

**ST. JAMES PARISH
HOSPITAL SERVICE DISTRICT**

A Component Unit of St. James Parish Council

Audited Financial Statements

As of and for the Years Ended
March 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
St. James Parish Hospital Service District
Lutcher, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of St. James Parish Hospital Service District (the "Hospital"), a component unit of St. James Parish Council, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Hospital, as of March 31, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Auditor's Opinion

The financial statements of the Hospital, as of and for the year ended March 31, 2017, were audited by other auditors whose report dated September 29, 2017 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the Schedule of Employer Contributions and Proportionate Share of Net Pension Liability on page 31 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 Supplementary Information

The schedule of compensation, benefits, and other payments to agency head on page 32 is presented for the purpose of additional analysis, as required by Louisiana Revised Statute 24:513A (3), and is not a required part of the financial statements.

The schedule of compensation, benefits, and other payments to agency head 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 schedule of net patient service revenues 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 26, 2018, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hospital's internal control over financial reporting and compliance.

HORNE LLP

Ridgeland, Mississippi
September 26, 2018

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**
Years Ended March 31, 2018 and 2017

Management's Discussion and Analysis of St. James Parish Hospital's (the "Hospital") financial performance provides important background information and management's analysis of the Hospital's financial performance during the years ended March 31, 2018 and 2017. Please read it in conjunction with the Hospital's financial statements, which begin on page 10.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements contained in this report are presented using Governmental Accounting Standards Board ("GASB") accounting principles. These financial statements offer short-term and long-term financial information about the Hospital's activities.

The statements of net position include all of the Hospital's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenue and expenses are accounted for in the statement of revenues, expenses, and change in net position. This statement measures changes in the Hospital's operations over the past year and can be used to determine whether the Hospital has been able to recover all of its costs through its net patient service revenue and other revenue sources.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash from operating, 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 the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE HOSPITAL

The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's activities. Increases or decreases in the Hospital'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 healthcare industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

FINANCIAL HIGHLIGHTS

For the year ended March 31, 2018, the Hospital's general financial highlights were:

- During the fiscal year 2018 the Hospital continued to focus on Hospital owned clinics by expanding coverage in the existing clinics with the use of nurse practitioners and nurses. The Hospital also expanded rehab hours. The Hospital enhanced revenue cycle processes to ensure positive financial performance.

- Net patient services revenue increased 6 percent from 2016 to 2017 and decreased 1 percent from 2017 to 2018.

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Years Ended March 31, 2018 and 2017

- The Hospital's payor mix is continuing to slightly shift favorably. From 2016 to 2017, the commercial mix stayed steady at 33 percent, Medicaid increased 6 percent and the uninsured mix decreased 3 percent. From 2017 to 2018, commercial mix decreased by 3 percent, Medicaid decreased 1 percent, and the uninsured mix decreased 2 percent. During 2017, the State of Louisiana expanded its Medicaid program. This allowed the Hospital to assist patients with enrolling in Medicaid.
- The Hospital's total net position increased \$2,345,624 from 2016 to 2017, and \$1,442,407 from 2017 to 2018. As of 2018, the total net position was \$33,153,703, which consists of \$26,327,321 in unrestricted, \$5,246,715 in net investments in capital assets, and \$1,579,667 in restricted funds related to debt obligations. As of 2017, the total net position was \$31,711,296 which consists of \$24,487,527 in unrestricted, \$5,786,335 in net investments in capital assets, and \$1,437,434 in restricted funds related to debt obligations.

Net Position

A summary of the Hospital's statements of net position is presented in the following table:

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Current and other assets	\$ 15,221,506	\$ 12,774,250	\$ 11,377,667
Restricted Assets	13,696,308	13,608,088	12,856,066
Capital assets, net	17,869,736	18,951,442	19,792,564
Net pension asset	1,073,503	-	-
Total assets	47,861,053	45,333,780	44,026,297
Total deferred outflows of resources	1,664,181	2,336,029	2,733,780
Current and other liabilities	2,485,169	1,929,160	2,456,459
Long-term debt	12,062,776	12,623,020	13,165,107
Net pension liability	-	1,092,285	1,550,889
Total liabilities	14,547,945	15,644,465	17,172,455
Total deferred inflows of resources	1,823,586	314,048	221,950
Net Position			
Net invested in capital assets	5,246,715	5,786,335	6,102,931
Restricted	1,579,667	1,437,434	1,335,821
Unrestricted	26,327,321	24,487,527	21,926,920
Total net position	\$ 33,153,703	\$ 31,711,296	\$ 29,365,672

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Years Ended March 31, 2018 and 2017

Some significant components of the change in the Hospital's net position are related to the increase in long-term assets, increase in restricted assets, and the decrease in long-term debt.

- From fiscal year 2016 to 2017, current assets increased by \$1,396,583 or 12 percent. In fiscal year 2018, current assets increased by \$2,447,256 or 19 percent. The increase is related to an increase in cash.
- In fiscal year 2018, restricted assets increased by \$88,220 or 1 percent. Of this increase, \$142,233 was held by a trustee for debt service. In fiscal year 2017, restricted assets increased by \$752,022 or 6 percent. Of this increase, \$650,409 was internally designated for capital acquisitions.
- Deferred outflows of resources include \$875,994 of refunding debt and \$788,187 related to the Hospital's pension obligation. During fiscal year 2017. The refunding resulted in a difference in the reacquisition and carrying value of the old bonds. These deferred outflows of resources will be amortized and expensed to operations over the life of the new bonds which is through 2030. The pension obligation resulted in changes due to implementing GASB 68. These deferred outflows will be amortized and expensed to operations through 2022.
- Long-term debt including current portion decreased by \$542,086 or 4 percent from 2017 to 2018. This was related to principal pay downs of existing debt.

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Years Ended March 31, 2018 and 2017

Summary of Revenue and Expenses

The following table presents a summary of the Hospital's historical revenues and expenses and changes in net position for each of the fiscal years ended March 31, 2018, 2017 and 2016:

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Operating revenues			
Net patient service revenue	\$ 24,948,620	\$ 25,141,279	\$ 23,714,192
Other operating revenue	622,003	559,469	583,406
Total operating revenues	<u>25,570,623</u>	<u>25,700,748</u>	<u>24,297,598</u>
Operating expenses			
Salaries and benefits	14,401,260	13,849,601	13,667,870
Medical supplies and drugs	2,661,951	2,602,901	2,758,842
Provision for depreciation	1,528,832	1,480,619	1,483,164
Other operating expense	7,902,347	7,435,754	7,226,912
Total operating expenses	<u>26,494,390</u>	<u>25,368,875</u>	<u>25,136,788</u>
Income (loss) from operations	(923,767)	331,873	(839,190)
Nonoperating revenues (expenses)			
Property taxes	2,705,566	2,553,433	2,732,079
Investment income (loss)	94,844	(5,312)	112,194
Other non-operating expense, net	(434,236)	(534,370)	(528,855)
Total nonoperating revenue (expense), net	<u>2,366,174</u>	<u>2,013,751</u>	<u>2,315,418</u>
Change in net position	1,442,407	2,345,624	1,476,228
Net position, beginning of year	31,711,296	29,365,672	27,645,424
Cumulative effect of change in accounting principles	-	-	244,020
Net position, beginning of year (as restated)	<u>31,711,296</u>	<u>29,365,672</u>	<u>27,889,444</u>
Net position, end of year	<u>\$ 33,153,703</u>	<u>\$ 31,711,296</u>	<u>\$ 29,365,672</u>

Some significant components of the change in the Hospital's revenues and expenses are related to net patient service revenue, salaries and benefits, property taxes, and investment income.

- During fiscal year 2017, net patient service revenue increased \$1,427,087 or 6 percent from 2016. The majority of this increase was in the ancillary departments especially lab, radiology, and rehab, as well as having a full year of Urgent Care clinic revenue. During fiscal year 2018, net patient service revenue decreased \$192,659 or 1 percent. This decrease was due to decreased volume in the emergency room, which resulted in decreases in certain ancillary departments.

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Years Ended March 31, 2018 and 2017

- In fiscal year 2017, operating expenses increased \$232,087 or 1 percent. Salary and benefit cost for the Hospital's employees increased \$181,731 or 1 percent. Some of the salary increase is related to a full year of operating the Hospital's Urgent Care clinic. There were also some new positions added to handle increased work load due to increased volumes.
- In fiscal year 2018, the Hospital reported an increase in operating expenses of \$1,125,515 or 4 percent. Salary and benefit cost for the Hospital's employees increased \$551,659 or 5 percent. Benefits were 29 percent and 28 percent of salaries for the years ended March 31, 2018 and 2017, respectively. Contract services increased \$358,145 due to the Hospital having a consultant perform certain revenue cycle analyses.
- Total net non-operating revenues decreased from fiscal year 2016 to 2017 by \$301,667 or 13 percent due to decreases in both property taxes and investment income. In fiscal year 2018, the Hospital experienced an increase in non-operating revenues of \$301,667 or 18 percent. This was due to increases in both property taxes and investment income.

Change in net position increased by \$869,396 or 59 percent from fiscal year 2016 to 2017, and decreased \$903,217 or 39 percent from fiscal year 2017 to 2018.

BUDGET TO ACTUAL RESULTS

The Hospital's budget to actual results are presented below for the year ended March 31, 2018

	Actual	Budget	Favorable (Unfavorable) Variance	
Operating revenues				
Net patient service revenue	\$ 24,948,620	\$ 24,849,103	\$ 99,517	0.4%
Other operating revenue	622,003	715,307	(93,304)	-13.0%
Total operating revenue	<u>25,570,623</u>	<u>25,564,410</u>	6,213	0.0%
Operating expenses				
Salaries and benefits	14,401,260	14,785,229	383,969	2.6%
Medical supplies and drugs	2,661,951	2,581,977	(79,974)	-3.1%
Provision for depreciation	1,528,832	1,570,138	41,306	2.6%
Other operating expenses	7,902,347	7,899,885	(2,462)	0.0%
Total operating expense	<u>26,494,390</u>	<u>26,837,229</u>	342,839	1.3%
Operating income (loss)	<u>(923,767)</u>	<u>(1,272,819)</u>	349,052	27.4%
Non-operating revenue (expense)				
Property taxes	2,705,566	2,464,695	240,871	9.8%
Investment income	94,844	100,920	(6,076)	-6.0%
Other non-operating revenue (expense), net	<u>(434,236)</u>	<u>(443,617)</u>	9,381	2.1%
Total non-operating revenue, net	<u>2,366,174</u>	<u>2,121,998</u>	244,176	11.5%
Change in net position	<u>\$ 1,442,407</u>	<u>\$ 849,179</u>	\$ 593,228	69.9%

**ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2018 and 2017**

- Net patient service revenues were over budget for the year as the continued results of the owned physician clinics and Urgent Care. Other operating revenue was less than budget and total operating revenue was slightly above budget.
- Operating expenses had a favorable variance. The largest variances were in salaries and benefits which were favorable variances.
- Property tax revenue was more than budget due to an increase in the assessed values of property related to inventory values, which were impacted by the increase in oil prices.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The St. James Parish Hospital's appointed officials and management considered many factors when setting the budget for the fiscal year ended March 31, 2018. Included in those factors is the status of the economy and the healthcare environment, which takes into account market forces and environmental factors such as:

- Medicare reimbursement, including Disproportionate Share and Supplemental Payment Programs.
- Increased number of uninsured and working poor.
- Ongoing competition for services.
- Workforce issues.
- Cost of supplies, including pharmaceuticals.
- Ability to recruit medical staff physicians to enhance services offered to our service area.
- Combined growth of existing services
- Impact of Healthcare Reform as it relates to reimbursement and employee health insurance coverage.

CONTACTING THE HOSPITAL FINANCIAL MANAGER

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

Tracy George Chief Financial Officer
St. James Parish Hospital
1645 Lutchter Avenue Lutchter, LA 70071
tgeorge@sjph.org

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL

Statements of Net Position
March 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,656,536	\$ 7,045,128
Patient receivables, net of allowance for doubtful accounts of \$829,317 and \$824,113, respectively	2,250,938	2,810,104
Estimated third-party payor settlements	1,850,240	1,185,940
Inventories	426,039	455,848
Taxes receivable	-	122,092
Other current assets	37,753	1,155,138
Total current assets	15,221,506	12,774,250
Restricted and internally designated assets		
Held by trustee for debt service	1,579,667	1,437,434
Internally designated by Board for capital improvements	12,116,641	12,170,654
Total restricted and internally designated assets	13,696,308	13,608,088
Capital assets, net	17,869,736	18,951,442
Net pension asset	1,073,503	-
Total assets	47,861,053	45,333,780
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows on debt refundings	875,994	954,442
Deferred pension outflows	788,187	1,381,587
Total deferred outflows of resources	1,664,181	2,336,029
Total assets and deferred outflow of resources	49,525,234	47,669,809
LIABILITIES		
Current liabilities		
Current maturities of long-term debt	560,245	542,087
Accounts payable	757,415	408,319
Accrued salaries and wages	1,167,509	978,754
Total current liabilities	2,485,169	1,929,160
Long-term debt, less current maturities	12,062,776	12,623,020
Net pension liability	-	1,092,285
Total liabilities	14,547,945	15,644,465
DEFERRED INFLOWS OF RESOURCES		
Pension obligation	1,823,586	314,048
NET POSITION		
Net investment in capital assets	5,246,715	5,786,335
Restricted	1,579,667	1,437,434
Unrestricted	26,327,321	24,487,527
Total net position	\$ 33,153,703	\$ 31,711,296

See accompanying notes

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Statements of Revenues, Expenses and Changes in Net Position
Years Ended March 31, 2018 and 2017

	2018	2017
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$1,392,159 and \$2,533,064, respectively	\$ 24,948,620	\$ 25,141,279
Other operating revenue	622,003	559,469
Total operating revenues	25,570,623	25,700,748
Operating expenses		
Salaries and wages	11,250,927	10,715,304
Employee benefits	3,150,333	3,134,297
Professional fees	1,538,139	1,625,317
Contracted services	3,513,508	3,155,363
Supplies and other	2,661,951	2,602,901
Non capital equipment, rental, and maintenance contracts	1,320,835	1,244,796
Telephone and utilities	519,868	465,438
Insurance	465,551	432,083
Other operating expenses	544,446	512,757
Provision for depreciation	1,528,832	1,480,619
Total operating expenses	26,494,390	25,368,875
Income (loss) from operations	(923,767)	331,873
Nonoperating revenues (expenses)		
Property taxes	2,705,566	2,553,433
Investment income (loss)	94,844	(5,312)
Grants and donations	127,128	395,405
Pension payments	-	101,685
Interest expense	(561,364)	(580,084)
Other non-operating expenses	-	(451,376)
Total nonoperating revenues (expenses)	2,366,174	2,013,751
Increase in net position	1,442,407	2,345,624
Net position, beginning of year	31,711,296	29,365,672
Net position, end of year	\$ 33,153,703	\$ 31,711,296

See accompanying notes.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL

Statements of Cash Flows
Years Ended March 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 25,465,489	\$ 25,003,110
Payments to suppliers and contractors	(9,165,853)	(10,548,886)
Payments to employees	(14,228,103)	(13,797,917)
Net cash provided by operating activities	2,071,533	656,307
Cash flows from noncapital financing activities		
Property taxes	2,827,658	2,425,603
Noncapital grants and contributions	127,128	395,405
Net cash provided by capital and related financing activities	2,954,786	2,821,008
Cash flows from capital and related financing activities		
Principal paid on long-term debt	(542,086)	(1,065,052)
Interest paid on long-term debt	(561,364)	(501,637)
Purchases of capital assets	(460,318)	(639,498)
Net cash used in capital and related financing activities	(1,563,768)	(2,206,187)
Cash flows from investing activities		
Purchases of investments	(2,356,067)	(10,931,732)
Proceeds from sale of investments	2,330,092	10,035,332
Interest on investments	174,832	156,018
Net cash provided by (used in) investing activities	148,857	(740,382)
Net increase in cash and cash equivalents	3,611,408	530,746
Cash and cash equivalents, beginning of year	7,045,128	6,514,382
Cash and cash equivalents, end of year	\$ 10,656,536	\$ 7,045,128
Reconciliation of income (loss) from operations to net cash provided by operating activities		
Income (loss) from operations	\$ (923,767)	\$ 331,873
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities		
Depreciation and amortization	1,528,832	1,480,619
Provision for bad debts	1,392,159	2,712,725
Loss on disposal of fixed assets	13,192	-
Changes in assets and liabilities		
Patient receivables	(832,993)	(2,587,184)
Inventories	29,809	25,694
Estimated third-party payor settlements	(664,300)	(823,179)
Other current assets	975,152	(534,436)
Accounts payable	349,096	(33,205)
Accrued salaries and compensated absences	188,755	28,918
Net pension liability and related accounts	15,598	54,482
Net cash provided by operating activities	\$ 2,071,533	\$ 656,307

See accompanying notes.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The St. James Parish Hospital Service District of St. James Parish, Louisiana, d/b/a St. James Parish Hospital (the "Hospital") or ("SJPH"), is an acute care hospital established in 1953. Effective

August 1, 2001, the Hospital met the Medicare participation requirements to be classified as a critical access hospital. The Hospital was created by the St. James Parish Police Jury and is a political subdivision of the St. James Parish Council/Police Jury. The St. James Parish Council approves all tax elections. The Hospital Service District is a component unit of the St. James Parish Council.

In fiscal year 2014, operations began for St. James Physician Alliance ("SJPA"). SJPA was formed as a nonprofit corporation whose sole member is the Hospital. Under Governmental Accounting Standards Board ("GASB") Statement No. 61, SJPA's financial data is combined as a blended component unit with the Hospital.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most sensitive estimates included in these financial statements relate to contractual discounts under third-party contracts and the allowance for uncollectible accounts.

Basis of Presentation

The Hospital reports in accordance with accounting principles generally accepted in the United States in accordance with accounting principles promulgated by the Governmental Accounting Standards Board ("GASB"). The accompanying financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and highly liquid investments with maturities of three months or less when purchased, excluding amounts whose use is limited by the Board of Commissioners' designation or under trust agreements.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Patient Receivables

Patient accounts receivable are reported at their outstanding unpaid balance adjusted for any write-offs and the allowance for doubtful accounts. Interest income is not accrued on any unpaid balances.

Accounts are considered past due at the time that the balance is 30 days delinquent. Accounts are written off when no payment has been received on the account for 120 days.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for doubtful accounts charged to earnings. Losses are charged against the allowance when management believes the collectability of an account is confirmed. Subsequent recoveries, if any, are recognized as income.

The allowance for doubtful accounts is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the accounts in light of historical experience, the nature and volume of the accounts, and the agreements with the respective third-party payors.

Inventories

Inventories are valued using an average cost method.

Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

Restricted and Internally Designated Assets

Noncurrent restricted and internally designated assets include cash and investments set aside by the Board of Commissioners for future capital improvements as well as assets externally restricted for debt service. The Board retains control of the funds set aside for future capital improvements and may, at its discretion, subsequently use them for other purposes.

The Hospital's investments consist of debt and equity securities and are carried at fair value. Interest, dividends and gains and losses on investments, both realized and unrealized, are included in non-operating income when earned.

Capital Assets, Net

Capital asset additions are recorded at cost. Depreciation is computed using the straight-line method with useful lives of the property ranging from 3 to 40 years. Maintenance, repairs, replacement, and improvements of minor importance are expensed. Major replacements and improvements are capitalized. Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Property Taxes

The Hospital receives a 4.75 mills property tax, which is levied in November each year, payable by December 31 of that year. The Hospital records the expected revenues to be received based on factors such as previous years collections to assessments and the estimated taxable assessed value for the current year. Adjustments are made upon final receipts. The millage is in effect through December 31, 2026.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense or expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Hospital has the following items that are reported as deferred inflows or outflows of resources: deferred amounts on debt refunding, and deferred inflows/outflows of resources related to pensions.

Pensions

The Hospital follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") on the financial statements to recognize the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans. The Hospital recognizes benefit payments when due and payable in accordance with benefit terms. Invested assets are reported at fair value. More information on pension activity for the Hospital is included in Note 7.

Compensated Absences

The Hospital's employees earn paid time off and extended illness at varying rates depending on years of service. Employees may accumulate paid time off, and be paid if they leave before they exhaust this accumulation. Employees may accumulate extended illness hours but upon termination are not paid for any accumulated extended illness hours.

Risk Management

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

Income Taxes

The Hospital is exempt from federal income taxation as a political subdivision of the state of Louisiana, and accordingly, the accompanying basic financial statements do not include any provision for income taxes.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Net Position

The net position of the Hospital is classified in components. Net investment in capital assets net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used to finance the purchase, improvements, or construction of those assets. Restricted net position reflects limitations imposed on the assets use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted net position are those assets that are externally restricted by creditors for debt service. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered, and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are considered in the recognition and accrual of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such reviews may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Management believes it has complied with the requirements of these programs.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Records of charges foregone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided.

Operating Revenue and Expenses

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, which is the Hospital's principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition and interest income are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011 for eligible hospitals and professionals that adopt and meaningfully use certified electronic health record ("EHR") technology. The Hospital must also attest to certain criteria in order to qualify to receive the incentive payments. The amount of the incentive payments are calculated using predetermined formulas based on available information, primarily related to discharges and patient days. The revenue associated with EHR incentive payments is recognized by the Hospital when the payments are received. In addition, these payments and the related attestation of compliance with meaningful use objectives are subject to audit by the federal government or its designee.

The Hospital recognized \$0- and \$315,658 of revenues related to the EHR incentive program for the years ended March 31, 2018 and 2017, respectively. These revenues are reflected in non-operating revenues (expenses) on the accompanying statements of revenues, expenses and changes in net position.

The Hospital has and will continue to incur both capital costs and operating expenses in order to implement its certified EHR technology and meet meaningful use requirements in the future. These expenses are ongoing and are projected to continue over all stages of implementation of meaningful use. The timing of recognizing the expenses may not correlate with the receipt of the incentive payments and the recognition of revenues. There can be no assurance that the Hospital will be able to continue to demonstrate meaningful use of certified EHR technology in the future, and the failure to do so could have a material, adverse effect on the results of operations. As a part of operating this program, there is a possibility that government authorities may make adjustments to amounts previously recorded by the Hospital. The Hospital's attestation of demonstrating meaningful use is also subject to review by the appropriate government authorities. The amount of revenues recognized is based on management's best estimate, which is subject to change. Such changes will be reflected in the period in which the changes occur.

New Accounting Standards Adopted

During the fiscal year ended March 31, 2018, the Hospital adopted GASB 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

The adoption of this standard did not have a significant impact on the financial statements.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash Deposits and Investments

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law, which are to be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Hospital.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to them. As of March 31, 2018, \$2,345,642 of the Hospital's bank balance totaling \$1,967,689 was exposed to custodial credit risk. \$250,000 of deposits, at each institution, was secured by federal deposit insurance coverage, which was not exposed to custodial credit risk. The remaining deposits, which were exposed to custodial credit risk, were secured by the pledge of securities owned by the fiscal agent bank.

The Hospital's investments generally are reported at fair value, as discussed in Note 1. The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on 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.

The Hospital had the following recurring fair value measurements as of March 31, 2018 and 2017:

Investments by Fair Value Level	2018	Level 1	Level 2	Level 3
U.S. Agencies	\$ 12,116,641	\$ 1,115,334	\$ 11,001,307	\$ -
Total	\$ 12,116,641	\$ 1,115,334	\$ 11,001,307	\$ -

Investments by Fair Value Level	2017	Level 1	Level 2	Level 3
U.S. Agencies	\$ 12,170,654	\$ 1,002,288	\$ 11,168,366	\$ -
Total	\$ 12,170,654	\$ 1,002,288	\$ 11,168,366	\$ -

The Hospital had the following investment maturities as of March 31, 2018 and 2017:

March 31, 2018	Carrying Amount	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Investment Type					
U.S. Agencies	\$ 12,116,641	\$ 3,868,270	\$ 8,248,371	\$ -	\$ -
Total	\$ 12,116,641	\$ 3,868,270	\$ 8,248,371	\$ -	\$ -

March 31, 2017	Carrying Amount	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Investment Type					
U.S. Agencies	\$ 12,170,654	\$ 1,630,358	\$ 9,591,496	\$ 948,800	\$ -
Total	\$ 12,170,654	\$ 1,630,358	\$ 9,591,496	\$ 948,000	\$ -

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 2. Continued

Interest Rate Risk- The Hospital's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk - The Hospital's investment policy, in compliance with Louisiana Revised Statute 33:2955, allows the Hospital to invest in United States Treasuries, United States Agency securities, and certificates of deposit. As of March 31, 2018, the Hospital's investment in U.S. Agencies were rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's.

Concentration of Credit Risk - The Hospital's investment policy does not limit the amount the Hospital may invest in any one issuer. More than 5 percent of the Hospital's investments are in the Federal Credit Bank, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal Agricultural Mortgage Corporation, and the Federal National Mortgage Association. These investments are 21 percent, 31 percent, 17 percent, 8 percent, and 23 percent of total investments, respectively, at March 31, 2018.

Note 3. Restricted and Internally Designated Assets

The amounts reported as restricted assets are comprised of cash held by the trustee bank for debt service on behalf of the Hospital related to their required long-term debt described in Note 6. In addition, internally designated funds for capital acquisitions are set aside under the control of the Board of Commissioners and may, at its discretion, use these funds for other purposes.

The restricted and internally designated assets, which consist of cash, certificates of deposits and U.S. Agencies as of March 31 are as follows:

	2018	2017
Held by trustee for debt service		
Sinking fund	\$ 51,947	\$ 51,909
Reserve fund – rural development	922,338	866,222
Contingency fund	540,681	486,927
Rural Development transfer account	64,701	32,376
Internally designated for capital acquisitions	12,116,641	12,170,654
Total	\$ 13,696,308	\$ 13,608,088

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 4. Patient Accounts Receivable

Patient accounts receivable consist of the following:

	2018	2017
Receivable from patients and their insurance carriers	\$ 2,721,158	\$ 3,428,865
Receivable from Medicare	1,808,437	2,763,653
Receivable from Medicaid	1,598,523	2,117,160
Total patient receivables	6,128,118	8,309,678
Less: Allowance for contractual adjustments and doubtful accounts	3,877,180	5,499,574
Patient accounts receivable, net	<u>\$ 2,250,938</u>	<u>\$ 2,810,104</u>

Note 5. Capital Assets

Capital assets and depreciation activity for the year ended March 31, 2018 and 2017, are as follows:

	March 31, 2017	Additions	Disposals	March 31, 2018
Capital assets not being depreciated:				
Land	\$ 1,227,036	\$ -	\$ -	\$ 1,227,036
Total capital assets not being depreciated	<u>1,227,036</u>	<u>-</u>	<u>-</u>	<u>1,227,036</u>
Capital assets being depreciated				
Buildings and improvements	24,510,379	125,303	-	24,635,682
Equipment	9,290,986	335,015	(67,502)	9,558,499
Total capital assets being depreciated	<u>33,801,365</u>	<u>460,318</u>	<u>(67,502)</u>	<u>34,194,181</u>
Less: total accumulated depreciation	<u>(16,076,959)</u>	<u>(1,528,832)</u>	<u>54,310</u>	<u>(17,551,481)</u>
Total capital assets being depreciated, net	<u>17,724,406</u>	<u>(1,068,514)</u>	<u>(13,192)</u>	<u>16,642,700</u>
Capital assets, net	<u>\$ 18,951,442</u>	<u>\$ (1,068,514)</u>	<u>\$ (13,192)</u>	<u>\$ 17,869,736</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

Capital assets and depreciation activity for the year ended March 31, 2017 and 2016 follows:

	March 31, 2016	Additions	Disposals	Transfers	March 31, 2017
Capital assets not being depreciated:					
Land	\$ 1,227,036	\$ -	\$ -	\$ -	\$ 1,227,036
Construction in progress	10,786	559,104	-	(569,890)	-
Total capital assets not being depreciated	1,237,822	559,104	-	(569,890)	1,227,036
Capital assets being depreciated					
Buildings and improvements	24,504,427	5,952	-	-	24,510,379
Equipment	8,971,655	74,441	(325,000)	569,890	9,290,986
Total capital assets being depreciated	33,476,082	80,393	(325,000)	569,890	33,801,365
Less: total accumulated depreciation	(14,921,340)	(1,480,619)	325,000	-	(16,076,959)
Total capital assets being depreciated, net	18,554,742	(1,400,226)	-	569,890	17,724,406
Capital assets, net	\$ 19,792,564	\$ (841,122)	\$ -	\$ -	\$ 18,951,442

For the years ended March 31, 2018 and 2017, depreciation expense was \$1,528,832 and \$1,480,619, respectively.

Note 6. Long-Term Debt

A schedule of changes in the Hospital's long-term debt for the years ended March 31, 2018 follows:

	Balance March 31, 2017	Additions	Retirements	Balance September 30, 2018	Due Within One Year
Revenue Bonds					
Series 2008 R-1	\$ 6,820,104	\$ -	\$ (109,232)	\$ 6,710,872	\$ 113,825
Series 2014	6,345,003	-	(432,854)	5,912,149	446,420
Total debt	\$ 13,165,107	\$ -	\$ (542,086)	\$ 12,623,021	\$ 560,245

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 6. Continued

A schedule of changes in the Hospital's long-term debt for the years ended March 31, 2017 follows:

	Balance March 31, 2016	Additions	Retirements	Balance September 30, 2017	Due Within One Year
Revenue Bonds					
Series 2008 R-1	\$ 6,924,929	\$ -	\$ (104,825)	\$ 6,820,104	\$ 109,232
Series 2014	6,764,703	-	(419,700)	6,345,003	432,855
Limited Tax Certificates	540,574	-	(540,574)	-	-
Total debt	\$ 14,230,206	\$ -	\$ (1,065,099)	\$ 13,165,107	\$ 542,087

On July 2, 2008, the Hospital issued \$7,600,000 of Revenue Bonds, Series 2008 R-1, as a single, fully registered bond issue, payable through July 2, 2048, at an interest rate of 4.125 percent.

On June 4, 2014, the Hospital issued \$7,470,000 of Hospital Revenue Refunding Bonds, Series 2014, as a single, fully registered bond issue, payable through June 2, 2029, at an interest rate of 3.09 percent to current refund \$8,185,000 of outstanding 2008 Series A-D bonds with an average interest rate of 7.80 percent. The proceeds of \$7,470,000, together with internal funds of \$1,856,370 (which includes monies in the existing sinking fund, a call premium, a forward fee and accrued interest), were used to secure the repayment of the outstanding 2008 Series bonds. As a result, the 2008 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,176,708. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2030 using the straight-line method. For the years ended March 31, 2018 and 2017, the deferred amount on refunding totaled \$875,994 and \$954,442, respectively.

The bonds are collateralized by a pledge of the Hospital Service District's revenue, land, building and improvements, and personal property thereon. Under the terms of the revenue note indenture, the Hospital is required to maintain certain deposits with a trustee, as mentioned in Note 3. Such deposits are included in restricted and internally designated assets in the statements of net position. These funds are maintained at the trustee and require monthly funding by the Hospital Service District. The revenue note indenture also requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding. The Hospital was in compliance with all covenants of its outstanding bond issues at March 31, 2018 and 2017.

The Hospital had Limited Tax Certificates that are in the name of St. James Parish Government. The purpose of the funding was to construct and improve the public hospital buildings. There was no formal agreement between the Hospital and the Parish; however, both were operating under the understanding that the debt is that of the Hospital to be paid by the Hospital. Since the inception of the limited tax certificates, 2009, the Hospital has paid the monthly principal and interest required by the agreements. These certificates were paid in full in 2017.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 6. Continued

Scheduled interest and principal payments on long-term debt at March 31, 2018 are as follows:

Year Ending March 31,	Principal	Interest
2019	\$ 560,245	\$ 451,085
2020	579,021	432,309
2021	598,437	412,893
2022	618,516	392,815
2023	639,278	372,052
2024 - 2028	3,533,518	1,523,134
2029 - 2033	1,697,152	1,023,931
2034 - 2038	1,148,071	794,489
2039 - 2043	1,410,550	532,010
2044 - 2048	1,733,039	209,521
2049 - 2052	105,194	786
	\$ 12,623,021	\$ 6,145,025

Note 7. Pension Plan

Plan Description

The Hospital is a member of the Parochial Employees' Retirement System of Louisiana (PERS or the System), a cost-sharing multiple-employer defined benefit pension plan. All full-time, permanent employees working at least 28 hours per week who are paid wholly or in part from the Hospital's funds are eligible to participate in PERS Plan B.

Under PERS Plan B, any member can retire providing he/she meets one of the following:

For employees hired prior to January 1, 2007:

1. Age 55 with thirty (30) years of creditable service
2. Age 60 with a minimum of ten (10) years of creditable service
3. Age 65 with a minimum of seven (7) years of creditable service

For employees hired after January 1, 2007:

1. Age 55 with thirty (30) years of service
2. Age 62 with ten (10) years of service
3. Age 67 with seven (7) years of service

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two (2) percent of the member's final average compensation multiplied by his years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues a publicly available financial report that includes financial statements and required supplementary information.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, accessed via internet at www.persla.gov, or calling (225) 928-1361.

Contributions

Contributions to Plan B include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish except Orleans and East Baton Rouge parishes. Plan B members are required to contribute 3 percent of their annual covered salary. The Hospital is required to contribute at an actuarially determined rate. The current rate is 8 percent of annual covered salary for the year ended March 31, 2018. As provided by LRS 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation of the prior year. The Hospital's contributions to Plan B for the years ended March 31, 2018, 2017, and 2016, were \$686,766, \$673,259, and \$720,694, respectively, which is equal to the required contribution.

Net Pension Asset (Liability)

At March 31, 2018 and 2017, the Hospital reported an asset (liability) of \$1,073,503 and (\$1,092,285), respectively, for its proportionate share of the net pension asset (liability). The net pension asset (liability) was measured as of December 31, 2017 and 2016, and was determined by actuarial valuation as of that date. The Hospital's proportion of the net pension asset (liability) was based on a projection of the Hospital's long-term share of contributions to the pension plan relative to the projected contributions of all municipalities, actuarially determined. At December 31, 2017 and 2016, the Hospital's proportion was 8.532025 percent and 8.408189 percent, respectively.

For the years ended March 31, 2018 and 2017, the Hospital recognized pension expense of \$631,048 and \$735,270, respectively. At March 31, 2018 and 2017, the Hospital reported deferred outflows of resources and deferred inflows of resources related to its pension from the following sources:

	2018	2017
Deferred outflows of resources		
Pension contributions subsequent to measurement date	\$ 153,372	\$ 159,053
Difference between expected and actual investment earnings	-	1,090,497
Changes of assumptions	631,619	130,277
Changes in proportion and differences between Hospital change in proportion	3,196	1,760
Total deferred outflows of resources	<u>\$ 788,187</u>	<u>\$ 1,381,587</u>
Deferred inflows of resources		
Difference between expected and actual experience	\$ 559,064	\$ 311,772
Net difference between projected and actual earnings on pension plan investments	1,263,464	-
Changes in proportion and differences between Hospital change in proportion	1,058	2,276
Total deferred inflows of resources	<u>\$ 1,823,586</u>	<u>\$ 314,048</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

In the years ended March 31, 2018 and 2017, respectively, \$153,372 and \$159,053 reported as deferred outflows of resources related to pensions resulting from the Hospital's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an expense in pension expense/(benefit) as follows:

2019	\$ (57,624)
2020	(172,177)
2021	(469,274)
2022	(489,696)
	\$ (1,188,771)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining net pension liability as of March 31, 2018, is as follows:

Valuation date	December 31, 2018
Actuarial cost	Method Entry Age Normal
Investment return	6.75% (Net of Investment Expense, including inflation)
Expected remaining service lives	4 Years
Projected salary increases	5.25% (2.75% Merit/2.50% Inflation)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Mortality	RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	35%	1.24%
Equity	52%	3.57%
Alternatives	11%	0.69%
Real assets	2%	0.12%
	<u>100%</u>	<u>5.62%</u>
Inflation		<u>2.00%</u>
Expected arithmetic normal rate		<u>7.62%</u>

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up), and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00 percent and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62 percent, for the year ended December 31, 2017.

The discount rate used to measure the total pension liability was 6.75 percent for Plan B. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement System's Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

Sensitivity of the Hospital's Proportionate Share of the Net Pension Asset (Liability) to Changes in the Discount Rate

The following presents the net pension asset (liability) of the Hospital as of March 31, 2018 and 2017, using the discount rate of 6.75 percent and 7.00 percent as of March 31, 2018 and 2017, respectively.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
2018			
Hospital's proportionate share of the net pension asset (liability)	\$ (2,287,457)	\$ 1,073,503	\$ 3,908,590
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
2017			
Hospital's proportionate share of the net pension asset (liability)	\$ (4,152,587)	\$ (1,092,285)	\$ 1,491,034

Note 8. Patient Service Revenue

The Hospital has agreements with third-party payors providing payments to the Hospital at amounts different from the Hospital's established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare - Since obtaining critical access designation, inpatient and outpatient services rendered to Medicare programs beneficiaries are reimbursed under cost reimbursement methodologies. The Hospital is reimbursed by the Medicare fiscal intermediary at a tentative interim rate with final settlement determined with the submission of annual cost reports and audits. The Hospital's Medicare cost reports have been filed with the Medicare fiscal intermediary through March 31, 2018. Desk reviews have been performed on reports issued through March 31, 2016.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been filed with the fiscal intermediary through March 31, 2018. A desk review has been performed on Medicaid reports issued through March 31, 2017.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

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

The Hospital is located in Litcher, Louisiana and grants credit without personal collateral to its patients and their insurance companies, most of whom are residents in the area. The mix of patient service revenues is as follows:

	2018	2017
Medicare	20%	20%
Medicare Advantage	21	18
Medicaid	27	23
Commercial Providers	28	33
Self pay	4	6
	100%	100%

Note 9. Charity Care

The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated \$204,508 and \$581,733 for the years ended March 31, 2018 and 2017, respectively. The estimated cost of charity care, estimated using a ratio of cost to gross charges, totaled approximately \$97,000 and \$204,000 for the years ended March 31, 2018 and 2017, respectively.

Note 10. Insurance Programs

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self-insurance of (1) hospital professional liability and comprehensive general liability, and (2) statutory workers' compensation. The Hospital carries commercial insurance for all other risk of loss.

The trust funds for professional liability/comprehensive general liability and statutory workers compensation are pooling arrangements whereby there is a sharing of risk among the participants of the trust funds. The Hospital reports its premiums as insurance expenditures and expenses these premiums over the pro rata periods involved.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 11. Blended Component Units

In accordance with GASB No. 61, see below for a reconciliation of the financial statement line items by component:

	March 31, 2018		
	SJPH	SJPA	Total
Condensed Statements of Net Position			
Assets			
Current assets	\$ 15,137,581	\$ 83,925	\$ 15,221,506
Restricted and internally designated assets	13,696,308	-	13,696,308
Capital assets	17,869,736	-	17,869,736
Net pension asset	1,073,503	-	1,073,503
Total assets	47,777,128	83,925	47,861,053
Deferred outflows of resources	1,664,181	-	1,664,181
Total assets and deferred outflows of resources	\$ 49,441,309	\$ 83,925	\$ 49,525,234
Liabilities			
Current liabilities	\$ 2,401,244	\$ 83,925	\$ 2,485,169
Long-term liabilities	12,062,776	-	12,062,776
Total liabilities	14,464,020	83,925	14,547,945
Deferred inflows of resources	1,823,586	-	1,823,586
Net position	33,153,703	-	33,153,703
Total liabilities and deferred inflows of resources and net position	\$ 49,441,309	\$ 83,925	\$ 49,525,234
Condensed statements of revenues, expenses and changes in net position			
Operating revenues	\$ 23,681,550	\$ 1,889,073	\$ 25,570,623
Depreciation	1,528,832	-	1,528,832
Other operating expenses	23,076,485	1,889,073	24,965,558
Non-operating revenues	2,366,174	-	2,366,174
Change in net position	\$ 1,442,407	\$ -	\$ 1,442,407

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Years Ended March 31, 2018 and 2017

NOTES TO FINANCIAL STATEMENTS

Note 11. Continued

	March 31, 2017		
	SJPH	SJPA	Total
Condensed Statements of Net Position			
Assets			
Current assets	\$ 12,669,925	\$ 104,325	\$ 12,774,250
Restricted and internally designated assets	13,608,088	-	13,608,088
Capital assets	18,951,442	-	18,951,442
Total assets	45,229,455	104,325	45,333,780
Deferred outflows of resources	2,336,029	-	2,336,029
Total assets and deferred outflows of resources	<u>\$ 47,565,484</u>	<u>\$ 104,325</u>	<u>\$ 47,669,809</u>
Liabilities			
Current liabilities	\$ 1,824,835	\$ 104,325	\$ 1,929,160
Long-term liabilities	13,715,305	-	13,715,305
Total liabilities	15,540,140	104,325	15,644,465
Deferred inflows of resources	314,048	-	314,048
Net position	<u>31,711,296</u>	<u>-</u>	<u>31,711,296</u>
Total liabilities and deferred inflows of resources and net position	<u>\$ 47,565,484</u>	<u>\$ 104,325</u>	<u>\$ 47,669,809</u>
Condensed statements of revenues, expenses and changes in net position			
Operating revenues	\$ 23,951,729	\$ 1,749,019	\$ 25,700,748
Depreciation	1,480,619	-	1,480,619
Other operating expenses	22,139,237	1,749,019	23,888,256
Non-operating revenues	2,013,751	-	2,013,751
Change in net position	<u>\$ 2,345,624</u>	<u>\$ -</u>	<u>\$ 2,345,624</u>

Note 12. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued September 26, 2018, and determined that other than as described below, no events occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ST. JAMES PARISH HOSPITAL
Schedule of Employer Contributions and Proportionate Share of Net Pension Liability
PERS Pension Plan
March 31, 2018

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2018	2017	2016
Statutorily required employer contribution	\$ 686,766	\$ 673,259	\$ 720,694
Contributions in relation to the statutorily required contributions	(686,766)	(673,259)	(720,694)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 8,584,575	\$ 8,415,735	\$ 8,224,215
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	8.76%

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2018	2017	2016
Proportion of the net pension asset (liability)	8.532025%	8.408189%	8.710641%
Proportionate share of the net pension asset (liability)	\$ 1,073,503	\$ (1,092,285)	\$ (1,550,889)
Covered-employee payroll	\$ 8,584,575	\$ 8,376,161	\$ 8,372,011
Proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	13%	-13%	-19%
Plan fiduciary net position as a percentage of the total pension asset (liability)	104%	96%	93%

* The amounts presented for each fiscal year were determined as of December 31.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended March 31, 2018

Agency Head

Mary Ellen Pratt, Chief Executive Officer

Purpose	Amount
Salary	\$ 211,799
Benefits – Insurance	7,646
Benefits – Retirement	16,691
Benefits – Other – Employer 457 Match	7,409
Car Allowance	9,000
Vehicle Provided by Government	-
Cellphone	-
Per Diem	-
Reimbursements	-
Travel	114
Registration Fees	2,407
Conference Travel	8,900
Continuing Professional Education Fees	-
Housing	-
Unvouchered Expenses	-
Other - Dues	425



**INDEPENDENT AUDITOR'S 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**

Board of Trustees
St. James Parish Hospital Service District
Lutcher, Louisiana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of St. James Parish Hospital Service District (the "Hospital"), as of March 31, 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated September 26, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

HORNE LLP

Ridgeland, Mississippi
September 26, 2018

**ST. JAMES PARISH
HOSPITAL SERVICE DISTRICT**

A Component Unit of St. James Parish Council

**Independent Accountant's Report
on Applying Agreed-Upon Procedures**
For the Fiscal Period
April 1, 2017 through March 31, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

The Board of Commissioners
St. James Parish Hospital Service District No. 1 of
St. James Parish, State of Louisiana

We have performed the procedures enumerated below, which were agreed to by St. James Parish Hospital Service District No. 1 of St. James Parish, State of Louisiana, d/b/a St. James Parish Hospital (the "Hospital") and the Louisiana Legislative Auditor ("LLA") on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures ("SAUPs") for the fiscal period April 1, 2017 through March 31, 2018. The Hospital's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Determine whether the Hospital's written policies and procedures address each of the following financial/business functions: budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, credit cards, travel and expense reimbursement, ethics and debt service.

We obtained and examined the Hospital's policies and procedures documentation for each of the financial/business functions listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs 1.

Board/Committee Meetings

2. Determine whether the managing Board met (with quorum) at least monthly, or on a frequency in accordance with the Board of Commissioners' (the "Board") enabling legislation, charter, or other equivalent document.

Management provided us with the required minutes and we noted that the Board of Commissioners met monthly and maintained the necessary quorum to conduct their meetings during the reporting period.

3. Determine that the minutes referenced or included monthly budget-to-actual financials.

It was determined from the minutes provided by management that monthly budget-to-actual financial information was reviewed at each meeting by the Board of Commissioners.

4. If budget-to-actual comparison was shown, determine whether management was deficit spending during the fiscal period and whether there is a formal/written plan to eliminate the deficit spending.

We noted during our examination of the minutes provided by management that the budget-to-actual financial information was reviewed in the Board of Commissioners meetings.

5. If there is a formal/written plan to eliminate the deficit spending, determine whether any minutes reflect that the Board is monitoring the plan in accordance with its written policy.

We noted during our examination of the minutes provided by management that the budget-to-actual financial information was reviewed in the Board of Commissioners meetings.

6. Determine whether the minutes referenced or included non-budgetary financial information such as approval of contracts, approval of disbursements, etc.

Management provided us with the required minutes and we noted non-budgetary financial information was reviewed and, if necessary, approval given during the monthly meeting of the Board of Commissioners.

Bank Reconciliations

7. Obtain from management a listing of all bank accounts held by the Hospital.

Management provided us with the required list of Hospital bank accounts.

8. Select a sample of one-third of the bank accounts provided in the listing obtained from management in SAUP 7. For each sample, obtain bank statements and reconciliations for all months in the reporting period and determine whether:

- a) Bank reconciliations have been prepared for the sample selected;

We inspected supporting documentation, including bank statements and reconciliations, for all months related to the eight accounts sampled. We noted that all months were reconciled to the general ledger.

- b) The sampled bank reconciliations were properly reviewed by management;

We inspected supporting documentation, including bank statements and reconciliations, for all months related to the eight accounts sampled. We noted that all months were approved by personnel other than the employee responsible for preparing the reconciliation.

- c) Management has researched reconciling items that have been outstanding for more than six months as of the end of the reporting period and documented such research accordingly, if applicable.

We inspected supporting documentation for reconciling items per the bank reconciliations, noting no items outstanding for more than six months.

Collections

9. Obtained from management a listing of all cash collection locations maintained by the Hospital.
10. Select a sample of one-third of the collection locations provided in the listing obtained from management in SAUP 9. For each sample, obtain:
 - a) Any existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (i) bonded, (ii) not responsible for depositing cash in the bank, recording the transaction or reconciling the bank account, and (iii) not required to share the same cash register or drawer with another employee.

We performed inquiries and reviewed supporting documentation related to the cash collection process and noted:

- (i) **All employees associated with collecting cash are bonded;**
 - (ii) **All cashiers are responsible for writing up the deposit and entering the information into the accounting system. However after writing up the deposit, all documentation is picked up by the patient financial services department, verified and delivered to the bank. The finance department is solely responsible for reconciling all bank accounts;**
 - (iii) **Some cashiers do share the same cash drawer; however, when on duty each cashier has a unique log-in for the accounting system.**
- b) Any existing written documentation (e.g. sequentially numbered receipts, system reports, reconciliation worksheets, policy manual) and report whether the Hospital has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections.

We performed inquiries and reviewed supporting documentation related to the cash collection process and noted all cash collection documentation is forwarded to the patient financial services department and they are solely responsible for reconciling the daily cash and making the deposit. The finance department is then provided with copies of all documentation and they perform the monthly reconciling of bank accounts to the general ledger accounts. This is consistent with management's written policies regarding the cash collection process.

11. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the reporting period and:
 - a) Using supporting collection documentation, trace daily collections to the deposit date on the corresponding bank statement and determine whether the deposits were made within one day of collection.

We inspected supporting documentation, including bank statements, check copies, EFT transfers, etc., noting all deposits were submitted timely.

- b) Using supporting collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

We inspected supporting documentation, including bank statements, check copies, EFT transfers, etc., noting all total deposit amounts were properly supported and footed.

12. Obtain written documentation (e.g. policy manual, written procedures) and report whether the Hospital has a process specifically defined to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions by a person who is not responsible for collections.

We performed inquiries and reviewed supporting documentation related to the cash collection process and noted all cash collections are documented properly. The completeness of collections is addressed in the Hospital's policies and we also noted that those responsibilities are executed by personnel separate from the actual cash collections.

Disbursements

13. Obtain from management a listing of all Hospital disbursements for the reporting period.
14. Select a sample of 25 disbursements, excluding credit cards, provided in the listing obtained from management in SAUP 13. Obtain supporting documentation for each transaction to determine whether the documentation demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions.

We reviewed supporting documentation related to the disbursement sample and noted all purchases were properly initiated using a written requisition or through the purchase order system.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

We reviewed supporting documentation related to the disbursement sample and noted all purchases were properly approved by someone other than the person initiating the purchase via the written requisition or through the purchase order system.

- c) Payments for purchases were not processed without (i) an approved requisition and/or purchase order, or electronic equivalent; (ii) a receiving report showing receipt of goods purchased, or electronic equivalent; and (iii) an approved invoice.

We performed inquiries and reviewed supporting documentation related to the disbursement sample and noted:

- (i) All purchases had an approved requisition and/or purchase order, or electronic equivalent;
 - (ii) All purchases had a receiving report or electronic equivalent;
 - (iii) All purchases had an approved invoice.

15. Using Hospital documentation (e.g. electronic system control documentation, written procedure, policy manual), report whether the person responsible for processing payments is prohibited from adding vendors to the Hospital's purchasing/disbursement system.

We reviewed management's purchasing/disbursement-related policies and noted that the policy currently lists the AP staff as the position whose responsibilities include adding vendors to the Hospital's purchasing/disbursement system. However, we noted that the new vendor requisition form must be approved by an individual outside the payable department.

16. Using Hospital documentation (e.g. electronic system control documentation, written procedure, policy manual), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

We reviewed management's purchasing/disbursement related policies and noted that final authorization for disbursements does not come from the person responsible for initiating or recording purchases.

17. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons who do not have signatory authority. Alternatively, if the checks are electronically printed on blank check stock, review Hospital documentation (electronic system control documentation) and determine whether the persons with signatory authority have system access to print checks.

We performed inquiries and observed the locked location where all unused checks are maintained. We confirmed that the only personnel with access to unused checks do not have signatory authority to issue the checks.

18. If a signature stamp or signature machine is used, inquire of the signer whether his/her signature is maintained under his/her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed.

We performed inquiries and observed that all checks issued by the Hospital are stamped with a signature stamp which is maintained in a locked safe. The checks are stamped with the signature on them with the knowledge and consent of the signer. The signed checks are likewise maintained by an authorized user until mailed or picked up.

Credit Cards

19. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards maintained by the Hospital.
20. Select a sample of 2 cards used from the listing obtained from management in SAUP 19 during the reporting period. For each sample, obtain bank statements and reconciliations for all months in the reporting period.

Management provided us with all the required bank statements and reconciliations of all months for the sample selected.

21. Select the monthly statement with the largest dollar activity for each sample obtained from management in SAUP 20 and:
 - a) Determine whether the monthly statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder;

We reviewed monthly statements and supporting documentation related to credit card activity selected and noted all items were approved in accordance with written policy.

- b) Determine whether finance charges and/or late fees were assessed on the selected statements.

We reviewed statements related to all credit card activity selected and noted no assessment of finance charges and/or late fees.

- c) For each transaction, determine whether the transaction is supported by (i) an original itemized receipt, (ii) documentation of the business/public purpose (for meal charges, there should also be documentation of the individuals participating), and (iii) other documentation that may be required by written policy (e.g., purchase order, written authorization).

We performed inquiries and reviewed supporting documentation related to the reimbursement sample and noted:

- (i) **All the credit card activity selected had original receipts identifying the item that was purchased;**
 - (ii) **All the credit card activity selected included documentation as to the purpose or the individuals participating for a meal charge.**
 - (iii) **All the credit card activity selected had necessary documentation to meet Hospital's written policies.**
- d) For each transaction, compare the transaction details to the Hospital's written purchasing/disbursement policies and the Louisiana Public Bid Law and determine if there are any exceptions.

We reviewed supporting documentation related to all credit card activity selected and noted all expenses were in accordance with written policies and the Louisiana Public Bid Law.

- e) For each transaction, compare the Hospital's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and determine if there are any exceptions.

We reviewed supporting documentation related to the credit card activity selected and noted no prohibited transactions per Article 7, Section 14 of the Louisiana Constitution.

Travel and Expense Reimbursement

22. Obtain from management a listing of all travel and related expense reimbursements for the reporting period.
23. Obtain the Hospital's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ("GSA") and determine if there are any exceptions exceeding the GSA rates.

We reviewed management's travel and expense reimbursement policy and noted that mileage is reimbursed per the IRS standard mileage rates. We noted that lodging is not set with a specific threshold but an economical room is recommended. We also noted that the Hospital has a set amount for meals under the current policy language for reimbursement of per diem at \$85, which could exceed the GSA rates. If expenses are higher than the allowed per diem, administrative approval is required.

24. Select a sample of three employees who incurred the most travel costs during the reporting period provided in the listing obtained from management in SAUP 22. For each sample, obtain the expense reimbursement reports or prepaid expense documentation, including supporting documentation, and choose the largest travel expense for each person to review in detail as follows:
- a) Compare expense documentation to written policies and determine whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging).

We reviewed supporting documentation related to all reimbursements selected and noted all expenses were reimbursed or prepaid in accordance with written policy.

- b) Determine whether each expense is supported by (i) an original itemized receipt that identifies precisely what was purchased, (ii) documentation of the business/public purpose, and (iii) other documentation as may be required by written policy.

We performed inquiries and reviewed supporting documentation related to the reimbursement sample and noted:

- (i) **All expenses reimbursed (or prepaid) had original receipts identifying what was purchased;**
- (ii) **All expenses reimbursed (or prepaid) had documentation regarding the business/public purpose of the travel;**
- (iii) **All expenses reimbursed (or prepaid) had all other required documentation present.**

- c) Compare the Hospital's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and determine if there are any exceptions.

We reviewed supporting documentation related to each reimbursement and noted no prohibited transactions per Article 7, Section 14 of the Louisiana Constitution.

- d) Determine whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We reviewed supporting documentation related to each reimbursement and noted all were approved in accordance with written policy.

Contracts

- 25. Obtain from management a listing of all contracts in effect during the reporting period.
- 26. Select a sample of five vendors during the reporting period, excluding state contracts and payments to practitioners, provided in the listing obtained from management in SAUP 25. Obtain the related contracts and paid invoices and:
 - a) Determine whether there is a formal written contract that supports the services arrangement and the amount paid.

We reviewed supporting documentation related to each vendor selected and noted all maintained formal contracts for services provided.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Determine whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and whether each contract complied with the legal requirements applicable.

We reviewed supporting documentation related to each contract selected and noted all were compliant with applicable legal requirements, whether subject to the Louisiana Public Bid Law or Procurement Code.

- c) Determine whether the contract was amended and if so, determine the scope and dollar amount of the amendment and whether the original contract terms provided for such an amendment.

We reviewed supporting documentation related to each contract selected and noted no amendments.

- d) Obtain/review the contract documentation and Board minutes and determined whether there is documentation of Board approval, if required by policy or law.

We reviewed supporting documentation related to each contract selected and noted all appropriate contracts were noted in the Board minutes and approved, if required by policy or law.

27. Select a sample of the largest single payment from each of the five vendors' samples pulled in SAUP 25. Obtain the supporting invoice, compare the invoice to the contract terms, and determine whether the invoice and related payment complied with the terms and conditions of the contract.

We reviewed supporting documentation related to each payment selected and noted all were compliant with all terms and conditions per each contract.

Payroll and Personnel

28. Obtain from management a listing of all employees during the reporting period. Select a sample of five employees and obtain their personnel files, and:

- a) Review compensation paid to each employee during the reporting period and determine whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

We reviewed supporting documentation within personnel files related to the employees selected and noted all compensation paid during the reporting period was made in accordance with terms and conditions of the employment contract or pay rate structure.

- b) Review changes made to hourly pay rates/salaries during the reporting period and determine whether those changes were approved in writing and in accordance with written policy.

We reviewed supporting documentation within personnel files related to the employees selected and noted all pay rate/salary changes made during the reporting period were made in accordance with policies and with the proper approval of management.

29. Obtain from management a listing of all attendance and leave records during the reporting period. Select one pay period, within that pay period, select a sample of 25 employees and:

- a) Determine whether all selected employees documented their daily attendance and leave (e.g. vacation, sick, compensatory).

We reviewed supporting documentation related to selected employees' attendance, noting all attendance and leave is maintained electronically via the Hospital's time clock system.

- b) Determine whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.

We reviewed supporting documentation related to employee attendance for the employees selected and noted all attendance sheets had been approved by proper supervisors for the chosen pay period.

- c) Determine whether there is written documentation that the Hospital maintained written leave records (e.g. hours earned, hours used, and balance available) on those selected employees that earn leave.

We reviewed supporting documentation related to employee attendance, noting all attendance and leave is maintained electronically via the Hospital's time clock system.

30. Obtain from management a listing of all employees terminated during the reporting period. Select a sample of the two employees who received the largest termination payments. Obtain the personnel files for the sample and determine whether the termination payments were made in accordance with policy and/or contract and approved by management.

Management provided us with the required list of all employees terminated during the reporting period and the personnel files related to the employees selected. We reviewed supporting documentation and noted termination payments were made in accordance with policies and with the proper approval of management.

31. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the reporting period. Determine whether the employee and employer portions of payroll taxes and retirement contributions, as well as any required reporting forms, were submitted to the applicable agencies by the required deadlines.

We inspected supporting documentation relating to payroll taxes and retirement contributions during the reporting period, including bank statements and check copies, noting all portions of payroll taxes and retirement contributions, as well as any required reporting forms, were submitted timely.

Ethics

32. Using the sample of five employees from the listing provided in SAUP 28, obtain ethics compliance documentation from management and determine whether the Hospital maintained documentation to demonstrate that required ethics training was completed.

We inspected ethics compliance supporting documentation for the employees selected and noted that all required ethics training courses were completed appropriately.

33. Inquire of management whether any alleged ethics violations were reported to the Hospital during the reporting period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, any corrective actions taken, and determine whether management's actions complied with the Hospital's ethics policy.

We inquired with the Hospital's Compliance Officer who noted that there have been no reported instances of ethics violations during the reporting period.

Debt Service

34. If debt was issued during the reporting period, obtain supporting documentation from the Hospital, and determine whether approval was obtained from the State Bond Commission.

The Hospital did not issue any debt during the reporting period.

35. If the Hospital had outstanding debt during the reporting period, obtain supporting documentation from the Hospital and determine whether the Hospital made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

We inspected supporting documentation indicating all required debt service payments were made appropriately. We calculated all required metrics for current debt held by the Hospital, noting all covenants were met as of the reporting period.

36. If the Hospital had tax millages relating to debt service during the reporting period, obtain supporting documentation from the Hospital and determine whether the millage collections exceed debt service payments by more than 10 percent. Also, report any millages that continue to be received for debt that has been paid off.

The Hospital did not receive any tax millages relating to debt services during the reporting period. The current millage provided to the Hospital is for the purpose of construction, improving, maintaining and operating the Hospital.

Other

37. Inquire of management whether the Hospital had any misappropriations of public funds or assets during the reporting period. If applicable, review supporting documentation and determine whether the Hospital reported the misappropriation to the legislative auditor and the Hospital attorney of the parish in which the Hospital is domiciled.

We inquired with the Hospital's Compliance Officer who noted that there have been no reported instances of any misappropriations of funds or assets during the reporting period.

38. Observe whether the Hospital has posted on its premises and website the notice required by R.S 24:523.1 related to the reporting of misappropriation, fraud, waste or abuse of public funds.

We observed the required flyers posted in conspicuous places around the Hospital premises. We also noted that there is a link to the Louisiana Legislative Auditor Hotline on the bottom of the patient information tab of the Hospital's website (<http://www.sjph.org/patient-information>).

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

HORNE LLP

Ridgeland, Mississippi
September 26, 2018