

REEVES MEMORIAL MEDICAL CENTER

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2020, 2019, AND 2018

Reeves Memorial Medical Center
Financial Statements
and
Independent Auditors' Report
Years Ended December 31, 2020, 2019, and 2018

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Ward 3, 4 and 10 Hospital Service District
of the Parish of Union, State of Louisiana
Management's Discussion and Analysis

This section of the Hospital Service District's (the "District") annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on December 31, 2020. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The District's total assets increased in FY 2020 by \$7,793,219 compared to an increase in FY 2019 of \$1,004,111 and a decrease in FY 2018 of \$5,561,588. The majority of the increase in fiscal year 2020, is due to large cash deposits of Provider Relief Funds and Medicare Advanced payments received during the fiscal year. The total amount received for Provider Relief and Medicare Advanced Payments were \$4,786,246 and \$2,530,479, respectfully. The District applied for and received a Paycheck Protection Plan loan from the SBA in the amount of \$870,592. In FY 2020, the District paid Medicare a total of \$871,322 for the settlement of the FY 2017 and 2018 cost report desk review.
- Patient volume decreased in FY 2020 compared to a decrease in fiscal years 2019 and 2018. The District reported operating income of \$38,072, \$760,227 and \$449,999 in FY 2020, 2019 and 2018, respectively. The District reported nonoperating income, which includes Provider Relief Fund grant revenue, of \$1,935,275, \$228,495, and \$314,121 in FY 2020, 2019, and 2018, respectively. Operating expenses in 2020, 2019, and 2018 include \$17,815,986, \$14,939,916 and \$16,058,706, respectively, which were Intergovernmental Transfers (IGT) expenses. Operating expenses decreased by \$31,228 in FY 2020 compared to increases in FY 2019 and 2018 of \$721,684 and \$838,741, respectively.
- The District collaborated with a rural hospital trade organization to establish a grant program (IGT). The District entered into cooperative endeavor agreements with other regional public rural hospitals. These grants were to be used for providing healthcare to indigent and/or low-income patients. IGT grants of \$17,815,986, \$14,939,916 and \$16,058,706 were received and distributed by the District during FYs 2020, 2019, and 2018, respectively.
- The District received property tax revenues of \$294,619, \$256,830, and \$253,428, for fiscal years 2020, 2019, and 2018, respectively. The 5.34 mills ad valorem tax expired in fiscal year 2011 and was renewed for 2012 through 2021. The 5.11 mills was renewed in March 2015 for another 10 years. In FY 2016, the District board voted to increase the 5.34 mills to 5.47 mills to maintain the ad valorem tax equal to prior year tax collections.

Required Financial Statements

The Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures improvements in the District's operations over the past three years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Ward 3, 4 and 10 Hospital Service District
of the Parish of Union, State of Louisiana
Management's Discussion and Analysis (continued)

Financial Analysis of the Hospital Service District

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Hospital Service District's activities. These two statements report the net position of the District and changes in them. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Net Position

The District's net position is the difference between its assets and liabilities reported on the balance sheet on page 4. The District's net position increased in FY 2020 by \$1,942,678 compared to an increase in FY 2019 and 2018 of \$981,597 and \$776,279, respectively. The financial highlights also discuss the changes in assets and liabilities as presented in Table 1 below:

TABLE 1
Condensed Statements of Net Position

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--------------------------------------------------------|--------------------------|-------------------------|-------------------------|--------------------------|
| Total current assets | \$ 14,843,044 | \$ 6,929,874 | \$ 5,988,176 | \$ 11,222,965 |
| Capital assets - net | 2,234,144 | 2,332,124 | 2,254,713 | 2,444,484 |
| Other assets | <u>307,236</u> | <u>329,207</u> | <u>344,205</u> | <u>481,233</u> |
| Total assets | \$ <u>17,384,424</u> | \$ <u>9,591,205</u> | \$ <u>8,587,094</u> | \$ <u>14,148,682</u> |
| Current liabilities | \$ 5,516,147 | \$ 2,135,242 | \$ 2,120,046 | \$ 8,337,731 |
| Long-term liabilities | <u>4,013,187</u> | <u>1,543,551</u> | <u>1,536,233</u> | <u>1,656,415</u> |
| Total Liabilities | <u>9,529,334</u> | <u>3,678,793</u> | <u>3,656,279</u> | <u>9,994,146</u> |
| Invested in capital assets, net of related debt | 688,163 | 621,251 | 537,951 | 624,722 |
| Restricted by third-party | 150,973 | 142,275 | 143,794 | 69,190 |
| Unrestricted | <u>7,015,954</u> | <u>5,148,886</u> | <u>4,249,070</u> | <u>3,460,624</u> |
| Net Position | <u>7,855,090</u> | <u>5,912,412</u> | <u>4,930,815</u> | <u>4,154,536</u> |
| Total liabilities and net position | \$ <u>17,384,424</u> | \$ <u>9,591,205</u> | \$ <u>8,587,094</u> | \$ <u>14,148,682</u> |

Ward 3, 4 and 10 Hospital Service District
of the Parish of Union, State of Louisiana
Management's Discussion and Analysis (continued)

Summary of Changes in Net Position

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended December 31, 2020, 2019, 2018, and 2017.

TABLE 2
Summary of Revenues, Expenses, and Changes in Net Position

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|-----------------------------------------------------------|---------------------|-------------------|-------------------|---------------------|
| Revenues: | | | | |
| Net patient service revenue | \$ 27,614,600 | \$ 25,239,102 | \$ 26,023,891 | \$ 28,689,496 |
| Other revenue | <u>923,983</u> | <u>1,176,794</u> | <u>478,883</u> | <u>263,219</u> |
| Total revenues | <u>28,538,583</u> | <u>26,415,896</u> | <u>26,502,774</u> | <u>28,952,715</u> |
| Expenses: | | | | |
| Salaries and benefits | 5,410,043 | 5,426,110 | 4,986,627 | 4,699,295 |
| Medical supplies and drugs | 1,363,055 | 1,360,384 | 1,315,817 | 891,809 |
| Professional fees | 1,648,595 | 1,539,611 | 1,252,226 | 993,748 |
| Other expenses | 1,755,114 | 1,858,522 | 1,913,505 | 2,029,675 |
| Intergovernmental transfers expense | 17,815,986 | 14,939,916 | 16,058,706 | 19,056,375 |
| Insurance | 158,361 | 117,298 | 135,636 | 125,930 |
| Depreciation | <u>349,357</u> | <u>413,828</u> | <u>390,258</u> | <u>414,871</u> |
| Total expenses | <u>28,500,511</u> | <u>25,655,669</u> | <u>26,052,775</u> | <u>28,211,703</u> |
| Operating income (loss) | 38,072 | 760,227 | 449,999 | 741,012 |
| Nonoperating revenues (expenses) | | | | |
| Interest income | 74,928 | 34,615 | 19,474 | 38,445 |
| Interest expense | (58,898) | (62,950) | (51,931) | (55,898) |
| Gain (loss) on disposal of asset | -0- | -0- | 93,150 | 5,000 |
| Property tax revenue | 294,619 | 256,830 | 253,428 | 267,421 |
| Provider relief funds | <u>1,624,626</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Nonoperating income (loss), net | 1,935,275 | 228,495 | 314,121 | 254,968 |
| Changes in net position before capital grants | 1,973,347 | 988,722 | 764,120 | 995,980 |
| Capital grants | <u>-0-</u> | <u>6,354</u> | <u>-0-</u> | <u>24,482</u> |
| Changes in net position before other comprehensive income | 1,973,347 | 995,076 | 764,120 | 1,020,462 |
| Other comprehensive income | | | | |
| Change in unrealized gain (loss) on securities | <u>(30,669)</u> | <u>(13,479)</u> | <u>12,159</u> | <u>7,046</u> |
| Changes in net position | <u>\$ 1,942,678</u> | <u>\$ 981,597</u> | <u>\$ 776,279</u> | <u>\$ 1,027,508</u> |

Ward 3, 4 and 10 Hospital Service District
of the Parish of Union, State of Louisiana
Management's Discussion and Analysis (continued)

Sources of Revenue

Operating Income

During fiscal year 2020, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the District's facilities. On December 30, 2005, the District changed its status for Medicare reimbursement purposes from a prospectively paid (PPS) hospital to a cost-based reimbursement or critical access hospital. This change resulted in more reimbursement from Medicare. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes grants to provide healthcare to indigent and/or low-income patients. If the District continues to meet the criteria, grant money may be available for a short period of time. Other revenue also contains cafeteria sales, HPSA incentive income, and other miscellaneous services.

The District collaborated with a rural hospital trade organization to establish a grant program. The District entered into cooperative endeavor agreements with other regional public rural hospitals. These grants were to be used for providing healthcare to indigent and/or low-income patients. An intergovernmental transfers grant flow through of \$18,298,348 was received by the District in fiscal year 2020. Of that amount \$17,815,986 was transferred to other regional rural hospitals, allowing \$482,362 to be recorded as grant revenue.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years:

TABLE 3
Payor Mix by Percentage

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|-----------------------------------------|-------------|-------------|-------------|-------------|
| Medicare | 36% | 45% | 46% | 53% |
| Medicaid | 19% | 15% | 20% | 22% |
| Blue Cross | 11% | 11% | 10% | 10% |
| Commercial and other third-party payors | 31% | 27% | 22% | 13% |
| Other | <u>3%</u> | <u>2%</u> | <u>2%</u> | <u>2%</u> |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

Non-operating Income

The District holds investments and Certificates of Deposit in its Statements of Net Position in the amount of \$1,654,449, \$1,335,287, and \$348,597, for 2020, 2019, and 2018, respectively. Interest income earned from the Certificate of Deposit and investments was \$74,928, \$34,615, and \$19,474, for fiscal years 2020, 2019, and 2018, respectively. The District received ad valorem tax revenue of \$294,619, \$256,830, and \$253,428 in fiscal years 2020, 2019, and 2018, respectively. The District received Provider Relief Funds in FY 2020, of the \$4,786,246 received, \$1,624,626 was recognized as nonoperating revenue in FY 2020.

Ward 3, 4 and 10 Hospital Service District
of the Parish of Union, State of Louisiana
Management's Discussion and Analysis (continued)

Operating and Financial Performance

In FY 2020, acute and swing patient days decreased by 472 days, compared to a 91 day increase in FY 2019 and a 223 day decrease in FY 2018. Rural health clinic visits decreased by 2,549 visits in FY 2020 compared to a 217 decrease in visits in FY 2019 and a 517 visit increase in 2018. The decrease in patient days and rural health clinic visits was mainly due to the COVID-19 pandemic, which started in March 2020. Therapy revenues decreased by \$194,199 in FY 2020, compared to increases in FY 2019 and FY 2018 of \$410,158 and \$1,041,767, respectively.

As a critical access hospital, the average length of stay is required to be 4.00 days or less. The Acute day's average length of stay was 4.01 for patients in fiscal year 2020, compared to the Acute days average length of stay of 3.66 in FY 2019. Due to the COVID-19 pandemic, the District was granted an exception to the 4.00 day or less rule for FY 2020.

In FY 2020 the net patient service revenue, without the \$18,298,348 IGT included, decreased by \$288,458 due to changes in patient volume. Without consideration of the \$15,634,392 included in net patient service revenue, the District's net patient service revenue increased by \$116,290 in FY 2019 due to increases in patient volume. Net patient service revenue saw an increase of \$596,578 in FY 2018 due to increase in Therapy charges and patient volume.

The gross accounts receivable balance decreased by \$257,146 in FY 2020 compared to a decrease of \$846,649 in FY 2019 and an increase of \$603,054 in FY 2018. The decrease is primarily due to the increase in collections by Impact Healthcare. The District continues to exert every effort to assist patients in finding funding sources for health care.

Salaries & benefits decreased in FY 2020 by \$16,067 and increased by \$439,483 and \$287,332 in FY 2019 and FY 2018, respectively. In FY 2020 salaries and benefits decreased due to the difficulties in remaining fully staffed during the COVID-19 pandemic. Also, the District paid employees a COVID differential pay and pay increases for nurses during FY 2020 to assist in maintaining a full staff during the COVID-19 pandemic. A cost-of-living increase of 1.5% was granted in FY 2018 with merit increases of up to 3% and incentive bonuses for physicians. The District adjusts pay rates as needed to compete with other area hospitals for personnel.

In FY 2020 Provision for Bad Debts decreased by \$80,209, compared to a decrease of \$127,068 in FY 2019 and an increase of \$51,829 in FY 2018.

Depreciation decreased in fiscal year 2020 by \$64,471, compared to an increase of \$23,570 and \$24,613 in FY 2019 and FY 2018, respectively. Medical Supplies and Drugs increased by \$2,671, \$44,567, and \$424,008 in FY 2020, 2019, and 2018, respectively, due to increased cost of pharmacy drugs, 340B pharmaceutical program drug purchases and lab supplies. Professional fees increased by \$108,984 in FY 2020, due to increase in COVID-19 laboratory procedures, compared to an increase of \$287,385 and \$258,478 in FY 2019 and 2018, respectively. Other expenses and insurance had a combined decrease of \$62,345 in FY 2020, compared to a \$73,321 and \$106,464 decrease in FY 2019 and FY 2018, respectively.

Capital Assets

In FY 2020 capital assets decreased by \$97,980 compared to an increase of \$77,411 in FY 2019 and a decrease of \$189,771 in FY 2018. During fiscal year 2020, the District purchased a lot by the Hospital in the amount of \$15,500.

Ward 3, 4 and 10 Hospital Service District
of the Parish of Union, State of Louisiana
Management's Discussion and Analysis (continued)

Capital Assets (Continued)

Also, the District purchased the rural health clinic building and land in the amount of \$155,000. The rural health clinic was previously owed by Town of Bernice and leased to the District. All are included in Table 4 below.

TABLE 4
Capital Assets

| | December 31, <u>2020</u> | December 31, <u>2019</u> | December 31, <u>2018</u> | December 31, <u>2017</u> |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Land | \$ 57,340 | \$ 36,840 | \$ 36,840 | \$ 36,840 |
| Construction in progress | 63,521 | -0- | -0- | -0- |
| Land improvements | 37,882 | 37,882 | 37,882 | 37,882 |
| Leasehold improvements | 22,583 | 22,583 | 22,014 | 17,083 |
| Buildings | 2,882,779 | 2,725,789 | 2,513,861 | 2,456,511 |
| Fixed equipment | 453,039 | 442,673 | 442,673 | 405,712 |
| Major moveable equipment | 3,104,687 | 3,104,687 | 3,029,010 | 3,268,351 |
| Property held for capital lease | 556,461 | 556,461 | 382,757 | 302,672 |
| Transportation equipment | 87,344 | 87,344 | 87,894 | 105,891 |
| Minor equipment | <u>300</u> | <u>300</u> | <u>300</u> | <u>300</u> |
| Total | 7,265,936 | 7,014,559 | 6,553,231 | 6,631,242 |
| Accumulated depreciation | <u>5,031,792</u> | <u>4,682,435</u> | <u>4,298,518</u> | <u>4,186,758</u> |
| Net capital assets | \$ <u>2,234,144</u> | \$ <u>2,332,124</u> | \$ <u>2,254,713</u> | \$ <u>2,444,484</u> |

Long-Term Debt

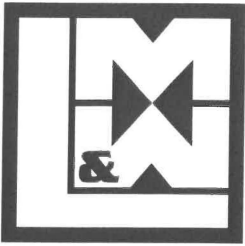
As of December 31, 2020, the District had \$2,416,573 in long-term and short-term debt. In FY 2020 long-term and short-term debt increased \$705,700, compared to a decrease of \$5,889 and \$103,000 in FY 2019 and FY 2018, respectively. In FY 2020 the District received a Small Business Administration Paycheck Protection Program loan in the amount of \$870,592.

Other Economic Factors

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

Contacting the Hospital Service District's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital Service District's finances and to demonstrate the accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.



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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Bernice, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana d/b/a Reeves Memorial Medical Center (the "District"), a component unit of the Union Parish Police Jury, Bernice, Louisiana, as of and for the years ended December 31, 2020, 2019, and 2018, and the related notes to the financial statements, which collectively comprise the District'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.

Auditors' 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 audits 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 auditors' 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.

Board of Commissioners
Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
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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 Reeves Memorial Medical Center as of December 31, 2020, 2019, and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana and do not purport to, and do not, present fairly the financial position of the Union Parish Police Jury as of December 31, 2020, 2019, and 2018, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "vi" be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.



Board of Commissioners
Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
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The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control over financial reporting and compliance.



Certified Public Accountants
Alexandria, Louisiana

September 21, 2021



Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Statements of Net Position
December 31,

| ASSETS | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------------------------------------------|----------------------|---------------------|---------------------|
| Current assets: | | | |
| Cash and cash equivalents (Notes 2 & 3) | \$ 10,305,434 | \$ 3,175,065 | \$ 3,335,087 |
| Certificates of deposit (Notes 2 & 3) | 1,500,000 | 1,150,169 | 150,000 |
| Accounts receivable, net (Note 4) | 755,142 | 926,050 | 1,205,000 |
| Estimated third-party payor settlements | 1,246,354 | 613,614 | 549,054 |
| Other receivables | 571,622 | 611,267 | 301,860 |
| Inventory | 358,391 | 316,800 | 325,763 |
| Prepaid expenses | 106,101 | 136,909 | 121,412 |
| Total current assets | <u>14,843,044</u> | <u>6,929,874</u> | <u>5,988,176</u> |
| Non-current assets: | | | |
| Nondepreciable capital assets (Note 5) | 120,861 | 36,840 | 36,840 |
| Depreciable capital assets, net (Note 5) | 2,113,283 | 2,295,284 | 2,217,873 |
| Limited-use assets (Note 6) | 150,973 | 142,275 | 143,794 |
| Investments (Note 3) | 154,449 | 185,118 | 198,597 |
| Other assets (Note 7) | 1,814 | 1,814 | 1,814 |
| Total assets | <u>\$ 17,384,424</u> | <u>\$ 9,591,205</u> | <u>\$ 8,587,094</u> |
| LIABILITIES AND NET POSITION | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 334,249 | \$ 267,421 | \$ 285,675 |
| Accrued expenses and withholdings payable (Note 9) | 496,684 | 436,322 | 408,552 |
| Estimated third-party payor settlements | 589,729 | 1,264,177 | 1,245,290 |
| Intergovernmental transfer payable | -0- | -0- | -0- |
| Unearned revenue | 3,161,620 | -0- | -0- |
| Medicare advanced payments | 528,646 | -0- | -0- |
| Current portion of long-term debt (Note 8) | 405,219 | 167,322 | 180,529 |
| Total current liabilities | <u>5,516,147</u> | <u>2,135,242</u> | <u>2,120,046</u> |
| Long-term liabilities | | | |
| Medicare advanced payments | 2,001,833 | -0- | -0- |
| Long-term debt (Note 8) | 2,011,354 | 1,543,551 | 1,536,233 |
| Total liabilities | <u>9,529,334</u> | <u>3,678,793</u> | <u>3,656,279</u> |
| Net position: | | | |
| Invested in capital assets, net of related debt | 688,163 | 621,251 | 537,951 |
| Restricted by third-party (Note 6) | 150,973 | 142,275 | 143,794 |
| Unrestricted | 7,015,954 | 5,148,886 | 4,249,070 |
| Total net position | <u>7,855,090</u> | <u>5,912,412</u> | <u>4,930,815</u> |
| Total liabilities and net position | <u>\$ 17,384,424</u> | <u>\$ 9,591,205</u> | <u>\$ 8,587,094</u> |

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31,

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-----------------------------------------------------------|---------------------|---------------------|---------------------|
| Revenues: | | | |
| Net patient service revenue (Note 12) | \$ 27,614,600 | \$ 25,239,102 | \$ 26,023,891 |
| Grant income | 132,635 | 43,512 | 55,236 |
| Other operating revenue | <u>791,348</u> | <u>1,133,282</u> | <u>423,647</u> |
| Total revenues | <u>28,538,583</u> | <u>26,415,896</u> | <u>26,502,774</u> |
| Expenses: | | | |
| Salaries and benefits | 5,410,043 | 5,426,110 | 4,986,627 |
| Medical supplies and drugs | 1,363,055 | 1,360,384 | 1,315,817 |
| Professional fees | 1,648,595 | 1,539,611 | 1,252,226 |
| Other expenses | 1,755,114 | 1,858,522 | 1,913,505 |
| Intergovernmental transfer expense (Note 19) | 17,815,986 | 14,939,916 | 16,058,706 |
| Insurance | 158,361 | 117,298 | 135,636 |
| Depreciation and amortization | <u>349,357</u> | <u>413,828</u> | <u>390,258</u> |
| Total expenses | <u>28,500,511</u> | <u>25,655,669</u> | <u>26,052,775</u> |
| Operating income (loss) | 38,072 | 760,227 | 449,999 |
| Nonoperating revenues (expenses) | | | |
| Interest income | 74,928 | 34,615 | 19,474 |
| Interest expense | (58,898) | (62,950) | (51,931) |
| Gain (loss) on disposal of assets | -0- | -0- | 93,150 |
| Property tax revenue (Note 14) | 294,619 | 256,830 | 253,428 |
| Provider relief funds | <u>1,624,626</u> | <u>-0-</u> | <u>-0-</u> |
| Nonoperating income (loss), net | 1,935,275 | 228,495 | 314,121 |
| Changes in net position before capital grants | 1,973,347 | 988,722 | 764,120 |
| Capital grants | <u>-0-</u> | <u>6,354</u> | <u>-0-</u> |
| Changes in net position before other comprehensive income | 1,973,347 | 995,076 | 764,120 |
| Other comprehensive income | | | |
| Change in unrealized gain (loss) on securities | <u>(30,669)</u> | <u>(13,479)</u> | <u>12,159</u> |
| Changes in net position | <u>1,942,678</u> | <u>981,597</u> | <u>776,279</u> |
| Beginning net position | <u>5,912,412</u> | <u>4,930,815</u> | <u>4,154,536</u> |
| Ending net position | \$ <u>7,855,090</u> | \$ <u>5,912,412</u> | \$ <u>4,930,815</u> |

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Statements of Cash Flows
Years Ended December 31,

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------------------------------------------------------------|----------------------|---------------------|---------------------|
| Cash flows from operating activities: | | | |
| Cash received from patients and third-party payors | \$ 29,008,799 | \$ 25,472,379 | \$ 24,675,629 |
| Other receipts from operations | 963,628 | 867,387 | 655,663 |
| Cash paid to governmental entities | (17,815,427) | (14,939,916) | (16,058,706) |
| Cash payments to employees and for employee-related cost | (5,349,681) | (5,398,340) | (4,943,360) |
| Cash payments for other operating expenses | <u>(4,869,708)</u> | <u>(4,900,064)</u> | <u>(4,724,022)</u> |
| Net cash provided (used) by operating activities | <u>1,937,611</u> | <u>1,101,446</u> | <u>(394,796)</u> |
| Cash flows from investing activities: | | | |
| Interest income | 74,928 | 34,615 | 19,474 |
| Cash invested in certificates of deposits | <u>(349,831)</u> | <u>(1,000,169)</u> | <u>-0-</u> |
| Net cash provided (used) by investing activities | <u>(274,903)</u> | <u>(965,554)</u> | <u>19,474</u> |
| Cash flows from non-capital financing activities: | | | |
| Proceeds from provider relief funds | 4,786,246 | -0- | -0- |
| Proceeds from long-term debt | 870,592 | -0- | -0- |
| Proceeds from ad valorem taxes | <u>294,619</u> | <u>256,830</u> | <u>253,428</u> |
| Net cash provided (used) by non-capital financing activities | <u>5,951,457</u> | <u>256,830</u> | <u>253,428</u> |
| Cash flows from capital and related financing activities: | | | |
| Acquisition of capital assets | (251,377) | (251,110) | (178,794) |
| Proceeds from sale of assets | -0- | -0- | 93,150 |
| Disposal of assets | -0- | 36,961 | 58,393 |
| Proceeds from capital grants | -0- | 6,354 | -0- |
| Cash invested in limited use assets | (8,629) | 841 | (1,043) |
| Payments on long-term debt | (164,892) | (282,840) | (183,086) |
| Interest expense on long-term debt | <u>(58,898)</u> | <u>(62,950)</u> | <u>(51,931)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(483,796)</u> | <u>(552,744)</u> | <u>(263,311)</u> |
| Net increase (decrease) in cash and cash equivalents | 7,130,369 | (160,022) | (385,205) |
| Beginning cash and cash equivalents | <u>3,175,065</u> | <u>3,335,087</u> | <u>3,720,292</u> |
| Ending cash and cash equivalents | \$ <u>10,305,434</u> | \$ <u>3,175,065</u> | \$ <u>3,335,087</u> |

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Statements of Cash Flows (Continued)
Years Ended December 31,

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| Reconciliation of income from operations to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ 38,072 | \$ 760,227 | \$ 449,999 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 349,357 | 413,689 | 390,258 |
| Changes in: | | | |
| Accounts receivable, net | 170,908 | 278,950 | (12,107) |
| Estimated third-party payor settlements | (1,307,188) | (45,673) | (1,336,155) |
| Other receivables | 39,645 | (309,407) | 176,780 |
| Limited-use asset | (69) | 678 | 230 |
| Inventory | (41,591) | 8,963 | (49,071) |
| Prepaid expenses | 30,808 | (15,497) | 28,236 |
| Accounts payable | 66,828 | (18,254) | (86,233) |
| Accrued expenses and withholdings payable | 60,362 | 27,770 | 43,267 |
| Medicare advance payments | <u>2,530,479</u> | <u>-0-</u> | <u>-0-</u> |
| Net cash provided (used) by operating activities | \$ <u>1,937,611</u> | \$ <u>1,101,446</u> | \$ <u>(394,796)</u> |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid during the period for: | | | |
| Interest | \$ <u>58,898</u> | \$ <u>62,950</u> | \$ <u>51,931</u> |
| Unrealized gain (loss) recorded to investments and net position | \$ <u>(30,669)</u> | \$ <u>(13,479)</u> | \$ <u>12,159</u> |
| Equipment acquired under capital lease | \$ <u>-0-</u> | \$ <u>276,951</u> | \$ <u>80,086</u> |

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2020, 2019, and 2018

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana (referred to as the "District") was created by an ordinance of the Union Parish Police Jury on July 11, 1967, and beginning September 2010 is referred to as Reeves Memorial Medical Center.

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

Nature of Business

The District provides outpatient, emergency, rural health clinic, acute inpatient, and skilled nursing (through "swing beds") services. The District converted to a Medicare critical care hospital (CAH) on December 30, 2005.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Enterprise Fund

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

Basis of Accounting

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

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2020, 2019, and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Credit Risk

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

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

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Accordingly, changes in federal or state legislation or interpretations of rules have a significant impact on the District.

Net Patient Service Revenue

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

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

Patient Accounts Receivable

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

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2020, 2019, and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

receivables previously written off as bad debt expense are recorded as a reduction of bad debt expense when received.

Inventory

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

Investments in Debt and Equity Securities

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

Capital Assets

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

| | |
|-------------------------|----------------|
| Buildings | 15 to 40 years |
| Machinery and Equipment | 5 to 20 years |
| Furniture and Fixtures | 5 to 15 years |

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

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

Net Position

The District classifies net position into three components: invested in capital assets, net of related debt; restricted, and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, or contributors, or laws or

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2020, 2019, and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Restricted Revenues

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

Revenues and Expenses

The District's Statements of Changes in Revenues, Expenses, and Net Position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the District's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

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

Charity Care

The District 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 District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Use of Estimates

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

Reclassifications

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

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2020, 2019, and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

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

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The District's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the District's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the District. At December 31, 2020, 2019, and 2018, management is not aware of any liability resulting from environmental matters.

Advertising

The Hospital expenses advertising cost as incurred. Advertising expense for the years ended December 31, 2020, 2019, and 2018 totaled \$5,978, \$6,131, and \$9,397, respectively.

Recently Issued Accounting Principles

In June 2017, the GASB issued Statement No. 87 (GASB 87). The objective of GASB Statement No. 87, Leases, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement 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 District's financial statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2021.

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the District to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2020, 2019, and 2018

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

deposits of the District be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Custodial Credit Risks – Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at December 31, 2020, 2019, and 2018.

Concentration of Credit Risks – The District has 100% of its cash and cash equivalents at Origin Bank in checking and certificates of deposit.

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

Account balances according to bank's records at December 31, 2020, for the District are as follows:

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------------------------------|----------------------|---------------------|---------------------|
| Cash in banks | \$ <u>12,346,382</u> | \$ <u>4,505,312</u> | \$ <u>3,642,132</u> |
| Insured by FDIC | \$ <u>500,000</u> | \$ <u>500,000</u> | \$ <u>452,541</u> |
| Collateralization at fair market value | \$ <u>12,984,194</u> | \$ <u>4,311,401</u> | \$ <u>3,189,591</u> |
| Uncollateralized | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> |

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2020, 2019, and 2018

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The carrying amount of deposits and investments are included in the District's balance sheets as follows:

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--------------------------------------------------|----------------------|---------------------|---------------------|
| Carrying amount | | | |
| Deposits | \$ 10,305,434 | \$ 3,175,065 | \$ 3,335,087 |
| Certificates of deposit | 1,500,000 | 1,150,169 | 150,000 |
| Donated stocks | <u>154,449</u> | <u>185,118</u> | <u>198,597</u> |
| | <u>\$ 11,959,883</u> | <u>\$ 4,510,352</u> | <u>\$ 3,683,684</u> |
| Included in the following balance sheet captions | | | |
| Cash and cash equivalents | \$ 10,305,434 | \$ 3,175,065 | \$ 3,335,087 |
| Certificates of deposit | 1,500,000 | 1,150,169 | 150,000 |
| Investments | <u>154,449</u> | <u>185,118</u> | <u>198,597</u> |
| | <u>\$ 11,959,883</u> | <u>\$ 4,510,352</u> | <u>\$ 3,683,684</u> |

Investment in LHA Trust consists of allocations of equity from the Louisiana Hospital Association Malpractice and Worker's Compensation Trust Funds. Allocations consist of Capital Reserve funds set aside for the District and are recorded at amortized cost.

Investments in marketable equity securities consist of stocks donated to the District in 1988. An analysis at December 31 is as follows:

| | | ----- Fair Value ----- | | |
|------------------------|---------------|------------------------|-------------------|-------------------|
| | <u>Shares</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
| Exxon Corporation | 800 | \$ 32,976 | \$ 55,824 | \$ 54,552 |
| Pfizer | 3,300 | <u>121,473</u> | <u>129,294</u> | <u>144,045</u> |
| Total market value | | 154,449 | 185,118 | 198,597 |
| Less cost basis | | <u>(14,456)</u> | <u>(14,456)</u> | <u>(14,456)</u> |
| Unrealized gain (loss) | | <u>\$ 139,993</u> | <u>\$ 170,662</u> | <u>\$ 184,141</u> |

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2020, 2019, and 2018

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The District records these registered securities under the provision of the GASB Statement No 31. These securities are recorded at fair value and unrealized gains are recognized as a component of fund equity. Fair values are based upon quoted market prices as of the fiscal year end. These securities are considered a Level 1 investment under the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------------------------------|--------------------|--------------------|---------------------|
| Patient accounts receivable | \$ 2,010,644 | \$ 2,267,790 | \$ 3,114,439 |
| Estimated allowance for uncollectibles | <u>(1,255,502)</u> | <u>(1,341,740)</u> | <u>(1,909,439)</u> |
| Net patient accounts receivable | \$ <u>755,142</u> | \$ <u>926,050</u> | \$ <u>1,205,000</u> |

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-----------------------------------------|-------------|-------------|-------------|
| Medicare | 15% | 25% | 19% |
| Medicaid | 11% | 16% | 19% |
| Commercial and other third-party payors | 31% | 21% | 16% |
| Blue Cross | 10% | 6% | 11% |
| Patients | <u>33%</u> | <u>32%</u> | <u>35%</u> |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> |

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
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Notes to Financial Statements
Years Ended December 31, 2020, 2019, and 2018

NOTE 5 - CAPITAL ASSETS

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

| | December 31, 2019 | Additions | Dispositions | Transfers | December 31, 2020 |
|---------------------------------------|----------------------|---------------------|---------------|---------------|----------------------|
| Nondepreciable capital assets | | | | | |
| Land | \$ 36,840 | \$ 20,500 | \$ -0- | \$ -0- | \$ 57,340 |
| Construction in progress | <u>-0-</u> | <u>63,521</u> | <u>-0-</u> | <u>-0-</u> | <u>63,521</u> |
| Total nondepreciable capital assets | \$ <u>36,840</u> | \$ <u>84,021</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>120,861</u> |
| Depreciable capital assets | | | | | |
| Land improvements | \$ 37,882 | \$ -0- | \$ -0- | \$ -0- | \$ 37,882 |
| Leasehold improvements | 22,583 | -0- | -0- | -0- | 22,583 |
| Buildings | 2,725,789 | 156,990 | -0- | -0- | 2,882,779 |
| Fixed equipment | 442,673 | 10,365 | -0- | -0- | 453,038 |
| Major moveable equipment | 3,104,687 | -0- | -0- | -0- | 3,104,687 |
| Property held for capital lease | 556,461 | -0- | -0- | -0- | 556,461 |
| Transportation equipment | 87,344 | -0- | -0- | -0- | 87,344 |
| Minor equipment | <u>300</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>300</u> |
| Total depreciable capital assets | 6,977,719 | 167,355 | -0- | -0- | 7,145,074 |
| Accumulated depreciation | <u>4,682,435</u> | <u>349,356</u> | <u>-0-</u> | <u>-0-</u> | <u>5,031,791</u> |
| Total depreciable capital assets, net | \$ <u>2,295,284</u> | \$ <u>(182,001)</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>2,113,283</u> |

Ward 3, 4 and 10 Hospital Service District
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Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2020, 2019, and 2018

NOTE 5 - CAPITAL ASSETS (Continued)

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

| | December 31, 2018 | Additions | Dispositions | Transfers | December 31, 2019 |
|---------------------------------------|----------------------|------------------|-----------------|---------------|----------------------|
| Nondepreciable capital assets | | | | | |
| Land | \$ 36,840 | \$ -0- | \$ -0- | \$ -0- | \$ 36,840 |
| Construction in progress | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total nondepreciable capital assets | \$ <u>36,840</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>36,840</u> |
| Depreciable capital assets | | | | | |
| Land improvements | \$ 37,882 | \$ -0- | \$ -0- | \$ -0- | \$ 37,882 |
| Leasehold improvements | 22,014 | 569 | -0- | -0- | 22,583 |
| Buildings | 2,513,861 | 211,928 | -0- | -0- | 2,725,789 |
| Fixed equipment | 442,673 | -0- | -0- | -0- | 442,673 |
| Major moveable equipment | 3,029,010 | 82,156 | 6,479 | -0- | 3,104,687 |
| Property held for capital lease | 382,757 | 173,704 | -0- | -0- | 556,461 |
| Transportation equipment | 87,894 | 29,935 | 30,485 | -0- | 87,344 |
| Minor equipment | <u>300</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>300</u> |
| Total depreciable capital assets | 6,516,391 | 498,292 | 36,964 | -0- | 6,977,719 |
| Accumulated depreciation | <u>4,298,518</u> | <u>413,828</u> | <u>29,911</u> | <u>-0-</u> | <u>4,682,435</u> |
| Total depreciable capital assets, net | \$ <u>2,217,873</u> | \$ <u>84,464</u> | \$ <u>7,053</u> | \$ <u>-0-</u> | \$ <u>2,295,284</u> |

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NOTE 5 - CAPITAL ASSETS (Continued)

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

| | December 31, 2017 | Additions | Dispositions | Transfers | December 31, 2018 |
|---------------------------------------|----------------------|---------------------|------------------|---------------|----------------------|
| Nondepreciable capital assets | | | | | |
| Land | \$ 36,840 | \$ -0- | \$ -0- | \$ -0- | \$ 36,840 |
| Construction in progress | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total nondepreciable capital assets | \$ <u>36,840</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>-0-</u> | \$ <u>36,840</u> |
| Depreciable capital assets | | | | | |
| Land improvements | \$ 37,882 | \$ -0- | \$ -0- | \$ -0- | \$ 37,882 |
| Leasehold improvements | 17,083 | 4,931 | -0- | -0- | 22,014 |
| Buildings | 2,456,511 | 57,350 | -0- | -0- | 2,513,861 |
| Fixed equipment | 405,712 | 36,961 | -0- | -0- | 442,673 |
| Major moveable equipment | 3,268,351 | 78,984 | 318,325 | -0- | 3,029,010 |
| Property held for capital lease | 302,672 | 80,085 | -0- | -0- | 382,757 |
| Transportation equipment | 105,891 | -0- | 17,997 | -0- | 87,894 |
| Minor equipment | <u>300</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>300</u> |
| Total depreciable capital assets | 6,594,402 | 258,311 | 336,322 | -0- | 6,516,391 |
| Accumulated depreciation | <u>4,186,758</u> | <u>390,258</u> | <u>278,498</u> | <u>-0-</u> | <u>4,298,518</u> |
| Total depreciable capital assets, net | \$ <u>2,407,644</u> | \$ <u>(131,947)</u> | \$ <u>57,824</u> | \$ <u>-0-</u> | \$ <u>2,217,873</u> |

Ward 3, 4 and 10 Hospital Service District
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NOTE 6 - LIMITED-USE ASSETS

The following assets are restricted as to use as designated below:

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|------------------------------------|-------------------|-------------------|-------------------|
| <u>Restricted by third-parties</u> | | | |
| Bond paying agent fund | \$ 16,901 | \$ 16,272 | \$ 16,600 |
| Bond contingency fund | 60,752 | 52,752 | 52,541 |
| LHA trust deposits | 72,883 | 72,883 | 72,883 |
| Capital lease fund | <u>-0-</u> | <u>-0-</u> | <u>1,092</u> |
| Total restricted by third-parties | 150,536 | 141,907 | 143,116 |
| <u>Restricted by board</u> | | | |
| Intergovernmental transfer | <u>437</u> | <u>368</u> | <u>678</u> |
| Limited use assets | \$ <u>150,973</u> | \$ <u>142,275</u> | \$ <u>143,794</u> |

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------|-----------------|-----------------|-----------------|
| Meter deposits | \$ <u>1,814</u> | \$ <u>1,814</u> | \$ <u>1,814</u> |
| Total | \$ <u>1,814</u> | \$ <u>1,814</u> | \$ <u>1,814</u> |

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NOTE 8 - LONG-TERM DEBT

The following is a summary of long-term debt at December 31, 2020, 2019, and 2018:

| | December 31, 2019 | Additions | Payments | December 31, 2020 | Due Within One Year |
|--------------------------------|----------------------|-------------------|-------------------|----------------------|------------------------|
| Capital Leases | \$ 267,822 | \$ -0- | \$ 66,939 | \$ 200,883 | \$ 68,847 |
| SBA PPP loan | -0- | 870,592 | -0- | 870,592 | 232,601 |
| Revenue bonds, R-1 Series 2013 | 1,170,086 | -0- | 68,562 | 1,101,524 | 70,682 |
| Revenue bonds, R-2 Series 2013 | <u>272,965</u> | <u>-0-</u> | <u>29,391</u> | <u>243,574</u> | <u>33,089</u> |
| Total | \$ <u>1,710,873</u> | \$ <u>870,592</u> | \$ <u>164,892</u> | \$ <u>2,416,573</u> | \$ <u>405,219</u> |
| | December 31, 2018 | Additions | Payments | December 31, 2019 | Due Within One Year |
| Capital Leases | \$ 176,053 | \$ 276,951 | \$ 185,182 | \$ 267,822 | \$ 66,834 |
| Revenue bonds, R-1 Series 2013 | 1,236,604 | -0- | 66,518 | 1,170,086 | 68,455 |
| Revenue bonds, R-2 Series 2013 | <u>304,105</u> | <u>-0-</u> | <u>31,140</u> | <u>272,965</u> | <u>32,033</u> |
| Total | \$ <u>1,716,762</u> | \$ <u>276,951</u> | \$ <u>282,840</u> | \$ <u>1,710,873</u> | \$ <u>167,322</u> |
| | December 31, 2017 | Additions | Payments | December 31, 2018 | Due Within One Year |
| Capital Leases | \$ 183,148 | \$ 80,086 | \$ 87,181 | \$ 176,053 | \$ 83,040 |
| Revenue bonds, R-1 Series 2013 | 1,302,028 | -0- | 65,424 | 1,236,604 | 66,412 |
| Revenue bonds, R-2 Series 2013 | <u>334,586</u> | <u>-0-</u> | <u>30,481</u> | <u>304,105</u> | <u>31,077</u> |
| Total | \$ <u>1,819,762</u> | \$ <u>80,086</u> | \$ <u>183,086</u> | \$ <u>1,716,762</u> | \$ <u>180,529</u> |

Ward 3, 4 and 10 Hospital Service District
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NOTE 8 - LONG-TERM DEBT (Continued)

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

- On December 10, 2018, a Government Obligation Contract was executed between KS State Bank and the District. Computer hardware was leased for the total amount of \$268,907 at an interest rate of 6.002%, for 60 months, terminating March 1, 2024, secured by equipment.
- On March 31, 2017, a Capital Lease Agreement was executed between GE Capital and the District. A GE Logic S8 Ultrasound was leased at a rate of imputed interest of 1.526%, with 60 monthly payments of \$1,297.95 until March 30, 2022, collateralized by leased equipment with a cost of \$81,578 and a book value of \$20,425 at December 31, 2020.
- On November 20, 2013, Series 2013 Hospital Service Bonds, known as R-1, were issued in the principal amount of \$1,550,000, at 3.05%, rate subject to adjustment on the 5th, 10th, and 15th anniversary dates based upon then current 5-year Treasury rate (not to exceed 5% per annum) due in 2033, collateralized by a pledge and dedication of District revenue. These bonds are further secured by a mortgage of all properties owned by the District. They will mature 20 years from the date of delivery.
- On November 20, 2013, Series 2013 Hospital Service Bonds, known as R-2, were issued in the principal amount of \$450,000, at 3.05%, rate subject to readjustment on the 5th and 10th anniversary dates, due in 2026, collateralized by a pledge and dedication of District revenue. These bonds are further secured by a mortgage. They will mature on their monthly anniversary date in August 2027.
- On April 10, 2020, the District received an SBA Paycheck Protection Program (PPP) loan for employee expenses in the amount of \$870,592. The loan repayment originally commenced six months after the loan date of April 10, 2020; however, a 10-month deferment was granted, commencing after the District's 24-week covered period. The District has applied for loan forgiveness through the Small Business Administration. If the loan is not forgiven, then it will be repaid in monthly installments of \$49,362.95 and interest at 1%.

The District issued the \$2,000,000 of revenue bonds for the purpose of improving and renovating the Reeves Memorial Medical Center, including equipment, accessories and furnishings, to prepay (refund) the District's outstanding Hospital Revenue Bond, dated August 20, 2002 issued in the principal amount of \$650,000 and cost of issuance of the Bonds.

As required by the bond agreement, the District is required to maintain two separate accounts: Sinking Fund and Contingency Fund. The Sinking Fund is required in order to have sufficient monies to pay promptly and fully the principal and interest on the bonds due the next payment day. The Contingency Fund shall have deposited a sum equal to five percent (5%) of the amount being paid monthly into the Sinking Fund to cover depreciation, extensions, additions, improvements and replacements necessary to properly operate Reeves Memorial Medical Center. The sum equal to five percent (5%) of the Sinking Fund will continue until the amount of \$100,000 is deposited into the Contingency Fund. Should the Contingency Fund sum thereafter be reduced to less than \$100,000, monthly payments shall recommence until Contingency Fund balance is \$100,000.

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NOTE 8 - LONG-TERM DEBT (Continued)

Scheduled principal and interest payments on long-term debt are as follows:

| <u>Year ending December 31,</u> | <u>Long-Term Debt</u> | | <u>Capital Lease Obligations</u> | |
|---------------------------------|-----------------------|-------------------|----------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ 336,372 | \$ 53,720 | \$ 68,847 | \$ 9,921 |
| 2022 | 695,649 | 39,983 | 62,431 | 6,440 |
| 2023 | 159,611 | 33,027 | 60,374 | 2,921 |
| 2024 | 113,700 | 29,557 | 9,231 | 157 |
| 2025 | 117,217 | 26,059 | -0- | -0- |
| 2026-2030 | 505,383 | 80,441 | -0- | -0- |
| 2031-2035 | <u>287,758</u> | <u>13,361</u> | <u>-0-</u> | <u>-0-</u> |
| Total | \$ <u>2,215,690</u> | \$ <u>276,148</u> | \$ <u>200,883</u> | \$ <u>19,439</u> |

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$95,815 is included in depreciation expense. Net book value of capital leases is \$219,080, \$288,077, and \$219,059, in 2020, 2019, and 2018, respectively.

NOTE 9 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at December 31 consist of the following:

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-----------------------|-------------------|-------------------|-------------------|
| Accrued interest | \$ 2,480 | \$ 2,480 | \$ 2,480 |
| Accrued payroll taxes | 5,209 | 5,209 | 5,209 |
| Accrued vacation | 307,255 | 270,831 | 276,154 |
| Accrued payroll | <u>181,740</u> | <u>157,802</u> | <u>124,709</u> |
| Total | \$ <u>496,684</u> | \$ <u>436,322</u> | \$ <u>408,552</u> |

Ward 3, 4 and 10 Hospital Service District
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NOTE 10 - COMPENSATED ABSENCES

Employees of the District are entitled to paid time off and extended illness benefit days depending on job classification, length of service, and other factors. The District accrued \$307,255, \$270,831, and \$276,154, of vacation pay at December 31, 2020, 2019 and 2018. It is impracticable to estimate the amount of accrued compensation for future extended illness benefit days and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested paid time off has been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

NOTE 11 - RETIREMENT PLAN

On January 1, 2012, the District instituted the Reeves Memorial Medical Center 457 Plan, which is a defined contribution plan (exempt under Section 457 of the Internal Revenue Code). Security Benefits is the Plan's third-party administrator. At December 31, 2020, 2019, and 2018 there were 44, 46, and 45 plan members, respectively. Employees are eligible to participate in the plan beginning on the date of hire, with a maximum contribution of up to 100% of compensation. The contribution limit for those under age 50 is not to exceed \$19,500, \$19,000, and \$18,500 in calendar years 2020, 2019, and 2018, respectively. For those 50 or older \$26,000, \$25,000, and \$24,500 are the contribution limits for calendar years 2020, 2019, and 2018, respectively. The District has elected to match 100% of the first 2% of the participating employees' compensation deferred to the plan. The District may choose to make annual discretionary non-elective contributions based on the employees' compensation during the plan year. The District holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in their contributions and in the employer match posted to their account.

The District's contributions were \$52,700, \$51,479, and \$49,756, compared to employee contributions of \$128,103, \$131,743, and \$124,157, for the years ended December 31, 2020, 2019, and 2018, respectively.

NOTE 12 - NET PATIENT SERVICE REVENUE

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

Medicare - The District became a Medicare "Critical Access Hospital" (CAH) effective December 30, 2005. This designation enables the District to receive cost-based reimbursement for most services provided to Medicare beneficiaries on or after this date, including Swing Bed and rural health clinic services.

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District'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 District.

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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some Medicaid outpatient services are reimbursed under a cost reimbursement methodology, while others are paid on a prospectively determined fee schedule. Rural health clinic services were paid based on a prospectively determined rate per visit until June 30, 2008, when it changed to a cost reimbursement methodology. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary.

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. Blue Cross Blue Shield "BCBS" is the largest commercial provider. BCBS charges were 11%, 11% and 11% of the gross charges for the years ended December 31, 2020, 2019 and 2018, respectively.

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|------------------------------------------------------------------------|----------------------|----------------------|----------------------|
| Gross charges | \$ 14,786,711 | \$ 17,675,744 | \$ 18,125,304 |
| Less charges associated with charity patients | <u>(15,319)</u> | <u>(18,066)</u> | <u>(24,703)</u> |
| Gross patient service revenue | 14,771,392 | 17,657,678 | 18,100,601 |
| Add increases in revenue: | | | |
| Intergovernmental transfer (IGT) | 18,298,348 | 15,634,392 | 16,535,471 |
| Less deductions from revenue: | | | |
| Contractual adjustments | (4,709,197) | (7,180,507) | (7,681,933) |
| Policy and other discounts | <u>(159,932)</u> | <u>(206,241)</u> | <u>(136,960)</u> |
| Patient service revenue (net of contractual adjustments and discounts) | 28,200,611 | 25,905,322 | 26,817,179 |
| Less provision for bad debt | <u>(586,011)</u> | <u>(666,220)</u> | <u>(793,288)</u> |
| Net patient service revenue | \$ <u>27,614,600</u> | \$ <u>25,239,102</u> | \$ <u>26,023,891</u> |

Ward 3, 4 and 10 Hospital Service District
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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

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

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---------------------------------------------------|---------------------|---------------------|---------------------|
| Medicare and Medicaid charges | \$ 8,073,235 | \$ 10,662,618 | \$ 11,888,922 |
| Contractual adjustments | <u>(2,379,843)</u> | <u>(4,475,769)</u> | <u>(5,457,671)</u> |
| Program patient service revenue | \$ <u>5,693,392</u> | \$ <u>6,186,849</u> | \$ <u>6,431,251</u> |
| Percent of total gross patient charges | <u>55%</u> | <u>60%</u> | <u>66%</u> |
| Percent of total net patient revenues without IGT | <u>61%</u> | <u>64%</u> | <u>68%</u> |

The District experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. These adjustments resulted in an increase of \$23,000 in net patient revenue in fiscal year 2018.

NOTE 13 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal poverty guidelines based on a 200% scale. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies, and other operating expenses. The costs of caring for charity care patients were approximately \$10,463, \$10,280, and \$12,549, in 2020, 2019, and 2018, respectively.

NOTE 14 - PROPERTY TAX REVENUE

The District levies property taxes for the maintenance and operation of the facility. The taxes are collected by the Union Parish Sheriff's office for an 8% collection fee. Property tax notices are mailed by November 15 each year and are due by December 31. The lien date is January 31. The special maintenance and operation millage is a ten-year tax assessed on all taxable property within the District at the rate of 10.45 mills. The 5.11 mills tax, which expired December 31, 2015, was renewed for the period 2016 through 2025. The 5.34 mills tax, which expired in 2011, was renewed for the period 2012 through 2021.

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NOTE 15 - PROFESSIONAL LIABILITY RISK

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

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

NOTE 16 - WORKER'S COMPENSATION RISK

The District participates in the Louisiana Hospital Association Self Insurance Worker's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the 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. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations and equity amounts assigned to the District by the Trust Fund in its financial statements.

NOTE 17 - CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 12) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

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

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NOTE 17 - CONTINGENCIES (Continued)

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

Professional Liability Risk (Note 15) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Worker's Compensation Risk (Note 16) - The District carries worker's compensation insurance through the Louisiana Hospital Association Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the 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.

Litigation and other matters in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determination in the case where liability can be measured.

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 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 \$4,786,246 in Provider Relief Funds, as described in Note 21, to prevent, prepare for and respond to the coronavirus and as reimbursement to the Hospital for eligible expenses and lost revenues. The Hospital applied for and received a Paycheck Protection Program (PPP) loan, discussed in Note 8, in order to continue paying employee salaries during the COVID-19 pandemic. Additionally, the Hospital applied for and received \$2,530,479 in Medicare Advance Payments, as described in Note 22, in order to increase its cash flow position.

NOTE 18 - GRANT REVENUE

The District recognized operating grant income of \$17,000, \$25,500, and \$25,500 in years 2020, 2019, and 2018, respectively, from Medicaid for physician meaningful use.

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NOTE 19 - INTERGOVERNMENTAL TRANSFERS-ACCESS GRANTS

The District ("Grantor") collaborated with a rural hospital trade organization ("RHC") to establish a grant program, whereby Grantor entered into cooperative endeavor agreements ("CEAs") with other regional public rural hospitals ("Grantees") to provide intergovernmental transfers-access grant ("IGT") funds to enhance access to adequate and essential medically necessary healthcare services to the rural communities served by Grantees. Grant amounts were calculated based upon schedules prepared by RHC when it was determined that sufficient funds were available to make such IGT grants. The aggregate IGT grant expense is \$17,815,986, \$14,939,916 and \$16,058,706 for the years ended December 31, 2020, 2019, and 2018, respectively.

NOTE 20 - RELATED PARTY

The District has a management agreement with Impact Healthcare Solutions, LLC to manage the hospital. Additionally, Impact provides billing and collection services. Total amounts paid for these services were \$465,079, \$532,755, and \$542,325, for December 31, 2020, 2019, and 2018, respectively.

NOTE 21 - UNEARNED REVENUE

The Hospital received \$4,786,246 in Provider Relief Funds (the funds) via the Coronavirus Aid Relief and Economic Security (CARES) Act during the fiscal year ending December 31, 2020. The funds were issued by the U.S. Department of Health & Human Services (HHS) in response to the Coronavirus pandemic to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. The Hospital recognized \$1,624,626 as non-operating grant revenue in the fiscal year ending December 31, 2020, based on the information available as of December 31, 2020. The unrecognized amount of \$3,161,620 is reported in unearned revenue in the accompanying statement of net position. The Hospital will submit an initial report of healthcare related expenses and lost revenues attributable to coronavirus from inception through December 31, 2020 through June 30, 2021 and a final report from July 1, 2021 through December 31, 2021. Funds received in excess of the reported expenses and lost revenues, if any, will be owed to HHS. As a result, the amount recorded in the financial statements compared to the Hospital's Provider Relief Fund reporting could differ. This difference could be materially different from current estimates.

NOTE 22 - MEDICARE ADVANCE PAYMENTS

The Hospital applied for and received \$2,530,479 in Medicare Advance Payments during April 2020. The advance payments are to assist the Hospital due to the reduction in volume experienced by the restrictions placed by the Louisiana Department of Health in response to the coronavirus pandemic. These restrictions included the postponement of elective procedures. The advance payments will be collected through future Medicare claims, with \$528,646 expected to be collected within one year.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2020, 2019, and 2018

NOTE 23 - SUBSEQUENT EVENT

Management has evaluated subsequent events through the date the financial statements were to be issued, September 21, 2021, and determined that no material events occurred that require disclosure, except those noted below.

On January 26, 2021, the Small Business Administration forgave the District's loan of \$870,592 plus accrued interest of \$6,868.

On June 30, 2021 the District purchased a Mobile X-Ray machine in the amount of \$126,975.

SUPPLEMENTARY INFORMATION

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Net Patient Service Revenue
Years Ended December 31,

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---------------------------------------|--------------------------|--------------------------|--------------------------|
| Daily patient services: | | | |
| Room and board | \$ 600,851 | \$ 954,312 | \$ 1,020,381 |
| Swing | <u>1,035,608</u> | <u>1,499,068</u> | <u>2,162,136</u> |
| Total daily patient services | <u>1,636,459</u> | <u>2,453,380</u> | <u>3,182,517</u> |
| Other professional services: | | | |
| Radiology | 2,008,929 | 2,418,054 | 2,115,382 |
| Laboratory | 2,296,181 | 2,459,509 | 2,393,702 |
| Blood | 13,885 | 25,852 | 46,352 |
| Respiratory therapy | 143,133 | 277,812 | 336,760 |
| Physical therapy | 1,573,433 | 1,630,070 | 1,289,099 |
| Occupational therapy | 976,547 | 1,073,024 | 1,009,129 |
| Speech therapy | 58,443 | 99,528 | 94,236 |
| EKG | 55,594 | 62,906 | 47,944 |
| Medical supply | 569,939 | 710,100 | 873,378 |
| Pharmacy | 2,755,060 | 2,934,842 | 3,116,986 |
| Rural health clinic | 1,116,394 | 1,456,026 | 1,643,066 |
| Wound care | 48,216 | 184,430 | 207,998 |
| Emergency room | 1,467,748 | 1,785,461 | 1,706,005 |
| Monitor | <u>66,750</u> | <u>104,750</u> | <u>62,750</u> |
| Total other professional services | \$ <u>13,150,252</u> | \$ <u>15,222,364</u> | \$ <u>14,942,787</u> |

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Net Patient Service Revenue (Continued)
Years Ended December 31,

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Gross charges | \$ 14,786,711 | \$ 17,675,744 | \$ 18,125,304 |
| Less charges associated with charity patients | <u>15,319</u> | <u>18,066</u> | <u>24,703</u> |
| Gross patient service revenue | 14,771,392 | 17,657,678 | 18,100,601 |
| Deductions from revenue: | | | |
| Medicare and Medicaid contractual adjustments | 2,379,843 | 4,475,769 | 5,457,671 |
| Intergovernmental transfers-access grant | (18,298,348) | (15,634,392) | (16,535,471) |
| Other contractual adjustments | 2,329,354 | 2,704,738 | 2,224,262 |
| Policy and other discounts | <u>159,932</u> | <u>206,241</u> | <u>136,960</u> |
| Patient service revenue (net of contractual adjustments and discounts) | 28,200,611 | 25,905,322 | 26,817,179 |
| Less provision for bad debt | <u>586,011</u> | <u>666,220</u> | <u>793,288</u> |
| Net patient service revenue less provision for bad debt | \$ <u><u>27,614,600</u></u> | \$ <u><u>25,239,102</u></u> | \$ <u><u>26,023,891</u></u> |

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Other Operating Revenue
Years Ended December 31,

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-------------------------------|------------------------------|--------------------------------|------------------------------|
| HPSA incentive | \$ 57,241 | \$ 18,972 | \$ 23,475 |
| Dietary revenue | 3,276 | 12,661 | 11,156 |
| Health information | -0- | 3,386 | 8,888 |
| Discounts taken | 59,030 | 59,996 | 56,589 |
| Pharmacy revenue | 3,467 | 3,585 | 5,979 |
| 340B pharmaceutical program | 526,402 | 738,921 | 200,721 |
| Grant administrative fee | 18,500 | 25,230 | 41,662 |
| Insurance recovery | -0- | 19,126 | -0- |
| Administrative processing fee | 118,034 | 230,861 | 55,618 |
| Miscellaneous revenue | <u>5,398</u> | <u>20,544</u> | <u>19,559</u> |
| Total other revenue | \$ <u><u>791,348</u></u> | \$ <u><u>1,133,282</u></u> | \$ <u><u>423,647</u></u> |

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Expenses - Salaries and Benefits
Years Ended December 31,

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Administration | \$ 520,707 | \$ 515,840 | \$ 488,217 |
| Plant maintenance | 134,478 | 139,523 | 123,285 |
| Housekeeping | 74,227 | 76,130 | 59,251 |
| Dietary | 81,665 | 123,823 | 110,433 |
| Nursing administration | 99,957 | 87,176 | 93,115 |
| Health information | 178,424 | 160,944 | 128,227 |
| Nursing services | 1,106,479 | 1,271,823 | 1,141,226 |
| Radiology | 151,853 | 162,583 | 155,943 |
| Laboratory | 273,725 | 260,059 | 250,954 |
| Respiratory therapy | 65,461 | 67,591 | 67,112 |
| EKG and EEG | 6,410 | 6,640 | 4,785 |
| Central supply | 31,538 | 30,198 | 29,582 |
| Pharmacy | 191,532 | 190,457 | 185,808 |
| Rural health clinic | 1,186,245 | 1,259,290 | 983,012 |
| Emergency room | <u>527,751</u> | <u>277,042</u> | <u>440,269</u> |
| Total salaries | <u>4,630,452</u> | <u>4,629,119</u> | <u>4,261,219</u> |
| Payroll taxes | 312,122 | 313,946 | 288,805 |
| Health/life insurance | 368,311 | 379,963 | 326,771 |
| 457 matching contribution | 52,700 | 51,479 | 49,756 |
| Worker's compensation | <u>46,458</u> | <u>51,603</u> | <u>60,076</u> |
| Total benefits | <u>779,591</u> | <u>796,991</u> | <u>725,408</u> |
| Total salaries and benefits | \$ <u><u>5,410,043</u></u> | \$ <u><u>5,426,110</u></u> | \$ <u><u>4,986,627</u></u> |

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Expenses - Medical Supplies and Drugs
Years Ended December 31,

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--------------------------------------|-------------------------|-------------------------|-------------------------|
| Nursing services | \$ 33,845 | \$ 26,262 | \$ 35,165 |
| Radiology | 11,985 | 13,264 | 24,304 |
| Laboratory | 131,660 | 126,675 | 126,080 |
| Blood | 7,136 | 16,538 | 27,650 |
| Respiratory therapy | 9,162 | 9,616 | 7,554 |
| Physical and occupational therapy | 4,585 | 2,092 | 1,666 |
| Pharmacy | 954,468 | 944,521 | 980,200 |
| 340B pharmaceutical program | 195,453 | 183,934 | 73,650 |
| Wound care | 1,162 | -0- | 372 |
| Rural health clinic | <u>13,599</u> | <u>37,482</u> | <u>39,176</u> |
| Total medical supplies and drugs | \$ <u>1,363,055</u> | \$ <u>1,360,384</u> | \$ <u>1,315,817</u> |

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Expenses - Professional Fees
Years Ended December 31,

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-----------------------------|--------------------------------|--------------------------------|--------------------------------|
| Health information | \$ -0- | \$ 1,138 | \$ 776 |
| Nursing | 46,739 | 24,648 | 20,923 |
| Radiology | 57,015 | 14,268 | 12,510 |
| Laboratory | 191,832 | 115,958 | 114,960 |
| Physical therapy | 353,717 | 365,071 | 292,603 |
| Occupational therapy | 228,339 | 259,132 | 243,230 |
| Speech therapy | 33,564 | 47,480 | 47,341 |
| Pharmacy | 37,898 | 35,250 | 23,865 |
| Wound care | -0- | 18,260 | 66,055 |
| Rural health clinic | 13,500 | 15,400 | 5,000 |
| Emergency room | <u>685,991</u> | <u>643,006</u> | <u>424,963</u> |
| Total professional fees | \$ <u><u>1,648,595</u></u> | \$ <u><u>1,539,611</u></u> | \$ <u><u>1,252,226</u></u> |

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Expenses - Other Expenses
Years Ended December 31,

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------------------|--------------------------------|--------------------------------|--------------------------------|
| Purchased services | \$ 750,663 | \$ 787,718 | \$ 841,895 |
| Accounting and legal | 67,102 | 87,649 | 71,548 |
| Non medical supplies | 302,682 | 277,452 | 278,583 |
| Repairs and maintenance | 300,548 | 276,504 | 265,037 |
| Utilities | 77,962 | 84,646 | 82,512 |
| Telephone | 50,137 | 46,978 | 51,039 |
| Travel | 11,647 | 30,017 | 29,492 |
| Rentals | 91,324 | 150,800 | 190,852 |
| Training | 6,206 | 18,624 | 3,956 |
| Promotion and advertising | 5,978 | 6,131 | 9,397 |
| Licensing and publications | 34,303 | 37,894 | 43,894 |
| Miscellaneous | 47,441 | 45,538 | 36,786 |
| Tax assessor fees | <u>9,121</u> | <u>8,571</u> | <u>8,514</u> |
| Total other expenses | \$ <u><u>1,755,114</u></u> | \$ <u><u>1,858,522</u></u> | \$ <u><u>1,913,505</u></u> |

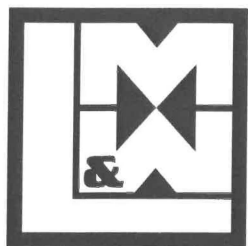
Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Per Diem and Other Compensation Paid to Board Members
Years Ended December 31,

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-----------------|-----------------|-----------------|-----------------|
| Board members: | | | |
| Penya Moses | \$ 320 | \$ 360 | \$ 240 |
| Mike Holley | 320 | 360 | 400 |
| Jennifer Lenard | 320 | 320 | 320 |
| Edwin Watley | 320 | 320 | 400 |
| Michael Brandon | <u>280</u> | <u>360</u> | <u>400</u> |
| Total | \$ <u>1,560</u> | \$ <u>1,720</u> | \$ <u>1,760</u> |

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedule of Compensation, Benefits, and Other Payments
to Chief Executive Officer
Year Ended December 31, 2020

| | |
|-------------------|--------------------------------------|
| Agency Head Name: | David Caston |
| Position: | CEO |
| Time Period: | January 1, 2020 to December 31, 2020 |

| <u>Purpose</u> | <u>Amount</u> |
|----------------------------------------|---------------|
| Salary | 144,000 |
| Health insurance | -0- |
| Retirement | -0- |
| Car allowance | -0- |
| Vehicle provided by government | -0- |
| Per diem | -0- |
| Reimbursements | 142 |
| Travel | 6,250 |
| Registration fees | 210 |
| Conference travel | -0- |
| Continuing professional education fees | -0- |
| Housing | -0- |
| Unvouchered expenses | -0- |
| Special meals | -0- |



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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
Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Bernice, 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 Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana d/b/a Reeves Memorial Medical Center (the "District"), a component unit of the Union Parish Police Jury, as of and for the years ended December 31, 2020, 2019, and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 21, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies: 2020-001 and 2020-002.

Board of Commissioners
Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Page Two

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*.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Alexandria, Louisiana

September 21, 2021



Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedule of Current Year Findings and Responses
Year Ended December 31, 2020

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – Not applicable

Section II. Financial Statement Findings

FINDING 2020-001 - Segregation of Duties

Fiscal Year Initially Reported: December 31, 2007

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: Due to limited staffing with the technical skills to perform these duties, management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Administration will continue to monitor these tasks on a daily basis.

FINDING 2020-002 - Financial Close and Reporting

Fiscal Year Initially Reported: December 31, 2020

Finding: Management is responsible for calculating and recording estimates of Provider Relief Funds grant revenue. An adjustment of \$846,032 was made to record the fiscal year 2020 Provider Relief Funds grant revenue.

Recommendation: Management should continue to review Provider Relief Fund updated Q&A's and calculate Provider Relief Fund grant revenue on an interim basis using available information at the time.



Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedule of Current Year Findings and Responses
Year Ended December 31, 2020

Section II. Financial Statement Findings (Continued)

Response: Management has reviewed the final reporting requirements for Provider Relief Funds and will begin making interim calculations of Provider Relief Fund grant revenue based on that information.

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable



Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedule of Prior Year Findings and Responses
Year Ended December 31, 2020

Section I. Financial Statement Findings

FINDING 2019-001 - Segregation of Duties

Fiscal Year Initially Reported: December 31, 2007

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: Due to limited staffing with the technical skills to perform these duties, management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Administration will continue to monitor these tasks on a daily basis.

Current Status: This matter has not been resolved.

FINDING 2019-002 - Third-Party Settlements

Fiscal Year Initially Reported: December 31, 2019

Finding: Management is responsible for calculating and recording estimates of interim Medicare and Medicaid cost settlements. An adjustment of \$128,828 was made to record the fiscal year 2019 as-filed cost report receivable from Medicaid.

Recommendation: Management should continue to adjust the cost settlements based on interim cost report calculations and consider the results in relation to other factors that occur that may impact the estimates.

Response: Management has prepared interim cost reports and recorded results. Due to changes in volume and the intermediary arbitrarily adjusting rates, the interim cost report results that were recorded at year end were understated. As it is impossible for management to control the intermediary's response to interim cost reports and uncontrollable volume issues, differences between interim payments and future cost report settlements will be charged to or against income in future periods when determinable.

Current Status: This matter has been resolved.

Section II. Federal Award Findings

Not applicable

Section III. Management Letter

Not applicable



