activities:			
Proceeds from COVID-19 grant awards	1,008,654	6,317,879	-0-
Proceeds from sales tax collections	3,466,288	3,139,386	2,895,178
Proceeds from long-term debt	<u>-0-</u>	<u>4,836,593</u>	<u>-0-</u>
Net cash provided (used) by non-capital financing activities	<u>4,474,942</u>	<u>14,293,858</u>	<u>2,895,178</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(9,952,986)	(2,609,227)	(2,821,870)
Principal payments on long-term debt	(758,956)	(735,189)	(713,011)
Proceeds from disposal of assets	-0-	-0-	1,927
Proceeds from capital grants	490,253	101,551	55,327
Interest expense	<u>(157,409)</u>	<u>(173,872)</u>	<u>(207,565)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (10,379,098)</u>	<u>\$ (3,416,737)</u>	<u>\$ (3,685,192)</u>

See accompanying notes to financial statements.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net increase (decrease) in cash and cash equivalents	\$ (6,305,952)	\$ 14,832,954	\$ 2,410,469
Beginning cash and cash equivalents	<u>19,041,497</u>	<u>4,208,543</u>	<u>1,798,074</u>
Ending cash and cash equivalents	<u>\$ 12,735,545</u>	<u>\$ 19,041,497</u>	<u>\$ 4,208,543</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>162,189</u>	\$ <u>178,135</u>	\$ <u>211,669</u>
Forgiveness of SBA loan principal and interest	\$ <u>4,890,392</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (1,286,709)	\$ (2,212,095)	\$ (969,184)
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation and amortization	2,959,879	3,012,335	2,910,218
Changes in current assets (increase) decrease			
Accounts receivable	(1,534,011)	982,286	1,182,274
Estimated third-party payor settlements	2,004,769	(2,440,042)	(1,280,747)
Other receivables	(543,622)	(373,349)	1,121,143
Inventories	(37,576)	(84,362)	(49,182)
Prepaid expenses	(97,277)	62,044	(197,148)
Changes in current liabilities increase (decrease)			
Accounts payable	1,855,107	(95,861)	(125,649)
Accrued salary and payroll taxes	135,936	190,041	207,448
Accrued vacation payable	154,120	268,078	(11,959)
Estimated third-party payor settlements	545,888	30,385	(605,534)
Accrued retirement	(50,679)	92,077	(46,233)
Other liabilities	(4,780)	(4,263)	(4,104)
Medicare advance payments	<u>(4,893,997)</u>	<u>4,893,997</u>	<u>-0-</u>
Net cash provided (used) by operating activities	<u>\$ (792,952)</u>	<u>\$ 4,321,271</u>	<u>\$ 2,131,343</u>

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

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

The District is a political subdivision of the Vermilion Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Vermilion Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Vermilion Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Vermilion Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus.

Cash and Cash Equivalents

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

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

The District provides medical care primarily to Vermilion Parish residents and grants credit to patients, substantially all of whom are local residents.

The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

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

Net Patient Service Revenues

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the Hospital is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Patient Accounts Receivable

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

Inventory

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

Income Taxes

The District's income is exempt from taxation.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Debt and Equity Securities

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

Capital Assets

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

Buildings and Improvements	5 to 40 years
Fixed Equipment	15 to 20 years
Major Movables	3 to 20 years
Intangibles	3 to 8 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are currently credited or charged to nonoperating revenue.

Net Position

The District classifies net position into three components: invested in capital assets, net of related debt; restricted and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested capital assets net of related debt or restricted.

Revenue and Expenses

The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Revenues

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Grants and Contributions

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

Use of Estimates

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

Advertising

The District expenses advertising cost as incurred. Advertising expense for the years ended December 31, 2021, 2020, and 2019 totaled \$59,477, \$121,929, and \$159,151, respectively.

Environmental Matters

The District is subject to laws and regulations relating to the protection of the environment. The District's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify, with any degree of certainty, the potential financial impact of the District's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the District. At December 31, 2021, 2020, and 2019, management is not aware of any liability resulting from environmental matters.

Reclassifications

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

Risk Management

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

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Recently Issued Accounting Pronouncements

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. As of December 31, 2021, 2020 and 2019, the balances reported by financial institutions were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name.

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

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Carrying amount			
Deposits	\$ 15,099,850	\$ 21,437,853	\$ 6,179,613
Investments	<u>6,604</u>	<u>277,554</u>	<u>273,165</u>
	<u>\$ 15,106,454</u>	<u>\$ 21,715,407</u>	<u>\$ 6,452,778</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 12,735,545	\$ 19,041,497	\$ 4,208,543
Assets whose use is limited - current	2,011	2,001	3,752
Assets whose use is limited - noncurrent	<u>2,368,898</u>	<u>2,671,909</u>	<u>2,240,483</u>
	<u>\$ 15,106,454</u>	<u>\$ 21,715,407</u>	<u>\$ 6,452,778</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash in bank	\$ <u>15,635,817</u>	\$ <u>21,660,713</u>	\$ <u>6,388,233</u>
Insured by FDIC	\$ <u>11,797,783</u>	\$ <u>18,370,926</u>	\$ <u>4,916,859</u>
Collateralization by fair market value	\$ <u>3,838,034</u>	\$ <u>3,289,787</u>	\$ <u>1,471,374</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Patient accounts receivable	\$ 9,532,541	\$ 8,979,530	\$ 10,969,816
Estimated allowances for uncollectibles	<u>(3,301,000)</u>	<u>(4,282,000)</u>	<u>(5,290,000)</u>
Net accounts receivable	\$ <u>6,231,541</u>	\$ <u>4,697,530</u>	\$ <u>5,679,816</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicare	17%	17%	21%
Medicaid and Medicaid managed care plans	31%	27%	21%
Blue Cross	9%	7%	7%
Commercial and other third-party payors	28%	27%	26%
Patients	<u>15%</u>	<u>22%</u>	<u>25%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 5 - CAPITAL ASSETS, NET

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

	<u>2020</u>		<u>Additions</u>		<u>Disposals</u>		<u>Transfers</u>		<u>2021</u>
Nondepreciable capital assets									
Land	\$ 875,780	\$	-0-	\$	-0-	\$	-0-	\$	875,780
Construction in progress	<u>676,706</u>		<u>6,094,515</u>		<u>-0-</u>		<u>(938,939)</u>		<u>5,832,282</u>
Total nondepreciable capital assets	\$ <u>1,552,486</u>	\$	<u>6,094,515</u>	\$	<u>-0-</u>	\$	<u>(938,939)</u>	\$	<u>6,708,062</u>
Depreciable capital assets									
Land improvements	\$ 1,572,866	\$	-0-	\$	-0-	\$	-0-	\$	1,572,866
Buildings	36,318,998		359,710		2,670,820		491,774		34,499,662
Fixed equipment	9,359,952		388,855		-0-		203,901		9,952,708
Major movables	21,021,596		3,109,906		2,004,626		243,264		22,370,140
Intangibles	<u>3,213,222</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>3,213,222</u>
Total depreciable capital assets	71,486,634		3,858,471		4,675,446		938,939		71,608,598
Accumulated depreciation and amortization	<u>45,262,436</u>		<u>2,959,879</u>		<u>3,068,501</u>		<u>-0-</u>		<u>45,153,814</u>
Total depreciable capital assets, net	\$ <u>26,224,198</u>	\$	<u>898,592</u>	\$	<u>1,606,945</u>	\$	<u>938,939</u>	\$	<u>26,454,784</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 5 - CAPITAL ASSETS, NET (Continued)

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

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 5 - CAPITAL ASSETS, NET (Continued)

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

NOTE 6 - ASSETS WHOSE USE IS LIMITED

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

	<u>2021</u>		<u>2020</u>		<u>2019</u>
<u>By Third Parties</u>					
Held by ordinance for use of sales tax	\$ 1,059,799	\$	1,231,717	\$	841,783
Sales tax bond proceeds	-0-		6,715		6,883
Sinking fund requirements	403,059		384,342		365,248
Employee benefit trust fund	2,011		2,001		3,752

ABBEVILLE GENERAL HOSPITAL
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 6 - ASSETS WHOSE USE IS LIMITED (Continued)

<u>By Board</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital projects	\$ 10,745	\$ 281,696	\$ 277,311
Retirement funding	895,295	767,439	749,258
Less limited use assets required for current liabilities	<u>(2,011)</u>	<u>(2,001)</u>	<u>(3,752)</u>
Non-current limited use assets	<u>\$ 2,368,898</u>	<u>\$ 2,671,909</u>	<u>\$ 2,240,483</u>

The total amount restricted by third parties is shown as restricted net position on the balance sheet. These amounts are \$1,464,869, \$1,624,775 and \$1,217,666 at December 31, 2021, 2020 and 2019, respectively.

NOTE 7 - COMPENSATED ABSENCES

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$1,641,070, \$1,486,950, and \$1,218,872, of vacation pay at December 31, 2021, 2020 and 2019. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 8 - LONG-TERM DEBT

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

	<u>2020</u>	<u>Additions</u>	<u>Payments</u>	<u>2021</u>	<u>Due Within One Year</u>
Revenue Bond, Series 2009	\$ 1,893,292	\$ -0-	\$ 87,955	\$ 1,805,337	\$ 91,653
Sales Tax Bond, Series 2015	2,684,000	-0-	506,000	2,178,000	521,000
Sales Tax Bond, Series 2017	1,235,000	-0-	165,000	1,070,000	170,000
SBA Loan	<u>4,836,593</u>	<u>-0-</u>	<u>4,836,593</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 10,648,885</u>	<u>\$ -0-</u>	<u>\$ 5,595,548</u>	<u>\$ 5,053,337</u>	<u>\$ 782,653</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 8 - LONG-TERM DEBT (Continued)

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

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

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

- Revenue Bond, Series 2009 at 4.125% collateralized by pledge and dedication of hospital revenue, with principal and interest payable in monthly installments of \$13,700, starting September 9, 2012, through August 9, 2036.
- Sales Tax Bond, Series 2015 at 2.00% collateralized by the proceeds of sales taxes, with principal payable annually and interest semi-annually, starting March 1, 2016 through September 1, 2025.
- Sales Tax Bond, Series 2017 at 2.24% collateralized by the proceeds of sales taxes, with principal payable annually and interest semi-annually, starting March 1, 2018 through September 1, 2027.
- Paycheck Protection Program loan used to pay for employee payroll expenses. The loan repayment originally commenced seven months after the loan date of April 28, 2020; however, legislation was passed to delay the first payment until August 13, 2021. On June 8, 2021, the Small Business Administration forgave the Hospital's loan of \$4,836,593 plus accrued interest of \$53,799.

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

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

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 8 - LONG-TERM DEBT (Continued)

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 782,653	\$ 226,186	\$ 1,008,839
2023	801,507	126,580	928,087
2024	826,335	107,152	933,487
2025	852,698	86,448	939,146
2026	293,057	86,448	379,505
2027 to 2031	802,211	214,045	1,016,256
2032 to 2036	694,876	70,083	764,959
Totals	\$ <u>5,053,337</u>	\$ <u>916,942</u>	\$ <u>5,970,279</u>

NOTE 9 - NET PATIENT SERVICE REVENUES

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2022, if not extended by Congress. The additional payment received under the Medicare low volume add-on was \$983,164, \$957,067 and \$921,639 for the years ended December 31, 2021, 2020 and 2019. Outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis. Swing bed services are reimbursed based on a prospectively determined rate per patient day. Adult psychiatry services are reimbursed based on a prospective method based on length of stay, diagnosis, and other factors. The District's Medicare cost reports have been settled by the Medicare fiscal intermediary through December 31, 2017. The intermediary may reopen and further adjust any year within three years of the date of a Notice of Program Reimbursement.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. Adult psychiatry services are reimbursed on a prospectively determined per diem rate. The District's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through December 31, 2015.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 9 - NET PATIENT SERVICE REVENUES (Continued)

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates. Blue Cross Blue Shield "BCBS" is the largest commercial provider. BCBS charges were 11%, 12% and 11% of the total gross charges for the years ended December 31, 2021, 2020 and 2019, respectively.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Gross charges	\$ 173,356,323	\$ 143,675,329	\$ 155,244,004
Less charges associated with charity patients	<u>181,570</u>	<u>400,669</u>	<u>208,538</u>
Gross patient service revenue	173,174,753	143,274,660	155,035,466
Less deductions from revenue:			
Contractual adjustments	117,599,546	92,789,778	103,010,592
Policy discounts	1,160,856	1,827,429	1,896,945
Physician supplement revenue	<u>(2,698,865)</u>	<u>(2,987,338)</u>	<u>(2,760,577)</u>
Patient service revenue (net of contractual adjustments)	57,113,216	51,644,791	52,888,506
Less provision for bad debts	<u>3,573,752</u>	<u>4,675,422</u>	<u>6,099,166</u>
Net patient service revenue less provision for bad debts	<u>\$ 53,539,464</u>	<u>\$ 46,969,369</u>	<u>\$ 46,789,340</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicare and Medicaid patient charges	\$ 113,118,823	\$ 99,427,722	\$ 109,717,970
Contractual adjustments	<u>(79,192,274)</u>	<u>(66,211,483)</u>	<u>(77,060,462)</u>
Program patient service revenue	<u>\$ 33,926,549</u>	<u>\$ 33,216,239</u>	<u>\$ 32,657,508</u>
Percent of total gross patient charges	<u>65%</u>	<u>69%</u>	<u>71%</u>
Percent of total net patient revenues	<u>63%</u>	<u>71%</u>	<u>70%</u>

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. These adjustments resulted in an increase in net patient service revenue of \$37,658 in 2021 and a decrease in net patient service revenue of \$40,471 and \$286,681 in 2020 and 2019, respectively. In 2020, the Hospital received \$795,914 in a Medicare Volume Decrease Adjustment, which was included in income.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 10 - PROFESSIONAL LIABILITY RISK

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

NOTE 11 - CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 9) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

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

ABBEVILLE GENERAL HOSPITAL
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 12 - PENSION PLAN

The District has a defined contribution pension plan, established in accordance with Section 401(a) of the *Internal Revenue Code*. The District also has a second voluntary defined contribution pension plan, established in accordance with Section 457 of the *Internal Revenue Code* for employee contributions only. The Abbeville General Hospital retirement plans are administered by The Standard Insurance Company who holds all plan assets. Any eligible employee who is credited with at least one year of preliminary service, in which the employee has 1,000 hours of service during that time period, will qualify to participate in the plan. The District contributes five percent of the covered payroll to the 401(a) pension plan. The District holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in their contributions. The District has a five-year vesting schedule that applies to the employer contributions. Actual contributions made by the District for the years ended December 31, 2021, 2020 and 2019 were \$838,708, \$897,596, and \$810,236. The employees of the District contributed \$710,365, \$594,944 and \$599,415 for the years ended December 31, 2021, 2020 and 2019, respectively.

NOTE 13 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental expense charged to operations as incurred. Total lease expense under noncancelable operating leases was \$290,092 for the year ended December 31, 2021. The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2021, that have initial or remaining lease terms in excess of one year.

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 204,690
2023	153,825
2024	144,703
2025	41,289
2026	<u>-0-</u>
Total minimum lease payments	<u>\$ 544,507</u>

NOTE 14 - PURCHASE AGREEMENTS

The Hospital is committed to purchases of laboratory supplies for the next year at the then prevailing market prices. At December 31, 2021, 2020, and 2019, these committed purchases amounted to \$220,625, \$231,467 and \$327,441.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 15 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical coverage for its employees. A third-party administers the group medical coverage for the Hospital. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$90,000 or aggregate claims exceeding \$3,952,628 per year. There were no significant changes in insurance coverage from the prior year. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term. The following is a summary of the changes in the Hospital's claims liability for the years ended December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Beginning of the year	\$ 235,994	\$ 271,860	\$ 114,825
Plus: Claims incurred and changes in estimate	1,865,306	2,225,815	2,372,499
Less: Claims paid	<u>1,966,024</u>	<u>2,261,681</u>	<u>2,215,464</u>
End of the year	<u>\$ 135,276</u>	<u>\$ 235,994</u>	<u>\$ 271,860</u>

NOTE 16 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 200% scale. Accordingly, the Hospital does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The costs of caring for charity care patients were approximately \$64,000, \$155,000 and \$72,000 for the years ended December 31, 2021, 2020 and 2019, respectively. Funds received through grants, which pay part of the cost of charity and uninsured care, were approximately \$152,000, \$67,000 and \$215,000 for the years ended December 31, 2021, 2020 and 2019, respectively.

NOTE 17 - SALES TAX REVENUE

On July 19, 2008, the voters of the District passed a half cent sales tax in perpetuity. The terms of the vote stipulated that the sales tax was in lieu of ad valorem taxes; therefore no further ad valorem taxes would be collected by the District. The sales tax collections are restricted to paying the cost of emergency room operations and acquiring, maintaining and improving hospital buildings, equipment and other capital facilities within the Hospital Service District No. 2. Sales tax revenue is approximately 5%, 5% and 5% of the total revenues in 2021, 2020, and 2019, respectively.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 18 - GRANT REVENUE

The District recognized capital grant income of approximately \$490,000 from the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) for the purchase of a new emergency generator for the year ended December 31, 2021. The District recognized capital grant income of approximately \$102,000 and \$55,000 from the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) for the construction of a dual purpose safe room for the years ended December 31, 2020 and 2019, respectively.

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

NOTE 19 - INTERGOVERNMENTAL TRANSFER GRANTS

The Hospital entered into a cooperative endeavor agreement with a regional public hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The IGT grant income is \$3,384,318, \$3,399,077 and \$5,010,795 for the years ended December 31, 2021, 2020 and 2019, respectively.

NOTE 20 - COMMITMENTS

The Hospital entered into various construction contracts, which totaled \$5,185,238, including change orders as of December 31, 2021. The Hospital paid \$2,840,018 towards these commitments as of December 31, 2021.

The Hospital has also entered into software contracts, which totaled \$7,369,601 as of December 31, 2021. The Hospital paid \$4,874,366 towards these commitments as of December 31, 2021.

NOTE 21 - UNEARNED REVENUE

The Hospital received approximately \$7.3 million in COVID-19 grant awards, via the Coronavirus Aid Relief and Economic Security (CARES) Act and the American Rescue Plan Act during the fiscal years ending December 31, 2021 and 2020. The funds were issued by the U.S. Department of Health & Human Services (HHS) in response to the Coronavirus pandemic to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. The Hospital recognized \$3.4 million and \$2.9 million as non-operating grant revenue in the fiscal years ending December 31, 2021 and 2020, respectively. The unrecognized amount of approximately \$1 million is reported in unearned revenue in the accompanying statement of net position. The Hospital submitted a report of healthcare related expenses and lost revenues attributable to coronavirus from inception through June 30, 2021 on September 30, 2021. The Health Resources and Services Administration (HRSA) reserves the right to audit the Provider Relief Funds, which accounts for a substantial portion of the COVID-19 grant awards, within a three-year period from the report date.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

NOTE 22 - MEDICARE ADVANCE PAYMENTS

The Hospital applied for and received \$4,893,997 in Medicare Advance Payments during April 2020. The advance payments are to assist the Hospital due to the reduction in volume experienced by the restrictions placed by the Louisiana Department of Health in response to the coronavirus pandemic. These restrictions included the postponement of elective procedures. The advance payments were repaid in full by the Hospital on March 25, 2021.

NOTE 23 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 23, 2022, and determined that no material events occurred that require disclosure. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Routine Services:			
Adults and pediatric	\$ 12,149,510	\$ 7,335,470	\$ 5,429,259
Intensive care unit	2,948,439	2,719,984	2,580,727
Swing bed	-0-	-0-	1,638
Psychiatric	7,235,273	6,719,554	7,056,165
Nursery	<u>445,928</u>	<u>362,952</u>	<u>325,484</u>
 Total	 <u>22,779,150</u>	 <u>17,137,960</u>	 <u>15,393,273</u>
 Other Professional Services:			
Operating room			
Inpatient	4,019,381	3,309,411	3,213,945
Outpatient	<u>10,197,072</u>	<u>7,214,701</u>	<u>6,915,196</u>
 Total	 <u>14,216,453</u>	 <u>10,524,112</u>	 <u>10,129,141</u>
 Recovery room			
Inpatient	178,843	153,644	152,269
Outpatient	<u>706,652</u>	<u>515,361</u>	<u>555,556</u>
 Total	 <u>885,495</u>	 <u>669,005</u>	 <u>707,825</u>
 Anesthesia			
Inpatient	921,028	820,779	793,668
Outpatient	<u>2,308,740</u>	<u>1,726,568</u>	<u>1,572,665</u>
 Total	 <u>3,229,768</u>	 <u>2,547,347</u>	 <u>2,366,333</u>
 Diagnostic imaging			
Inpatient	3,712,105	3,325,690	3,560,783
Outpatient	<u>22,650,268</u>	<u>19,768,200</u>	<u>23,691,778</u>
 Total	 <u>26,362,373</u>	 <u>23,093,890</u>	 <u>27,252,561</u>
 Laboratory			
Inpatient	7,647,589	6,411,132	6,026,586
Outpatient	<u>27,393,322</u>	<u>23,941,973</u>	<u>26,512,624</u>
 Total	 <u>\$ 35,040,911</u>	 <u>\$ 30,353,105</u>	 <u>\$ 32,539,210</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Blood			
Inpatient	\$ 262,570	\$ 291,827	\$ 225,058
Outpatient	<u>148,021</u>	<u>218,878</u>	<u>239,539</u>
Total	<u>410,591</u>	<u>510,705</u>	<u>464,597</u>
Cardiopulmonary			
Inpatient	4,503,389	2,946,241	2,963,770
Outpatient	<u>598,366</u>	<u>576,354</u>	<u>719,266</u>
Total	<u>5,101,755</u>	<u>3,522,595</u>	<u>3,683,036</u>
Physical therapy			
Inpatient	266,188	202,216	312,297
Outpatient	<u>46,664</u>	<u>25,552</u>	<u>42,742</u>
Total	<u>312,852</u>	<u>227,768</u>	<u>355,039</u>
EKG			
Inpatient	783,138	718,691	850,421
Outpatient	<u>2,356,911</u>	<u>1,913,621</u>	<u>2,536,119</u>
Total	<u>3,140,049</u>	<u>2,632,312</u>	<u>3,386,540</u>
Central supply			
Inpatient	826,750	706,260	617,175
Outpatient	<u>1,055,593</u>	<u>848,948</u>	<u>1,008,191</u>
Total	<u>1,882,343</u>	<u>1,555,208</u>	<u>1,625,366</u>
Pharmacy			
Inpatient	7,978,275	5,970,234	5,494,779
Outpatient	<u>18,198,126</u>	<u>16,264,531</u>	<u>19,639,569</u>
Total	<u>26,176,401</u>	<u>22,234,765</u>	<u>25,134,348</u>
Dialysis			
Inpatient	247,538	266,560	251,009
Outpatient	<u>70,619</u>	<u>33,039</u>	<u>23,134</u>
Total	\$ <u>318,157</u>	\$ <u>299,599</u>	\$ <u>274,143</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Sleep center	\$ <u>1,664,585</u>	\$ <u>1,271,989</u>	\$ <u>1,420,358</u>
Outpatient psychiatric program	<u>1,780,675</u>	<u>1,470,047</u>	<u>2,369,933</u>
Infusion/oncology services			
Inpatient	22,719	4,393	3,963
Outpatient	<u>1,999,860</u>	<u>1,491,669</u>	<u>1,868,235</u>
Total	<u>2,022,579</u>	<u>1,496,062</u>	<u>1,872,198</u>
Emergency department			
Inpatient	2,731,178	2,459,363	2,213,067
Outpatient	<u>12,795,803</u>	<u>10,893,493</u>	<u>13,396,449</u>
Total	<u>15,526,981</u>	<u>13,352,856</u>	<u>15,609,516</u>
Observation room			
Inpatient	16,245	8,683	199,405
Outpatient	<u>2,254,171</u>	<u>2,847,384</u>	<u>2,480,651</u>
Total	<u>2,270,416</u>	<u>2,856,067</u>	<u>2,680,056</u>
Rural health clinics	<u>9,050,684</u>	<u>7,322,187</u>	<u>7,708,397</u>
Urgent care clinic	<u>1,184,105</u>	<u>597,750</u>	<u>272,134</u>
Total Other Professional Services	<u>150,577,173</u>	<u>126,537,369</u>	<u>139,850,731</u>
Gross Charges	173,356,323	143,675,329	155,244,004
Less charges associated with charity patients	<u>(181,570)</u>	<u>(400,669)</u>	<u>(208,538)</u>
Gross patient service revenue	\$ <u>173,174,753</u>	\$ <u>143,274,660</u>	\$ <u>155,035,466</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Less deductions from revenue:			
Contractual adjustments	\$ (117,599,546)	\$ (92,789,778)	\$ (103,010,592)
Policy discounts	(1,160,856)	(1,827,429)	(1,896,945)
Physician supplemental revenue	<u>2,698,865</u>	<u>2,987,338</u>	<u>2,760,577</u>
 Patient service revenue	 57,113,216	 51,644,791	 52,888,506
 Less provision for bad debts	 <u>(3,573,752)</u>	 <u>(4,675,422)</u>	 <u>(6,099,166)</u>
 Net Patient Service Revenue	 \$ <u>53,539,464</u>	 \$ <u>46,969,369</u>	 \$ <u>46,789,340</u>

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

	<u>2021</u>		<u>2020</u>		<u>2019</u>
Cafeteria sales	\$ 235,048	\$	190,167	\$	320,306
Vending machine commission	11,821		12,065		12,400
Physician office rentals	102,862		122,877		133,028
Medical records abstract fees	9,538		7,113		7,619
340B revenue	401,510		589,726		137,772
Miscellaneous revenue	347,868		32,760		37,559
Managed care incentive payments	<u>2,498,545</u>		<u>2,496,084</u>		<u>1,109,768</u>
Total other operating revenue	<u>\$ 3,607,192</u>	\$	<u>3,450,792</u>	\$	<u>1,758,452</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Human resources	\$ 155,762	\$ 145,388	\$ 126,981
Administration	3,819,147	3,578,909	3,178,910
Facility maintenance	593,897	542,127	556,384
Laundry and linen	33,788	34,027	28,296
Housekeeping	766,880	625,803	522,284
Food and nutrition	690,641	616,257	671,482
Nursing administration	947,849	810,870	757,985
Materials management	234,881	203,029	236,427
Pharmacy	937,030	897,565	854,814
Health information management	1,619,255	1,539,056	1,604,369
Nursing services, acute care	2,370,705	2,191,671	2,032,058
Nursing services, intensive care unit	940,339	931,226	851,404
Nursing services, psychiatric unit	1,428,078	1,443,328	1,359,120
Nursing services, nursery	236,801	201,358	162,170
Operating room	1,674,492	1,469,041	1,409,520
Recovery room	536,576	494,173	443,890
Anesthesiology	1,781,476	1,660,255	1,483,350
Diagnostic imaging	1,582,829	1,439,606	1,342,557
Laboratory	1,157,984	1,061,761	1,037,660
Cardiopulmonary	814,127	704,806	642,201
Dialysis	141,021	143,362	127,875
Sleep center	17,994	16,948	17,571
Outpatient psychiatric program	117,652	98,345	176,457
Infusion/oncology services	436,173	447,811	429,275
Emergency department	1,931,180	1,849,792	1,878,835
Rural health clinics	4,760,064	4,175,514	4,122,487
Specialty clinic	25,352	20,710	21,837
Urgent care clinic	415,883	366,405	352,591
	<u>30,167,856</u>	<u>27,709,143</u>	<u>26,428,790</u>
Total salaries			
Payroll taxes	2,020,618	1,867,112	1,796,020
Health insurance	1,865,306	2,225,815	2,372,499
Pension plan	838,708	897,596	810,236
Other	126,536	117,362	120,414
	<u>4,851,168</u>	<u>5,107,885</u>	<u>5,099,169</u>
Total benefits			
Total salaries and benefits	\$ <u>35,019,024</u>	\$ <u>32,817,028</u>	\$ <u>31,527,959</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Nursing service	\$ 639,718	\$ 525,384	\$ 367,163
Intensive care unit	51,496	85,966	95,072
Psychiatric unit	23,820	283,493	298,141
Nursery	20,848	4,001	50,070
Operating room	428,078	376,670	344,162
Anesthesiology	49,008	40,431	36,687
Diagnostic imaging	90,827	85,132	130,426
Laboratory	513,200	574,315	426,003
Cardiopulmonary	129,840	2,222	2,879
Physical therapy	88,595	89,440	90,695
EKG	112,827	95,601	119,966
Sleep center	216,643	195,782	233,392
Outpatient psychiatric program	728,106	647,160	269,306
Infusion/oncology services	752,529	518,885	422,846
Emergency department	399,312	134,337	226,570
Rural health clinics	848,399	778,749	499,191
Urgent care clinic	2,956	500	1,517
	<u> </u>	<u> </u>	<u> </u>
Total professional fees	\$ <u>5,096,202</u>	\$ <u>4,438,068</u>	\$ <u>3,614,086</u>

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

	<u>2021</u>		<u>2020</u>		<u>2019</u>
Management fees	\$ 2,500	\$	-0-	\$	18,689
Miscellaneous service fees	1,227,820		1,100,082		1,068,178
Legal and accounting	180,518		164,485		180,041
Supplies	1,715,753		1,505,317		1,377,423
Repairs and maintenance	2,369,293		2,118,190		2,148,194
Utilities	933,614		879,772		976,429
Telephone	195,612		184,991		73,882
Travel and education	76,246		61,201		72,077
Rentals	581,209		706,605		617,008
Recruitment and advertising	59,477		121,929		159,151
Intergovernmental transfer	1,289,900		1,142,400		1,501,450
Miscellaneous	<u>644,067</u>		<u>608,865</u>		<u>716,494</u>
 Total other expenses	 \$ <u>9,276,009</u>	\$	 <u>8,593,837</u>	\$	 <u>8,909,016</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Robert Leblanc	\$ -0-	\$ -0-	\$ 2,125
John Boudreaux	2,375	2,375	2,625
Jody Landry	2,500	2,375	2,750
Oswald Broussard	2,250	2,375	2,625
John Budden	2,500	2,250	2,750
Anita Levy	2,500	2,375	2,625
Daleon Primeaux	2,125	2,125	2,375
Kelly Richard	<u>2,375</u>	<u>2,375</u>	<u>-0-</u>
Totals	\$ <u>16,625</u>	\$ <u>16,250</u>	\$ <u>17,875</u>

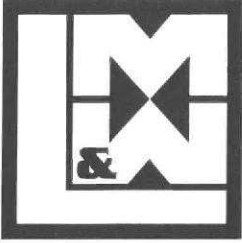
ABBEVILLE GENERAL HOSPITAL
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
 PAYMENTS TO CHIEF EXECUTIVE OFFICER
 FOR THE YEAR ENDED DECEMBER 31, 2021

Agency Head Name: Ray Landry
 Position: CEO

Purpose	Amount
Salary	358,730
Health insurance	10,164
Retirement	12,645
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	2,166
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	545
Cell phone	1,103

ABBEVILLE GENERAL HOSPITAL
SCHEDULE OF INSURANCE POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Risk Covered	Coverage Limits		Beginning	Ending
	Per Occurrence	In Aggregate		
General Liability	\$ 500,000	\$ 2,000,000	11/1/2020	11/1/2021
General Liability	\$ 500,000	\$ 2,000,000	11/1/2021	11/1/2022
Directors and Officers	\$ 250,000	\$ 2,000,000	5/31/2020	5/30/2021
Directors and Officers	\$ 250,000	\$ 2,000,000	5/31/2021	5/30/2022
Professional Liability	\$ 100,000	\$ 2,000,000	11/1/2020	11/1/2021
Professional Liability	\$ 100,000	\$ 2,000,000	11/1/2021	11/1/2022
Patient Compensation Fund	\$ 400,000		11/1/2020	11/1/2021
Patient Compensation Fund	\$ 400,000		11/1/2021	11/1/2022
Cyber Liability	\$ 1,000,000	\$ 1,000,000	11/1/2020	11/1/2021
Cyber Liability	\$ 2,000,000	\$ 2,000,000	11/1/2021	11/1/2022
Property Insurance		\$ 88,810,144	5/30/2020	5/30/2021
Property Insurance		\$ 90,000,000	5/30/2021	5/30/2022
Flood Insurance		\$ 500,000	7/29/2020	7/29/2021
Flood Insurance		\$ 500,000	7/29/2021	7/29/2022
Prof. Liab./PCF Coverage	\$ 100,000	\$ 300,000	8/1/2020	8/1/2021
Prof. Liab./PCF Coverage	\$ 100,000	\$ 300,000	8/1/2021	8/1/2022
Worker's Compensation		\$ 1,000,000	1/1/2021	1/1/2022



LESTER, MILLER & WELLS

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Retired 2015
Bobby G. Lester, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 2, Parish of Vermilion ("the Hospital"), a component unit of the Vermilion Parish Police Jury, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 23, 2022.

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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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

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

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.

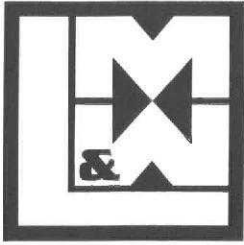
This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

June 23, 2022





LESTER, MILLER & WELLS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hospital Service District No. 2's, Parish of Vermilion ("the Hospital"), a component unit of the Vermilion Parish Police Jury, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2021. The Hospital's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountants
Alexandria, Louisiana

June 23, 2022



ABBEVILLE GENERAL HOSPITAL
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Program Name/ Pass-Through Grantor	Assistance Listing Number	Pass-through Identifying No.	Federal Expenditures
U.S. Department of Health and Human Services COVID-19 Provider Relief Fund	93.498		\$ 6,188,239
United States Department of Agriculture Community Facilities Loans and Grants	10.766		1,893,292
United States Department of Homeland Security Passed-through the Governor's Office of Homeland Security and Emergency Preparedness Hazard Mitigation Grant	97.039	FEMA-1786-DR-LA Project #0128	490,253
U.S. Department of Health and Human Services COVID-19 Testing for Rural Health Clinics	93.697		148,385
U.S. Department of Health and Human Services COVID-19 National Bioterrorism Hospital Preparedness Program Passed-through Louisiana Hospital Association	93.889		25,372
U.S. Department of Health and Human Services COVID-19 Uninsured Program	93.461		<u>158,096</u>
Total Expenditures of Federal Awards			\$ <u>8,903,637</u>

See accompanying notes to schedule of expenditures of federal awards.

ABBEVILLE GENERAL HOSPITAL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hospital Service District No. 2, Parish of Vermilion (“the Hospital”) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

NOTE B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – Indirect Cost Rate

The Hospital has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – Loans and Loan Guarantees

Because the Federal government is at risk for loans until the debt is repaid, federal awards amount expended includes (1) the value of new loans made and received during the audit period; plus (2) the beginning of the audit period balances of loans from previous years for which the Federal government imposes continuing compliance requirements; plus (3) any interest subsidy, cash, or administrative cost allowance received in accordance with the Uniform Guidance described in 2 CFR section 200.502. Total outstanding loan balance due to the United States Department of Agriculture at December 31, 2021 was \$1,805,336.

NOTE E – Subrecipients

The Hospital had no subrecipients in 2021.

ABBEVILLE GENERAL HOSPITAL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE F – Reconciliation of Provider Relief Fund Grant Revenue in the Financial Statements to the SEFA

During the fiscal year ended December 31, 2020, the Hospital received Provider Relief Funds from the U.S. Department of Health and Human Services (HHS) under Assistance Listing Number 93.498. The funds are to be utilized for expenditures to prevent, prepare for, and respond to coronavirus. Additionally, the funds are for lost revenues attributable to coronavirus pandemic. The Hospital recognized the amounts in the financial statements in the table below based on meeting the requirements of the program. The amounts received and expended are reported in the SEFA according to HHS's periods of availability. Accordingly, the \$6,361,996 expended in "Period 1" is reported on the December 31, 2021 SEFA.

Fiscal Year	COVID-19 Awards *	Amount Recognized as Revenue*	Amount Reported as Unearned Revenue	Amount Reported on the SEFA
2020	\$ 6,343,969	\$ 2,918,915	\$ 3,417,708	\$ -0-
2021	\$ 1,001,308	\$ 3,443,081	\$ 983,281	\$ 6,361,996

*All COVID-19 Awards, excluding the COVID-19 Uninsured Program which is reported in Net Patient Service Revenue, plus \$18,744 of interest income earned on Provider Relief Funds.

ABBEVILLE GENERAL HOSPITAL
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified opinion on financial statements prepared in accordance with generally accepted accounting principles (GAAP)

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – None

Management letter issued – No

Federal Awards

- Material weaknesses identified – No
- Significant deficiencies identified – No
- Type of auditors' report issued on compliance for major programs – Unmodified
- Any audit findings which are required to be reported under Uniform Guidance – No
- Any instances of material noncompliance in major programs disclosed during the audit – No
- Identification of Major Programs:
 - Assistance Listing # 10.766 United States Department of Agriculture
Community Facilities Loans and Grants (Loan)
 - Assistance Listing # 93.498 Department of Health and Human Services
COVID-19 Provider Relief Fund
- Dollar threshold to distinguish between Type A and Type B Programs - \$750,000
- Auditee qualified as a low-risk auditee – No

Section II. Financial Statement Findings

None Reported

Section III. Federal Awards Findings and Questioned Costs

None Reported

Section IV. Management Letter

Not Applicable



ABBEVILLE GENERAL HOSPITAL
AUDITORS' SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

Section I. Financial Statement Findings

None Reported

Section II. Federal Awards Findings and Questioned Costs

Not Applicable

Section III. Management Letter

Not Applicable

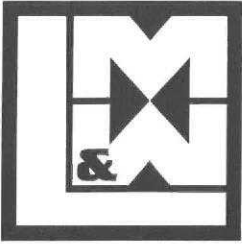


ABBEVILLE GENERAL HOSPITAL
INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED UPON
PROCEDURES

FOR THE YEAR ENDED
DECEMBER 31, 2021



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS



LESTER, MILLER & WELLS

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Bobby G. Lester, CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
of Vermilion Parish Hospital Service District No. 2
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Vermilion Parish Hospital Service District No. 2 (the Hospital) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

The Hospital has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. 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 associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that 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, and (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 pa 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 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy, 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.
- 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.

Exceptions: No exceptions were found as a result of these procedures.

Board or Finance Committee

- 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:
 - 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 that 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 non-profit 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.

Exceptions: No exceptions were found as a result of these procedures.

Bank Reconciliations

- 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, 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 that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exceptions: No exceptions were found as a result of these procedures.

Collections (excluding electronic funds transfers)

- 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 that are 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 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 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 that 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.

Exceptions: No exceptions were found as a result of these procedures.

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

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.
 - 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:
- Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - Observe that the disbursement documentation included evidence (e.g., *initial/date, electronic logging*) of segregation of duties tested under #9, as applicable.

Exceptions: No exceptions were found as a result of these procedures.

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

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:
- Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was 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.*)
 - 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 that 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.

Exceptions: No exceptions were found as a result of these procedures.



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

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 that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that 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 (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exceptions: No exceptions were found as a result of these procedures.

Contracts

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 that 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 that 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 that 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 that the invoice and related payment agreed to the terms and conditions of the contract.

Exception: No exceptions were found as a result of these procedures.



Payroll and Personnel

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

Exceptions: No exceptions were found as a result of these procedures.

Ethics

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

Exception: No exceptions were found as a result of these procedures.



Debt Service

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 that 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*).

Exceptions: No exceptions were found as a result of this procedure.

Fraud Notice

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 that 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

Exception: A misappropriation of funds was noted due to an employee theft in 2021. The misappropriation was reported to the District attorney's office, but not the Louisiana Legislative Auditor's office.

Management's Response: The misappropriation was reported to the Louisiana Legislative Auditor's office immediately upon notice of this exception.

Exception: Information concerning the reporting of the misappropriation, fraud, waste, or abuse of public funds was posted at the hospital, but not on the hospital's website.

Management's Response: The Hospital's website was updated immediately upon notice of this exception.

Information Technology Disaster Recovery/Business Continuity

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.

Exceptions: No exceptions were found as a result of this procedure.

Sexual Harassment

- 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.
- 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.

Exceptions: No exceptions were found as a result of this procedure.

We were engaged by the Hospital and LLA 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 and applicable standards of Government Auditing Standards. 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 those C/C areas identified in the SAUPs. 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.



Board of Commissioners
of Vermilion Parish Hospital Service District No. 2
and the Louisiana Legislative Auditor

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.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

June 23, 2022



