

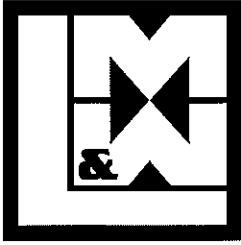
**HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED
MARCH 31, 2020 AND 2019**

TABLE OF CONTENTS

	Page
Independent Auditors' Report on the Basic Financial Statements and Supplementary Information.....	1 - 3
Basic Financial Statements	
Statements of Net Position.....	4 - 5
Statements of Revenues, Expenses and Changes in Net Position.....	6
Statements of Cash Flows.....	7 - 8
Notes to Financial Statements.....	9 - 20
Other Supplementary Information	
Schedules of Net Patient Service Revenues.....	22
Schedules of Operating Expenses.....	23 - 26
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer.....	27
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.....	28 - 29
Schedule of Findings and Responses.....	30 - 32
Schedule of Prior Year Findings.....	33



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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Hospital Service District No. 3
Parish of Vermilion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
Gueydan, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home, a component unit of the Vermilion Parish Police Jury, as of and for the years ended March 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home, as of March 31, 2020 and 2019, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home and do not purport to, and do not, present fairly the financial position of the Vermilion Parish Police Jury as of March 31, 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.

Other Matters

Required Supplementary Information

The Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of net patient service revenues, schedules of operating expenses and schedule of compensation, benefits, and other payments to agency head or chief executive officer are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

Board of Commissioners
Hospital Service District No. 3
Parish of Vermillion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
Gueydan, Louisiana
Page Three

The schedules of net patient service revenues, schedules of operating expenses, and schedule of compensation, benefits, and other payments to agency head or chief executive officer are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of net patient service revenues, schedules of operating expenses, and schedule of compensation, benefits, and other payments to agency head or chief executive officer are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021, on our consideration of the Hospital Service District No. 3 of the Parish of Vermillion, State of Louisiana, d/b/a Gueydan Memorial Guest Home's internal control over financial reporting and 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 Hospital Service District No. 3 of the Parish of Vermillion, State of Louisiana, d/b/a Gueydan Memorial Guest Home'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 Service District No. 3 of the Parish of Vermillion, State of Louisiana, d/b/a Gueydan Memorial Guest Home's internal control over financial reporting and compliance.



Certified Public Accountants
Lafayette, Louisiana

January 29, 2021

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 STATEMENTS OF NET POSITION
 MARCH 31,

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 607,696	\$ 724,929
Certificates of deposit	466,482	1,005,930
Patient accounts receivable, net of allowance for doubtful accounts of \$126,179 in 2020 and \$141,756 in 2019 (Note 4)	435,778	439,946
Accrued interest receivable	2,613	1,325
Other receivables	2,500	2,500
Inventory	23,894	28,173
Prepaid expenses	53,949	48,730
Total current assets	<u>1,592,912</u>	<u>2,251,533</u>
RESTRICTED ASSETS (Note 1)		
Cash and cash equivalents	149,392	3,426
Certificates of deposit	325,000	332,800
Ad valorem tax receivable	10,310	8,299
Total restricted assets	<u>484,702</u>	<u>344,525</u>
CAPITAL ASSETS		
Nondepreciable assets (Note 9)	53,748	320,475
Depreciable assets, at cost, less accumulated depreciation of \$4,155,630 in 2020 and \$3,935,855 in 2019 (Note 9)	1,156,824	1,028,388
Total capital assets	<u>1,210,572</u>	<u>1,348,863</u>
TOTAL ASSETS	<u>\$ 3,288,186</u>	<u>\$ 3,944,921</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 STATEMENTS OF NET POSITION (CONTINUED)
 MARCH 31,

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 119,669	\$ 161,797
Estimated third-party payor settlements	56,009	532,595
Accrued salaries and wages	114,298	110,930
Other payable	<u>25,216</u>	<u>44,526</u>
Total current liabilities	<u>315,192</u>	<u>849,848</u>
NET POSITION		
Net investment in capital assets, net of related debt	1,210,572	1,348,863
Restricted for debt services and capital facilities	484,702	344,525
Unrestricted	<u>1,277,720</u>	<u>1,401,685</u>
Total net position	<u>2,972,994</u>	<u>3,095,073</u>
 TOTAL LIABILITIES AND NET POSITION	 \$ <u>3,288,186</u>	 \$ <u>3,944,921</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEARS ENDED MARCH 31,

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Net patient service revenues (net of provision for bad debts of \$31,913 and \$40,639 for 2020 and 2019, respectively)	\$ 4,142,665	\$ 4,240,438
UPL supplemental payments	554,568	468,448
Total operating revenues	<u>4,697,233</u>	<u>4,708,886</u>
Operating expenses:		
General and administrative	1,243,533	1,373,506
Nursing services	1,571,252	1,597,626
Housekeeping	172,168	213,610
Dietary	394,722	440,994
Plant operations	221,985	250,795
Laundry	96,600	102,055
Patient activity	38,694	39,862
Consultants	47,547	48,235
Clinic	220,259	276,103
Medicare SNF and outpatient	587,972	579,831
Intergovernmental transfer - public nursing home UPL	231,209	204,433
Depreciation	<u>223,628</u>	<u>225,821</u>
Total operating expenses	<u>5,049,569</u>	<u>5,352,871</u>
Operating income (loss)	<u>(352,336)</u>	<u>(643,985)</u>
Non-operating revenues (expenses):		
Ad valorem tax	189,932	196,196
Interest revenue	18,777	7,787
Miscellaneous income	<u>21,548</u>	<u>20,018</u>
Total non-operating revenues, net	<u>230,257</u>	<u>224,001</u>
Changes in net position	(122,079)	(419,984)
Net position, beginning of year	<u>3,095,073</u>	<u>3,515,057</u>
Net position, end of year	\$ <u>2,972,994</u>	\$ <u>3,095,073</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 STATEMENTS OF CASH FLOWS
 YEARS ENDED MARCH 31,

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of patients	\$ 3,670,247	\$ 5,112,462
Payments to employees	(2,161,825)	(2,386,130)
Payments to suppliers and contractors	(2,723,126)	(2,768,224)
Other receipts and payments, net	<u>554,568</u>	<u>569,417</u>
Net cash provided by (used in) operating activities	<u>(660,136)</u>	<u>527,525</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	187,921	197,156
Other	<u>21,548</u>	<u>20,018</u>
Net cash provided by (used in) non-capital financing activities	<u>209,469</u>	<u>217,174</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	<u>(85,337)</u>	<u>(374,002)</u>
Net cash provided by (used in) capital and related financing activities	<u>(85,337)</u>	<u>(374,002)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	17,489	7,170
Purchase (redemption) of certificates of deposit, net of renewals	<u>547,248</u>	<u>(556,357)</u>
Net cash provided by (used in) investing activities	<u>564,737</u>	<u>(549,187)</u>
Net increase (decrease) in cash and cash equivalents	28,733	(178,490)
Cash and cash equivalents, beginning	<u>728,355</u>	<u>906,845</u>
Cash and cash equivalents, ending	\$ <u><u>757,088</u></u>	\$ <u><u>728,355</u></u>

(continued)

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 STATEMENTS OF CASH FLOWS (CONTINUED)
 YEARS ENDED MARCH 31,

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ (352,336)	\$ (643,985)
Adjustment to reconcile operating income to net cash flows provided by (used in) operating activities:		
Depreciation	223,628	225,821
Provision for bad debts	31,913	40,639
(Increase) decrease in assets -		
Patient accounts receivable	(27,745)	275,771
Prepaid expense	(5,219)	(35,994)
Inventories	4,279	5,753
Third-party payor settlements	-0-	23,019
Other receivables	-0-	100,969
Increase (decrease) in liabilities -		
Accounts payable	(42,128)	(17,136)
Third-party payor settlements	(476,586)	532,595
Accrued expenses	3,368	4,404
Other payable	<u>(19,310)</u>	<u>15,669</u>
Net cash provided by (used in) operating activities	\$ <u>(660,136)</u>	\$ <u>527,525</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 607,696	\$ 724,929
Cash and cash equivalents in restricted assets	<u>149,392</u>	<u>3,426</u>
Total cash and cash equivalents	\$ <u>757,088</u>	\$ <u>728,355</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019

Note 1. Description of Organization and Summary of Significant Accounting Policies

Organization

The Hospital Service District No. 3, Parish of Vermilion, State of Louisiana (the "Hospital District") is a political subdivision of the state created by an ordinance adopted by the Vermilion Parish Police Jury on November 19, 1988. The geographical limits of the Hospital District coincide with those of Ward No. 8 of Vermilion Parish. Members of the Board of Commissioners are appointed by the Vermilion Parish Police Jury. The Hospital District is operating under the name Gueydan Memorial Guest Home. It operates a 66-bed nursing home that cares mainly for the elderly located in Southwest Louisiana and it also operates a rural health clinic. Both of which are located in Gueydan, Louisiana.

The financial statements of the Hospital District have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital District are described below.

Reporting Entity

As the governing authority of the Parish, for reporting purposes, the Vermilion Parish Police Jury is the reporting entity for the Hospital District. Accordingly, the Hospital District was determined to be a component unit of Vermilion Parish Police Jury. The accompanying financial statements present only the Hospital District.

Method of Accounting

The Hospital District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. The Hospital District's accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and the *Audit and Accounting Guide – Health Care Organizations*, published by the American Institute of Certified Public Accountants, and standards established by the GASB.

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.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out, (FIFO) method, or net realizable value.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Hospital District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Under state law, the Hospital District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Patient Accounts Receivable and Allowance for Uncollectible Accounts

Patient accounts receivable are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Patient accounts receivable are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Capital Assets

The Hospital District's capital assets are stated at historical cost. Contributed capital assets are reported at their estimated fair value at the time of donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these assets lives:

Building	20 – 30 years
Furniture and fixtures	3 – 20 years
Building improvements	10 – 15 years
Capitalized interest	30 years

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

Net Patient Service Revenues

The Hospital District has agreements with a third-party payor, which includes government programs under which the Hospital District is paid based upon established charges, the cost of providing services, predetermined diagnosis rates, fixed per diem rates and discounts from established charges. Revenues are recorded at estimated amounts due from patients and third-party payors for services provided.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenues (Continued)

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

The Hospital District provides care to patients even though they are covered by contractual payment arrangements that do not pay full charges or may lack adequate insurance. As a result, the Hospital District is exposed to credit risks. The Hospital District manages such risks by providing appropriate allowances. The allowances are evaluated on a regular basis and are based upon management's periodic review of the collectability of accounts considering historical experience, the nature and volume of the accounts and the agreement with the prospective third-party payor.

Grants and Donations

Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and donations may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Net Position Flow Assumption

Sometimes a government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Hospital District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Operating Revenues and Expenses

The Hospital District's statements of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital District's principal activity. Non-exchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Income Taxes

The Hospital District is a political subdivision and exempt from taxes.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Advertisement

The Hospital District expenses advertising cost as incurred. Advertising expense for the years ended March 31, 2020 and 2019 totaled \$2,212 and \$1,973, respectively.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then. The Hospital District does not currently have any items that qualify for reporting in this category.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Hospital District does not currently have any items that qualify for reporting in this category.

Risk Management

The Hospital District is exposed to various risks of loss from tort; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health. Commercial insurance coverage is purchased for claims arising from such matters.

Environmental Matters

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

Reclassifications

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

Compensated Absences

All full-time employees with one full year of continuous employment with the Hospital District earn up to a maximum of 10 days of paid time off. A maximum of 20 days may be carried forward to the succeeding fiscal year.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Restricted Assets

In 2006, a ten-year tax, 7 mill property tax was passed by the District of the Hospital for improving and maintaining the building and capital facilities of the District and also acquiring furnishings and equipment. The tax was renewed at 8.29 mills in 2016 for the same purpose. The statement of net position shows cash and cash equivalents, certificates of deposits and ad valorem tax receivables as restricted because they were monies collected from the tax.

Recently Issued Accounting Principles

In June 2018, 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 increased 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 2. Bank Deposits and Certificates of Deposit

The Hospital District's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in time deposits, money market investment accounts, or certificates of deposit with financial institutions insured by Federal Depository Insurance Coverage (FDIC); direct obligations of the United States Government and its agencies; commercial paper issued by United States Corporations with a rating of A-1 (Moody's) and P-1 (Standard and Poor's) or higher; and government backed mutual trust funds. At March 31, 2020 and 2019, the Hospital District's funds consisted solely of demand deposits and certificates of deposit. These deposits are stated at cost, which approximates market.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Hospital District's deposits may not be returned to it. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital District's policy requires that all bank balances be insured or collateralized by the financial institution to pledge their own securities to cover any amount in excess of FDIC. These securities must be pledged in the Hospital District's name. As of March 31, 2020, \$732,130 of the Hospital District's deposits were secured from risk by FDIC coverage and \$821,954 were collateralized by securities pledged by the financial institutions. As of March 31, 2019, \$957,371 of the Hospital District's deposits were secured from risk by FDIC coverage and \$586,339 were collateralized by securities pledged by the financial institutions. Accordingly, the Hospital District had no custodial credit risk related to its deposits at March 31, 2020 and 2019.

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2020 AND 2019

Note 3. Net Patient Service Revenues

The Hospital 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** – Covered skilled nursing services are paid on a resource utilization group (RUG) rate fee schedule per day, a fee schedule amount for outpatient services and a per visit basis for rural health clinic services.
- Medicaid** – Covered nursing home services are paid based on a per diem rate per day and a per visit basis for rural health clinic services.

During the years ended March 31, 2020 and 2019, approximately 82% and 85%, respectively, of the Hospital District's gross patient services were furnished to Medicare and Medicaid beneficiaries. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Hospital District believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations are subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Note 4. Accounts Receivables

Patient accounts receivable reported as current assets by the Hospital District at March 31, 2020 and 2019 consisted of these amounts:

	<u>2020</u>	<u>2019</u>
Receivables from patients and insurance carriers	\$ 214,753	\$ 159,668
Receivables from Medicare	126,728	152,755
Receivables from Medicaid	<u>220,476</u>	<u>269,279</u>
Total patient accounts receivable	561,957	581,702
Allowance for doubtful accounts	<u>(126,179)</u>	<u>(141,756)</u>
Patient accounts receivable, net	<u>\$ 435,778</u>	<u>\$ 439,946</u>

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2020 AND 2019

Note 5. Concentration of Credit Risk

The Hospital District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at March 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Medicare	23%	27%
Medicaid	39%	46%
Other third-party payors	38%	27%
	100%	100%

Note 6. Commitments and Contingencies

Operating Leases - The Hospital has two copiers under operating lease expiring on July 1, 2021. Total rental expense for the years ended March 31, 2020 and 2019 for all operating leases was \$1,552 and \$2,695, respectively.

The following is a schedule by year of the future minimum lease payments under the operating lease described above as of March 31, 2020.

<u>Year Ending March 31,</u>		<u>Amount</u>
2021	\$	700
	\$	700

Note 7. Ad Valorem Taxes

Ad valorem taxes are attached as an enforceable lien on property as of January 1 of each year. Taxes are levied on November 15 and are actually billed to the taxpayers in December. Billed taxes due by December 31 become delinquent on January 1 of the following year.

Tax revenues are recognized in the year billed.

The Hospital District received approximately 11.81% and 9.95% in 2020 and 2019, respectively, of its financial support from ad valorem taxes. These funds are restricted for the retirement of bonds and maintaining the building and capital facilities of the Hospital District and acquiring furnishings and equipment.

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2020 AND 2019

Note 7. Ad Valorem Taxes (Continued)

The taxes are based on assessed values determined by the Tax Assessor of Vermilion Parish and are collected by the Sheriff. The taxes are remitted to the Hospital District net of deductions for the pension fund contributions. For the years ended March 31 2020 and 2019, taxes of 8.29 mills were levied amounting to total taxes of \$189,932 and \$196,196, respectively.

Note 8. Custodial Asset and Liability

The Hospital District maintains a bank account for their residents as a service to them. The related asset and liability of \$23,935 at March 31, 2020 and \$16,367 at March 31, 2019 is not included in this report due to its custodial nature.

Note 9. Capital Assets

Capital assets additions, retirements, and balances for the years ended March 31, 2020 and 2019 were as follows:

	Balance March 31, 2019	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Balance March 31, 2020
Nondepreciable capital assets					
Land	\$ 35,000	\$ -0-	\$ -0-	\$ -0-	\$ 35,000
Construction in progress	285,475	61,532	-0-	(328,259)	18,748
Total nondepreciable assets	<u>\$ 320,475</u>	<u>\$ 61,532</u>	<u>\$ -0-</u>	<u>\$ (328,259)</u>	<u>\$ 53,748</u>
Depreciable capital assets					
Building	\$ 2,464,324	\$ -0-	\$ -0-	\$ -0-	\$ 2,464,324
Furniture and equipment	1,364,301	23,805	(3,853)	-0-	1,384,253
Capitalized interest	73,839	-0-	-0-	-0-	73,839
Land and building improvements	1,061,779	-0-	-0-	328,259	1,390,038
Total historic cost	<u>4,964,243</u>	<u>23,805</u>	<u>(3,853)</u>	<u>328,259</u>	<u>5,312,454</u>
Less accumulated depreciation for:					
Building	(2,174,496)	(83,268)	-0-	-0-	(2,257,764)
Furniture and equipment	(1,059,114)	(76,246)	3,853	-0-	(1,131,507)
Capitalized interest	(67,069)	(2,461)	-0-	-0-	(69,530)
Land and building improvements	(635,176)	(61,653)	-0-	-0-	(696,829)
Total accumulated depreciation	<u>(3,935,855)</u>	<u>(223,628)</u>	<u>3,853</u>	<u>-0-</u>	<u>(4,155,630)</u>
Capital assets, net	<u>\$ 1,028,388</u>	<u>\$ (199,823)</u>	<u>\$ -0-</u>	<u>\$ 328,259</u>	<u>\$ 1,156,824</u>

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2020 AND 2019

Note 9. Capital Assets (Continued)

	<u>Balance</u> <u>March 31, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>March 31, 2019</u>
Nondepreciable capital assets					
Land	\$ 35,000	\$ -0-	\$ -0-	\$ -0-	\$ 35,000
Construction in progress	-0-	285,475	-0-	-0-	285,475
Total nondepreciable assets	<u>\$ 35,000</u>	<u>\$ 285,475</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 320,475</u>
Depreciable capital assets					
Building	\$ 2,448,110	\$ 16,214	\$ -0-	\$ -0-	\$ 2,464,324
Furniture and equipment	1,322,417	41,884	-0-	-0-	1,364,301
Capitalized interest	73,839	-0-	-0-	-0-	73,839
Land and building improvements	<u>1,031,350</u>	<u>30,429</u>	<u>-0-</u>	<u>-0-</u>	<u>1,061,779</u>
Total historic cost	<u>4,875,716</u>	<u>88,527</u>	<u>-0-</u>	<u>-0-</u>	<u>4,964,243</u>
Less accumulated depreciation for:					
Building	(2,089,418)	(85,078)	-0-	-0-	(2,174,496)
Furniture and equipment	(971,872)	(87,242)	-0-	-0-	(1,059,114)
Capitalized interest	(67,069)	-0-	-0-	-0-	(67,069)
Land and building improvements	<u>(581,675)</u>	<u>(53,501)</u>	<u>-0-</u>	<u>-0-</u>	<u>(635,176)</u>
Total accumulated depreciation	<u>(3,710,034)</u>	<u>(225,821)</u>	<u>-0-</u>	<u>-0-</u>	<u>(3,935,855)</u>
Capital assets, net	<u>\$ 1,165,682</u>	<u>\$ (137,294)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,028,388</u>

Depreciation expense for the years ended March 31, 2020 and 2019 amounted to \$223,628 and \$225,821, respectively.

Note 10. Compensated Absences

All full-time employees with one full year of continuous employment with the Hospital District earn up to a maximum of 10 days of paid time off. A maximum of 20 days may be carried forward to the succeeding fiscal year. Accrued compensated absences at March 31, 2020 and 2019 totaled \$45,260 and \$46,923, respectively, which is included in accrued liabilities on the statements of net position.

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2020 AND 2019

Note 11. Retirement

The Hospital District has a simple plan under Section 408(p) of the Internal Revenue Code. The plan became effective March 1, 2001 and provides for employees of the Hospital District to make salary reduction contributions in each calendar year to the simple IRA established by each employee who meets eligibility requirements. All employees of the Hospital District are eligible to participate under the plan except employees who are not reasonably expected to earn \$5,000 during the plan year for which the contribution is to be made. The Hospital District has agreed to provide matching contributions for the 2020 and 2019 plan years in the amount of the participant's elective deferrals not in excess of 3% of such participant's compensation and not to exceed \$6,500. The Hospital District made contributions of \$30,613 for the year ended March 31, 2020 and \$31,341 for the year ended March 31, 2019.

Note 12. Compensation Paid to Board of Commissioners

In August 2018, House Bill 434 adjusted compensation paid to board members of the Hospital District. The change allowed the Hospital District to pay board members no more than \$125 for attendance at meetings of the commission, not to exceed 12 meetings per year and 4 special meetings. Prior to August 2018, the compensation paid to Board of Commissioners was presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Each member of the board received \$40 for each day of attendance at meetings of the commission. The compensation paid to Board of Commissioners at March 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Sean S. Gayle	\$ 1,650	\$ 1,250
Flora Thompson	1,950	830
Jamie Lounsberry	300	-0-
Ronnie LeMaire	600	-0-
Linda Zaunbrecher	1,500	1,100
George Gardiner	2,250	1,210
Mona Simon	<u>1,800</u>	<u>1,170</u>
 Total	 \$ <u>10,050</u>	 \$ <u>5,560</u>

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019

Note 13. Supplemental Medicaid Payments (UPL)

Effective March 2016, the Hospital District entered into a Participation Agreement in order to receive Medicaid supplemental payments for qualifying nursing facilities owned or operated by non-state governmental organizations that have entered into an agreement with the Louisiana Department of Health (LDH). The Hospital District agreed to transfer funds to LDH to be used as Medicaid matching funds within the Medicaid program.

As permitted by State and Federal laws, LDH agrees to use such funds to make Medicaid payments within the Medicaid program which shall include both the "non-federal share" and the "federal funds" generated by the "non-federal share." The Medicaid supplemental payments made to Public Nursing Facility shall not exceed Public Nursing Facility's upper payment limit.

The Hospital District made payments to LDH in conjunction with this agreement totaling \$231,209 in 2020 and \$204,433 in 2019. These payments are recognized as operating expense in the statement of revenues, expenses and changes in net position. LDH made Medicaid supplemental payments to the Hospital District totaling \$554,568 in 2020 and \$468,448 in 2019. These payments are recognized as operating revenues in the statement of revenues, expenses and changes in net position.

Note 14. Professional/Commercial Liability Risk

The Hospital District participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000, for which the Hospital District is at risk. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlements for professional liability to \$100,000 per occurrence and limiting the Patient's Compensation Fund's exposure to \$400,000 per occurrence.

The Hospital District participates in Louisiana Nursing Home Association Malpractice and General Liability Fund. The Fund provides for professional liability coverage of \$100,000, plus interest per claim and a \$15,000 per occurrence deductible. The Fund also covers Commercial and General Liability with a deductible of \$15,000 per occurrence.

Each participant in the Trust is jointly and severally liable for the obligations of the Trust.

Note 15. Contingencies

The principal contingencies are described below:

The Hospital District is contingently liable for losses from professional and general liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Nursing Home Association Malpractice and General Liability Fund.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2020 AND 2019

Note 15. Contingencies (Continued)

The Hospital District participates in the Louisiana Nursing Home Association Self-Insurance Fund for Worker's Compensation. Should the fund's assets not be adequate to cover claims made against it, the Hospital District may be assessed its pro-rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the Hospital District is contingently liable for assessments by the Louisiana Nursing Home Association Self-Insurance Fund for Worker's Compensation.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a global pandemic. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the Hospital. The occurrence and the extent of such an impact will depend on future developments, including the duration and spread of the virus, government quarantine measures, voluntary and precautionary restriction on travel or meetings, the effects on the financial markets, and the effects on the economy overall, all of which are uncertain. The Hospital received Provider Relief Funding after year end as discussed in Note 16.

Note 16. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, January 29, 2021, and determined no material events occurred that require disclosure, except those noted below. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

In response to the uncertainties surrounding the COVID-19 pandemic, the District applied for, and received, approximately \$504,000 under an SBA loan as part of the Paycheck Protection Plan (PPP Loan) in May of 2020. Stipulations of the PPP Loan's forgiveness provision require loan proceeds to be used for payroll and other operating expenses. It is management's intent to use these funds for such purposes. During April, May, August and November of 2020, the district received approximately \$589,000 in funding through the Public Health Social Services Emergency Fund as authorized in the Coronavirus Aid, Relief and Economic Securities (CARES) Act. These funds were made available to prevent, prepare for and respond to the coronavirus and reimburse providers for eligible expenses and lost revenues.

On August 3, 2020, the District entered into a multi-year lease agreement to lease the rural health clinic facilities and equipment to Abrom Kaplan Memorial Hospital (AKMH), a subsidiary of Lafayette General Health System, Inc.. AKMH has assumed management and operations of the rural health clinic.

OTHER SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 SCHEDULES OF NET PATIENT SERVICE REVENUES
 YEARS ENDED MARCH 31,

	<u>2020</u>	<u>2019</u>
Gross patient service revenue:		
Medicaid	\$ 2,146,607	\$ 2,431,172
Private	808,351	623,541
Medicare SNF	1,795,918	1,308,581
Medicare outpatient	307,770	322,066
Clinic	<u>102,056</u>	<u>159,394</u>
Total gross patient service revenue	5,160,702	4,844,754
Contractual allowances - nursing home	(970,629)	(530,441)
Contractual allowances - clinic	(15,495)	(33,236)
Provisions for bad debt	<u>(31,913)</u>	<u>(40,639)</u>
Net patient service revenues	\$ <u>4,142,665</u>	\$ <u>4,240,438</u>

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 SCHEDULES OF OPERATING EXPENSES
 YEARS ENDED MARCH 31,

	<u>2020</u>	<u>2019</u>
General and administrative:		
Salaries -		
Administrator and director	\$ 92,337	\$ 92,084
Office and clerical	145,259	153,018
Transportation	50,740	59,640
Advertising	1,047	1,588
Auto expense	9,234	9,311
Board fees	10,050	5,560
Computer expenses	32,561	29,716
Dues and subscriptions	3,949	3,884
Employee benefits	142,717	158,983
Employer retirement matching	30,613	31,341
Insurance	177,963	189,478
Legal and accounting	73,447	89,825
Licenses	1,270	1,260
Medicare consultants	27,022	34,843
Miscellaneous	14,444	7,621
Office supplies	9,309	10,515
Outside services	9,158	28,788
Payroll taxes	159,171	182,282
Pension expense	6,559	6,437
Postage and freight	2,350	2,129
Provider fee	217,259	232,914
Telephone	17,035	16,953
Travel and seminar	10,039	25,336
Total general and administrative	<u>1,243,533</u>	<u>1,373,506</u>
Nursing services:		
Salaries -		
Director of nursing	103,073	90,815
Other	1,086,855	1,189,659
Nursing supplies	105,284	114,686
Contract nursing services	276,040	202,466
Total nursing services	<u>\$ 1,571,252</u>	<u>\$ 1,597,626</u>

(Continued)

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 SCHEDULES OF OPERATING EXPENSES (CONTINUED)
 YEARS ENDED MARCH 31,

	<u>2020</u>	<u>2019</u>
Housekeeping:		
Salaries	\$ 149,145	\$ 175,334
Supplies	<u>23,023</u>	<u>38,276</u>
Total housekeeping	<u>172,168</u>	<u>213,610</u>
Dietary:		
Salaries	213,506	240,047
Food	153,200	165,404
Food supplement	11,314	16,180
Supplies	<u>16,702</u>	<u>19,363</u>
Total dietary	<u>394,722</u>	<u>440,994</u>
Plant operations:		
Salaries	47,122	56,427
Contract services	12,045	9,744
Other	7,005	6,624
Small equipment	12,003	19,850
Repairs and maintenance	52,310	62,438
Utilities	<u>91,500</u>	<u>95,712</u>
Total plant operations	<u>221,985</u>	<u>250,795</u>
Laundry:		
Salaries	90,651	102,055
Supplies	<u>5,949</u>	<u>-0-</u>
Total laundry	<u>96,600</u>	<u>102,055</u>
Patient activity and social service:		
Salaries	35,267	34,562
Supplies	<u>3,427</u>	<u>5,300</u>
Total patient activity and social service	<u>\$ 38,694</u>	<u>\$ 39,862</u>

(Continued)

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 SCHEDULES OF OPERATING EXPENSES (CONTINUED)
 YEARS ENDED MARCH 31,

	<u>2020</u>	<u>2019</u>
Consultants:		
Pharmacy	\$ 16,942	\$ 17,815
Dietary	4,925	4,800
Medical records	1,200	1,200
Medicare	22,500	22,500
Medical records	1,980	1,920
Total consultants	<u>47,547</u>	<u>48,235</u>
 Clinic:		
Salaries	151,238	196,893
Advertisement	1,165	385
Computer expense	7,573	5,271
Freight and postage	187	110
Insurance	22,476	22,376
Lab	1,386	1,874
Licenses and fees	2,026	1,466
Outside services	8,499	15,559
Repairs and maintenance	1,032	3,827
Supplies	8,010	9,128
Telephone	4,862	4,982
Training	-0-	1,159
Utilities	4,566	5,130
Vaccines	3,939	4,643
Accounting	3,300	3,300
Total clinic	<u>\$ 220,259</u>	<u>\$ 276,103</u>

(Continued)

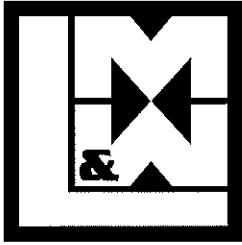
HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 SCHEDULES OF OPERATING EXPENSES (CONTINUED)
 YEARS ENDED MARCH 31,

	<u>2020</u>	<u>2019</u>
Medicare SNF and outpatient:		
Lab	\$ 1,486	\$ 4,086
Medical supplies and drugs charged to patients	102,007	94,873
Medical supplies non chargeable	1,182	1,409
Occupational therapy	165,288	148,758
Physical therapy	177,657	162,743
Radiology	7,615	10,076
Speech therapy	132,737	157,886
Total Medicare SNF and outpatient	<u>587,972</u>	<u>579,831</u>
 Intergovernmental transfer - public nursing home UPL	 <u>231,209</u>	 <u>204,433</u>
 Depreciation	 <u>223,628</u>	 <u>225,821</u>
 Total operating expenses	 \$ <u><u>5,049,569</u></u>	 \$ <u><u>5,352,871</u></u>

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
 AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
 YEAR ENDED MARCH 31, 2020

Agency Head Name: Trevor Hair
 Position: Administrator
 Time Period: April 1, 2019 to March 31, 2020

Purpose	Amount
Salary	\$ 91,832
Benefits - insurance	7,231
Benefits - retirement	2,755
Benefits - other	-0-
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	541
Travel	1,917
Registration fees	495
Conference travel	1,582
Continuing professional education fees	1,125
Housing	-0-
Unvouchered expenses	-0-
Special meals	120
	\$ 107,598



LESTER, MILLER & WELLS

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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. 3
Parish of Vermilion, State of Louisiana
d/b/a Gueydan Memorial Guest Home
Gueydan, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home (the "Hospital Service District") as of and for the years ended March 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital Service District's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 29, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be material weaknesses as item number 2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hospital Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2020-002.

Hospital Service District's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital District'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 Service District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Lafayette, Louisiana

January 29, 2021

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2020

Section I. Summary of Auditors' Results

Report on Internal Control and Compliance Material to the Financial Statements

Type of auditors' opinion issues: unmodified

Internal Control over financial reporting:

- Material weakness(es) identified? Yes No
- Control deficiency(ies) identified that we do not consider to be material weaknesses Yes None reported

Noncompliance material to financial statements noted Yes No

Section II. Financial Statement Findings

2020-001 - Segregation of Duties

Condition: The Hospital District does not have adequate segregation of duties in the area of accounts receivable. During the course of our audit, we noted that the person in charge of accounts receivable has the responsibility to post cash receipts, issue credit memos, write-off account balances, reconcile bank statements and has access to incoming checks for customers. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize the Hospital District may not be large enough to permit such procedures, it is important that the Hospital District be aware of this condition. This condition was also included in the 2019 audit as item 2019-001.

Criteria: An effective system of internal control requires a proper segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: The Hospital District has a limited number of employees within the accounting department.

Effect: Ineffective system of internal controls within the accounting function.

Recommendation: Keeping in mind the limited number of personnel to which duties can be assigned; the Hospital District should continue to monitor assignment of duties to assure as much segregation of duties and responsibility as possible, and management and the board should review accounts receivable financial information on a timely basis.

Response: The Hospital District is aware of and evaluated this problem and concluded that it would not be cost beneficial or possible with the limited resources available to create a segregated accounts receivable environment. However, the Hospital District will continue to monitor this issue and the board will review accounts receivable financial information on a timely basis.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2020

Section II. Financial Statement Findings (Continued)

2020-002 - Overpayment to Board of Commissioners

Condition: Commissioners were paid a per diem of \$150 per meeting rather than the maximum allowable amount of \$125 per meeting allowed by LA R.S. 46:1053, which resulted in a total overpayment of \$1,675 by the Hospital District for the fiscal year under audit.

Criteria: In accordance with LA R.S. 46:1053, the governing authority of Vermilion Parish may permit a per diem to each member of the commission of Vermilion Parish Hospital Service District No. 3 in an amount not to exceed \$125 for attendance at meetings. Total allowable meetings per year are not to exceed twelve regular meetings per year and four special meetings per year.

Cause: Effective August 1, 2018, LA R.S. 46:1053 was revised to permit the Vermilion Parish Hospital Service District No. 3 to pay commissioners a per diem not to exceed \$125 for attendance at meetings, not to exceed twelve regular meetings per year and four special meetings per year. The board erroneously approved and paid a per diem of \$150 per meeting rather than the amount allowed by the revision of LA R.S. 46:1053.

Effect: It appears the Hospital District is in violation of LA R.S. 46:1053.

Recommendation: The Hospital District should approve a per diem in accordance with LA R.S. 46:1053, in which board members are paid no more than \$125 per board meeting. The Hospital District should also recover any amounts paid in excess of the allowable amount provided by LA R.S. 46:1053.

Response: The Hospital District will recover the amounts paid in excess of LA R.S. 46:1053 and begin paying amounts in accordance with LA R.S. 46:1053.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2020

Section III. Federal Award Findings and Questioned Costs

Not applicable.

Section IV. Management Letter

Not applicable.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED MARCH 31, 2020

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

2019-001 - Segregation of Duties

Recommendation: Keeping in mind the limited number of personnel to which duties can be assigned, the Hospital District should continue to monitor assignment of duties to assure as much segregation of duties and responsibility as possible, and the board should review accounts receivable financial information on a timely basis.

Current Status: This finding is repeated at 2020-001.

2019-002 - Lack of Written Policies

Recommendation: Having written policies and procedures in place will strengthen and provide a framework for present and future Hospital Service District employees to perform business operations necessary to provide accurate accountability of Hospital District assets and help to prevent fraud. Sample best practice documents are available for reference on the Louisiana Legislative Auditor's website.

Current Status: This finding was resolved in 2020.

Section II. Internal Control and Compliance Material to the Federal Awards

Not applicable.

Section III. Management Letter

Not applicable