

AVOUELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
BUNKIE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2019 & 2018



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Avoyelles Parish Hospital Service District No. 1
d/b/a Bunkie General Hospital
Bunkie, Louisiana

June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Avoyelles Parish Hospital Service District No. 1
d/b/a Bunkie General Hospital
Bunkie, Louisiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying statements of net position of Avoyelles Parish Hospital Service District No. 1, State of Louisiana, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury, ("the Hospital"), as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and the statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 judgments, 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 reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1 Parish of Avoyelles, State of Louisiana, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury as of June 30, 2019 and 2018, 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

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Accounting Standards*, we have also issued our report dated December 19, 2019 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Hospital's internal control over financial reporting and compliance.

Langlinais Broussard & Kohlenberg

LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

December 19, 2019

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

STATEMENT OF NET POSITION

FOR THE YEARS ENDED JUNE 30,

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,973,628	\$ 5,073,767
Accounts Receivables, Less Allowance for Doubtful		
Accounts of \$873,050 in 2019 and \$1,403,900 in 2018	1,974,307	1,186,388
Due from Third Party Payors	715,605	300,867
Other Receivables	496,510	546,092
Inventories	340,539	352,399
Prepaid Expenses	<u>87,572</u>	<u>84,439</u>
Total Current Assets	<u>7,588,161</u>	<u>7,543,952</u>
ASSETS LIMITED TO USE		
By Board Restrictions	-	655,000
By Bond Indenture	<u>394,614</u>	<u>309,148</u>
Total Assets Whose Use is Limited	<u>394,614</u>	<u>964,148</u>
PROPERTY, PLANT AND EQUIPMENT		
Property, Plant and Equipment Cost	10,181,804	9,401,888
Less: Accumulated Depreciation	<u>7,575,307</u>	<u>7,139,547</u>
Total Property, Plant and Equipment	<u>2,606,497</u>	<u>2,262,341</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding Debt	<u>4,276</u>	<u>5,132</u>
Total Deferred Outflows of Resources	<u>4,276</u>	<u>5,132</u>
TOTAL ASSETS	<u>\$ 10,593,548</u>	<u>\$ 10,775,573</u>

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

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

STATEMENT OF NET POSITION

FOR THE YEARS ENDED JUNE 30,

LIABILITIES AND NET POSITION

	2019	2018
CURRENT LIABILITIES		
Accounts Payable	\$ 799,764	\$ 592,230
Accrued Salaries and Related Withholdings	225,881	174,270
Accrued Vacation and Holiday Expense	252,043	226,951
Current Portion of Long-Term Debt	255,159	302,268
Due to Third Party Payors	1,105,434	2,357,735
Credit Balances	43,607	33,682
Interest Payable	4,001	6,008
Total Current Liabilities	2,685,889	3,693,144
LONG-TERM DEBT		
Revenue Refunding Bonds - Series 2013	269,000	333,000
Capital Lease Payable	235,638	423,485
Total Long-Term Liabilities	504,638	756,485
TOTAL LIABILITIES	3,190,527	4,449,629
NET POSITION		
Invested in Capital Assets, Net of Related Debt	1,842,699	1,197,580
Restricted Net Position (Expendable)	394,614	964,148
Unrestricted	5,165,708	4,164,216
TOTAL NET POSITION	7,403,021	6,325,944
TOTAL LIABILITIES AND NET POSITION	\$ 10,593,548	\$ 10,775,573

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

AVOUELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:		
Net Patient Service Revenues before Provision for Doubtful Accounts	\$ 13,620,457	\$ 12,876,148
Less: Provisions for Doubtful Accounts	<u>(694,305)</u>	<u>(1,432,777)</u>
Net Patient Service Revenue after Provision for Doubtful Accounts	12,926,152	11,443,371
Intergovernmental Transfers - Operating Revenue	1,050,929	1,509,085
Advalorem Taxes	137,697	131,099
Other Operating Revenue	<u>379,043</u>	<u>388,064</u>
TOTAL OPERATING REVENUE	<u>14,493,821</u>	<u>13,471,619</u>
OPERATING EXPENSES:		
Professional Services	8,529,649	7,499,343
Payroll Taxes and Employee Benefits	1,540,725	992,286
General and Administrative	4,184,126	3,783,273
Depreciation and Amortization	<u>530,841</u>	<u>500,951</u>
TOTAL OPERATING EXPENSES	<u>14,785,341</u>	<u>12,775,853</u>
GAIN (LOSS) FROM OPERATIONS	<u>(291,520)</u>	<u>695,766</u>
NON-OPERATING REVENUES (EXPENSES)		
Grant Revenue	1,388,230	861,512
Interest Income	7,109	5,481
Interest Expense	(24,369)	(38,939)
Loss on Sale of Asset	<u>(2,373)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,368,597</u>	<u>828,054</u>
CHANGE IN NET POSITION	<u>1,077,077</u>	<u>1,523,820</u>
TOTAL NET POSITION, BEGINNING	<u>6,325,944</u>	<u>4,802,124</u>
TOTAL NET POSITION, ENDING	<u>\$ 7,403,021</u>	<u>\$ 6,325,944</u>

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

AVOUELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Patients	\$ 10,443,621	\$ 13,667,053
Intergovernmental Transfers - Operating Revenue	1,088,605	1,326,707
Ad Valorem Taxes	137,697	131,099
Cash Received from Other Sources	382,987	457,531
Cash Payments to Suppliers for Goods and Services	(6,317,693)	(6,010,590)
Cash Payments to Employees for Services and Benefits	(7,595,758)	(6,268,100)
Net Cash Flows Provided By Operating Activities	<u>(1,860,541)</u>	<u>3,303,700</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:		
Acquisition of Property and Equipment	(874,998)	(640,461)
Proceeds from Grant Revenue	-	103,752
Proceeds from Long-Term Debt	-	484,282
Principal Payments on Long-Term Debt	(298,956)	(305,801)
Net Cash Flows (Used In) Capital and Related Financial Activities	<u>(1,173,954)</u>	<u>(358,228)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Proceeds from Grant Revenue	1,384,089	535,646
Net Cash Flows Provided By Non-Capital Financing Activities	<u>1,384,089</u>	<u>535,646</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	7,109	5,481
Interest Expense	(26,376)	(38,137)
Net Cash Flows (Used In) Financing Activities	<u>(19,267)</u>	<u>(32,656)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,669,673)	3,448,462
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, INCLUDING \$964,148 AND \$878,767 LIMITED AS TO USE FOR 2019 AND 2018, RESPECTIVELY	<u>6,037,915</u>	<u>2,589,453</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING \$394,614 AND \$964,148 LIMITED AS TO USE FOR 2019 AND 2018, RESPECTIVELY	<u>\$ 4,368,242</u>	<u>\$ 6,037,915</u>

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

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	2019	2018
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FLOWS		
PROVIDED BY OPERATING ACTIVITIES:		
Operating Gain	\$ (291,520)	\$ 695,766
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and Amortization	530,841	500,951
Provision for Doubtful Accounts	694,305	1,432,777
Decrease (Increase) in Receivables and Due from Third Parties	(3,087,131)	758,035
(Increase) Decrease in Inventories and Prepaid Expenses	8,727	(52,940)
(Decrease) Increase in Accounts Payable and Accrued Expenses	284,237	(30,889)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ (1,860,541)	\$ 3,303,700

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

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The Avoyelles Parish Hospital Service District No. 1, d/b/a Bunkie General Hospital (the "Hospital") was created by an ordinance of the Avoyelles Parish Police Jury on February 14, 1968. The District is comprised of and embraces the territory contained within the Parish of Avoyelles, State of Louisiana, as constituted as of the date of the ordinance.

The Hospital is a political subdivision of the Avoyelles Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Avoyelles Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Avoyelles Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Avoyelles Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by the Hospital.

GASB Codification Sections 2100, 2600, and J50 (formerly GASB 14) established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Police Jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Police Jury.
2. An organization for which the Police Jury does not appoint a voting majority but is fiscally dependent on the Police Jury.
3. An organization for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Police Jury appoints all of the members of the Hospital's governing board and has the ability to impose its will on the Hospital, the Hospital was determined to be a component unit of the Avoyelles Parish Police Jury. The accompanying financial statements present information only on the funds maintained by the Hospital and do not present information on the Police Jury, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

Accounting Standards. The Hospital's financials are presented using the economic resources measurement focus and the accrual basis of accounting under Governmental Accounting Standards Board (GASB) Statement No. 20 (GASB Cod. Sec. P80), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and to the AICPA, *Audit and Accounting Guide - Health-Care Organizations*, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

Enterprise Fund. The Hospital utilizes the enterprise fund method of accounting and follows guidance in GASB Codification Section P80. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Substantially all revenues and expenses are subject to accrual. The basic financial statements include Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Assets Whose Use is Limited. Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements and future indenture agreements, over which the Board retains control and may at its discretion subsequently use for other purposes; assets set aside in accordance with agreements with third-party payors; and assets held by trustees under indenture agreements and self-insurance trust agreements.

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

Capital Assets. Capital assets are carried at cost, or if donated, at fair value at date of donation. Capital assets are defined by the Hospital as assets with an initial individual cost of more than \$5,000 and an initial useful life of three years or greater. Depreciation is computed using the straight-line method over the assets' estimated useful lives generally ranging from three to forty years. Equipment under capital lease is amortized on 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 financial statements.

Net Position. Net position represents the difference between assets and liabilities. Net position classifications are defined as follows:

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position invested in capital assets, net of related debt, is reduced by unspent debt proceeds.

Restricted Expendable Net Position consists of non-capital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures.

Unrestricted Net Position consists of remaining net assets that do not meet the definition of the two preceding categories. Unrestricted net position often is designated to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by management, but can be removed or modified.

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Costs of Borrowing. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

Investments. Investments, including assets limited as to use, are recorded at fair value in accordance with Governmental Accounting Standards Board Codification Section I50 "Investments". Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are measured at fair value in the balance sheet. Securities traded on a national or international exchange are valued at the last reported sales price

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

at current exchange rates. Investment income, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in non-operating income.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. See the disclosure regarding Net Patient Service Revenue below for further discussion of significant estimates involving the revenue recognition methods of the Hospital.

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

The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances. Patient receivables are carried at original charge amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a timely basis. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Patient receivables are written off when deemed uncollectible. Recoveries of patient receivables previously written off are recorded when received.

Compensated Absences. Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences on the Hospital's Statement of Net Position was \$252,043 and \$226,951 for 2019 and 2018, respectively.

Ad Valorem Taxes. Property taxes were levied on January 1, on property values assessed on that date. Notices of tax liability are mailed on or about November 1, of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1, of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered available in that period. Available includes those property tax receivables expected to be collected within sixty days after year end. However, the receivable for property taxes is recorded at January 1, the lien date.

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

Operating Revenues and Expenses. The Hospital's Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues and expenses. Revenues are considered available in the period earned and expenses are considered payable in the period incurred. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including grants, and contributions received for purposes other than capital asset acquisitions, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes. The Hospital is a political subdivision and exempt from taxes.

Advertising. The Hospital expenses advertising costs as incurred.

Environmental Matters. Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at the time, management is not aware of any environmental matters which need to be considered.

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

NOTE 2: MAJOR SOURCE OF REVENUE

The Hospital participated in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 70% and 71% of its gross patient service revenue from patients covered by the Medicare and Medicaid programs for the years ended June 30, 2019 and 2018, respectively.

NOTE 3: ACCOUNTS RECEIVABLE - PATIENTS

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies the trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance and a provision for bad debts, if necessary. For receivables associated with Medicaid, Commercial and Self-pay patients, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience and on the age of the receivables balance. The aged balance indicates that third-party claims have reached an age where the probability of payment is low and the self-pay patients are unable or unlikely to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Patients Accounts Receivable consists of the following:

	2019	2018
Total Patients Accounts Receivable	\$ 4,377,389	\$ 3,885,264
Less: Allowances for Doubtful Accounts and Contractual Allowances	2,403,082	2,698,876
Net Patient Accounts Receivable	\$ 1,974,307	\$ 1,186,388

NOTE 4: NET PATIENT SERVICE REVENUE

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

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 4: NET PATIENT SERVICE REVENUE, CONTINUED

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

A summary of the payment arrangements with major third-party payors follows:

Medicare - The Hospital is paid for inpatient and outpatient services rendered to Medicare program beneficiaries under cost based reimbursement methodology. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The retrospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization, which is under contract with the Hospital to perform such reviews.

The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2017. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as settlements are determined.

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through June 30, 2013. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as settlements are determined.

The Louisiana Legislature, through the Healthcare Reform Act of 2007 and Act 1 of 2010, tasked the Department of Health and Hospitals (the DHH) to create a new system of care. In response, the DHH reformed its reimbursement methodology for Medicaid patients from a fee-for-service system to the use of a Coordinated Care Network (CCN). During 2011, the DHH enabled certain third-party payor companies to contract with providers under the CCN methodology. The Hospital is currently contracted and enrolled with payors participating in the Coordinated Care Network. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary.

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

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts, recognized in the period from these major sources, is as follows.

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JUNE 30, 2019 AND 2018

NOTE 4: NET PATIENT SERVICE REVENUE, CONTINUED

Net Patient Service Revenue by Payor before Provision for Doubtful Accounts:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 4,555,106	\$ 4,311,505
Medicaid	3,442,645	3,481,770
All Other Payors	<u>5,622,706</u>	<u>5,082,873</u>
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	<u>\$ 13,620,457</u>	<u>\$ 12,876,148</u>

The following schedule represents total Net Patient Service Revenue:

	<u>2019</u>	<u>2018</u>
Gross Patient Service Revenue	\$ 28,713,738	\$ 27,596,726
Less: Contractual Adjustments	<u>15,093,281</u>	<u>14,720,578</u>
Net Patient Service Revenue Before Provision for Doubtful Accounts	13,620,457	12,876,148
Less: Provision for Doubtful Accounts	<u>694,305</u>	<u>1,432,777</u>
Net Patient Service Revenue	<u>\$ 12,926,152</u>	<u>\$ 11,443,371</u>

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, is as follows:

	<u>June 30, 2019</u>			
	<u>06/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/19</u>
Land Improvements	\$ 297,254	\$ -	\$ -	\$ 297,254
Buildings	4,736,398	20,085	-	4,756,483
Fixed Equipment	417,281	59,583	70,625	406,239
Major Movables	<u>3,829,098</u>	<u>139,369</u>	<u>37,268</u>	<u>3,931,199</u>
Total Cost	9,280,031	219,037	107,893	9,391,175
Less: Accumulated Depreciation	<u>7,139,547</u>	<u>530,841</u>	<u>95,081</u>	<u>7,575,307</u>
Total Net Depreciable Assets	2,140,484	(311,804)	12,812	1,815,868
Land	121,857	-	-	121,857
Construction in Progress	<u>-</u>	<u>668,772</u>	<u>-</u>	<u>668,772</u>
Net Property, Plant and Equipment	<u>\$ 2,262,341</u>	<u>\$ 356,968</u>	<u>\$ 12,812</u>	<u>\$ 2,606,497</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 5: PROPERTY, PLANT AND EQUIPMENT, CONTINUED

	<u>June 30, 2018</u>			
	<u>06/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/18</u>
Land Improvements	\$ 297,254	\$ -	\$ -	\$ 297,254
Buildings	4,718,771	17,627	-	4,736,398
Fixed Equipment	407,816	9,465	-	417,281
Major Movables	3,560,191	613,370	344,463	3,829,098
Total Cost	8,984,032	640,462	344,463	9,280,031
Less: Accumulated Depreciation	6,983,059	500,951	344,463	7,139,547
 Total Net Depreciable Assets	 2,000,973	 139,511	 -	 2,140,484
Land	121,857	-	-	121,857
Construction in Progress	51,094	-	51,094	-
Net Property, Plant and Equipment	<u>\$ 2,173,924</u>	<u>\$ 139,511</u>	<u>\$ 51,094</u>	<u>\$ 2,262,341</u>

Depreciation expense for the fiscal years ended June 30, 2019 and 2018 was \$530,841 and \$500,951, respectively.

The cost of the total assets under capital lease was \$1,240,953 and \$1,299,958 for the years ended June 30, 2019 and 2018, respectively with total related amortization expense of \$205,633 and \$199,851 for the year ended June 30, 2019 and 2018, respectively.

NOTE 6: LONG-TERM DEBT

Long-term debt at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Revenue refunding bonds, dated May 1, 2013 bearing interest of increasing from .5% to 3.25%, maturing March 1, 2024, with interest payable semi-annually, collateralized by the Hospital's gross receipts	\$ 333,000	\$ 395,000
Capital Lease Payable, dated February 1, 2016, bearing interest of 5.77%, maturing February 1, 2018, with principal due monthly collateralized by ultrasound equipment	-	3,973
Capital Lease Payable, dated January 1, 2016, bearing interest of 5.90%, maturing December 1, 2020, with principal due monthly collateralized by hematology equipment	5,303	8,587
Capital Lease Payable, dated July 1, 2014, bearing interest of 5.25%, maturing July 1, 2019, with principal due monthly collateralized by telephone equipment	-	14,127

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 6: LONG-TERM DEBT, CONTINUED

Capital Lease Payable, dated May 29, 2015, bearing interest of 4.70%, maturing June 3, 2020, with principal due monthly collateralized by X-Ray equipment	10,052	20,536
Capital Lease Payable, dated January 15, 2016, bearing interest of 12.32%, maturing January 15, 2019, with principal due monthly collateralized by telemetry equipment	-	7,747
Capital Lease Payable, dated August 1, 2015, bearing interest of 4.70%, maturing August 1, 2020, with principal due monthly collateralized by R & F Room equipment	87,227	158,287
Capital Lease Payable, dated February 23, 2016, bearing interest of 3.52%, maturing June 1, 2021, with principal due monthly collateralized by chemistry analyzer equipment	36,912	57,632
Capital Lease Payable, dated September 1, 2017, bearing interest of 5.16%, maturing September 1, 2020, with principal due monthly collateralized by holter monitors	5,932	10,045
Capital Lease Payable, dated December 19, 2017, bearing interest of 5.51%, maturing December 19, 2018, with principal due monthly collateralized by scope equipment	-	30,962
Capital Lease Payable, dated December 21, 2017, bearing interest of 2.29%, maturing December 1, 2022, with principal due monthly collateralized by CT equipment	281,371	351,857
Total	\$ 759,797	\$ 1,058,753
Less: Current Portion	255,159	302,268
Long-Term Portion	<u>\$ 504,638</u>	<u>\$ 756,485</u>

The Hospital obtained a line of credit agreement with Cottonport Bank for \$1,000,000 with interest rate of 0.95% on August 23, 2018. There were no borrowings against the line of credit at June 30, 2019.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 6: LONG-TERM DEBT, CONTINUED

A summary of debt activity for the year ended is as follows:

June 30, 2019

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Refunding Bonds - Series 2013	\$ 395,000	\$ -	\$ 62,000	\$ 333,000	\$ 64,000
Capital Lease Obligations	663,753	-	236,956	426,797	191,159
Total	\$ 1,058,753	\$ -	\$ 298,956	\$ 759,797	\$ 255,159

June 30, 2018

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Refunding Bonds - Series 2013	\$ 455,000	\$ -	\$ 60,000	\$ 395,000	\$ 62,000
Note Payable - Rural Health Building	18,949	-	18,949	-	-
Capital Lease Obligations	406,322	484,282	226,851	663,753	240,268
Total	\$ 880,271	\$ 484,282	\$ 305,800	\$1,058,753	\$302,268

Scheduled repayments on long-term debt are as follows:

June 30, 2019

	Principal	Interest	Total
2020	\$ 255,159	\$ 19,284	\$ 274,443
2021	178,283	12,115	190,398
2022	148,278	8,171	156,449
2023	108,077	4,575	112,652
2024	70,000	2,275	72,275
Total	\$ 759,797	\$ 46,420	\$ 806,217

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 6: LONG-TERM DEBT, CONTINUED

June 30, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 302,268	\$ 28,522	\$ 330,790
2020	256,370	19,194	275,564
2021	180,574	12,067	192,641
2022	148,435	8,014	156,449
2023	101,106	4,498	105,604
2024	<u>70,000</u>	<u>2,275</u>	<u>72,275</u>
Total	<u>\$1,058,753</u>	<u>\$ 74,570</u>	<u>\$1,133,323</u>

NOTE 7: OPERATING LEASES

The Hospital leases medical equipment under operating lease agreements. Total rent expense for equipment leased under operating leases for June 30, 2019 and 2018 was \$56,741 and \$90,827, respectively.

NOTE 8: PENSION PLAN

Employees have available retirement coverage through an employee funded defined contribution 457 plan, Bunkie General Hospital Service Defined Compensation Program, administered by Nationwide Retirement Solutions. Each pay period the Hospital contributes to a separate 401(A) plan for full-time employees who work 60 or more hours per pay period and have completed a ninety day probationary period. The Hospital contributes 3% of the employee's salary. If an employee elects to participate, the employee will be required to contribute a minimum of 3% of their base pay toward the program. Employees will become 100% vested in the Hospital's contributions after three full years of employment. Pension cost amounted to \$100,629 and \$76,956 for the year ended June 30, 2019 and 2018, respectively. There were no forfeitures applied to pension expense as a reduction of employer contributions for the years ended June 30, 2019 and 2018, respectively.

NOTE 9: ASSETS LIMITED AS TO USE

On May 15, 2004, the Hospital accepted an offer from the United States Department of Agriculture Rural Development to make a loan in order to acquire, construct and/or install improvements and replacements to the hospital facilities of the District, including appurtenant equipment and accessories. On May 1, 2013, the Hospital issued Hospital Revenue Bonds, Series 2013 through which a current refunding of the 2004 Revenue Bonds was enacted. This refunding renewed cash restrictions required by the Series 2004 bonds as follows:

All income earned from operations of the Hospital is to be deposited in the hospital operating fund. Funds are to be expensed in the following order of priority and for the following purposes.

- (1) The payment of reasonable expenses of administration, operation and maintenance of the Hospital.
- (2) A cash transfer to the Hospital Sinking Fund by the 20th day of each month, sums equal to the total amount of principal and interest falling due on the next payment date for the Bonds.

It is the contention of management that the accounting requirements of the revenue bonds issues were met.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 9: ASSETS LIMITED AS TO USE, CONTINUED

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at June 30, 2019 and 2018 are set forth in the following table:

	2019	2018
Under Indenture Agreement	\$ 394,614	\$ 309,148
Under Board Restriction	-	655,000
Total Assets Limited as to Use	\$ 394,614	\$ 964,148

NOTE 10: CASH FLOWS SUPPLEMENTAL INFORMATION

Cash and cash equivalents consist of the following:

	2019	2018
Cash and Cash Equivalents	\$ 3,973,628	\$ 5,073,767
Assets Whose Use is Limited		
By Bond Indenture	394,614	309,148
By Board Restriction	-	655,000
Total Cash and Cash Equivalents	\$ 4,368,242	\$ 6,037,915

Total interest paid by the Hospital was \$26,376 and \$38,137 for the fiscal year ending 2019 and 2018, respectively.

NOTE 11: EMPLOYEE HOSPITALIZATION PLAN

The Hospital maintains a medical benefits trust. Employees with more than 90 days of service can participate. The trust pays all claims from funds provided from the Hospital. The trust agreement provides that should it not have sufficient funds to cover its obligations, the Hospital is obligated to fund the shortfall.

The Hospital purchases "excess" insurance coverage that provides for payment of individual claims in excess of \$40,000 or aggregate annual claims in excess of \$1,000,000.

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JUNE 30, 2019 AND 2018

NOTE 12: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents, and insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at June 30, 2019 and 2018, is as follows:

	2019	2018
Medicare	40%	34%
Medicaid	15%	17%
Commercial and Other Third-Party Payors	14%	16%
All Other	31%	33%
	100%	100%

NOTE 13: BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The hospital must follow Louisiana state statutes regarding collateralization. Per Louisiana Revised Statute 39:1225, the amount of the security shall at all times be equal to one hundred percent of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

At June 30, 2019 and 2018, the Hospital had bank balances as follows:

	2019	2018
Insured (FDIC)	\$ 500,000	\$ 500,000
Letter of Credit	4,000,000	4,500,000
Collateralized by Securities Held by the Financial Institution's Trust Department in the Hospital's Name	1,888,741	1,537,431
Total Collateral for Cash Balances	\$ 6,388,741	\$ 6,537,431
Carrying value	\$ 4,440,681	\$ 6,031,124

NOTE 14: RISK MANAGEMENT

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

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

The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 14: RISK MANAGEMENT, CONTINUED

for professional medical malpractice liability and worker's compensation. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has only included these allocations or equity amounts assigned to the Hospital by the trust fund in its financial statements.

NOTE 15: AD VALOREM TAXES

The Hospital levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the Board of Commissioners as recommended by the local tax assessor. Property taxes are collected through the local sheriff and remitted, net of collection fees, to the Hospital. The sheriff's office is responsible for collection, including establishing lien, levy and due dates of property taxes. Ad valorem recognized for June 30, 2019 and 2018 is \$137,697 and \$131,099, respectively.

NOTE 16: JOINT VENTURE

The Hospital entered into a cooperative endeavor (i.e. joint venture) with a home health company on March 1, 2004. The Hospital shares one-third of the profits and losses, and leases space to this organization. Thus far, the joint venture has experienced profits and distributed the hospital's proportional share to the hospital each year. For more information on joint venture financial statements, contact Hospital administration.

NOTE 17: NET POSITION

Net position for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Invested in Capital Assets, Net of Related Debt	\$ 1,842,699	\$ 1,197,580
Restricted Net Position:		
By Bond Indenture (Expendable)	394,614	309,148
By Board Resolution	-	655,000
Unrestricted	5,165,708	4,164,216
Total Net Position	\$ 7,403,021	\$ 6,325,944

NOTE 18: CHARITY CARE

The Hospital provides services without charge or at amounts less than its rates to patients who meet the criteria of its charity care policy. The criterion for charity care considers items such as family income, net worth, extent of financial obligations for healthcare services, etc. The Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported in revenue.

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges forgone based on established rates, were approximately \$26,131 and \$16,539 and for the years ended June 30, 2019 and 2018, respectively.

Management estimates that approximately \$12,904 and \$7,431 of costs were related to charity care for the years ended June 30, 2019 and 2018, respectively. This estimate is based on a ratio of total cost

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 18: CHARITY CARE, CONTINUED

to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

NOTE 19: BOND DEFEASANCE

On May 1, 2013, the Hospital issued \$680,000 in Revenue Bonds (Refunding Bonds, Series 2013) with interest rates ranging from .50 - 3.25% and annual debt service payments from \$66,466 to \$72,275. These bonds were issued through a current refunding of \$714,903 of outstanding 2004 Revenue Bonds bearing an interest rate of 4.5%. The net proceeds of \$680,000, after payment of \$9,488 in debt issuance costs plus an additional \$14,188 of sinking fund and \$37,577 of reserve fund monies were used to immediately refund the 2004 Revenue Bonds.

As a result, the 2004 Revenue Bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$9,415. This amount is reflected on the Statement of Net Position as Deferred Outflows of Resources and is being amortized over the remaining life of the refunded debt, which has the same life as the original note; the Deferred Charge on Refunding Debt is \$4,276 and \$5,132 for years ended June 30, 2019 and 2018, respectively. The current refunding resulted in the reduction of aggregate debt service payments over eleven years by \$121,244, and the Hospital obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$65,041. The effective interest rate on the new issue is 2.579%.

NOTE 20: GOVERNMENTAL REGULATIONS

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

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Hospital. Federal healthcare reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Hospital's principal payors. It is not possible at this time to determine the impact on the Hospital of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Hospital in future years.

NOTE 21: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB's new lease accounting standard, GASB Statement No. 87, was issued in June of 2017. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 21: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS, CONTINUED

Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The requirements of the Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

NOTE 22: GRANT REVENUE

The Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$1,050,929 and \$1,509,085 for the years ended June 30, 2019 and 2018, respectively.

The Hospital recognized non-operating grant income of \$172,599.78 and \$-0- from Medicaid for the years ended June 30, 2019 and 2018, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use" which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in in three stages, with each progressive stage incorporating more stringent measures. The Hospital's policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the Hospital meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

Various other grants were received during the year for other uses.

NOTE 23: SUBSEQUENT EVENTS

On August 26, 2019 Bunkie General Hospital accepted a bid for a line of credit with Cottonport Bank in the amount of \$1,000,000 with an interest rate of 0.96%.

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through December 19, 2019 the date the financial statements were available to be issued.

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SCHEDULE OF PATIENT SERVICE REVENUE FOR THE YEARS ENDED JUNE 30,

	2019	2018
INPATIENT SERVICE REVENUES		
Daily Patient Services:		
Adult and Pediatric	\$ 165,686	\$ 297,367
Swing-Bed	1,280,243	637,848
Total	1,445,929	935,215
Other Nursing Services:		
Emergency Service	13,283	24,414
Total	13,283	24,414
Professional Services:		
Blood	6,000	8,200
EKG	660	6,930
Inhalation Therapy	348,010	468,171
Intravenous Therapy	348	496
Laboratory	296,924	261,199
Pharmacy	646,169	419,439
Physical/Speech Therapy	1,386,330	678,424
Professional Fees	86,035	104,155
Radiology	109,915	182,932
	2,880,391	2,129,946
TOTAL INPATIENT SERVICE REVENUE	4,339,603	3,089,575

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SCHEDULE OF PATIENT SERVICE REVENUE FOR THE YEARS ENDED JUNE 30,

	2019	2018
OUTPATIENT SERVICE REVENUES		
Nursing Services:		
Emergency Service	\$ 4,755,866	\$ 4,826,458
Hospitalist	13,376	33,469
Observation	2,330,593	2,139,071
Total	7,099,835	6,998,998
Professional Services:		
Blood	22,000	42,231
Cardiac Rehab	98,510	91,650
Clinic - Family Care Center	782,834	865,028
Clinic - Rural Health	876,055	954,973
EKG	74,580	9,900
Endoscopy	210,289	200,610
Inhalation Therapy	385,189	333,235
Intensive Psychiatric Therapy	2,870,803	3,155,003
Intravenous Therapy	4,237	3,564
Laboratory	5,343,745	5,433,746
Pharmacy	687,862	515,511
Physical Therapy	21,080	6,757
Professional Fees	272,115	256,569
Radiology	5,050,463	4,950,931
Wound Care	574,538	688,445
Total	17,274,300	17,508,153
TOTAL OUPATIENT SERVICE REVENUE	24,374,135	24,507,151
GROSS PATIENT SERVICE REVENUE	28,713,738	27,596,726
CONTRACTUAL ADJUSTMENTS	(15,093,281)	(14,720,578)
NET PATIENT SERVICE REVENUE	\$ 13,620,457	\$ 12,876,148

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d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

SCHEDULE OF OTHER OPERATING REVENUES

FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>
Cafeteria and Vendor sales	\$ 69,036	\$ 55,993
Ideal Protein	6,415	12,242
Joint Venture	73,000	54,262
Pharmacy Sales - Employees	42,966	43,122
340B Outside Pharmacy Sales	98,015	75,467
Rental Income	14,300	16,400
Other	<u>75,311</u>	<u>130,578</u>
 TOTAL OTHER OPERATING REVENUES	 <u>\$ 379,043</u>	 <u>\$ 388,064</u>

AVOUELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
BUNKIE, LOUISIANA

SCHEDULE OF PROFESSIONAL SERVICES FOR THE YEARS ENDED JUNE 30,

	2019	2018
Salaries:		
Cardiac Rehab / Fitness	\$ 99,692	\$ 93,770
Central Supply	46,132	45,407
Clinic - Family Care Center	648,836	501,636
Clinic - Rural Health	592,507	582,351
Emergency Room	655,512	559,308
Endoscopy	4,367	7,745
Inhalation Therapy	321,486	183,687
Laboratory	359,265	263,331
Nursing	952,161	726,322
PT/OT/ST	270,530	157,846
Radiology	358,881	236,189
Other	22,567	23,821
Total Salaries	4,331,936	3,381,413
 Supplies and Other Expenses:		
Blood	13,802	19,471
Central Supply	20,805	17,123
Clinic - Family Care Center	53,978	90,645
Clinic - Rural Health	133,951	115,996
Emergency Room	1,183,648	1,094,243
Endoscopy	7,419	26,551
Hospitalist	-	29,583
Inhalation Therapy	60,705	27,355
IOP	766,989	835,858
Laboratory	478,396	449,257
Nursing	208,899	204,492
Pharmacy	919,517	806,631
PT/OT/ST	10,567	43,602
Radiology	161,256	152,712
Wound Care	167,419	203,606
Other	10,362	805
Total Supplies and Other Expenses	4,197,713	4,117,930
 TOTAL PROFESSIONAL SERVICES	 \$ 8,529,649	 \$ 7,499,343

AVOUELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES FOR THE YEARS ENDED JUNE 30,

	2019	2018
Salaries:		
Administrative	\$ 1,343,398	\$ 1,350,198
Dietary	138,997	115,872
Housekeeping	105,945	107,785
Maintenance	143,415	136,349
Medical Records	178,628	152,247
Total Salaries	1,910,383	1,862,451
 Supplies and Other Expenses:		
Administrative	1,591,188	1,243,460
Cat Scan	702	-
Dietary	121,139	98,914
Housekeeping	61,718	72,013
Maintenance	468,905	470,971
Medical Records	30,091	35,464
Total Supplies and Other Expenses	2,273,743	1,920,822
 TOTAL GENERAL AND ADMINISTRATIVE SERVICES	 \$ 4,184,126	 \$ 3,783,273

AVOUELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a/ BUNKIE GENERAL HOSPITAL

Bunkie, Louisiana

GOVERNING BOARD COMPENSATION

The Board of Commissioners received no compensation for the years ended June 30, 2019 and 2018.

AVOUELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER

JUNE 30,

	<u>2019</u>	<u>2018</u>
LINDA DEVILLE		
Salary	\$ 136,818	\$ 133,275
Benefits-Insurance	6,706	6,706
Benefits-Retirement	4,105	3,998
Travel	1,954	1,963
	<u>\$ 149,583</u>	<u>\$ 145,942</u>



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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

To the Board of Commissioners
Hospital Service District No. 1 Parish of Avoyelles
d/b/a Bunkie General Hospital
Bunkie, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1, Parish of Avoyelles, State of Louisiana, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury (the Hospital), as of and for the year ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 19, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed

no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hospital's Response to Findings

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

Purpose of this Report

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

This report is intended for the information and use of the Board of Commissioners and management of the Hospital, others within the organization, federal awarding agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties.

Sincerely,



LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

December 19, 2019

HOSPITAL SERVICE DISTRICT NO. 1 PARISH OF AVOYELLES
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2019

We have audited the financial statements of Hospital Service District No. 1 Parish of Avoyelles, State of Louisiana, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury, as of and for the years ended June 30, 2019 and 2018, and have issued our report thereon dated December 19, 2019.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audits of the financial statements as of June 30, 2019 and 2018 resulted in unmodified opinions.

Section I: Summary of Auditor's Reports

A - Report on Internal Control and Compliance Material to the Financial Statements

Compliance:

Compliance Material to Financial Statements: No

Internal Control:

Material Weaknesses: Yes

Significant Deficiencies: No

Section II: Financial Statement Findings

A - Material Weaknesses

Finding 2019-1 Lack of Segregation of Duties

Criteria: Best practices in internal controls would facilitate segregation of duties in all accounting functions and oversight in each area.

Condition: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated in the areas of purchasing and receiving, cash receipts and general accounting functions.

Cause: The hospital has a small accounting staff.

Effect: Failure to adequately segregate accounting and financial functions increases the risk that errors and irregularities, including fraud, may occur and not be prevented.

Recommendation: The authorization, recording, and reconciliation of transactions and decisions as well as custody of assets related to those transactions and decisions should be segregated functions. Management should continue to monitor those areas that lack segregation in order to mitigate risks.

Management Response: Although the hospital maintains a low volume of employees, Management has taken every action possible to protect the hospital against fraud and abuse. The actions include cross training for rotation of duties, management

HOSPITAL SERVICE DISTRICT NO. 1 PARISH OF AVOUELLES
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019

oversight, required time off for certain positions, development of policy and procedures, continuous reviews of risk areas, among others.

The hospital is not in a financial position to hire additional staff; therefore, it assigns supervision of each employee to their supervisor. Supervisors are monitored by hospital officers through the use of system reports. The reports are generated by the CFO and CIO for review of employee access to system areas. Employee security controls are reviewed annually at a minimum. Banking transactions are completed by a few designated employees, who oversee each other. No one employee performs all steps to transactions, whether it be in payroll, accounts payable, cash management, accounts receivable, etc. Officers are monitored by the Board through monthly review of check registers, financial statements, quality reports, and management discussion.

If a process is found to be flawed, the hospital will immediately review and revise to ensure an adequate control is in place to prevent fraud and abuse. We feel we have taken appropriate steps to reduce financial statement risk caused by inadequate segregation of duties.

Finding 2019-2 Proposed Audit Adjustments

Criteria and Condition: The proposed audit adjustments for the fiscal year ended June 30, 2019 and 2018 had material effects on the financial statements. Material audit adjustments were made in the area of cost report settlements.

Cause: Due to the timing of the preparation of the cost report, an accurate estimate of the cost report settlement is difficult to determine, causing a material adjustment to the financial statements.

Effect: The Hospital's management has approved and posted all proposed audit entries.

Recommendation: Management should perform a comprehensive review of financial statements, estimates and journal entries before closing the fiscal year.

Management Response: The Hospital will work to reduce audit adjustments for the cost report by incorporating a monthly cost report estimate. We intend to eliminate or reduce material audit adjustments.

Section III: Management Letter Items

There are no management letter items at June 30, 2019.

HOSPITAL SERVICE DISTRICT NO. 1 PARISH OF AVOYELLES
d/b/a BUNKIE GENERAL HOSPITAL
Bunkie, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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

Finding 2018-1 Segregation of Duties

The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Status: Unresolved. See Finding 2019-1.

Finding 2018-2 Proposed Audit Adjustments

The proposed audit adjustments for the fiscal year ended June 30, 2018 and 2017 had material effects on the financial statements.

Status: Unresolved. See Finding 2019-2.



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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Hospital Service District No. 1 Parish of Avoyelles,
State of Louisiana
d/b/a Bunkie General Hospital

We have performed the procedures described in Schedule A – Procedures and Results, which were agreed to by Hospital Service District No. 1 Parish of Avoyelles, State of Louisiana, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury (Hospital), and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Hospital'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 and associated findings are described in Schedule A – Procedures and Results.

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.

Langlinais Broussard & Kohlenberg

LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

December 19, 2019

Schedule A – Procedures and Results

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

Result: Policy included all of the required elements with no exceptions noted.

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.

Result: Policy included all of the required elements with no exceptions noted.

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

Result: Policy included all of the required elements with no exceptions noted.

d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).

Result: Policy included all of the required elements with no exceptions noted.

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

Result: Policy included all of the required elements with 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

Result: Policy included all of the required elements with no exceptions noted.

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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Result: Policy included all of the required elements with no exceptions noted.

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

Result: Policy included all of the required elements with no exceptions noted.

- 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.

Result: Policy included all of the required elements with no exceptions noted.

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

Result: Policy included all of the required elements with no exceptions noted.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Result: Policy included all of the required elements with no exceptions noted.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Result: Procedure Not Applicable - No exceptions noted in prior year.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Result: Procedure Not Applicable - No exceptions noted in prior year.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Result: Procedure Not Applicable - No exceptions noted in prior year.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
Result: Procedure performed; no exceptions noted.
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
Result: Procedure performed; no exceptions noted.
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
Result: Procedure performed; no exceptions noted.

Collections (excluding EFTs)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
Result: Procedure performed; no exceptions noted.
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
Result: Procedure performed; no exceptions noted.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
Result: Procedure performed; no exceptions noted.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Result: Procedure performed; no exceptions noted.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Result: Procedure performed; no exceptions noted.

- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Result: Procedure performed; no exceptions noted.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Result: Procedure performed; no exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Result: Procedure performed; no exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Result: Procedure performed; no exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Result: Procedure performed; no exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

Result: Procedure performed; no exceptions noted.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Result: Procedure Not Applicable - No exceptions noted in prior year.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
Result: Procedure Not Applicable - No exceptions noted in prior year.
 - b) At least two employees are involved in processing and approving payments to vendors.
Result: Procedure Not Applicable - No exceptions noted in prior year.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
Result: Procedure Not Applicable - No exceptions noted in prior year.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
Result: Procedure Not Applicable - No exceptions noted in prior year.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
- a) Observe that the disbursement matched the related original invoice/billing statement.
Result: Procedure Not Applicable - No exceptions noted in prior year.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
Result: Procedure Not Applicable - No exceptions noted in prior year.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
Result: Procedure Not Applicable - No exceptions noted in prior year.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

Result: Procedure Not Applicable - No exceptions noted in prior year.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Result: Procedure Not Applicable - No exceptions noted in prior year.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Result: Procedure Not Applicable - No exceptions noted in prior year.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Result: Procedure Not Applicable - No exceptions noted in prior year.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Result: Procedure Not Applicable - No exceptions noted in prior year.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Result: Procedure Not Applicable - No exceptions noted in prior year.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Result: Procedure Not Applicable - No exceptions noted in prior year.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Result: Procedure Not Applicable - No exceptions noted in prior year.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Result: Procedure Not Applicable - No exceptions noted in prior year.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Result: Procedure Not Applicable - No exceptions noted in prior year.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Result: Procedure Not Applicable - No exceptions noted in prior year.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Result: Procedure Not Applicable - No exceptions noted in prior year.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Result: Procedure Not Applicable - No exceptions noted in prior year.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Result: Procedure Not Applicable - No exceptions noted in prior year.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Result: Procedure Not Applicable - No exceptions noted in prior year.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Result: Procedure Not Applicable - No exceptions noted in prior year.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Result: Procedure Not Applicable - No exceptions noted in prior year.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Result: Procedure Not Applicable - No exceptions noted in prior year.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Result: Procedure Not Applicable - No exceptions noted in prior year.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Result: Procedure Not Applicable - No exceptions noted in prior year.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Result: Procedure Not Applicable - No exceptions noted in prior year.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Result: Procedure Not Applicable - No exceptions noted in prior year.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Result: Procedure Not Applicable - No exceptions noted in prior year.