

**St. Helena Parish Hospital
Service District No. 1 and Subsidiary
A Component Unit of the
St. Helena Parish Police Jury
Greensburg, Louisiana
October 31, 2017**

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**St. Helena Parish Hospital Service District No. 1 and Subsidiary
Management's Discussion and Analysis
October 31, 2017**

This portion of St. Helena Parish Hospital Service District No. 1 and Subsidiary's ("the District") annual financial reporting presents background information and management's review of the District's financial performance during the fiscal year ended October 31, 2017. This section should be interpreted within the context of the consolidated financial statements as displayed in this report.

FINANCIAL HIGHLIGHTS

- The financial statements reveal an excess of revenue over expenditures of \$1,010,635. If depreciation expense was not included, then an excess of \$1,654,522 would have occurred.
- Ad valorem tax for the nursing home and hospital combined to generate \$1,046,822 and \$1,062,839 in revenue in 2017 and 2016, respectively.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements of the District report information regarding the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Consolidated Statements of Net Position include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Consolidated Statements of Revenue, Expenses, and Changes in Net Position. This statement measures improvements in the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through its patient service and other revenue sources. The final required financial statement is the Consolidated Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash flows from operations and financial activities, as well as define the sources of cash, its uses, and cash balance changes during the reporting period. Additional statistical information and notes are offered as support, explanation, and information.

FINANCIAL ANALYSIS OF THE HOSPITAL SERVICE DISTRICT

The Consolidated Statements of Net Position and Consolidated Statements of Revenue, Expenses, and Changes in Net Position report data about the District's activities. These two (2) statements report the net position of the District and the change in net position. Increases or decreases in net position are one indicator regarding the financial integrity of the District. Other non-financial indicators include changes in state and local economic conditions, as well as regulatory changes regarding Medicare and Medicaid, especially as these may impact Critical Access Hospital status, and related cost based reimbursements.

**St. Helena Parish Hospital Service District No. 1 and Subsidiary
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FINANCIAL ANALYSIS OF THE HOSPITAL SERVICE DISTRICT (CONTINUED)

Net Position

Summaries of the District's Consolidated Statements of Net Position as of October 31, 2017, 2016, and 2015 are displayed in the following table:

Condensed Statements of Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 8,010,453	\$ 6,371,543	\$ 5,657,907
Assets limited as to use	503,836	747,529	711,595
Property, plant and equipment, net	<u>4,785,898</u>	<u>5,179,935</u>	<u>5,755,516</u>
 Total assets	 <u>\$ 13,300,187</u>	 <u>\$ 12,299,007</u>	 <u>\$ 12,125,018</u>
 Current liabilities	 \$ 1,098,225	 \$ 1,418,935	 \$ 1,549,094
Long-term liabilities	<u>3,606,946</u>	<u>3,295,691</u>	<u>3,714,519</u>
 Total liabilities	 4,705,171	 4,714,626	 5,263,613
 Total net position	 <u>8,595,016</u>	 <u>7,584,381</u>	 <u>6,861,405</u>
 Total liabilities and net position	 <u>\$ 13,300,187</u>	 <u>\$ 12,299,007</u>	 <u>\$ 12,125,018</u>

The following table presents the components of the District's net position at October 31, 2017, 2016, and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net investment in capital assets	\$ 2,309,313	\$ 2,455,995	\$ 2,674,831
Restricted for debt service	503,836	747,529	711,595
Unrestricted	<u>5,781,867</u>	<u>4,380,857</u>	<u>3,474,979</u>
 Total net position	 <u>\$ 8,595,016</u>	 <u>\$ 7,584,381</u>	 <u>\$ 6,861,405</u>

**St. Helena Parish Hospital Service District No. 1 and Subsidiary
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Property, Plant and Equipment

The following table presents the components of property, plant and equipment at October 31, 2017, 2016, and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 413,705	\$ 413,705	\$ 413,705
Buildings	8,151,150	8,378,158	8,351,947
Equipment	2,798,313	3,099,440	3,077,130
Vehicles	164,366	164,366	164,366
Equipment under capital leases	<u>370,662</u>	<u>353,296</u>	<u>353,296</u>
	11,898,196	12,408,965	12,360,444
Less: accumulated depreciation	<u>7,112,298</u>	<u>7,229,030</u>	<u>6,604,928</u>
Property, plant and equipment, net	<u>\$ 4,785,898</u>	<u>\$ 5,179,935</u>	<u>\$ 5,755,516</u>

Summary of Revenue, Expenses, and Changes in Net Position

The following table presents a summary of the District's revenues and expenses for the latest three (3) fiscal years:

	Condensed Statements of Revenue, Expenses and Changes in Net Position		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net patient service revenue	\$ 10,610,297	\$ 10,525,647	\$ 9,626,081
Apartment revenue	<u>283,874</u>	<u>281,075</u>	<u>227,239</u>
Total operating revenue	<u>10,894,171</u>	<u>10,806,722</u>	<u>9,853,320</u>
Salaries	6,717,996	6,581,210	6,356,536
Other operating expenses	5,278,683	5,314,707	5,113,025
Depreciation and amortization	643,887	624,102	648,312
Apartment expense	<u>239,286</u>	<u>237,706</u>	<u>174,121</u>
Total operating expenses	<u>12,879,852</u>	<u>12,757,725</u>	<u>12,291,994</u>
Net non-operating revenue	<u>2,996,316</u>	<u>2,673,979</u>	<u>2,905,456</u>
Change in net position	1,010,635	722,976	466,782
Net position, at beginning of fiscal year	<u>7,584,381</u>	<u>6,861,405</u>	<u>6,394,623</u>
Net position, at conclusion of fiscal year	<u>\$ 8,595,016</u>	<u>\$ 7,584,381</u>	<u>\$ 6,861,405</u>

**St. Helena Parish Hospital Service District No. 1 and Subsidiary
Management's Discussion and Analysis
October 31, 2017**

SOURCES OF REVENUE

The District derives the majority of its total revenue from patient service operations. St. Helena Parish Hospital is a Critical Access Hospital and, as such, has been reimbursed for Medicare services on a cost basis since 2000.

The following table displays payor mix percentages as a function of total billed charges during 2017, 2016, and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	31%	45%	45%
Medicaid	30%	22%	19%
Commercial	34%	24%	25%
Self-Pay	<u>5%</u>	<u>9%</u>	<u>11%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The District derives additional revenue from ad valorem taxes, grants, donations, and meals sold in the cafeteria.

LONG-TERM DEBT

Long-term debt including current portion increased by approximately \$103,000 or 3%.

OPERATING AND FINANCIAL PERFORMANCE

The District's primary source of revenue is derived from patient services and is driven by admissions, which involves converting admissions and treatment into cash collections. The industry standard regarding management of receivables is the measure of outstanding days in accounts receivable. The following table displays both inpatient days and days in accounts receivable from 2017, 2016, and 2015.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Inpatient Days	1,757	2,153	2,028
Outstanding Days in A/R	39	42	42

The District's statistical measure of days in accounts receivable is 39 days. The District does make aggressive attempts to procure payment from self-pay patients, but these receivables must stay on the books for a statutory amount of time to make a claim for uncompensated care reimbursement.

BUDGET AND STRATEGY FOR FISCAL YEAR 2018

The 2018 budget was approved by the Board of Commissioners during its regular meeting in October 2017. Highlights and expectations regarding 2018 are as follows:

Concerning Revenue and Patient Utilization, the hospital expects an inpatient census of 6, which is consistent with 2017. The ancillary departments of the hospital are budgeted for the same or modest utilization increases. Areas for outpatient growth opportunity include Observation, Therapy and Lab. Property taxes for 2018 are budgeted for \$1,125,000.

**St. Helena Parish Hospital Service District No. 1 and Subsidiary
Management's Discussion and Analysis
October 31, 2017**

CONTACTING THE DISTRICT'S CHIEF FINANCIAL OFFICER

This financial report is intended to provide the community, patients, and creditors with a general overview of the District's financial position and demonstrate accountability regarding all revenues received. If further information is required, requests should be submitted in writing to:

Chief Financial Officer
St. Helena Parish Hospital & Nursing Home
16874 Highway 43 North
Greensburg, LA 70441



**HAWTHORN
WAYMOUTH
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Independent Auditor's Report

Board of Commissioners
St. Helena Parish Hospital Service District No. 1 and Subsidiary
Greensburg, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of St. Helena Parish Hospital Service District No. 1 (a component unit of the St. Helena Parish Police Jury) and Subsidiary, as of and for the years ended October 31, 2017 and 2016, and the related notes to the consolidated financial statements, which collectively comprise St. Helena Parish Hospital Service District No. 1 and Subsidiary'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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Helena Parish Hospital Service District No. 1 and Subsidiary as of October 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedules of patient service revenue, schedules of consolidated operating expenses, and schedule of compensation, benefits and other payments to agency head or chief executive officer are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated 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 consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of patient service revenue, schedules of consolidated operating expenses, and schedule of compensation, benefits and other payments to agency head or chief executive officer are fairly stated, in all material respects, in relation to the consolidated 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 April 23, 2018 on our consideration of St. Helena Parish Hospital Service District No. 1 and Subsidiary'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 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 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 St. Helena Parish Hospital Service District No. 1 and Subsidiary's internal control over financial reporting and compliance.


April 23, 2018

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Consolidated Statements of Net Position
October 31, 2017 and 2016

Assets	2017	2016
	2017	2016
Current Assets		
Cash and cash equivalents	\$ 3,531,925	\$ 1,941,500
Patient accounts receivable (net of estimated uncollectibles of \$1,065,528 for 2017 and \$1,432,175 for 2016)	1,316,784	1,490,294
Accounts receivable - other	1,616,611	1,695,026
Estimated third-party payor settlements	1,002,651	677,661
Inventory	367,812	375,609
Prepaid expenses	174,670	191,453
Total current assets	8,010,453	6,371,543
Assets Limited as to Use	503,836	747,529
Property, Plant and Equipment, Net	4,785,898	5,179,935
Total assets	\$ 13,300,187	\$ 12,299,007
Liabilities and Net Position		
Current Liabilities		
Current maturities of notes and other long-term payables	\$ 8,970	\$ 113,221
Current maturities of bonds payable	135,356	224,062
Current maturities of obligations under capital leases	59,358	74,801
Accounts payable	319,357	398,482
Estimated third-party payor settlements	66,602	66,602
Accrued liabilities	508,582	541,767
Total current liabilities	1,098,225	1,418,935
Long-term Liabilities		
Notes and other long-term payables, less current maturities	680,073	688,467
Bonds payable, less current maturities	2,887,714	2,526,382
Obligations under capital leases, less current maturities	39,159	80,842
Total long-term liabilities	3,606,946	3,295,691
Total liabilities	4,705,171	4,714,626
Net Position		
Net investment in capital assets	2,309,313	2,455,995
Restricted for debt service	503,836	747,529
Unrestricted	5,781,867	4,380,857
Total net position	8,595,016	7,584,381
Total liabilities and net position	\$ 13,300,187	\$ 12,299,007

The accompanying notes are an integral part of these consolidated financial statements.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Consolidated Statements of Revenue, Expenses, and Changes in Net Position
Years Ended October 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenue		
Patient service revenue (net of contractual adjustments and discounts)	\$ 11,314,893	\$ 12,040,015
Provision for bad debts	704,596	1,514,368
	<hr/>	<hr/>
Net patient service revenue	10,610,297	10,525,647
Apartment revenue	283,874	281,075
	<hr/>	<hr/>
Total operating revenue	10,894,171	10,806,722
	<hr/>	<hr/>
Operating Expenses		
Salaries	6,717,996	6,581,210
Outside services	1,586,413	1,670,255
Supplies and other	1,505,428	1,413,584
General and administrative	2,186,842	2,230,868
Depreciation and amortization	643,887	624,102
Apartment expense	239,286	237,706
	<hr/>	<hr/>
Total operating expenses	12,879,852	12,757,725
	<hr/>	<hr/>
Operating loss	(1,985,681)	(1,951,003)
	<hr/>	<hr/>
Non-operating Revenue (Expense)		
Ad valorem taxes	1,046,822	1,062,839
Grant income	2,010,686	1,669,232
Other income	78,375	82,456
Interest income	28,480	6,673
Interest expense	(151,159)	(147,221)
Loss on disposal of property, plant and equipment	(16,888)	-
	<hr/>	<hr/>
Total non-operating revenue (expense)	2,996,316	2,673,979
	<hr/>	<hr/>
Change in Net Position, as restated for 2016	1,010,635	722,976
	<hr/>	<hr/>
Net Position		
Beginning of year, as previously reported	7,584,381	6,667,824
Prior-period adjustment - see note 14	-	193,581
	<hr/>	<hr/>
Beginning of year, as restated	7,584,381	6,861,405
	<hr/>	<hr/>
End of year	\$ 8,595,016	\$ 7,584,381
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The accompanying notes are an integral part of these consolidated financial statements.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Consolidated Statements of Cash Flows
Years Ended October 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Receipts from patients and third-party payors	\$ 10,742,691	\$ 10,688,008
Payments to employees and for employee-related costs	(6,676,723)	(6,551,020)
Payments to suppliers for goods and services	(5,646,972)	(5,803,583)
	<hr/>	<hr/>
Net cash used in operating activities	(1,581,004)	(1,666,595)
	<hr/>	<hr/>
Cash Flows from Non-capital Financing Activities		
Ad valorem tax receipts	1,068,262	1,092,832
Grant income	2,067,663	1,885,296
Other income	78,459	82,457
	<hr/>	<hr/>
Net cash provided by non-capital financing activities	3,214,384	3,060,585
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities		
Purchases of property, plant and equipment	(249,372)	(48,522)
Proceeds from issuance of bonds payable	500,000	-
Principal payments on bonds payable	(227,374)	(315,667)
Principal payments on notes payable	(112,645)	(108,407)
Principal payments under capital lease obligations	(74,492)	(70,637)
Interest paid on long-term debt	(151,245)	(158,643)
	<hr/>	<hr/>
Net cash used in capital and related financing activities	(315,128)	(701,876)
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Interest received	28,480	6,672
	<hr/>	<hr/>
Net cash provided by investing activities	28,480	6,672
	<hr/>	<hr/>
Net Increase in Cash and Cash Equivalents	1,346,732	698,786
	<hr/>	<hr/>
Cash and Cash Equivalents, Beginning of Year		
Including \$747,529 and \$711,595 limited as to use for 2017 and 2016, respectively	2,689,029	1,990,243
	<hr/>	<hr/>
Cash and Cash Equivalents, End of Year		
Including \$503,836 and \$747,529 limited as to use for 2017 and 2016, respectively	\$ 4,035,761	\$ 2,689,029
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The accompanying notes are an integral part of these consolidated financial statements.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Consolidated Statements of Cash Flows
Years Ended October 31, 2017 and 2016

	2017	2016
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating loss	\$ (1,985,681)	\$ (1,951,003)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	643,887	624,102
Provision for bad debts	704,596	1,514,368
(Increase) decrease in assets:		
Patient accounts receivable	(531,086)	(1,618,663)
Estimated third-party payor settlements	(324,990)	(2,251)
Inventory	7,797	(6,481)
Prepaid expenses	16,783	(172,391)
Increase (decrease) in liabilities:		
Accounts payable	(79,125)	(70,965)
Estimated third-party payor settlements	-	(12,169)
Accrued liabilities	(33,185)	28,858
Total adjustments	404,677	284,408
Net cash used in operating activities	\$ (1,581,004)	\$ (1,666,595)
Noncash Capital Financing Activities:		
Capital assets of \$17,366 were acquired through a capital lease.		

The accompanying notes are an integral part of these consolidated financial statements.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2017

Note 1-Summary of Significant Accounting Policies

A. Legal Organization

On December 29, 1962, St. Helena Parish Police Jury passed a resolution creating St. Helena Parish Hospital Service District No. 1 and Subsidiary (the District) under the authority of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended.

The governing authority of the District consists of a board of six (6) commissioners, all of whom are qualified electors of the Parish of St. Helena, Louisiana. The Commissioners serve without pay, per diem, or reimbursement of expense, except actual out-of-pocket expenses incurred in the performance of their duties.

B. Nature of Business

The District primarily earns revenue by providing inpatient, outpatient, and emergency care services to patients in the St. Helena Parish area. The District also operates a 72-bed nursing home and a 24-unit apartment complex for the elderly and handicapped.

C. Principles of Consolidation

The financial statements are consolidated as of and for the years ended October 31, 2017 and 2016. These consolidated financial statements include St. Helena Parish Hospital Service District No. 1 and its subsidiary, St. Helena Medical Foundation, Inc. All intercompany accounts and transactions have been eliminated in consolidation. Operations in these consolidated financial statements are predominantly from St. Helena Parish Hospital Service District No. 1.

D. Basis of Accounting and Presentation

The District utilizes the proprietary fund method of accounting, using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

As a proprietary fund, the District distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing patient services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's proprietary fund are charges to customers related to patient services. Operating expenses for the District's proprietary fund include patient care expenses, general and administrative expenses, and depreciation of property, plant and equipment. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

The District follows GASB standards for state and local governments which require that resources be classified for accounting and reporting purposes into the following three net position components:

- The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2017

Note 1-Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting and Presentation (Continued)

- The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted net position results when external constraints are placed on net asset use by creditors, grantors, contributors or laws through constitutional provisions or enabling legislation.
- The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is often designated to indicate that management does not consider them to be available for general operations; however, these designations can be removed or modified.

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

E. Reporting Entity

As the governing authority of the parish, for reporting purposes, St. Helena Parish Police Jury is the financial reporting entity for St. Helena Parish. The financial reporting entity consists of (a) the primary government (Jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Section 2100 of the 2011 Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, establishes criteria for determining which component units should be considered part of St. Helena Parish Police Jury for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit.
2. Financial accountability:
 - a. The primary government appoints a voting majority of the potential component unit's governing body (and) the primary government is able to impose its will on the potential component unit (or)
 - b. When a potential component unit is fiscally dependent on the primary government regardless of whether the organization has separately elected officials or boards.
3. Financial benefit/burden relationship between the Police Jury and the potential component unit.
4. Misleading to exclude: Paragraph 111 of Section 2100 covers other potential component units for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

Because the police jury appoints all members to the District's Board of Commissioners, the District was determined to be a component unit of St. Helena Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only of the funds maintained by the District and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2017

Note 1-Summary of Significant Accounting Policies (Continued)

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant item on the Consolidated Statements of Net Position that involves a greater degree of accounting estimates subject to changes in the near future is the assessment of the allowance for doubtful accounts. As additional information becomes available (or actual amounts are determinable), the recorded estimates are revised and reflected in operating results of the period in which they are determined.

G. Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

H. Patient Accounts Receivable

Accounts receivable from patients, insurance companies, and third-party reimbursement contractual agencies are recorded at established charge rates. Certain third-party insured accounts (Medicare and Medicaid) are based on cost reimbursement agreements, which generally result in the District collecting more or less than the established charge rates with the difference recorded as "contractual adjustments." Final determination of settlement is subject to review by appropriate authorities.

The District provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of all receivables. Management estimates the losses based on historical collection experience coupled with a review of the current status of existing receivables. Accounts are subsequently written off based on individual credit evaluation and specific circumstances of the account.

I. Inventory

Inventory is valued at the lower of cost or net realizable value (first-in, first-out). Inventory is comprised of departmental supplies and pharmaceutical items.

J. Assets Limited as to Use

Assets whose use is limited under terms of the bond indentures are classified as assets limited as to use as shown in Note 3.

K. Property, Plant and Equipment

Property, plant and equipment are stated at cost, except for assets donated to the District. Donated assets are recorded at the appraised value at the date of donation.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2017

Note 1-Summary of Significant Accounting Policies (Continued)

K. Property, Plant and Equipment (Continued)

Equipment under capital leases is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements.

Maintenance, repairs, replacements and improvements of minor amounts are expensed. Major replacements and improvements are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	10 - 40 years
Equipment	5 - 15 years
Vehicles	5 years

L. Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

The District is a "Critical Access Hospital" (CAH), which allows it to receive cost based reimbursements from Medicare and Medicaid.

As a Critical Access Hospital, inpatient services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are reimbursed based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through October 31, 2015.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. Inpatient costs are reimbursed at the prospectively determined peer group per diem, and outpatient costs are reimbursed at cost per the cost report, less 17%. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through October 31, 2013.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2017

Note 1-Summary of Significant Accounting Policies (Continued)

L. Net Patient Service Revenue (Continued)

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. To the extent management's estimates differ from actual results, the differences will be recorded in the year such differences arise.

Rural hospitals can be reimbursed up to 100% for uncompensated care rendered to Medicaid and uninsured patients, commonly referred to as Uncompensated Care Costs (UCC) payments. These payments are based upon estimated uncompensated care costs and are subject to audit by the Louisiana Department of Health and Hospitals. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized. Coverage for uncompensated care is based on the State's fiscal year.

M. Charity Care

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

N. Property Taxes

The Sheriff of St. Helena Parish, as provided by state law, is the official tax collector of property taxes levied by the parish and parish special districts.

The 2017 property tax calendar follows:

Millage rates adopted	June 27, 2017
Tax bills mailed	November 15, 2017
Due date	December 31, 2017
Certified delinquent notice	March 1, 2018

The District records the expected revenues to be received based on factors such as previous years' collections of assessments and the estimated taxable assessed value for the current year. State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. After notice is given to the delinquent taxpayers, the sheriff is required by the constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed.

O. Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2017

Note 1-Summary of Significant Accounting Policies (Continued)

P. Paid Time Off

Paid time off (PTO) includes vacation and holiday pay. Unused PTO hours accumulate and carry over from year to year. Employees may accrue a maximum of 272 hours of PTO, including holidays. Full-time employees earn and vest in PTO according to length of service as follows.

<u>Length of Service</u>	<u>PTO Earned</u>
90 days - 2 years	1.08 days per month
3 - 5 years	1.50 days per month
6 - 15 years	1.92 days per month
Over 16 years	2.33 days per month

Sick pay is not vested.

Q. Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115.

R. Advertising

Advertising costs are expensed as incurred. Advertising costs of \$13,908 and \$4,405 were expensed in 2017 and 2016, respectively.

S. Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits.

The District is a member of a separate trust fund established by the Louisiana Hospital Association that encompasses self-insurance of statutory workers' compensation. The District continues to carry commercial insurance for portions of all other risks of loss. The management of the trust fund for statutory workers' compensation has complete control over the rate setting process.

The District has medical malpractice insurance up to \$100,000 through the Louisiana Hospital Association Trust Fund and an additional \$400,000 through the Patients Compensation Fund. Under current Louisiana Law, its liability is limited to the statutory maximum of \$500,000.

Note 2-Cash and Cash Equivalents

Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with any bank domiciled or having a branch office in the State of Louisiana. The District had cash and cash equivalents and cash under indenture agreements (book balances) totaling \$4,035,761 and \$2,689,029 at October 31, 2017 and 2016, respectively.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2017

Note 2-Cash and Cash Equivalents (Continued)

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance and/or the pledge of securities owned by the fiscal agent bank. The pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually agreeable to both parties.

At October 31, 2017, the District had \$4,109,471 in deposits (collected bank balances). These deposits were fully secured from risk by federal deposit insurance and pledged securities.

At October 31, 2016, the District had \$2,858,874 in deposits (collected bank balances). These deposits were fully secured from risk by federal deposit insurance and pledged securities.

In order to comply with debt agreements, the District deposits funds into reserve accounts on a monthly basis.

Note 3-Assets Limited as to Use

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at October 31, 2017 and 2016, is set forth in the following table.

	<u>2017</u>	<u>2016</u>
Under Indenture Agreement		
Cash and cash equivalents	<u>\$ 503,836</u>	<u>\$ 747,529</u>

Note 4-Property, Plant and Equipment

A summary of property, plant and equipment additions, retirements, and balances at October 31, 2017 is as follows:

	Balance October 31, <u>2016</u>	<u>Additions</u>	Retirements and <u>Adjustments</u>	Balance October 31, <u>2017</u>
Non-depreciable Capital Assets				
Land				
Hospital	\$ 377,705	\$ -	\$ -	\$ 377,705
Morgan Hills	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>36,000</u>
Total non-depreciable assets	<u>413,705</u>	<u>-</u>	<u>-</u>	<u>413,705</u>
Depreciable Assets				
Buildings				
Hospital	6,476,743	107,458	(354,008)	6,230,193
Morgan Hills	798,530	20,467	-	818,997
Nursing Home	1,102,884	-	(924)	1,101,960
Equipment	3,099,440	121,447	(422,574)	2,798,313
Vehicles	164,366	-	-	164,366
Equipment under capital leases	<u>353,296</u>	<u>17,366</u>	<u>-</u>	<u>370,662</u>
Total depreciable assets	<u>11,995,259</u>	<u>266,738</u>	<u>(777,506)</u>	<u>11,484,491</u>

(Continued)

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2017

Note 4-Property, Plant and Equipment (Continued)

(Continued)	Balance October 31, <u>2016</u>	<u>Additions</u>	Retirements and <u>Adjustments</u>	Balance October 31, <u>2017</u>
Less Accumulated Depreciation and Amortization				
Buildings				
Hospital	\$ 2,915,357	\$ 205,269	\$ (349,160)	\$ 2,771,466
Morgan Hills	497,810	23,321	-	521,131
Nursing Home	1,098,870	150	(924)	1,098,096
Equipment	2,385,655	360,910	(410,535)	2,336,030
Vehicles	164,366	-	-	164,366
Equipment under capital leases	<u>166,972</u>	<u>54,237</u>	<u>-</u>	<u>221,209</u>
Total accumulated depreciation and amortization	<u>7,229,030</u>	<u>643,887</u>	<u>(760,619)</u>	<u>7,112,298</u>
 Total depreciable assets, net	 <u>4,766,230</u>	 <u>(377,150)</u>	 <u>(16,887)</u>	 <u>4,372,193</u>
 Total capital assets, net	 <u>\$ 5,179,934</u>	 <u>\$ (377,150)</u>	 <u>\$ (16,887)</u>	 <u>\$ 4,785,898</u>

A summary of property, plant and equipment additions, retirements, and balances at October 31, 2016 is as follows:

Non-depreciable Capital Assets	Balance October 31, <u>2015</u>	<u>Additions</u>	Retirements and <u>Adjustments</u>	Balance October 31, <u>2016</u>
Land				
Hospital	\$ 377,705	\$ -	\$ -	\$ 377,705
Morgan Hills	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>36,000</u>
Total non-depreciable assets	<u>413,705</u>	<u>-</u>	<u>-</u>	<u>413,705</u>
Depreciable Assets				
Buildings				
Hospital	6,473,054	3,690	-	6,476,744
Morgan Hills	776,009	22,521	-	798,530
Nursing Home	1,102,884	-	-	1,102,884
Equipment	3,077,130	22,310	-	3,099,440
Vehicles	164,366	-	-	164,366
Equipment under capital leases	<u>353,296</u>	<u>-</u>	<u>-</u>	<u>353,296</u>
Total depreciable assets	<u>11,946,739</u>	<u>48,521</u>	<u>-</u>	<u>11,995,260</u>

(Continued)

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2017

Note 4-Property, Plant and Equipment (Continued)

(Continued)	Balance October 31, 2015	Additions	Retirements and Adjustments	Balance October 31, 2016
Less Accumulated Depreciation and Amortization				
Buildings				
Hospital	\$ 2,737,228	\$ 178,129	\$ -	\$ 2,915,357
Morgan Hills	478,431	19,379	-	497,810
Nursing Home	1,098,720	150	-	1,098,870
Equipment	2,015,849	369,806	-	2,385,655
Vehicles	161,241	3,125	-	164,366
Equipment under capital leases	113,459	53,513	-	166,972
Total accumulated depreciation and amortization	<u>6,604,928</u>	<u>624,102</u>	<u>-</u>	<u>7,229,030</u>
Total depreciable assets, net	<u>5,341,811</u>	<u>(575,581)</u>	<u>-</u>	<u>4,766,230</u>
Total capital assets, net	<u>\$ 5,755,516</u>	<u>\$ (575,581)</u>	<u>\$ -</u>	<u>\$ 5,179,935</u>

Depreciation and amortization expense for the years ended October 31, 2017 and 2016 was \$643,887 and \$624,102, respectively.

Note 5-Notes and Other Long-Term Payables

A schedule of changes in the District's long-term debt at October 31, 2017 is as follows:

	Balance October 31, 2016	Additions	Reductions	Balance October 31, 2017	Amount Due Within One Year
Notes Payable					
Farmers Home Administration	\$ 696,688	\$ -	\$ (7,645)	\$ 689,043	\$ 8,970
First Guaranty Bank	<u>105,000</u>	<u>-</u>	<u>(105,000)</u>	<u>-</u>	<u>-</u>
Total notes and other long-term payables	<u>\$ 801,688</u>	<u>\$ -</u>	<u>\$ (112,645)</u>	<u>\$ 689,043</u>	<u>\$ 8,970</u>

A schedule of changes in the District's long-term debt at October 31, 2016 is as follows:

	Balance October 31, 2015	Additions	Reductions	Balance October 31, 2016	Amount Due Within One Year
Notes Payable					
Farmers Home Administration	\$ 705,095	\$ -	\$ (8,407)	\$ 696,688	\$ 8,221
First Guaranty Bank	<u>205,000</u>	<u>-</u>	<u>(100,000)</u>	<u>105,000</u>	<u>105,000</u>
Total notes and other long-term payables	<u>\$ 910,095</u>	<u>\$ -</u>	<u>\$ (108,407)</u>	<u>\$ 801,688</u>	<u>\$ 113,221</u>

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2017

Note 5-Notes and Other Long-Term Payables (Continued)

Maturities for each of the next five years ending October 31, are as follows:

2018	\$ 8,970
2019	9,787
2020	10,679
2021	11,652
2022	12,713
Thereafter	<u>635,242</u>
	<u>\$ 689,043</u>

Note Payable - Farmers Home Administration

Note payable to Farmers Home Administration with interest at 8.75% for 50 years with a monthly payment of \$5,735. Note is secured by the Morgan Hills Apartments.

Note Payable - First Guaranty Bank

Note payable to First Guaranty Bank at 6.0% interest for seven (7) years with a principal balance of \$105,000 at October 31, 2016, secured by a pledge of all revenues accruing to the District. The final principal payment of \$105,000 was paid during the year ended October 31, 2017.

Note 6-Bonds Payable

The schedule of bonds payable at October 31, 2017 consists of the following:

	Balance October 31, 2016	Additions	Reductions	Balance October 31, 2017	Amount Due Within One Year
Bonds Payable					
Hospital Revenue Bonds					
5 Year	\$ 155,508	\$ -	\$ (155,508)	\$ -	\$ -
25 Year	878,836	-	(44,791)	834,045	43,947
40 Year	<u>1,716,100</u>	<u>-</u>	<u>(27,075)</u>	<u>1,689,025</u>	<u>28,409</u>
Total revenue bonds payable	<u>2,750,444</u>	<u>-</u>	<u>(227,374)</u>	<u>2,523,070</u>	<u>72,356</u>
Limited Tax Bonds					
Series 2016A	-	400,000	-	400,000	51,000
Series 2016B	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>12,000</u>
Total limited tax bonds payable	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>63,000</u>
Total bonds payable	<u>\$2,750,444</u>	<u>\$ 500,000</u>	<u>\$ (227,374)</u>	<u>\$ 3,023,070</u>	<u>\$ 135,356</u>

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2017

Note 6-Bonds Payable (Continued)

The schedule of bonds payable at October 31, 2016 consists of the following:

Bonds Payable	Balance October 31, 2015	Additions	Reductions	Balance October 31, 2016	Amount Due Within One Year
Hospital Revenue Bonds					
5 Year	\$ 407,816	\$ -	\$ (252,308)	\$ 155,508	\$ 155,508
25 Year	916,800	-	(37,964)	878,836	41,291
40 Year	<u>1,741,495</u>	<u>-</u>	<u>(25,395)</u>	<u>1,716,100</u>	<u>27,263</u>
Total bonds payable	<u>\$ 3,066,111</u>	<u>\$ -</u>	<u>\$ (315,667)</u>	<u>\$ 2,750,444</u>	<u>\$ 224,062</u>

Hospital Revenue Bonds - 5 Year

Hospital Revenue Bonds of \$1,184,000 due in annual installments of \$262,245 (principal and interest) for 5 years at an annualized rate of 3.5%. Bonds are secured by a pledge of net revenue from the operations of the District.

Hospital Revenue Bonds - 25 Year

Hospital Revenue Bonds of \$1,200,000 due in monthly installments of \$7,916 (principal and interest) for 25 years at an annualized rate of 6.125%. Bonds are secured by a pledge of net revenue from the operations of the District.

Hospital Revenue Bonds - 40 Year

Hospital Revenue Bonds of \$1,900,000 due in monthly installments of \$8,113 (principal and interest) for 40 years at an annualized rate of 4.125%. Bonds are secured by a pledge of net revenue from the operations of the District.

As required by the bond agreement, the District is required to maintain three separate accounts: Sinking Fund, Reserve Fund, and Contingency Fund. The Sinking Fund is required to have an amount sufficient to pay promptly and fully the principal and interest on the bonds. The Reserve Fund must have an amount paid to it equal to 10% of the amount paid to the Sinking Fund each month. The amount shall continue until the Reserve Fund has accumulated a sum equal to the combined principal and interest falling due in any year on the bonds. The Contingency Fund shall have deposited \$170 per month to cover depreciation, additions, improvements and replacements necessary to properly operate the District. These amounts have been classified as assets limited as to use.

Limited Tax Bonds – Series 2016A

Limited Tax Bonds of \$400,000 due in annual principal installments ranging from \$51,000 to \$63,000 and semi-annual interest installments for seven years at an annualized rate of 2.75%. Bonds are secured by a pledge of the proceeds of a special five mills tax.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2017

Note 6-Bonds Payable (Continued)

Limited Tax Bonds – Series 2016B

Limited Tax Bonds of \$100,000 due in annual principal installments ranging from \$12,000 to \$17,000 and semi-annual interest installments for seven years at an annualized rate of 4.0%. Bonds are secured by a pledge of the proceeds of a special five mills tax.

Bond maturities for each of the next five years ending October 31, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 135,356	\$ 134,051	\$ 269,407
2019	142,378	128,099	270,477
2020	149,630	121,822	271,452
2021	156,129	115,223	271,352
2022	163,888	108,295	272,183
Thereafter	<u>2,275,689</u>	<u>1,101,456</u>	<u>3,377,145</u>
	<u>\$ 3,023,070</u>	<u>\$ 1,708,946</u>	<u>\$ 4,732,016</u>

Note 7-Capital Leases - Equipment

A schedule of changes in the District's capital lease obligations at October 31, 2017 is as follows:

	<u>Balance</u> <u>October 31,</u> <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>October 31,</u> <u>2017</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Capital Leases					
Analyzer	\$ 83,621	\$ -	\$ (46,547)	\$ 37,074	\$ 37,074
Fugi	11,676	-	(10,680)	996	996
Coag Analyzer	60,347	-	(16,579)	43,768	17,101
Omnicell Server	<u>-</u>	<u>17,366</u>	<u>(687)</u>	<u>16,679</u>	<u>4,187</u>
Total capital leases payable	<u>\$ 155,644</u>	<u>\$ 17,366</u>	<u>\$ (74,493)</u>	<u>\$ 98,517</u>	<u>\$ 59,358</u>

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2017

Note 7-Capital Leases – Equipment (Continued)

A schedule of changes in the District's capital lease obligations at October 31, 2016 is as follows:

	Balance			Balance	Amount
	October 31,			October 31,	Due Within
	<u>2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>2016</u>	<u>One Year</u>
Capital Leases					
Analyzer	\$ 127,072	\$ –	\$ (43,451)	\$ 83,621	\$ 46,546
Fugi	22,788	–	(11,112)	11,676	11,676
Coag Analyzer	<u>76,420</u>	<u>–</u>	<u>(16,074)</u>	<u>60,346</u>	<u>16,579</u>
 Total capital leases payable	 <u>\$ 226,280</u>	 <u>\$ –</u>	 <u>\$ (70,637)</u>	 <u>\$ 155,643</u>	 <u>\$ 74,801</u>

The following are the aggregate future maturities of the capital leases:

2018	\$ 59,358
2019	21,941
2020	13,445
2021	<u>3,773</u>
	 <u>\$ 98,517</u>

Note 8-Operating Leases

The District leases medical equipment under various operating leases which expire at various times through May 2020. Rent expense on these operating leases was \$87,775 in 2017 and \$87,137 in 2016. Future minimum operating lease payments on non-cancelable leases for the next four years are as follows:

2018	\$ 49,062
2019	32,221
2020	<u>7,718</u>
	 <u>\$ 89,001</u>

Note 9-Pension Plan

The District has a 403(b) defined contribution plan. Contributions are matched based on years of service of full-time employees, not to exceed 3% of salary. Contributions to the plan totaled \$124,723 in 2017 and \$121,732 in 2016.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Notes to Consolidated Financial Statements
October 31, 2017

Note 10-Grant Revenue

Intergovernmental Transfers – Grant Income

In 2015, the District (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to Grantee’s service population subject to the availability of such grant funds. The aggregate IGT grant income was \$1,363,982 and \$1,317,997 for the years ended October 31, 2017 and 2016, respectively, and is included in grant income in the accompanying consolidated statements of revenue, expenses, and changes in net position.

Note 11-Reconciliation of Cash and Cash Equivalents for Statement of Cash Flows

Total cash and cash equivalents for October 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 3,531,925	\$ 1,941,500
Assets limited as to use	<u>503,836</u>	<u>747,529</u>
Total cash and cash equivalents	<u>\$ 4,035,761</u>	<u>\$ 2,689,029</u>

Note 12-Concentration of Credit Risk

The District is located in Greensburg, Louisiana and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. Revenue from patients and third-party payors was as follows.

	<u>2017</u>	<u>2016</u>
Medicare and Medicaid	61%	67%
Commercial and Blue Cross	34%	24%
Private pay	<u>5%</u>	<u>9%</u>
	<u>100%</u>	<u>100%</u>

Note 13-Subsequent Events

Management evaluated all subsequent events through April 23, 2018, the date the consolidated financial statements were available to be issued, and determined that no events occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Note 14-Prior-period Adjustment

The accompanying financial statements for the year ended October 31, 2016 have been restated to correct the understatement of ad valorem taxes receivable and the overstatement of ad valorem tax revenue for the year ended October 31, 2016 and prior years. The effect of the restatement for the year ended October 31, 2016 was a decrease in the change in net position of \$63,075. Net position as of November 1, 2015 was increased by \$193,581 for the effects of the restatement on prior years.

Supplementary Information

St. Helena Parish Hospital Service District No.1 and Subsidiary
Schedules of Patient Service Revenue
Years Ended October 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Patient Service Revenue		
Patient rooms - hospital	\$ 113,434	\$ 157,297
Patient rooms - nursing home	3,132,584	3,317,523
Observation rooms	44,825	69,180
Operating and emergency room	1,460,686	1,524,795
Medical and surgical supplies	208,351	180,006
Pharmacy	727,165	805,686
X-ray	397,116	461,792
EKG	116,625	107,375
Ultrasound	51,661	65,875
S.H.P. scan	1,115,940	1,080,660
Laboratory	2,196,558	2,078,501
Therapy	695,114	925,378
Doctor fees	941,649	1,111,585
Cardiology	126,915	119,880
Swing bed	447,450	573,575
SNF bed	131,257	149,714
After hours clinic	8,788	2,932
Psychiatric	223,640	229,695
	<hr/>	<hr/>
Gross patient service revenue	12,139,758	12,961,449
Less: contractual adjustments and discounts	824,865	921,434
	<hr/>	<hr/>
Patient service revenue (net of contractual adjustments and discounts)	<u>\$ 11,314,893</u>	<u>\$ 12,040,015</u>

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Schedules of Consolidated Operating Expenses
Years Ended October 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Supplies and Other Expenses		
Food cost	\$ 198,228	\$ 196,306
Pharmacy	193,294	220,000
Medical supplies	1,113,906	997,278
	<hr/>	<hr/>
Total supplies and other expenses	\$ 1,505,428	\$ 1,413,584
	<hr/> <hr/>	<hr/> <hr/>
General and Administrative Expenses		
Advertising	\$ 13,908	\$ 4,405
Bank charges	4,511	4,145
Dues and subscriptions	28,623	28,540
Education	5,192	14,020
Employee benefits	124,722	121,732
Gas	31,172	43,306
Group insurance	603,986	572,410
Insurance	358,317	317,669
Lease and rental expense	106,926	114,965
Legal and professional	11,916	86,514
Maintenance contracts	12,742	18,671
Payroll taxes	476,626	483,541
Penalties and interest	598	1,405
Postage	1,755	3,595
Repairs and maintenance	96,793	108,950
Sewerage	3,944	3,953
Taxes-Property	5,868	5,511
Telephone	82,356	81,976
Travel	15,199	16,205
Utilities	134,590	132,014
Water	1,031	2,105
Other	66,067	65,236
	<hr/>	<hr/>
Total general and administrative expenses	\$ 2,186,842	\$ 2,230,868
	<hr/> <hr/>	<hr/> <hr/>

**St. Helena Parish Hospital Service District No. 1 and Subsidiary
Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
Year Ended October 31, 2017**

Agency Head Name: Naveed Awan, Chief Executive Officer

Purpose	Amount
Salary	\$ 222,138
Benefits - insurance	19,212
Benefits - retirement	32,660
Car allowance	-
Vehicle provided by agency	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	1,316
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	152



**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Neal D. King, CPA
Brittany B. Thames, CPA

**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 Commissioners
St. Helena Parish Hospital Service District No. 1 and Subsidiary
Greensburg, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of St. Helena Parish Hospital Service District No. 1 and Subsidiary, as of and for the years ended October 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise St. Helena Parish Hospital Service District No. 1 and Subsidiary's basic consolidated financial statements and have issued our report thereon dated April 23, 2018.

Internal Control over Financial Reporting

In planning and performing our audits of the consolidated financial statements, we considered St. Helena Parish Hospital Service District No. 1 and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Helena Parish Hospital Service District No. 1 and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Helena Parish Hospital Service District No. 1 and Subsidiary'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 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 audits 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 St. Helena Parish Hospital Service District No. 1 and Subsidiary's consolidated 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 consolidated 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.

A handwritten signature in black ink that reads "Hawthorn, Waymout & Carroll, LLP". The signature is written in a cursive, flowing style.

April 23, 2018

St. Helena Parish Hospital Service District No.1 and Subsidiary
Schedule of Findings and Responses
Year Ended October 31, 2017

Part I - Summary of Audit Results

- 1) An unmodified opinion has been expressed on the financial statements of St. Helena Parish Hospital Service District No. 1 and Subsidiary, as of and for the year ended October 31, 2017, and the related notes to the financial statements.
- 2) No deficiencies in internal control over financial reporting that we consider to be material weaknesses were identified.
- 3) No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were identified.
- 4) A single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* was not required.
- 5) A management letter was not issued.

Part II – Financial Statement Findings

No findings were noted.

St. Helena Parish Hospital Service District No. 1 and Subsidiary
Summary Schedule of Prior Audit Findings
Year Ended October 31, 2017

- Part I. Findings Related to an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- 1) No findings were noted.
 - 2) A management letter was not issued.

**St. Helena Parish Hospital Service District No. 1
Agreed-Upon Procedures Report
October 31, 2017**



**Independent Accountant's Report
on Applying Agreed-upon Procedures**

To the Board of Directors of St. Helena Parish Hospital Service District No. 1 and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by St. Helena Parish Hospital Service District No. 1 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 November 1, 2016 through October 31, 2017. The Entity's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted 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 performed and the associated findings are listed below. The procedures performed are stated first, followed by the associated findings presented in italics.

Written Policies and Procedures

1. Obtained the entity's written policies and procedures and reported whether those written policies and procedures address each of the following financial/business functions (or reported that the entity does not have any written policies and procedures), as applicable:

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

The Entity's policy on budgeting does not specifically address monitoring and amending the budget.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The Entity's policy on purchasing does not specifically address criteria (2) how vendors are added to the vendor list, (4) controls to ensure compliance with the public bid law, and (5) documentation required to be maintained for all bids and price quotes.

- c) **Disbursements**, including processing, reviewing, and approving.

No exceptions noted.

- d) **Receipts**, including receiving, recording, and preparing deposits.

No exceptions noted.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

No exceptions noted.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The Entity's policy on contracting does not specifically address criteria (2) standard terms and conditions and (3) legal review.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

The Entity's policy on credit cards does not specifically address criteria (2) allowable business uses, (4) required approvers, and (5) monitoring card usage.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

The Entity's policy on travel and expense reimbursement does not specifically address criteria (1) allowable expenses and (2) dollar thresholds by category of expense.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Entity's ethics policy.

The Entity's policy on ethics does not specifically address criteria (2) actions to be taken if an ethics violation takes place and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Entity's ethics policy.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Entity's policy on debt service does not specifically address criterion (2) EMMA reporting requirements.

Board (or Finance Committee, if applicable)

2. Obtained and reviewed the board/committee minutes for the fiscal period, and:

- a) Reported whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

No exceptions noted.

- b) Reported whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis). If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

None of the board minutes referenced or included monthly budget-to-actual comparisons.

- c) Reported whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

No exceptions noted.

Bank Reconciliations

3. Obtained a listing of client bank accounts from management and management's representation that the listing is complete.

No exceptions noted.

4. Using the listing provided by management, selected nine of the entity's bank accounts. For each of the bank accounts selected, obtained bank statements and reconciliations for all months in the fiscal period and reported whether:

- a) Bank reconciliations have been prepared;

For one of the nine accounts selected, the general ledger balance did not match the monthly reconciled bank balance for all bank reconciliations except for the year-end reconciliation.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation;

For the nine bank accounts selected, there was no evidence of review by a member of management having no involvement in the transactions associated with the bank account.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

No exceptions noted.

Collections

5. Obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

No exceptions noted.

6. Using the listing provided by management, selected the Entity's two cash collection locations. For each cash collection location selected:

a) Obtained existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

a) (1) – *No exceptions noted.*

a) (2) – *No exceptions noted.*

a) (3) – *Individuals responsible for collecting cash share the same cash register or drawer with another employee.*

b) Obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and reported whether the entity 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 in the cash collection location selected.

No exceptions noted.

c) Selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

➤ Using entity collection documentation, deposit slips, and bank statements, traced daily collections to the deposit date on the corresponding bank statement and reported whether the deposits were made within one day of collection. If deposits were not made within one day of collection, reported the number of days from receipt to deposit for each day at each collection location.

Four collections were not deposited within one day of receipt. Each of these collections was deposited two days after receipt.

➤ Using sequentially numbered receipts, system reports, or other related collection documentation, verified that daily cash collections are completely supported by documentation and report any exceptions.

No exceptions noted.

7. Obtained existing written documentation (e.g. policy manual, written procedure) and reported whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The Entity does not have a process specifically defined to determine completeness of all collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtained a listing of entity disbursements from management or, alternately, obtained the general ledger and sorted/filtered for entity disbursements. Obtained management’s representation that the listing or general ledger population is complete.

No exceptions noted.

9. Using the disbursement population from #8 above, randomly selected 25 disbursements, excluding credit card/debit card/fuel card/P-card purchases or payments. Obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and reported whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

There was no requisition or purchase order issued for 13 disbursements.

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

There was no requisition or purchase order issued for 13 disbursements.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

c) (1) – Thirteen payments did not have an approved purchase order.

c) (2) – None of the disbursements had a receiving report.

c) (3) – Twelve payments did not have an approved invoice.

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

The Entity did not have documentation regarding the addition of vendors to the Entity’s purchasing/disbursement system.

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

No exceptions noted.

12. Inquired of management and observed whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, reviewed entity documentation (electronic system control documentation) and reported whether the persons with signatory authority have system access to print checks.

No exceptions noted.

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

No exceptions noted.

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

14. Obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtained management's representation that the listing is complete.

No exceptions noted.

15. Using the listing prepared by management, randomly selected two cards that were used during the fiscal period. Obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Selected the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Reported whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

The monthly statements did not contain written evidence of review and approval.

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

No exceptions noted.

16. Using the monthly statements or combined statements selected under #15 above, obtained supporting documentation for all transactions for each of the cards selected (i.e. each of the cards should have one month of transactions subject to testing).

- a) For each transaction, reported whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased).

One transaction was not supported by an itemized receipt.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

None of the transactions included a description of the business/public purpose.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Written policy requires that purchase orders be used for credit card purchases. Two transactions were missing purchase orders.

- b) For each transaction, compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and reported any exceptions.

Written policy requires that purchase orders be used for credit card purchases. Two transactions were missing purchase orders. For purchases of fuel, the Entity did not solicit quotes in accordance with the Louisiana Public Bid Law.

- c) For each transaction, compared the entity'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 reported any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

None of the transactions included a description of the business/public purpose for comparison to the requirements of Article 7, Section 14 of the Louisiana Constitution.

Travel and Expense Reimbursement

- 17. Obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtained the general ledger and sorted/filtered for travel reimbursements. Obtained management's representation that the listing or general ledger is complete.

No exceptions noted.

- 18. Obtained the entity's written policies related to travel and expense reimbursements. Compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and reported any amounts that exceed GSA rates.

No exceptions noted.

- 19. Using the listing or general ledger from #17 above, selected the three persons who incurred the most travel costs during the fiscal period. Obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and chose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compared expense documentation to written policies and reported whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and reported each reimbursement that exceeded those rates.

No exceptions noted.

- b) Reported whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions noted.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions noted.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

An odometer reading or mileage calculator was not present for one travel expense. Two transactions did not have advance approval by Department Head and Hospital Administrator.

- c) Compared the entity'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 reported any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

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

One transaction was approved by the person receiving the reimbursement.

Contracts

20. Obtained a listing of all contracts in effect during the fiscal period or, alternately, obtained the general ledger and sorted/filtered for contract payments. Obtained management's representation that the listing or general ledger is complete.

No exceptions noted.

21. Using the listing above, selected the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtained the related contracts and paid invoices and:

- a) Reported whether there is a formal/written contract that supports the services arrangement and the amount paid.

No exceptions noted.

- b) Compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. Reported whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtained/compared supporting contract documentation to legal requirements and reported whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

One contract was subject to the Louisiana Public Bid Law. The Entity did not comply with all legal requirements.

- If no, obtained supporting contract documentation and reported whether the entity solicited quotes as a best practice.

Four contracts were not subject to the Louisiana Public Bid Law. Quotes were not solicited for these four contracts.

- c) Reported whether the contract was amended. If so, reported the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

No exceptions noted.

- d) Selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and reported whether the invoice and related payment complied with the terms and conditions of the contract.

No exceptions noted.

- e) Obtained/reviewed contract documentation and board minutes and reported whether there is documentation of board approval, if required by policy or law.

No exceptions noted.

Payroll and Personnel

22. Obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing is complete. Randomly selected five employees/officials, obtained their personnel files, and:

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

No exceptions noted.

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

No exceptions noted.

- 23. Obtained attendance and leave records and randomly selected one pay period in which leave was taken by at least one employee. Within that pay period, randomly selected 25 employees/officials, and:

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

No exceptions noted.

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

One attendance and leave record was not supported by supervisor approval.

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

No exceptions noted.

- 24. Obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. Selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees/officials. Reported whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No exceptions noted.

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

For six of the pay periods during the fiscal period, payroll taxes were submitted past the required deadlines.

Ethics

- 26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtained ethics compliance documentation from management and reported whether the entity maintained documentation to demonstrate that required ethics training was completed.

No exceptions noted.

27. Inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, reviewed documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Reported whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management asserted that no alleged ethics violations were reported to the Entity during the fiscal period.

Debt Service

28. If debt was issued during the fiscal period, obtained supporting documentation from the entity, and reported whether State Bond Commission approval was obtained.

No exceptions noted.

29. If the entity had outstanding debt during the fiscal period, obtained supporting documentation from the entity and reported whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

No exceptions noted.

30. If the entity had tax millages relating to debt service, obtained supporting documentation and reported whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, reported any millages that continue to be received for debt that has been paid off.

No exceptions noted.

Other

31. Inquired of management whether the entity had any misappropriations of public funds or assets. If so, obtained/reviewed supporting documentation and reported whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management asserted it is not aware of any misappropriations of public funds or assets.

32. Observed and reported whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The notice required by R.S. 24:523.1 was not posted on the Entity's premises or website.

33. If the practitioner observed or otherwise identified any exceptions regarding management's representations in the procedures above, reported the nature of each exception.

No exceptions noted.

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.

Hawthorn, Wainwright & Carroll, LLP

April 23, 2018