

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH**

DeRidder, Louisiana
Financial Report
October 31, 2020 and 2019



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**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Management's Discussion and Analysis

The Management's Discussion and Analysis of the Hospital Service District No. 2 of Beauregard Parish (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended October 31, 2020. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

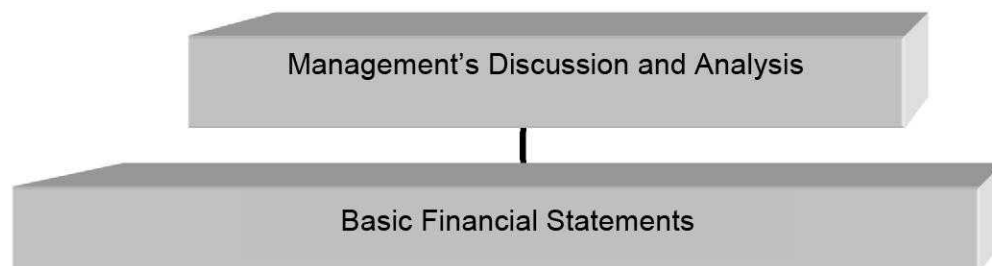
FINANCIAL HIGHLIGHTS

- ★ The District's assets exceeded its liabilities at the close of fiscal year 2020 by \$42,378,530 which represents a 18.5% increase from last fiscal year. Of this amount, \$28,451,212 (unrestricted net position) may be used to meet the District's ongoing obligations to its users.
- ★ The District's net patient revenue decreased \$2,475,998 (or 6.5%); other revenues increased \$6,393,341 (or 92.6%) and the total operating expenses increased by \$3,782,652 (or 8.8%).
- ★ The District received \$9,624,672 in Provider Relief Funds from the CARES Act, of which \$5,453,930 was applied to lost revenues and COVID-19 related supplies and equipment. At October 31, 2020, there remains a balance of \$4,170,742 available for COVID-19 which may be recognized in the fiscal year ending October 31, 2021. There is also \$91,276 in other grants dedicated to COVID-19.
- ★ The District received advances totaling \$3,674,624 from CARES Act funding specific to Medicare Accelerated Advance Payments, with recoupments beginning in September 2021 and continuing up to 17 months.
- ★ The District received \$2,340,074 in payments from the State of Louisiana's Medicaid Managed Care Organization (MCIP) payments for meeting quality incentives for caring for Medicaid patients.
- ★ The District received \$6,036,417 in Full Medicaid Payment Program (FMP) for caring for Medicaid patients.

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.



These financial statements consist of two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statements of Net Position; the Statements of Revenue and Expenses and Changes in Net Position; and the Statements of Cash Flows.

The Statements of Net Position (pages 8 - 9) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statements of Revenue and Expenses and Changes in Net Position (page 10) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statements of Cash Flows (pages 11 - 12) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided by (used in) operating activities (indirect method) as required by GASB 34.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE ENTITY

	2020	2019	2018
Current and Other Assets	\$ 38,324,371	\$ 21,140,664	\$ 21,994,751
Capital Assets	19,332,836	17,328,607	18,272,519
Total Assets	57,657,207	38,469,271	40,267,270
Other Liabilities	9,873,159	114,799	1,812,980
Long-Term Debt Outstanding	5,405,518	2,603,283	3,512,359
Total Liabilities	15,278,677	2,718,082	5,325,339
Net Position			
Invested in Capital Assets, Net of Debt	13,927,318	14,725,324	14,760,160
Unrestricted	28,451,212	21,025,865	20,181,771
Total Net Position	\$ 42,378,530	\$ 35,751,189	\$ 34,941,931

The change in net position of the District increased by \$6,627,341 from October 31, 2019 to October 31, 2020.

	2020	2019	2018
Operating Revenues	\$ 48,636,625	\$ 44,719,282	\$ 47,709,518
Operating Expenses	46,856,749	43,074,097	45,002,075
Operating Income	1,779,876	1,645,185	2,707,443
Donations	78,400	10,211	87,175
Non-Operating Revenue (Expenses)	4,769,065	(846,138)	(1,031,556)
Increase in Net Position	\$ 6,627,341	\$ 809,258	\$ 1,763,062

Additional detail can be found in the Statements of Revenues and Expenses and Changes in Net Position as included in this report.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of October 31, 2020, the District had \$19,332,836, net of accumulated depreciation, invested in a broad range of capital assets, including land, buildings, equipment, land improvements, and construction in progress. (See Table below). This amount represents a net increase (including additions and deductions) of \$2,004,226 or 11.57%, from the previous year.

	2020	2019	2018
Land	\$ 1,738,145	\$ 1,694,145	\$ 1,694,145
Buildings	24,154,939	24,137,525	24,145,204
Equipment	20,956,787	20,901,633	20,706,766
Construction in Progress	3,783,123	267,371	75,097
Land Improvements	1,331,953	1,335,208	1,098,253
	51,964,947	48,335,882	47,719,465
Less: Accumulated Depreciation	(32,632,111)	(31,007,275)	(29,446,946)
Total	\$ 19,332,836	\$ 17,328,607	\$ 18,272,519

This year's major capital additions include:

Meditech System	\$ 2,612,876
Careview Fall Prevention Hardware	\$ 72,000
Micro Drill and Cordless Driver	\$ 54,657
Ortho Instrument Set	\$ 53,747
6th Street Land Donation	\$ 44,000

Additional information on the District's capital assets can be found in Note 4 of this report.

Debt

The District had \$5,243,000 in certificates of indebtedness outstanding at year-end, compared to \$2,235,000 last year, an increase of \$3,008,000. A summary of this debt is shown in the table below.

Outstanding Debt at Year-End

	2020	2019	2018
Certificates of Indebtedness Series 2012	\$ 525,000	\$ 780,000	\$ 1,025,000
Certificates of Indebtedness Series 2016	241,000	477,000	713,000
Certificates of Indebtedness Series 2018	745,000	978,000	1,204,450
Certificates of Indebtedness Series 2020	3,732,000	-	-
Total	\$ 5,243,000	\$ 2,235,000	\$ 2,942,450

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Management's Discussion and Analysis

Additional information on the District's long-term debt can be found in Note 3 of this report.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darrell Kingham, CPA, VP Finance, Hospital Service District No. 2 of the Parish of Beauregard, State of Louisiana.

Independent Auditor's Report

Board of Commissioners
Hospital Service District No. 2
of Beauregard Parish
DeRidder, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Hospital Service District No. 2 of Beauregard Parish, a component unit of Beauregard Parish Policy Jury, as of and for the years ended October 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Hospital Service District No. 2 of Beauregard Parish'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 audits. 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Hospital Service District No. 2 of Beauregard Parish as of October 31, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5 be presented to supplement the basic financial statements. Such information, although not a basic part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge we obtained during the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2021, on our consideration of Hospital Service District No. 2 of Beauregard Parish's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital Service District No. 2 of Beauregard Parish'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 Hospital Service District No. 2 of Beauregard Parish's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
February 25, 2021

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Net Position
October 31, 2020 and 2019**

	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 17,256,065	\$ 2,739,285
Assets Whose Use is Limited		
Cash Equivalents, by Bond Indenture for Sinking Fund	702,758	440,242
Patient Accounts Receivable, Net	3,140,621	5,232,621
Other Receivables	1,734,733	1,126,234
Inventories	1,917,414	1,522,697
Interest Receivable	15,971	30,522
Prepaid Expenses	995,184	967,776
Estimated Third Party Payor Settlements - Medicare/Medicaid	4,288,633	3,586,825
Due from West Louisiana Health Services and Affiliate	-	384,914
Current Portion of Notes Receivable	146,464	409,325
Total Current Assets	30,197,843	16,440,441
Noncurrent Assets		
Assets Whose Use is Limited		
Cash Equivalents, by Board for Funded Depreciation	102,022	289,963
Investments, by Board for Funded Depreciation	7,581,778	3,889,368
Capital Assets, Net	19,332,836	17,328,607
Investments - LLC	14,241	43,622
Notes Receivable, Net of Current Portion	428,487	477,270
Total Noncurrent Assets	27,459,364	22,028,830
Total Assets	\$ 57,657,207	\$ 38,469,271

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

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Net Position (Continued)
October 31, 2020 and 2019**

	2020	2019
Liabilities and Net Position		
Current Liabilities		
Current Portion of Long-Term Debt - to be Paid from Assets Whose Use is Limited	\$ 925,000	\$ 724,000
Accrued Interest Payable	15,722	4,576
Unearned Revenue	12,000	110,223
Current Portion of Advance Payments - Medicare	2,432,620	-
Unearned COVID-19 Grants	4,262,018	-
Due to West Louisiana Health Services and Affiliate	1,908,795	-
Current Portion of Capital Lease Payable	152,222	205,765
Total Current Liabilities	9,708,377	1,044,564
Long-Term Liabilities		
Advance Payments - Medicare, Net of Current Portion	1,242,004	-
Capital Lease Obligation Payable, Net of Current Portion	10,296	162,518
Long-Term Debt, Net of Current Portion	4,318,000	1,511,000
Total Long-Term Liabilities	5,570,300	1,673,518
Total Liabilities	15,278,677	2,718,082
Net Position		
Invested in Capital Assets, Net of Related Debt	13,927,318	14,725,324
Unrestricted	28,451,212	21,025,865
Total Net Position	42,378,530	35,751,189
Total Liabilities and Net Position	\$ 57,657,207	\$ 38,469,271

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

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Revenue and Expenses and
Changes in Net Position
For the Years Ended October 31, 2020 and 2019**

	2020	2019
Operating Revenue		
Gross Patient Service Revenue	\$ 163,384,697	\$ 171,413,715
Less: Contractual Allowances and Discounts	(123,860,370)	(129,031,340)
	39,524,327	42,382,375
Less: Provision for Uncollectible Accounts	(4,182,375)	(4,564,425)
Net Patient Service Revenue	35,341,952	37,817,950
Other Revenue	13,294,673	6,901,332
Total Operating Revenue	48,636,625	44,719,282
Operating Expenses		
Salaries and Benefits	23,960,618	22,737,139
Supplies and Other	11,805,346	10,715,678
Professional and Contractual Services	8,932,649	7,302,747
Depreciation	2,014,404	2,246,832
Interest Expense	143,732	71,701
Total Operating Expenses	46,856,749	43,074,097
Income from Operations	1,779,876	1,645,185
Non-Operating Revenue (Expense)		
Beauregard Physician Group Expenses	(933,175)	(1,209,319)
Interest Income	116,785	188,534
Grants and Donations	78,400	10,211
Other Non-Operating Revenues - Provider Relief Funds	5,453,930	-
Gain (Loss) on Disposal of Plant and Equipment	5,229	(9,607)
Gain on BV and HHA LLC Investments	108,353	142,687
Realized Losses on Investments	(18)	(99)
Unrealized Gain on Investments	17,961	41,666
Total Non-Operating Revenues (Expenses)	4,847,465	(835,927)
Increase in Net Position	6,627,341	809,258
Net Position, Beginning of Year	35,751,189	34,941,931
Net Position, End of Year	\$ 42,378,530	\$ 35,751,189

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

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Cash Flows
For the Years Ended October 31, 2020 and 2019**

	2020	2019
Cash Flows from Operating Activities		
Receipts from Patients and Users	\$ 36,123,645	\$ 39,372,528
Payments to Vendors for Goods, Services and Other	(21,299,653)	(18,020,504)
Payments to Employees for Wages	(23,960,618)	(23,334,403)
Other Operating Receipts, Net	17,295,492	4,598,584
Net Cash Provided by Operating Activities	8,158,866	2,616,205
Cash Flows from Noncapital Financing Activities		
Unrestricted Gifts Received	78,400	10,211
Net Cash Provided by Noncapital Financing Activities	78,400	10,211
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(4,013,404)	(1,312,527)
Proceeds from Capital Debt	3,732,000	-
Payments on Capital Leases	(205,765)	(201,626)
Principal Paid on Capital Debt	(724,000)	(707,450)
Net Cash Used in Capital and Related Financing Activities	(1,211,169)	(2,221,603)
Cash Flows from Investing Activities		
Purchase of Investments	(4,381,625)	(1,100,000)
Proceeds from Sale and Maturity of Investments	823,943	1,362,598
Proceeds from Restricted Contributions - Provider Relief Funds	9,624,672	-
Distributions Received from LLC Investments	137,734	149,338
Beauregard Physicians Group Reimbursements and Other	1,360,534	(3,291,150)
Net Cash Provided by (Used in) Investing Activities	7,565,258	(2,879,214)
Net Increase (Decrease) in Cash and Cash Equivalents	14,591,355	(2,474,401)
Cash and Cash Equivalents, Beginning of Year	3,469,490	5,943,891
Cash and Cash Equivalents, End of Year	\$ 18,060,845	\$ 3,469,490
Cash and Cash Equivalents:		
Current Assets: Cash and Cash Equivalents	\$ 17,256,065	\$ 2,739,285
Current Assets: Assets Whose Use is Limited, Cash Equivalents	702,758	440,242
Noncurrent assets: Assets Whose Use is Limited, Cash Equivalents	102,022	289,963
	\$ 18,060,845	\$ 3,469,490

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

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Cash Flows (Continued)
For the Years Ended October 31, 2020 and 2019**

	2020	2019
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating Income	\$ 1,779,876	\$ 1,645,185
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities		
Depreciation and Amortization	2,014,404	2,246,832
Provision for Uncollectible Accounts	4,182,375	4,564,425
Increase in Account Receivables	(2,090,375)	(5,336,742)
Increase in Other Receivables	(282,304)	(65,856)
Increase in Estimated Third Party Payor Settlements	(701,808)	(304,534)
Increase in Prepaid Expenses	(27,408)	(87,884)
Increase in Inventory	(394,717)	(43,957)
Increase (Decrease) in Payables and Other Operating Liabilities	3,678,823	(1,264)
Net Cash Provided by Operating Activities	\$ 8,158,866	\$ 2,616,205
Supplemental Disclosure of Cash Flow Information		
Interest Paid	\$ 132,586	\$ 67,125

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

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Beauregard Memorial Hospital (Hospital) facilities are owned by the Hospital Service District No. 2 of Beauregard Parish (District). It is owned as a nonprofit corporation organized by the Beauregard Parish Police Jury under the provisions of Chapter 10 of Title 46 of the Louisiana revised statutes of 1950 and Act No. 506 of the Louisiana Legislature for the year 1976. The governing authority of the Hospital Service District is a Board of Commissioners appointed to office by the Beauregard Parish Police Jury. Also, included in the financials are four rural health clinics (RHCs): Beauregard Internal Medicine Center RHC, Beauregard Family Medical Center RHC, Beauregard Women's Health Center RHC, and Beauregard Medical and Surgical Center RHC. The four RHCs are reported as departments in the accompanying financial statements.

On June 6, 1979, the Board of Commissioners of the Hospital Service District entered into an agreement with the Board of Trustees of Beauregard Memorial Hospital to manage and operate the hospital facilities. Under the terms of this agreement, which will expire in 99 years from the date executed if all the renewal period options are exercised, the Board of Trustees of Beauregard Memorial Hospital would collect all revenues and deposit to the account of the Hospital Service District and pay all necessary expenses incurred during the normal operations of the hospital. The Hospital Service District would then reimburse Beauregard Memorial Hospital for these expenses.

During the year ended October 31, 1984, the Board of Trustees of Beauregard Memorial Hospital elected to change their name to the Board of Trustees of West Louisiana Health Services, Inc. The nonprofit corporation's name was changed to West Louisiana Health Services, Inc.

During the year ended October 31, 2010, the Board of Commissioners of Hospital Service District No. 2 of Beauregard Parish approved the reimbursement of expenses of the Beauregard Physician Group, an affiliate of West Louisiana Health Services, Inc., as necessary costs related to the operation of the Hospital. Beauregard Physician Group is comprised of Beauregard Urology Center, LLC, Beauregard Surgery Center, LLC, and Family Healthcare of Beauregard, LLC.

Reporting Entity - As more fully described, the Hospital Service District No. 2 of Beauregard Parish is governed by a board appointed by the Beauregard Parish Police Jury. Therefore, the Hospital Service District is a component unit of the Beauregard Parish Police Jury. The District does not have any component units, agencies, or organizations for which it is financially accountable for under the criteria set forth by the GASB.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Notes to Financial Statements

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

Accounting Standards: The Hospital follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements*. GASB No. 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: *FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure*.

Accounting Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in estimates and assumptions in the near-term would be material to the financial statements. Estimates that are particularly susceptible to significant changes in the near term and which require significant judgments by management include the allowances for doubtful accounts and contractual adjustments, third-party payor settlements, liabilities for self-insurance, and the depreciable lives of property and equipment.

Net Position: In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended*, net position is classified into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets: This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted: This component of net position 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: All other net position is reported in this category.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Notes to Financial Statements

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

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.

Operating Revenues and Expenses: The District's Statements of Revenues, Expenses, and Changes in Net Position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Non-exchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, together with financing costs.

Net Patient Service Revenue and Related Receivables: Net patient service revenue and the related accounts receivable are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. The District provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the District is exposed to certain credit risk. The District manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances.

Patient Receivables: Patient receivables, where a third-party payor is responsible for paying the amount, 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 third-party payors, less an estimated allowance for doubtful accounts.

Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the original charge for the service provided less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Hospital does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Provision for bad debts was approximately \$4,182,000 and \$4,564,000 for the years ended October 31, 2020 and 2019, respectively.

Third-Party Payor Arrangements

The District participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Notes to Financial Statements

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

Third-Party Payor Arrangements (Continued)

Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services before settlement amounts become final. Revenue derived from the Medicaid program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the Department of Health and Hospitals of the State of Louisiana before those settlement amounts become final. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through October 31, 2018. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through October 31, 2014.

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. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital.

Medicaid - Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per patient day. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

Effective January 1, 2019, the Hospital entered in an agreement with the Louisiana Quality Network (LQN) to facilitate payments to these entities under the State of Louisiana's Medicaid Managed Care Quality Incentive Program (Program). The Louisiana Department of Health (LDH) amended its agreements with its contracted Managed Care Organizations (MCOs) to include quality-based performance measures and quality-based outcomes. With the expected achievement of the defined quality measures, LDH will fund the MCOs, who in turn will fund the network that the hospitals contract with for this Managed Care Incentive Payment (MCIP). For each measurement year, LDH will evaluate the performance relative to the specific quality measures. In the event LDH finds a deficiency in the accomplishment of those performance measures, there is the potential for recoupment of the MCIPs. Under the terms of the agreement with the LQN, the Hospital recognized revenue of approximately \$2,340,000 for the year ended October 31, 2020. This revenue is a component of other operating revenues. At October 31, 2020, a receivable totaling \$534,733 was reported as a component of other receivables.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Notes to Financial Statements

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

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Retroactive cost settlements based upon annual cost reports are estimated for those programs subject to retroactive settlement and recorded in the financial statements. Final determination of retroactive cost settlements to be received under the Medicare and Medicaid regulations is subject to review by program representatives. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined or determinable. Adjustments to estimated settlements resulted in an increase to net patient service revenue of approximately \$87,000 in 2020.

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

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.

Inventories - Inventories, excluding pharmaceuticals, are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Pharmaceutical inventories are stated at current cost.

Property, Plant, and Equipment - The property, plant, and equipment of the Hospital is recorded at cost. Depreciation amounted to approximately \$2,014,000 and \$2,247,000 for the years ended October 31, 2020 and 2019, respectively, and was calculated using the straight-line method over the estimated useful lives of the various assets shown below:

Asset	Method	Estimated Useful Life in Years
Buildings	Straight-Line	5 - 40 Years
Equipment	Straight-Line	3 - 20 Years
Land Improvements	Straight-Line	5 - 15 Years

The costs of maintenance and repairs of property and equipment are charged to expense as incurred. Expenditures of \$5,000 or more for additions, improvements, and replacements are capitalized. The cost and related accumulated depreciation of property and equipment retired are removed from the accounts and any resulting gain or loss is recognized.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Notes to Financial Statements

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

Capitalization of Interest – Accounting Standards Codification (ASC) 835-20 (Capitalization of Interest) requires that interest expenditures incurred during construction of assets be capitalized. ASC 835-30-11 (Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants) concludes that constructed assets financed with the proceeds of tax-exempt debt should include capitalized interest only to the extent that interest cost exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. The Hospital incurred \$143,732 and \$71,101 in interest expense for the fiscal years ended October 31, 2020 and 2019, respectively. There was no interest capitalized in connection with the construction of assets.

Cash, Cash Equivalents, and Investments - Cash and cash equivalents include all checking accounts, savings accounts, money market funds, certificates of deposit, and certain investments in highly liquid debt instruments with original maturities of three months or less. Certificates of deposit with original maturities of more than three months are presented within Noncurrent assets as a component of Investments, by Board for Funded Depreciation. The demand deposits and certificates of deposits are stated at cost, which approximates market. Other investments securities are reported at fair value, except as disclosed in Note 9.

Investment Income - Interest, dividends, and gains and losses, both realized and unrealized, on investments in securities are included in nonoperating income when earned, except as disclosed in Note 9.

Risk Management - The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. There have been no significant reductions in the insurance coverage during the year, nor have settlements exceeded coverage for the past three years. The Hospital is self-insured for employee health benefits as discussed in Note 17.

Coronavirus Aid, Relief, and Economic Security Act (CARES Act) In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance provisions for businesses and individuals. The Hospital suspended non-emergent or noncritical surgeries, procedures and appointments beginning in mid-March through early-May in 2020 due to COVID-19. Under certain provisions in the CARES Act, the Hospital received Provider Relief funding of \$9,624,672. Utilizing the guidance guidelines for reporting the use of those funds as provided in the Consolidated Appropriations Act, 2021, the Hospital recognized grant revenue related to the Provider Relief funding totaling \$5,453,930 in its statement of revenue, expenses, and changes in net position for the year ended October 31, 2020. The remaining \$4,170,742 is presented as unearned COVID-19 grants on the statements of net position for possible recognition in the fiscal year ending October 31, 2021.

**HOSPITAL SERVICE DISTRICT NO. 2
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Notes to Financial Statements

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

The Hospital also received two grants totaling \$91,276 that are deferred and included within unearned Covid-19 grants on the statements of net position.

Under the CARES Act, the Hospital also received \$3,674,624 in advances under the Medicare Accelerated and Advance Payments Program (AAPP) for the year ended October 31, 2020.

Through the Continuing Appropriations Act, 2021 and Other Extensions Act (the CA Act) that was enacted October 1, 2020, the Hospital will not be subject to recoupment of their Medicare payments for a period of one year from the date they received their AAPP payments. Starting on the date that is one year from their receipt of the AAPP payments, repayment will be made out of the Hospital's future Medicare payments. The schedule for such repayments will be as follows:

- Twenty five percent (25%) of the Hospital's Medicare payments will first offset against the outstanding AAPP balance for the next eleven (11) months.
- Fifty percent (50%) of the Hospital's Medicare payments will first offset against the outstanding AAPP balance for the next six (6) months.
- The Hospital will receive a letter setting forth their remaining balance and will have thirty (30) days to pay the balance in full.
- Any unpaid balance after the 30 days will accrue interest at a rate of four percent (4.00%).

The Hospital has classified these advances as advance payments on its statement of position, with \$2,432,620 classified as a current liability and \$1,242,004 as a long-term liability.

Reclassifications

Certain changes have been made to the presentation of the October 31, 2019 consolidated financial statements to conform to the current period presentation.

Recently Issued Accounting Principles As of October 31, 2020, GASB has issued several statements not yet implemented by the Hospital. The statements, which might impact the Hospital, are as follows:

**HOSPITAL SERVICE DISTRICT NO. 2
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Notes to Financial Statements

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

GASB Statement No. 84, Fiduciary Activities

The objective of GASB Statement No. 84, *Fiduciary Activities*, is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 87, Leases

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 reporting periods beginning after June 15, 2021.

Note 2. Assets Whose Use is Limited

The amounts reported as assets whose use is limited by bond indenture for sinking fund are comprised of cash held by the District for debt service related to their required long-term debt described in Note 3.

Funded depreciation is so designated by the Board of Commissioners to replace and repair buildings and equipment.

Note 3. Long-term Debt

On October 16, 2012, Certificates of Indebtedness, Series 2012 of Hospital Service District No. 2 of the Parish of Beauregard, State of Louisiana in the amount of \$2,000,000 were issued for the purpose of constructing, acquiring, and equipping a new intensive care unit addition. These Certificates of Indebtedness bear interest at a rate of 2.11% and are to be retired over a period of 9 years and 7 months by making annual principal payments on April 1 of each year and semi-annual interest payments on April 1 and October 1 of each year. Annual principal and interest payments range from \$268,335 to \$267,796. The Certificates of Indebtedness mature on April 1, 2022. The outstanding principal balance was \$525,000 and \$780,000 at October 31, 2020 and 2019, respectively. The Certificates of Indebtedness are secured by the excess of annual revenues above statutory, necessary, and usual charges derived from the operation of the Hospital.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Notes to Financial Statements

Note 3. Long-term Debt (Continued)

On January 14, 2016, Certificates of Indebtedness, Series 2016 of Hospital Service District No. 2 of the Parish of Beauregard, State of Louisiana in the amount of \$1,177,000 were issued for the purpose of renovating the surgical department. These Certificates of Indebtedness bear interest at a rate that ranges from 0.875% to 2.90% and are to be retired over a period of 5 years and 3 months by making annual principal payments on April 1 of each year and semi-annual interest payments on April 1 and October 1 of each year. Annual principal and interest payments is \$247,133. The Certificates of Indebtedness mature on April 1, 2021. The outstanding principal balance was \$241,000 and \$477,000 at October 31, 2020 and 2019, respectively. The Certificates of Indebtedness are secured by excess revenues in parity with the 2012, 2018, and 2020 Certificates of Indebtedness.

On August 17, 2018, Certificated of Indebtedness, Series 2018 of Hospital Service District No. 2 of the Parish of Beauregard, State of Louisiana, in the amount of \$1,204,450 were issued for the purpose of providing funds for acquiring, constructing, and installing improvements and replacements to the hospital facilities, including acquiring equipment and fixtures therefor. Certificate R-1 shall be in the denomination of \$903,338 and Certificate R-2 shall be in the denomination of \$301,112. Both certificates are payable in five annual installments on April 1st. They will bear interest on April 1st and October 1st of each year, beginning October 1, 2018. Certificate R-1 will bear interest at an annual rate of 3.1% while Certificate R-2 will bear interest at an annual rate of 1.55%. Annual principal and interest payments range from \$257,973 to \$259,488. The outstanding principal balance was \$745,000 and \$978,000 at October 31, 2020 and 2019, respectively. The Certificates of Indebtedness are secured by excess revenues in parity with the 2012, 2016, and 2020 Certificates of Indebtedness.

On January 22, 2020, Excess Revenue Bonds, Series 2020 of Hospital Service District No. 2 of the Parish of Beauregard, State of Louisiana, in the amount of \$3,732,000 were issued for the purpose of providing funds for acquiring, constructing, and installing improvements and replacements to the hospital facilities, including acquiring equipment and fixtures therefor. The Certificates of Indebtedness bear interest at a rate of 3.25% and are to be retired over a period of 9 years by making annual principal payments on April 1st of each year and semi-annual interest payments on April 1st and October 1st of each year. The Certificates of Indebtedness mature on April 1, 2029. Annual principal and interest payments range from \$8,206 to \$513,206. The outstanding principal balance was \$3,732,000 at October 31, 2020. The Certificates of Indebtedness are secured by excess revenues in parity with the 2012, 2016, and 2018 Certificates of Indebtedness.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Notes to Financial Statements

Note 3. Long-term Debt (Continued)

Scheduled principal and interest payments of all the Certificates of Indebtedness payable are as follows:

Year Ending October 31,	Principal	Interest	Total
2021	\$ 925,000	\$ 149,757	\$ 1,074,757
2022	898,000	122,221	1,020,221
2023	656,000	99,818	755,818
2024	419,000	83,021	502,021
2025 - 2029	2,345,000	196,219	2,541,219
Total	\$ 5,243,000	\$ 651,036	\$ 5,894,036

The following is a summary of debt transactions of the District for the years ended October 31, 2020 and 2019:

	Certificates of Indebtedness, Series 2012	Certificates of Indebtedness, Series 2016	Certificates of Indebtedness, Series 2018	Certificates of Indebtedness, Series 2020	Total
Outstanding at November 1, 2018	\$ 1,025,000	\$ 713,000	\$ 1,204,450	\$ -	\$ 2,942,450
Bond Proceeds	-	-	-	-	-
Bonds Retired	245,000	236,000	226,450	-	707,450
Outstanding at November 1, 2019	780,000	477,000	978,000	-	2,235,000
Bond Proceeds	-	-	-	3,732,000	3,732,000
Bonds Retired	255,000	236,000	233,000	-	724,000
Outstanding at October 31, 2020	\$ 525,000	\$ 241,000	\$ 745,000	\$ 3,732,000	\$ 5,243,000

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended October 31, 2020, was as follows:

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 1,694,145	\$ 44,000	\$ -	\$ 1,738,145
Construction in Progress	267,371	3,580,150	(64,398)	3,783,123
Total Capital Assets Not Being Depreciated	1,961,516	3,624,150	(64,398)	5,521,268
Capital Assets Being Depreciated				
Buildings	24,137,525	30,756	(13,342)	24,154,939
Land Improvements	1,335,208	-	(3,255)	1,331,953
Equipment	20,901,633	423,904	(368,750)	20,956,787
Total Capital Assets Being Depreciated	46,374,366	454,660	(385,347)	46,443,679
Less Accumulated Depreciation	(31,007,275)	(2,014,404)	389,568	(32,632,111)
Total Capital Assets Being Depreciated, Net of Depreciation	15,367,091	(1,559,744)	4,221	13,811,568
Total Capital Assets, Net of Depreciation	\$ 17,328,607	\$ 2,064,406	\$ (60,177)	\$ 19,332,836

Capital asset activity for the year ended October 31, 2019 was as follows:

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 1,694,145	\$ -	\$ -	\$ 1,694,145
Construction in Progress	75,097	461,260	(268,986)	267,371
Total Capital Assets Not Being Depreciated	1,769,242	461,260	(268,986)	1,961,516
Capital Assets Being Depreciated				
Buildings	24,145,204	-	(7,679)	24,137,525
Land Improvements	1,098,253	237,915	(960)	1,335,208
Equipment	20,706,766	882,193	(687,326)	20,901,633
Total Capital Assets Being Depreciated	45,950,223	1,120,108	(695,965)	46,374,366
Less Accumulated Depreciation	(29,446,946)	(2,246,832)	686,503	(31,007,275)
Total Capital Assets Being Depreciated, Net of Depreciation	16,503,277	(1,126,724)	(9,462)	15,367,091
Total Capital Assets, Net of Depreciation	\$ 18,272,519	\$ (665,464)	\$ (278,448)	\$ 17,328,607

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Notes to Financial Statements

Note 5. Leases

The Hospital has entered into lease agreements as lessee for financing the acquisition of medical equipment. These leases qualify as a capital lease for accounting purposes and, therefore, have been recorded at the lower of the present value of the future minimum lease payments or the fair value of the assets. The capitalized cost of these assets is \$746,440. The Hospital is depreciating these capital assets over their estimated productive life. The accumulated depreciation on the equipment under these capital leases was \$374,747 at October 31, 2020.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at October 31, 2020:

Year Ending October 31,	Amount
2021	\$ 154,104
2022	10,400
Net Minimum Lease Payments	<u>164,504</u>
Less: Amount Representing Interest	<u>(1,986)</u>
Present Value of Minimum Lease Payments	<u>\$ 162,518</u>

Note 6. Due to /from West Louisiana Health Services, Inc.

At October 31, 2020 and 2019, the Hospital Service District had a net payable and receivable of \$1,908,795 and \$384,914 between itself and West Louisiana Health Services, Inc. and Affiliates, respectively. These balances arise principally from the timing difference of recording accounts payable and accrued liabilities on the books of West Louisiana Health Services, Inc. and Affiliates and the actual payment by the Hospital Service District.

Note 7. Compensated Absences

Employees of the Hospital are entitled to compensated absences. Compensated absences totaling \$944,159 and \$866,656 for the years ended October 31, 2020 and 2019, respectively, are a vested benefit, and are accrued in the financial statements of West Louisiana Health Services, Inc. and Affiliates.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Notes to Financial Statements

Note 8. Defined Contribution Plan

The Hospital sponsors the Beauregard Memorial Hospital 401(k) Retirement Plan, established under the Employee Retirement Income Security Act (ERISA) guidelines, to provide retirement benefits for all of its full-time and part-time employees who meet certain age and service requirements through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The Hospital makes dollar-for-dollar matching contributions up to 5% of eligible participants' compensation. The Hospital's contributions for each employee (and plan earnings allocated to the employee's account) are fully vested after six years of service. Hospital contributions for, and plan earnings forfeited by, employees who leave employment before six years of service are used to reduce the Hospital's current period contribution requirement. This plan is administered by the Massachusetts Mutual Life Insurance Company.

The Hospital's total payroll in fiscal year 2020 was \$21,457,176. The Hospital's contributions were calculated using the base salary amount of \$14,892,657. The Hospital's contribution of covered employees amounted to \$706,039. There were no forfeitures used to reduce Hospital contributions. Eligible employees' contributions amounted to \$879,860.

The Hospital's total payroll in fiscal year 2019 was \$20,928,622. The Hospital's contributions were calculated using the base salary amount of \$14,085,525. The Hospital's contribution of covered employees amounted to \$664,603. There were no forfeitures used to reduce Hospital contributions. Eligible employees' contributions amounted to \$822,765.

Note 9. Cash and Investments

Under Louisiana Revised Statute 39:2955, the Hospital may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having principal offices in Louisiana. Additionally, Louisiana statutes allow the Hospital to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, and mutual or trust funds registered with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

At October 31, 2020, the Hospital had cash and cash equivalents (book balances) totaling \$18,060,845, of which \$17,958,828 is in interest-bearing demand deposits and \$102,017 is in money market funds (unrated). At October 31, 2019, the Hospital had cash and cash equivalents (book balances) totaling \$3,469,490, of which \$3,179,532 is in interest-bearing demand deposits and \$289,958 is in money market funds (unrated).

**HOSPITAL SERVICE DISTRICT NO. 2
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DeRidder, Louisiana**

Notes to Financial Statements

Note 9. Cash and Investments (Continued)

At October 31, 2020, the Hospital had investments totaling \$7,581,778 of which \$7,188,271 is in certificates of deposit (CD) and \$393,507 is in obligations of the Federal Home Loan Mortgage Corporation. The certificates of deposit balance consist of eleven CD's issued by Barksdale Federal Credit Union, City Savings Bank, b1Bank and eight certificates of deposit held in a City Savings Financial Services investment account in the amounts of \$248,062, \$1,569,736, \$3,675,833, and \$1,694,640, respectively. At October 31, 2019, the Hospital had investments totaling \$3,889,368 of which \$3,408,713 is in certificates of deposit (CD) and \$480,655 is in obligations of the Federal Home Loan Mortgage Corporation. The certificates of deposit balance consist of nine CD's issued by Barksdale Federal Credit Union, City Savings Bank and seven certificates of deposit held in a City Savings Financial Services investment account in the amounts of \$249,523, \$1,538,730, and \$1,620,460, respectively.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the pledging financial institution's trust department or agent, in the Hospital's name.

Custodial Credit Risk is the risk that in the event of bank failure, the Hospital's deposits may not be returned. At October 31, 2020, the Hospital had \$23,351,547 in demand deposits and certificates of deposit (bank balances before outstanding checks or deposits in transit). These deposits are secured from risk by \$2,757,103 of federal and securities deposit insurance and \$28,629,851 of pledged securities held in a custodial bank in the Hospital's name.

Interest Rate Risk is the risk that changes in the interest rate will adversely affect the fair value of the investment. At October 31, 2020, the Hospital had investments in obligations of the Federal Home Loan Mortgage Corporation totaling \$393,507. These investments have maturity dates that range from 1 - 20 years in the future.

Fair Value of Investments

The Hospital measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

US Government Obligations - Valued using matrix pricing based on securities' relationship to benchmark quoted prices.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Notes to Financial Statements

Note 9. Cash and Investments (Continued)

Fair Value of Investments (Continued)

At October 31, 2020 and 2019, the Hospital had the following recurring fair value measurements:

October 31, 2020	Level 1	Level 2	Level 3	Fair Value
Certificates of Deposit	\$ -	\$ 7,188,271	\$ -	\$ 7,188,271
US Government Obligations	-	393,507	-	393,507
Investments at Fair Value	\$ -	\$ 7,581,778	\$ -	\$ 7,581,778
October 31, 2019	Level 1	Level 2	Level 3	Fair Value
Certificates of Deposit	\$ -	\$ 3,408,713	\$ -	\$ 3,408,713
US Government Obligations	-	480,655	-	480,655
Investments at Fair Value	\$ -	\$ 3,889,368	\$ -	\$ 3,889,368

Note 10. Investment - LLC

The Hospital owns 33% of Beauregard Memorial Hospital Home Care, LLC (the LLC). The LLC was formed to provide home health services to the residents of the community. The total assets of the LLC were \$2,814,490 and \$2,291,073, total liabilities were \$572,376 and \$59,140, and results of operations were \$169,463 and \$224,880 as of and for the years ended October 31, 2020 and 2019, respectively. The investment is accounted for using the equity method. Financial statements are available upon request.

Note 11. Board of Commissioners

The Board of Commissioners received no compensation for the fiscal year ended October 31, 2020 and 2019.

Note 12. Hospital Insurance

The Hospital is a member of the Louisiana Patient's Compensation Fund for the purpose of malpractice insurance. Under current Louisiana law, its liability is limited to the statutory maximum of \$500,000 which is covered by a primary \$100,000 with the Louisiana Hospital Association Malpractice and General Liability Trust, and an additional \$400,000 through the State of Louisiana Patients' Compensation Fund. All participating hospitals share proportionately in the expense of the fund.

**HOSPITAL SERVICE DISTRICT NO. 2
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DeRidder, Louisiana**

Notes to Financial Statements

Note 13. Allowance for Doubtful Accounts

Accounts and notes receivable are stated at cost less an allowance for doubtful accounts. The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situation that might affect the user's ability to repay, and current economic conditions. Amounts charged-off that are subsequently recovered are recorded as income.

Note 14. Charity Care

The Hospital provides care to patients who qualify under federal guidelines and other policies of the Hospital at fees less than its established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The amount of charity care for disclosure purposes should be measured by costs, including direct and indirect costs. Management has calculated the costs associated with providing charity care utilizing the cost to charge ratio obtained from the Medicare cost report data. The amount of costs associated with charity care for the fiscal year ended October 31, 2020 and 2019 were \$3,537,386 and \$3,507,905, respectively.

Note 15. Patient Accounts Receivable

Patient accounts receivable are comprised of the following for the years ended October 31:

	2020	2019
Medicare	\$ 554,743	\$ 1,451,769
Medicaid	587,232	917,315
Other	13,499,181	14,014,930
	14,641,156	16,384,014
Less: Allowance for Doubtful Accounts	(11,500,535)	(11,151,393)
Total	\$ 3,140,621	\$ 5,232,621

**HOSPITAL SERVICE DISTRICT NO. 2
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DeRidder, Louisiana**

Notes to Financial Statements

Note 16. Concentrations of Credit Risk

The Hospital is located in DeRidder, Louisiana. The Hospital grants credit without collateral to its patients; most of them are local residents and are insured under third party payor agreements. The mix of receivables from patients and third-party payors was as follows as of and for the years ended October 31:

	2020	2019
Medicare	21 %	32 %
Medicaid	19	21
Other	60	47
Total	100 %	100 %

The mix of net patient revenues was as follows:

	2020	2019
Medicare	25 %	40 %
Medicaid	12	19
Other	63	41
Total	100 %	100 %

Note 17. Contingencies

Certain claims, suits, and complaints arising in the ordinary course of operations are pending against the Hospital. In the opinion of management, all such matters are of such kind or involve such amounts and would not have a significant effect on the financial position or results of operations of the Hospital if disposed of unfavorably.

Self-Insured Medical Benefits

The Hospital is self-insured for employee medical benefits. Under this arrangement, the employees contribute a portion of the cost with the Hospital paying the difference to a third-party administrator. A portion of the monthly contribution is used to purchase a re-insurance contract that covers individual claims exceeding \$125,000. The Hospital is also insured for when aggregate claims exceed approximately \$2.7 million. The obligation for claims incurred before the financial statement date, but not reported is estimated on an overall basis based on prior loss experience. The obligation is determined based on the present value of the ultimate cost to settle the claims. The accrued liability for incurred, but not reported health insurance benefit claims at October 31, 2020 and 2019 was \$370,000 and \$250,000, respectively, and is reported in the financial statements of the operator West Louisiana Health Services, Inc. and Affiliates.

**HOSPITAL SERVICE DISTRICT NO. 2
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Notes to Financial Statements

Note 17. Contingencies (Continued)

Self-Insured Medical Benefits (Continued)

The following is a summary of changes in aggregate liabilities for claims incurred by the District for the years ended October 31, 2020 and 2019:

Claims Outstanding at November 1, 2018	\$ 384,000
Incurred Claims	1,873,207
Payment of Claims	<u>(2,007,207)</u>
Claims Outstanding at November 1, 2019	250,000
Incurred Claims	2,048,808
Payment of Claims	<u>(1,928,808)</u>
Claims Outstanding at October 31, 2020	<u>\$ 370,000</u>

Low Income Needy Care Collaborative Agreements

The District has entered into Low Income and Needy Care Collaboration Agreements (LINCCA) with certain participating private healthcare providers primarily to improve access and provide low income and needy care services in the community it serves by the participating providers. Payments to the Department of Health and Hospitals in conjunction with LINCCA totaled \$950,000 and \$1,407,000 during the fiscal years ended October 31, 2020 and 2019, respectively. These payments are being amortized over the effective term of the agreement. A total of \$947,145 and \$1,403,612 was recognized and included in professional and contractual services expenses during the fiscal years ended October 31, 2020 and 2019, respectively. The remainder of \$69,379 and \$66,524 was included in prepaid expenses on the Hospital's statement of net position as of October 31, 2020 and 2019, respectively.

Note 18. Related Party Transactions

During the fiscal-year ended October 31, 2017, the Hospital rented equipment and billing software to the Beauregard Physician Group, an affiliate of West Louisiana Health Services, Inc. These arrangements have no formal rental agreements and are considered month-to-month with a fixed monthly payment. During the fiscal-year ended October 31, 2016, the Hospital rented multiple clinical buildings and equipment to the Beauregard Physician Group. The rental arrangements, except one building which has no formal rental agreement, had a one-year term and a fixed monthly payment on the building usage. For 2020 and 2019, the rent received is equal to depreciation expense on such equipment and software. Payments from the Beauregard Physician Group totaled approximately \$5,847 and \$25,700 for each of the fiscal years ended October 31, 2020 and 2019, respectively. The cost, accumulated depreciation and carrying amount of the rented property totaled \$118,065, \$118,065, and \$-0- at October 31, 2020 and \$118,065, \$110,226, and \$7,839 at October 31, 2019, respectively.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

Notes to Financial Statements

Note 19. Physicians' Upper Payment Limit/ Full Medicaid Pricing Program (UPL)

The Hospital entered into an agreement with the Louisiana Department of Health (LDH) (LDH), which was approved by The Centers for Medicare and Medicaid Services. Under the program, LDH makes payments under the Physician's Supplemental Payment Program for non-state-owned public hospitals (HSD's). The purpose of this program is to enhance payments to physicians employed or contracted by the public hospitals. The Hospital agreed to transfer funds to LDH to be used as Medicaid matching funds for the purpose of making physician supplemental payments and providing the State with additional resources to assist in the medical costs to the State.

These matching funds are comprised of (1) an amount to be utilized as the "non-federal share" of the supplemental payments for services provided by the identified physician, and other healthcare professionals and (2) the "state retention amount" which is fifteen percent of the "non-federal share", for LDH to utilize in delivering healthcare services. In turn, LDH agrees to make supplemental Medicaid payments to the Hospital. The supplemental payments include the "non-federal share" and the "federal funds" generated by the "non-federal share" payments. The total amount of the supplemental payment is intended to represent the difference between the Medicaid payments otherwise made to these qualifying providers and the Average Community Rate for these services.

The Hospital recognizes its transfers and the funds received within income from operations. Any amounts related to that year that are not received as of fiscal year-end are recorded as a component of other receivables in the accompanying statements of net position. These receivables can be subject to adjustments that are reflected in the period they become known.

Revenues received under this agreement totaled \$6,036,417 and \$3,422,073 for the years ended October 31, 2020 and 2019, respectively. Transfers to LDH totaled \$2,745,300 and \$1,333,896 for the fiscal years ended October 31, 2020 and 2019, respectively. Receivables were \$330,405 and \$-0- at October 31, 2020 and 2019, respectively.

Note 20. Subsequent Events

In June of 2020, the Hospital received notice from the Environmental Protective Agency (EPA) regarding potential violations and other areas of concern that could arise from the Hospital being a Small Quantity Generator of hazardous waste rather than a Very Small Quantity Generator of hazardous waste. Management of the Hospital believes they remain a Very Small Quantity Generator of hazardous waste and plan to challenge the EPA and its position. To date, there has been no further development or conclusion on the EPA's position.

Management has determined that through the date that the financial statements were available to be issued, February 25, 2021, there are no other events or areas of concern that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Independent Auditor's Report on Supplementary Information

To the Board of Commissioners
Hospital Service District No. 2 of Beauregard Parish
DeRidder, Louisiana

We have audited the financial statements of the business-type activities of Hospital Service District No. 2 of Beauregard Parish as of and for the years ended October 31, 2020 and 2019, and have issued our opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to February 25, 2021.

The accompanying schedules of gross patient revenue and other revenues are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information for the years ended October 31, 2020 and 2019 is fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis, as required by Louisiana Revised Statute, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



A Professional Accounting Corporation

Metairie, LA
February 25, 2021

LOUISIANA • TEXAS

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SUPPLEMENTAL INFORMATION

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedule of Gross Patient Revenues
For the Years Ended October 31, 2020 and 2019**

	2020	2019
Inpatient		
Nursing Revenue from Daily Patient Services	\$ 9,985,014	\$ 10,621,168
Nursing Revenue from Labor, Delivery And Nursery	1,524,532	1,277,383
Nursing Revenue from Surgery	8,883,770	10,255,544
Nursing Revenue from Recovery	1,643,139	1,945,868
Anesthesia	144,413	167,571
Central Supply	2,842,005	2,934,448
Laboratory	8,286,680	6,545,301
Blood Bank	251,807	241,117
Electrodiagnosis	1,019,690	1,193,852
EEG	13,300	9,636
Radiology	5,303,109	5,404,387
Nuclear Medicine	301,184	368,968
Pharmacy	7,303,995	7,706,730
IV	2,606,216	3,061,074
Physical Therapy	218,887	209,477
Respiratory Therapy	3,338,914	4,549,351
Ultrasound	222,598	254,256
Cath Lab	6,860	640,216
Total Inpatient	53,896,113	57,386,347
Outpatient		
Nursing Revenue	4,018,307	4,707,460
Emergency Rooms	17,937,677	20,441,281
Anesthesia	540,463	619,533
Central Supply	6,515,122	7,411,817
Laboratory	24,594,596	22,369,886
Blood Bank	216,572	165,571
Electrodiagnosis	1,800,823	2,314,150
EEG	19,950	39,441
Radiology	25,120,187	26,299,949
Nuclear Medicine	1,484,383	1,771,838
Pharmacy	13,033,006	8,844,766
IV	2,103,197	2,276,632
Physical Therapy	3,783,182	5,319,449
Respiratory Therapy	1,132,388	1,180,359
Ultrasound	1,676,340	1,954,238
Cardiac Rehab	103,545	176,642
Sleep Center	520,488	814,007
Cath Lab	39,391	1,006,392
Rural Health Clinics	11,568,454	12,254,880
Total Outpatient	116,208,074	119,968,290
Charity Care	(6,719,489)	(5,940,923)
Total Gross Patient Service Revenue	\$ 163,384,697	\$ 171,413,715

See independent auditor's report on supplementary information.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedule of Other Revenues
For the Years Ended October 31, 2020 and 2019**

	2020	2019
Other Revenues		
Cafeteria	\$ 163,294	\$ 295,758
EHR Incentive Payment	8,500	25,500
UPL/FMP Grant Revenues	6,036,417	3,422,073
Uncompensated Care Costs	4,129,386	2,326,895
Managed Care Incentive Payment (MCIP)	2,340,074	-
Medical Records Fees	-	11,132
Scrap Sales	1,885	2,200
Vending Machine	16,957	21,646
Rental Income	402,941	526,766
Pharmacy Sales to Employees	120,532	175,637
Miscellaneous	48,491	22,407
Wellness Income	26,196	71,318
Total Other Revenues	\$ 13,294,673	\$ 6,901,332

See independent auditor's report on supplementary information.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedule of Compensation, Benefits, and
Other Payments to Agency Head or Chief Executive Officer
For the Year Ended October 31, 2020**

Agency Head: William F. Barrow II, CEO

Purpose	Amount
Salary	\$539,638
Benefits - Insurance	\$12,121
Benefits - Retirement	\$44,250
Benefits	\$0
Car Allowance	\$8,400
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$352
Travel	\$461
Registration Fees	\$0
Conference Travel	\$1,099
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report on supplementary information.

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

Independent Auditor's Report

To the Board of Commissioners
Hospital Service District No. 2 of Beauregard Parish
DeRidder, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 2 of Beauregard Parish (the District) as of and for the year ended October 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control such that there is 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 may exist that have not been identified.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication 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.



A Professional Accounting Corporation

Metairie, LA
February 25, 2021

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedule of Findings and Responses
For the Year Ended October 31, 2020**

Summary of Auditor's Results

Section 1. Financial Statements

Type of Auditor's Report Issued: Unmodified

Section 2. Internal Control over Financial Reporting and Compliance

Material weakness(es) identified?	No
Significant Deficiency(ies) Identified not Considered to be Material Weakness?	None Reported
Noncompliance Material to Financial Statements Noted?	No

Section 3. Financial Statement Findings

None noted.

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedule of Prior Year Findings
For the Year Ended October 31, 2020**

Section II. Findings

None.