

**ST. JAMES PARISH
HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana**

Financial Statements
As of and for the Years Ended
March 31, 2019 and 2018

CONTENTS

Independent Auditor's Report	1 - 2
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Management's Discussion and Analysis	3 - 8
Financial Statements	
Statements of Net Position	9
Statements of Revenues, Expenses and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12 - 30
Required Supplementary Information	
Schedule of Employee Contributions and Proportionate Share of Net Pension Liability	31
Supplementary Information	
Schedule of Compensation, Benefits and Other Payments to Agency Head	32
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33 - 34



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of St. James Parish Hospital Service District (the "Hospital"), a component unit of St. James Parish Council, as of and for the years ended March 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Hospital, as of March 31, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the Schedule of Employer Contributions and Proportionate Share of Net Pension Liability on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

The schedule of compensation, benefits, and other payments to agency head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of net patient service revenues is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hospital's internal control over financial reporting and compliance.

HORNE LLP

Ridgeland, Mississippi
September 25, 2019

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2019 and 2018

Management's Discussion and Analysis of St. James Parish Hospital's (the "Hospital") financial performance provides important background information and management's analysis of the Hospital's financial performance during the years ended March 31, 2019 and 2018. Please read it in conjunction with the Hospital's financial statements, which begin on page 9.

REQUIRED FINANCIAL STATEMENTS

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

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

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

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash from operating, investing, and financing activities and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE HOSPITAL

The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's activities. Increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the healthcare industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2019 and 2018

FINANCIAL HIGHLIGHTS

For the year ended March 31, 2019, the Hospital's general financial highlights were:

- During the fiscal year 2019, the Hospital continued to focus on Hospital owned clinics by expanding coverage in the existing clinics with the use of nurse practitioners and nurses. The Hospital also continued to focus on rehab services, surgical services and Swing bed utilization. The Hospital continued to enhance revenue cycle processes to sustain positive financial performance.
- Net patient services revenue decreased 1 percent from 2017 to 2018 and increased 8 percent from 2018 to 2019.
- The Hospital's payor mix is continuing to fluctuate slightly. From 2017 to 2018, the commercial mix decreased by 5 percent, Medicaid increased 3 percent and the uninsured mix decreased 2 percent. From 2018 to 2019, commercial mix decreased by 1 percent, Medicaid increased 1 percent, and the uninsured mix remained the same. During 2017, the State of Louisiana expanded its Medicaid program. This allowed the Hospital to assist patients with enrolling in Medicaid.
- The Hospital's total net position increased \$1,442,407 from 2017 to 2018, and \$3,827,534 from 2018 to 2019. As of 2018, the total net position was \$33,153,703 which consists of \$25,253,818 in unrestricted, \$5,246,715 in net investments in capital assets, \$1,579,667 in restricted funds related to debt obligations and \$1,073,503 in restricted funds related to pension benefits. As of 2019, the total net position was \$36,981,237 which consists of \$29,819,417 in unrestricted, \$5,508,525 in net investments in capital assets, and \$1,653,295 in restricted funds related to debt obligations.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2019 and 2018

NET POSITION

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

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017
Current and other assets	\$ 16,647,458	\$ 15,221,506	\$ 12,774,250
Restricted Assets	16,577,419	13,696,308	13,608,088
Capital assets, net	17,571,301	17,869,736	18,951,442
Net pension asset	-	1,073,503	-
Total assets	50,796,178	47,861,053	45,333,780
Total deferred outflows of resources	3,310,875	1,664,181	2,336,029
Current and other liabilities	2,699,116	2,485,169	1,929,160
Long-term debt	11,483,755	12,062,776	12,623,020
Net pension liability	2,406,711	-	1,092,285
Total liabilities	16,589,582	14,547,945	15,644,465
Total deferred inflows of resources	536,234	1,823,586	314,048
Net Position			
Net invested in capital assets	5,508,525	5,246,715	5,786,335
Restricted	1,653,295	2,653,170	345,149
Unrestricted	29,819,417	25,253,818	25,579,812
Total net position	\$ 36,981,237	\$ 33,153,703	\$ 31,711,296

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

- From fiscal year 2017 to 2018, current assets increased by \$2,447,256 or 19 percent. In fiscal year 2019, current assets increased by \$1,425,952 or 9 percent. The increase is related to an increase in net patient accounts receivable, an increase in estimated third party settlements and an increase in receivable from subsidiary.
- In fiscal year 2018, restricted assets increased by \$88,220 or 1 percent. Of this increase, \$142,233 was held by a trustee for debt service. In fiscal year 2019, restricted assets increased by \$2,881,111 or 21 percent. Of this increase, \$2,807,483 was internally designated for capital acquisitions.
- As of 2019, deferred outflows of resources include \$797,547 of refunding debt and \$2,513,328 to the Hospital's pension obligation. During fiscal year 2017, the refunding resulted in a difference in the reacquisition and carrying value of the old bonds. These deferred outflows of resources will be amortized and expensed to operations over the life of the new bonds which is through 2030. The pension obligation resulted in changes due to implementing GASB 68. These deferred outflows will be amortized and expensed to operations through 2023.
- Long-term debt including current portion decreased by \$542,086 or 4 percent from 2017 to 2018. Long-term debt including current portion decreased by \$560,245 or 4 percent from 2018 to 2019. These decreases were related to principal pay downs of existing debt.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2019 and 2018

SUMMARY OF REVENUE AND EXPENSES

The following table presents a summary of the Hospital's historical revenues and expenses and changes in net position for each of the fiscal years ended March 31, 2019, 2018 and 2017:

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017
Operating revenues			
Net patient service revenue	\$ 26,895,430	\$ 24,948,620	\$ 25,141,279
Other operating revenue	778,939	622,003	559,469
Total operating revenues	<u>27,674,369</u>	<u>25,570,623</u>	<u>25,700,748</u>
Operating expenses			
Salaries and benefits	15,902,685	14,401,260	13,849,601
Medical supplies and drugs	2,568,281	2,661,951	2,602,901
Provision for depreciation	1,368,713	1,528,832	1,480,619
Other operating expense	6,889,486	7,902,347	7,435,754
Total operating expenses	<u>26,729,165</u>	<u>26,494,390</u>	<u>25,368,875</u>
Income (loss) from operations	945,204	(923,767)	331,873
Nonoperating revenues (expenses)			
Property taxes	2,876,989	2,705,566	2,553,433
Investment income (loss)	503,460	94,844	(5,312)
Other non-operating expense, net	(498,119)	(434,236)	(534,370)
Total nonoperating revenue, net	<u>2,882,330</u>	<u>2,366,174</u>	<u>2,013,751</u>
Change in net position	3,827,534	1,442,407	2,345,624
Net position, beginning of year	<u>33,153,703</u>	<u>31,711,296</u>	<u>29,365,672</u>
Net position, end of year	<u>\$ 36,981,237</u>	<u>\$ 33,153,703</u>	<u>\$ 31,711,296</u>

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

- During fiscal year 2018, net patient service revenue decreased \$192,659 or 1 percent. This decrease was due to decreased volume in the emergency room, which resulted in decreases in certain ancillary departments. During fiscal year 2019, net patient service revenue increased \$1,946,810 or 8 percent. This increase was due to an increase in swing bed utilization, cardiopulmonary revenue, advanced imaging revenue and an increase in surgical revenue. Also impacting the increase in net patient service revenue was the increased reimbursement from participating in upper payment limit programs.
- In fiscal year 2018, the Hospital reported an increase in operating expenses of \$1,125,515 or 4 percent. Salary and benefit cost for the Hospital's employees increased \$551,659 or 4 percent. Benefits were 28 percent of salaries for the year ended March 31, 2018. Contract services increased \$358,145 due to the Hospital having a consultant perform certain revenue cycle analyses.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2019 and 2018

- In fiscal year 2019, the Hospital reported an increase in operating expenses of \$234,775 or 1 percent. Salary and benefit cost for the Hospital's employees increased \$1,501,425 or 10 percent. Benefits were 32.5 percent of salaries for the year ended March 31, 2019. Contract services decreased \$887,092 due to reduction of consulting services and physical therapists in rehab department transitioned from contract labor to full time employees.
- Total net non-operating revenues increased from fiscal year 2017 to 2018 by \$352,423 or 18 percent due to increases in both property taxes and investment income. In fiscal year 2019, the Hospital experienced an increase in non-operating revenues of \$516,156 or 22 percent. This was due to increase in both property taxes and investment income.
- Change in net position decreased by \$903,217 or 39 percent from fiscal year 2017 to 2018 and increased \$2,385,127 or 165 percent from fiscal year 2018 to 2019.

BUDGET TO ACTUAL RESULTS

The Hospital's budget to actual results are presented below for the year ended March 31, 2019:

	Actual	Budget	Favorable (Unfavorable) Variance	
Operating revenues				
Net patient service revenue	\$ 26,895,430	\$ 24,776,603	\$ 2,118,827	8.6%
Other operating revenue	778,939	614,772	164,167	26.7%
Total operating revenue	27,674,369	25,391,375	2,282,994	9.0%
Operating expenses				
Salaries and benefits	15,902,685	13,994,805	(1,907,880)	-13.6%
Medical supplies and drugs	2,568,281	2,864,325	296,044	10.3%
Provision for depreciation	1,368,713	1,432,001	63,288	4.4%
Other operating expenses	6,889,486	8,976,132	2,086,646	23.2%
Total operating expense	26,729,165	27,267,263	538,098	2.0%
Operating income (loss)	945,204	(1,875,888)	2,821,092	49.6%
Non-operating revenue (expense)				
Property taxes	2,876,989	2,673,271	203,718	7.6%
Investment income	503,460	175,000	328,460	187.7%
Other non-operating expense, net	(498,119)	(532,383)	34,264	4.8%
Total non-operating revenue, net	2,882,330	2,315,888	566,442	24.5%
Change in net position	\$ 3,827,534	\$ 440,000	\$ 3,387,534	769.9%

- Net patient service revenues were over budget for the year from the continued results of the physician owned clinics and Urgent Care. Other operating revenue was more than budget and total operating revenue was above budget.
- Operating expenses had a favorable variance. The largest variances were in other operating expenses which were favorable variances.
- Property tax revenue was more than budget due to the increase in the allocated assessments from the tax rolls. Investment income were more than budget due to investing excess cash.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2019 and 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The St. James Parish Hospital's appointed officials and management considered many factors when setting the budget for the fiscal year ended March 31, 2019. Included in those factors are the status of the economy and the healthcare environment, which take into account market forces and environmental factors such as:

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

CONTACTING THE HOSPITAL FINANCIAL MANAGER

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

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

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
 Statements of Net Position
 Years Ended March 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,783,673	\$ 10,656,536
Patient receivables, net of allowance for doubtful accounts of \$714,512 and \$829,318, respectively	2,563,892	2,250,938
Estimated third-party payor settlements	2,547,815	1,850,240
Inventories	466,192	426,039
Other current assets	285,886	37,753
Total current assets	16,647,458	15,221,506
Restricted and internally designated assets		
Held by trustee for debt service	1,653,295	1,579,667
Internally designated by Board for capital improvements	14,924,124	12,116,641
Total restricted and internally designated assets	16,577,419	13,696,308
Capital assets, net	17,571,301	17,869,736
Net pension asset	-	1,073,503
Total assets	50,796,178	47,861,053
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows on debt refundings	797,547	875,994
Deferred pension outflows	2,513,328	788,187
Total deferred outflows of resources	3,310,875	1,664,181
Total assets and deferred outflow of resources	54,107,053	49,525,234
LIABILITIES		
Current liabilities		
Current maturities of long-term debt	579,021	560,245
Accounts payable	663,101	757,415
Accrued salaries and wages	1,456,994	1,167,509
Total current liabilities	2,699,116	2,485,169
Long-term debt, less current maturities	11,483,755	12,062,776
Net pension liability	2,406,711	-
Total liabilities	16,589,582	14,547,945
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	536,234	1,823,586
NET POSITION		
Net investment in capital assets	5,508,525	5,246,715
Restricted for debt service	1,653,295	1,579,667
Restricted for pension benefits	-	1,073,503
Unrestricted	29,819,417	25,253,818
Total net position	\$ 36,981,237	\$ 33,153,703

See accompanying notes.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Statements of Revenues, Expenses and Changes in Net Position
Years Ended March 31, 2019 and 2018

	2019	2018
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$1,492,154 and \$1,392,159, respectively	\$ 26,895,430	\$ 24,948,620
Other operating revenue	778,939	622,003
Total operating revenues	<u>27,674,369</u>	<u>25,570,623</u>
Operating expenses		
Salaries and wages	12,006,385	11,250,927
Employee benefits	3,896,300	3,150,333
Professional fees	1,550,837	1,538,139
Contracted services	2,626,416	3,513,508
Supplies and other	2,568,281	2,661,951
Non capital equipment, rental, and maintenance contracts	1,201,371	1,320,835
Telephone and utilities	467,798	519,868
Insurance	476,623	465,551
Other operating expenses	566,441	544,446
Provision for depreciation	1,368,713	1,528,832
Total operating expenses	<u>26,729,165</u>	<u>26,494,390</u>
Income (loss) from operations	<u>945,204</u>	<u>(923,767)</u>
Nonoperating revenues (expenses)		
Property taxes	2,876,989	2,705,566
Investment income	503,460	94,844
Grants and donations	35,480	127,128
Interest expense	(533,599)	(561,364)
Total nonoperating revenues	<u>2,882,330</u>	<u>2,366,174</u>
Increase in net position	3,827,534	1,442,407
Net position, beginning of year	<u>33,153,703</u>	<u>31,711,296</u>
Net position, end of year	<u>\$ 36,981,237</u>	<u>\$ 33,153,703</u>

See accompanying notes.

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

Statements of Cash Flows
Years Ended March 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 26,663,840	\$ 25,465,489
Payments to suppliers and contractors	(9,840,367)	(9,165,853)
Payments to employees	(15,140,660)	(14,228,103)
Net cash provided by operating activities	1,682,813	2,071,533
Cash flows from noncapital financing activities		
Property taxes	2,876,989	2,827,658
Noncapital grants and contributions	35,480	127,128
Net cash provided by noncapital financing activities	2,912,469	2,954,786
Cash flows from capital and related financing activities		
Principal paid on long-term debt	(560,245)	(542,086)
Interest paid on long-term debt	(533,599)	(561,364)
Purchases of capital assets	(1,070,278)	(460,318)
Net cash used in capital and related financing activities	(2,164,122)	(1,563,768)
Cash flows from investing activities		
Purchases of investments	(8,009,286)	(2,356,067)
Proceeds from sale of investments	5,341,061	2,330,092
Interest on investments	364,202	174,832
Net cash provided by (used in) investing activities	(2,304,023)	148,857
Net increase in cash and cash equivalents	127,137	3,611,408
Cash and cash equivalents, beginning of year	10,656,536	7,045,128
Cash and cash equivalents, end of year	\$ 10,783,673	\$ 10,656,536
Reconciliation of income (loss) from operations to net cash provided by operating activities		
Income (loss) from operations	\$ 945,204	\$ (923,767)
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities		
Depreciation and amortization	1,368,713	1,528,832
Provision for bad debts	1,492,154	1,392,159
Loss on disposal of fixed assets	-	13,192
Changes in assets and liabilities		
Patient receivables	(1,805,108)	(832,993)
Inventories	(40,153)	29,809
Estimated third-party payor settlements	(697,575)	(664,300)
Other current assets	(321,761)	975,152
Accounts payable	(94,314)	349,096
Accrued salaries and compensated absences	289,485	188,755
Net pension liability and related accounts	546,168	15,598
Net cash provided by operating activities	\$ 1,682,813	\$ 2,071,533

See accompanying notes.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

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

Nature of Operations and Reporting Entity

The St. James Parish Hospital Service District of St. James Parish, Louisiana, d/b/a St. James Parish Hospital (the "Hospital") or ("SJPH"), is an acute care hospital established in 1953. Effective August 1, 2001, the Hospital met the Medicare participation requirements to be classified as a critical access hospital. The Hospital was created by the St. James Parish Police Jury and is a political subdivision of the St. James Parish Council/Police Jury. The St. James Parish Council approves all tax elections. The Hospital Service District is a component unit of the St. James Parish Council.

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

Use of Estimates

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

Basis of Presentation

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

Cash and Cash Equivalents

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

Patient Receivables

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

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

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Allowance for Doubtful Accounts

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

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

Inventories

Inventories are valued using an average cost method.

Prepaid Expenses

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

Restricted and Internally Designated Assets

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

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

Capital Assets, Net

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

Property Taxes

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

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Deferred Outflows/Inflows of Resources

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

Pensions

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

Compensated Absences

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

Risk Management

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

Income Taxes

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

Net Position

The net position of the Hospital is classified in components. Net investment in capital assets net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used to finance the purchase, improvements, or construction of those assets. Restricted net position reflects limitations imposed on the assets use by external parties

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

such as creditors, grantors, laws or regulations of other governments. Restricted for debt service represents those assets that are externally restricted by creditors for debt service. Restricted for pension benefits represents assets restricted for providing contributions to the cost-sharing defined benefit pension plan which provides pensions in accordance with the benefit terms of the plan. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

Patient Service Revenue

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

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

Charity Care

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

Operating Revenue and Expenses

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

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

New Accounting Standards Adopted

Governmental Accounting Standards Board Statement No. 88 ("GASB 88")

The Plan adopted GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in fiscal year 2019. This statement requires additional information related to debt be disclosed in the notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default or termination with finance-related consequences and significant acceleration clauses. With the inclusion of this information, users will better understand the effects of debt on a government's future resource flows. The adoption of this standard did not have a significant impact on the financial statements.

Accounting Pronouncements Issued Not Yet Adopted

Governmental Accounting Standards Board Statement No. 84 ("GASB 84")

The Plan will adopt GASB 84, *Fiduciary Activities*, in fiscal year 2020 with any changes applied retroactively. This statement is meant to provide guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. Fiduciary activities meeting certain criteria (i.e. pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds) will now be reported in a fiduciary fund as part of the basic financial statements. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

Governmental Accounting Standards Board Statement No. 87 ("GASB 87")

The Plan will adopt GASB 87, *Leases*, in fiscal year 2021 with any changes applied retroactively. This statement will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. Under this statement all leases are required to be recognized as assets and liabilities with associated deferred inflows and outflows of resources on the financial statements. Furthermore the statement defines a lease and details the considerations for determining the lease term. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

Governmental Accounting Standards Board Statement No. 89 ("GASB 89")

The Plan will adopt GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, in fiscal year 2021. This statement will improve financial reporting by (1) enhancing the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) simplifying accounting for interest cost incurred before the end of a construction period. This statement will supersede GASB 62, requiring that interest cost incurred before the end of a construction period to be recognized as an expense in the period in which the cost was incurred. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash Deposits and Investments

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to them. As of March 31, 2019, \$7,117,043 of the Hospital's bank balance totaling \$7,867,043 was exposed to custodial credit risk. \$250,000 of deposits, at each institution, was secured by federal deposit insurance coverage, which was not exposed to custodial credit risk. The remaining deposits, which were exposed to custodial credit risk, were secured by the pledge of securities owned by the fiscal agent bank.

The Hospital's investments generally are reported at fair value, as discussed in Note 1. The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Hospital had the following recurring fair value measurements as of March 31, 2019 and 2018:

Investments by Fair Value Level	2019	Level 1	Level 2	Level 3
U.S. Agencies	\$ 14,924,124	\$ 5,477,070	\$ 9,447,054	\$ -
Total	\$ 14,924,124	\$ 5,477,070	\$ 9,447,054	\$ -

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

The Hospital had the following investment maturities as of March 31, 2019 and 2018:

March 31, 2019	Carrying Amount	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Investment Type					
U.S. Agencies	\$ 14,924,124	\$ 6,159,116	\$ 8,765,008	\$ -	\$ -
Total	\$ 14,924,124	\$ 6,159,116	\$ 8,765,008	\$ -	\$ -

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

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 2. Continued

Interest Rate Risk

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

Credit Risk

The Hospital's investment policy, in compliance with Louisiana Revised Statute 33:2955, allows the Hospital to invest in United States Treasuries, United States Agency securities, and certificates of deposit. As of March 31, 2019, the Hospital's investment in U.S. Agencies were rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's.

Concentration of Credit Risk

The Hospital's investment policy does not limit the amount the Hospital may invest in any one issuer. More than 5 percent of the Hospital's investments are in the Federal Credit Bank, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal Agricultural Mortgage Corporation, the Federal National Mortgage Association, and U.S. Treasury Notes or Bonds. These investments are 18 percent, 25 percent, 11 percent, 7 percent, 14 percent and 27 percent of total investments, respectively, at March 31, 2019.

Note 3. Restricted and Internally Designated Assets

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

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

	2019	2018
Held by trustee for debt service		
Sinking fund	\$ 133	\$ 51,947
Reserve fund – rural development	988,332	922,338
Contingency fund	600,445	540,681
Rural Development transfer account	64,385	64,701
Internally designated for capital acquisitions	<u>14,924,124</u>	<u>12,116,641</u>
Total	<u>\$ 16,577,419</u>	<u>\$ 13,696,308</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 4. Patient Accounts Receivable

Patient accounts receivable consist of the following:

	2019	2018
Receivable from patients and their insurance carriers	\$ 2,279,158	\$ 2,721,158
Receivable from Medicare	2,553,524	1,808,437
Receivable from Medicaid	1,449,904	1,598,523
Total patient receivables	6,282,586	6,128,118
Less: Allowance for contractual adjustments and doubtful accounts	3,718,694	3,877,180
Patient accounts receivable, net	<u>\$ 2,563,892</u>	<u>\$ 2,250,938</u>

Note 5. Capital Assets

Capital assets and depreciation activity for the year ended March 31, 2019 are as follows:

	March 31, 2018	Additions	Disposals	March 31, 2019
Capital assets not being depreciated:				
Land	\$ 1,227,036	\$ -	\$ -	\$ 1,227,036
Construction in progress		92,939	-	92,939
Total capital assets not being depreciated	<u>1,227,036</u>	<u>92,939</u>	<u>-</u>	<u>1,319,975</u>
Capital assets being depreciated:				
Buildings and improvements	24,635,683	66,846	-	24,702,529
Equipment	9,558,499	910,493	(213,635)	10,255,357
Total capital assets being depreciated	<u>34,194,182</u>	<u>977,339</u>	<u>(213,635)</u>	<u>34,957,886</u>
Less: total accumulated depreciation	<u>(17,551,482)</u>	<u>(1,368,713)</u>	<u>213,635</u>	<u>(18,706,560)</u>
Total capital assets being depreciated, net	<u>16,642,700</u>	<u>(391,374)</u>	<u>-</u>	<u>16,251,326</u>
Capital assets, net	<u>\$ 17,869,736</u>	<u>\$ (298,435)</u>	<u>\$ -</u>	<u>\$ 17,571,301</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

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

	March 31, 2017	Additions	Disposals	March 31, 2018
Capital assets not being depreciated:				
Land	\$ 1,227,036	\$ -	\$ -	\$ 1,227,036
Total capital assets not being depreciated	1,227,036	-	-	1,227,036
Capital assets being depreciated:				
Buildings and improvements	24,510,370	125,303	-	24,635,682
Equipment	9,290,986	335,015	(67,502)	9,558,499
Total capital assets being depreciated	33,801,365	460,318	(67,502)	34,194,181
Less: total accumulated depreciation	(16,076,959)	(1,528,832)	54,310	(17,551,481)
Total capital assets being depreciated, net	17,724,406	(1,068,514)	(13,192)	16,642,700
Capital assets, net	\$ 18,951,442	\$ (1,068,514)	\$ (13,192)	\$ 17,869,736

For the years ended March 31, 2019 and 2018, depreciation expense was \$1,368,713 and \$1,528,832, respectively.

Note 6. Long-Term Debt

A schedule of changes in the Hospital's long-term debt for the year ended March 31, 2019 follows:

	Balance March 31, 2018	Additions	Retirements	Balance March 31, 2019	Due Within One Year
Revenue Bonds					
Series 2008 R-1	\$ 6,710,872	\$ -	\$ (113,825)	\$ 6,597,047	\$ 118,610
Series 2014	5,912,149	-	(446,420)	5,465,729	460,411
Total debt	\$ 12,623,021	\$ -	\$ (560,245)	\$ 12,062,776	\$ 579,021

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 6. Continued

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

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

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

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

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,176,708. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2030 using the straight-line method. For the years ended March 31, 2019 and 2018, the deferred amount on refunding totaled \$797,547 and \$875,994, respectively.

The bonds are collateralized by a pledge of the Hospital Service District's revenue, land, building and improvements, and personal property thereon. Under the terms of the revenue note indenture, the Hospital is required to maintain certain deposits with a trustee, as mentioned in Note 3. Such deposits are included in restricted and internally designated assets in the statements of net position. These funds are maintained at the trustee and require monthly funding by the Hospital Service District. The revenue note indenture also requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding. The Hospital was in compliance with all covenants of its outstanding bond issues at March 31, 2019 and 2018.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 6. Continued

Scheduled interest and principal payments on long-term debt at March 31, 2019 are as follows:

Year Ending March 31,	Principal	Interest
2020	\$ 579,021	\$ 432,309
2021	598,437	412,893
2022	618,516	392,815
2023	639,278	372,052
2024	660,750	350,581
2025 - 2029	3,652,399	1,404,252
2030 - 2034	1,128,624	969,641
2035 - 2039	1,196,335	746,225
2040 - 2044	1,469,848	472,712
2045 - 2049	1,519,568	140,459
	\$ 12,062,776	\$ 5,693,939

Note 7. Pension Plan

Plan Description

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

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

For employees hired prior to January 1, 2007:

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

For employees hired after January 1, 2007:

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

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

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

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

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

Contributions

Contributions to Plan B include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish except Orleans and East Baton Rouge parishes. Plan B members are required to contribute 3 percent of their annual covered salary. The Hospital is required to contribute at an actuarially determined rate. The current rate is 7.5 and 8 percent of annual covered salary for the years ended March 31, 2019 and 2018, respectively. As provided by LRS 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation of the prior year. The Hospital's contributions to Plan B for the years ended March 31, 2019 and 2018, were \$698,961 and \$692,169, respectively, which is equal to the required contribution.

Net Pension Asset (Liability)

At March 31, 2019 and 2018, the Hospital reported an asset (liability) of (\$2,406,711) and \$1,073,503, respectively, for its proportionate share of the net pension asset (liability). The net pension asset (liability) was measured as of December 31, 2018 and 2017, and was determined by actuarial valuation as of that date. The Hospital's proportion of the net pension asset (liability) was based on a projection of the Hospital's long-term share of contributions to the pension plan relative to the projected contributions of all municipalities, actuarially determined. At December 31, 2018 and 2017, the Hospital's proportion was 8.908301 percent and 8.532025 percent, respectively.

For the years ended March 31, 2019 and 2018, the Hospital recognized pension expense of \$1,181,763 and \$631,048, respectively. At March 31, 2019 and 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources related to its pension from the following sources:

	2019	2018
Deferred outflows of resources		
Pension contributions subsequent to measurement date	\$ 190,748	\$ 153,372
Net difference between projected and actual earnings on pension plan investments	1,648,024	-
Changes of assumptions	668,739	631,619
Changes in proportion and differences between Hospital change in proportion	5,817	3,196
Total deferred outflows of resources	<u>\$ 2,513,328</u>	<u>\$ 788,187</u>
Deferred inflows of resources		
Difference between expected and actual experience	\$ 536,234	\$ 559,064
Net difference between projected and actual earnings on pension plan investments	-	1,263,464
Changes in proportion and differences between Hospital change in proportion	-	1,058
Total deferred inflows of resources	<u>\$ 536,234</u>	<u>\$ 1,823,586</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

In the years ended March 31, 2019 and 2018, respectively, \$190,748 and \$153,372 reported as deferred outflows of resources related to pensions resulting from the Hospital's contributions subsequent to the measurement date will be recognized as an addition (reduction) to net pension asset (liability).

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

2020	568,886
2021	258,714
2022	237,424
2023	721,322
	\$ 1,786,346

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining net pension liability as of March 31, 2019, is as follows:

Valuation date	December 31, 2018
Actuarial cost	Method Entry Age Normal
Investment return	6.50% (Net of Investment Expense, including inflation)
Expected remaining service lives	4 Years
Projected salary increases	4.25% (1.85% Merit/2.40% Inflation)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Mortality	PUB-2010 Public Retirement Plans Mortality Table for General Employees selected for employees. Pub-2010 Public Retirement Plans Mortality Table for Healthy Retirees were selected for annuitants and beneficiaries. PUB-2010 Public Retirement Plans Mortality Table for General Disabled Retirees was selected for disabled annuitants.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	35%	1.22%
Equity	52%	3.45%
Alternatives	11%	0.65%
Real assets	2%	0.11%
	<u>100%</u>	<u>5.43%</u>
Inflation		2.00%
Expected arithmetic normal rate		<u>7.43%</u>

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up), and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00 percent and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.43 percent, for the year ended December 31, 2018.

The discount rate used to measure the total pension liability was 6.50 and 6.75 percent for Plan B as of March 31, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement System's Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

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

The following presents the net pension asset (liability) of the Hospital as of March 31, 2019 and 2018, using the discount rate of 6.50 and 6.75 percent as of March 31, 2019 and 2018, respectively.

2019	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Hospital's proportionate share of the net pension asset (liability)	\$ (6,331,855)	\$ (2,406,711)	\$ 872,538
2018	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Hospital's proportionate share of the net pension asset (liability)	\$ (2,287,457)	\$ 1,073,503	\$ 3,908,590

Note 8. Patient Service Revenue

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

Medicare

Since obtaining critical access designation, inpatient and outpatient services rendered to Medicare programs beneficiaries are reimbursed under cost reimbursement methodologies. The Hospital is reimbursed by the Medicare fiscal intermediary at a tentative interim rate with final settlement determined with the submission of annual cost reports and audits. The Hospital's Medicare cost reports have been filed with the Medicare fiscal intermediary through March 31, 2019. Desk reviews have been performed on reports issued through March 31, 2017.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been filed with the fiscal intermediary through March 31, 2019. A desk review has been performed on Medicaid reports issued through March 31, 2017.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

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

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

	2019	2018
Medicare	18%	20%
Medicare Advantage	24%	21%
Medicaid	27%	27%
Commercial Providers	27%	28%
Self pay	4%	4%
	100%	100%

Note 9. Charity Care

The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated \$187,910 and \$204,508 for the years ended March 31, 2019 and 2018, respectively. The estimated cost of charity care, estimated using a ratio of cost to gross charges, totaled approximately \$88,000 and \$97,000 for the years ended March 31, 2019 and 2018, respectively.

Note 10. Insurance Programs

Risk Management

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

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

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 11. Blended Component Units

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

	March 31, 2019		
	SJPH	SJPA	Total
Condensed Statements of Net Position			
Assets			
Current assets	\$ 16,545,611	\$ 101,847	\$ 16,647,458
Restricted and internally designated assets	16,577,419	-	16,577,419
Capital assets	17,571,301	-	17,571,301
Net pension asset	-	-	-
Total assets	50,694,331	101,847	50,796,178
Deferred outflows of resources	3,310,875	-	3,310,875
Total assets and deferred outflows of resources	<u>\$ 54,005,206</u>	<u>\$ 101,847</u>	<u>\$ 54,107,053</u>
Liabilities			
Current liabilities	\$ 2,615,505	\$ 83,611	\$ 2,699,116
Long-term liabilities	13,890,466	-	13,890,466
Total liabilities	16,505,971	83,611	16,589,582
Deferred inflows of resources	536,234	-	536,234
Net position	<u>36,963,001</u>	<u>18,236</u>	<u>36,981,237</u>
Total liabilities and deferred inflows of resources and net position	<u>\$ 54,005,206</u>	<u>\$ 101,847</u>	<u>\$ 54,107,053</u>
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	\$ 25,797,438	\$ 1,876,931	\$ 27,674,369
Depreciation	1,368,713	-	1,368,713
Other operating expenses	23,501,757	1,858,695	25,360,452
Non-operating revenues	2,882,330	-	2,882,330
Change in net position	<u>\$ 3,809,298</u>	<u>\$ 18,236</u>	<u>\$ 3,827,534</u>
Condensed Statements of Cash Flows			
Net cash provided by (used in)			
Operating activities	\$ 1,500,752	\$ 182,061	\$ 1,682,813
Noncapital financing activities	2,912,469	-	2,912,469
Capital and related financing activities	(2,164,122)	-	(2,164,122)
Investing activities	(2,304,023)	-	(2,304,023)
Change in cash	(54,924)	182,061	127,137
Beginning cash	<u>10,409,054</u>	<u>247,482</u>	<u>10,656,536</u>
Ending cash	<u>\$ 10,354,130</u>	<u>\$ 429,543</u>	<u>\$ 10,783,673</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 11. Continued

	March 31, 2018		
	SJPH	SJPA	Total
Condensed Statements of Net Position			
Assets			
Current assets	\$ 15,137,581	\$ 83,925	\$ 15,221,506
Restricted and internally designated assets	13,696,308	-	13,696,308
Capital assets	17,869,736	-	17,869,736
Net pension asset	1,073,503	-	1,073,503
Total assets	47,777,128	83,925	47,861,053
Deferred outflows of resources	1,664,181	-	1,664,181
Total assets and deferred outflows of resources	<u>\$ 49,441,309</u>	<u>\$ 83,925</u>	<u>\$ 49,525,234</u>
Liabilities			
Current liabilities	\$ 2,401,244	\$ 83,925	\$ 2,485,169
Long-term liabilities	12,062,776	-	12,062,776
Total liabilities	14,464,020	83,925	14,547,945
Deferred inflows of resources	1,823,586	-	1,823,586
Net position	<u>33,153,703</u>	<u>-</u>	<u>33,153,703</u>
Total liabilities and deferred inflows of resources and net position	<u>\$ 49,441,309</u>	<u>\$ 83,925</u>	<u>\$ 49,525,234</u>
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	\$ 23,681,550	\$ 1,889,073	\$ 25,570,623
Depreciation	1,528,832	-	1,528,832
Other operating expenses	23,076,485	1,889,073	24,965,558
Non-operating revenues	2,366,174	-	2,366,174
Change in net position	<u>\$ 1,442,407</u>	<u>\$ -</u>	<u>\$ 1,442,407</u>
Condensed Statements of Cash Flows			
Net cash provided by (used in)			
Operating activities	\$ 2,037,052	\$ 88,494	\$ 2,125,546
Noncapital financing activities	2,954,786	-	2,954,786
Capital and related financing activities	(1,563,768)	-	(1,563,768)
Investing activities	94,844	-	94,844
Change in cash	3,522,914	88,494	3,611,408
Beginning cash	<u>6,886,140</u>	<u>158,988</u>	<u>7,045,128</u>
Ending cash	<u>\$ 10,409,054</u>	<u>\$ 247,482</u>	<u>\$ 10,656,536</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2019 and 2018

NOTES TO FINANCIAL STATEMENTS

Note 12. Subsequent events

Management has evaluated subsequent events through the date that the financial statements were available to be issued September 25, 2019, and determined that no events occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ST. JAMES PARISH HOSPITAL
Schedule of Employer Contributions and Proportionate Share of Net Pension Liability
PERS Pension Plan
March 31, 2019

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2019	2018	2017	2016
Statutorily required employer contribution	\$ 736,059	\$ 686,766	\$ 673,259	\$ 720,694
Contributions in relation to the statutorily required contributions	(736,059)	(686,766)	(673,259)	(720,694)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 9,419,282	\$ 8,712,618	\$ 8,415,735	\$ 8,224,215
Contributions as a percentage of covered-employee payroll	7.81%	7.88%	8.00%	8.76%

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2019	2018	2017	2016
Proportion of the net pension asset (liability)	8.908301%	8.532025%	8.408189%	8.710641%
Proportionate share of the net pension asset (liability)	\$ (2,406,711)	\$ 1,073,503	\$ (1,092,285)	\$ (1,550,889)
Covered-employee payroll	\$ 9,419,282	\$ 8,712,618	\$ 8,415,735	\$ 8,224,215
Proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	-26%	12%	-13%	-19%
Plan fiduciary net position as a percentage of the total pension liability	92%	104%	96%	93%

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

See independent auditor's report.

SUPPLEMENTARY INFORMATION

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended March 31, 2019

Agency Head

Mary Ellen Pratt, Chief Executive Officer

Purpose	Amount
Salary	\$ 224,166
Benefits – Insurance	7,522
Benefits – Retirement	16,277
Benefits – Other – Employer 457 Match	7,596
Car Allowance	8,250
Vehicle Provided by Government	-
Cellphone	-
Per Diem	-
Reimbursements	120
Travel	-
Registration Fees	3,345
Conference Travel	7,264
Continuing Professional Education Fees	-
Housing	-
Unvouchered Expenses	-
Other – Dues	605



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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of St. James Parish Hospital Service District (the "Hospital"), as of March 31, 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated September 25, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

HORNE LLP

Ridgeland, Mississippi
September 25, 2019

**ST. JAMES PARISH
HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana**

**Independent Accountant's Report
on Applying Agreed-Upon Procedures
For the Reporting Period
April 1, 2018 through March 31, 2019**



Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by St. James Parish Hospital Service District No. 1 of St. James Parish, State of Louisiana, d/b/a St. James Parish Hospital (the "Hospital") and the Louisiana Legislative Auditor ("LLA") on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures ("SAUPs") for the reporting period April 1, 2018 through March 31, 2019. The Hospital's management is responsible for those control and compliance areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

Board/Committee Meetings

2. Determine whether the managing Board met (with quorum) at least monthly, or on a frequency in accordance with the Board of Commissioners' (the "Board") enabling legislation, charter, bylaws or other equivalent document.
3. Observe that the minutes referenced or included financial activity.

4. Obtain the prior year audit report and observe the unrestricted fund balance. If the unrestricted fund balance in the prior year had a negative ending balance, observe that the minutes for at least one meeting during the reporting period referenced or included a formal plan to eliminate the negative unrestricted balance.

Not applicable for Year 3 in accordance with guidance per SAUPs Year 3 – Reporting Years Ending 6/30/2019 through 5/31/2020, issued May 17, 2019.

Bank Reconciliations

5. Obtain from management a listing of all bank accounts held by the Hospital.
6. Select the Hospital's main operating account and a sample of four other bank accounts provided in the listing obtained from management in SAUP 5. For each sample randomly select one month from the reporting period, obtain bank statements and corresponding reconciliations for month selected, and determine whether:
 - a. Bank reconciliations have been prepared within two months of the related statement closing date;
 - b. Bank reconciliations were properly reviewed by management;
 - c. Management has researched reconciling items that have been outstanding for more than twelve months from the statement closing date and documented such research accordingly, if applicable.

Not applicable for Year 3 in accordance with guidance per SAUPs Year 3 – Reporting Years Ending 6/30/2019 through 5/31/2020, issued May 17, 2019.

Collections

7. Obtained from management a listing of all deposit sites maintained by the Hospital and select a sample of five deposit sites. For each deposit site, obtained from management a listing of all cash collection locations maintained by the Hospital.
8. Select a sample of one collection location for each deposit site provided in the listing obtained from management in SAUP 7. For each sample, obtain and inspect written policies and procedures related to employee job duties. 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.
 - 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.
 - 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.
 - 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.
9. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

10. Select two deposit dates for each of the five bank accounts selected for SAUP 6 and obtain supporting documentation such that:
 - a. Observe that receipts are sequentially pre-numbered.
 - b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c. Trace the deposit slip total to the actual deposit per the bank statement.
 - 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 or the deposit is less than \$100).
 - e. Trace the actual deposit per the bank statement to the general ledger.

Not applicable for Year 3 in accordance with guidance per SAUPs Year 3 – Reporting Years Ending 6/30/2019 through 5/31/2020, issued May 17, 2019.

Non-Payroll Disbursements

11. Obtain from management a listing of all Hospital disbursements for the reporting period and a listing of all employees involved with non-payroll purchasing and payment functions.
12. Obtain written policies and procedures related to employee job duties and observe 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.
 - b. At least two employees are involved in processing and approving payments to vendors.
 - 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.
 - 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.
13. Select a sample of five disbursements, excluding credit cards and travel reimbursements, provided in the listing obtained from management in SAUP 11. Obtain supporting documentation for each transaction and:
 - a. Observe that the disbursement matched the related original invoice/billing statement.
 - b. Observe that the disbursement documentation included evidence (e.g. initial/date, electronic logging) of segregation of duties tested under SAUP 12, as applicable.

Not applicable for Year 3 in accordance with guidance per SAUPs Year 3 – Reporting Years Ending 6/30/2019 through 5/31/2020, issued May 17, 2019.

Credit Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards maintained by the Hospital.

15. Select a sample of five cards used from the listing obtained from management in SAUP 14 during the reporting period. For each sample, obtain one monthly statement and reconciliation during the reporting period and:

- a. Observe that there is evidence that the monthly statement and supporting documentation (e.g. original receipts for purchases, exception reports, etc.) were reviewed and approved in writing/electronically by someone other than the authorized card holder.

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

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

We reviewed statements related to all credit card activity selected and noted an assessment of a late fee.

Management Response: All credit card statements were reviewed for the fiscal year. This was the only instance of a late fee. The due date was November 18th and the payment was processed on November 16th. The payment was mailed on Friday and the due date was Sunday. Not enough time was allowed for the payment to get to the credit card vendor.

16. Using the monthly statements obtain from management in SAUP 15, select 10 transactions from each statement and obtain supporting documentation including:

- a. An itemized receipt that identifies precisely what was purchased,
- b. Written documentation of the business/public purpose, and
- c. Documentation of individuals participating in meals, if applicable.

We reviewed supporting documentation related to credit card activity selected and noted all necessary items were included.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements for the reporting period.

18. Select a sample of five reimbursements from the listing obtained from management in SAUP 17. For each sample, obtain the related expense reimbursement forms or prepaid expense documentation, as well as supporting documentation, and determine:

- 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).

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

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

We performed inquiries and reviewed supporting documentation related to the reimbursement sample and noted all expenses reimbursed (or prepaid) had original receipts identifying what was purchased.

- c. Observe that each reimbursement is supported by documentation for 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.

We performed inquiries and reviewed supporting documentation related to the reimbursement sample and noted all expenses reimbursed (or prepaid) had documentation regarding the business/public purpose of the travel.

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

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

Contracts

19. Obtain from management a listing of all contracts in effect during the reporting period.
20. Select a sample of five contracts during the reporting period, excluding payments to practitioners, provided in the listing obtained from management in SAUP 19. Obtain the related contracts, paid invoices and:
 - a. Observe whether each contract was bid in accordance with the Louisiana Public Bid Law (e.g. solicited quotes or bids, advertised), if required by law.
 - b. Observe whether each contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d. Select one payment from the reporting period for each of the five contracts selected, 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.

Not applicable for Year 3 in accordance with guidance per SAUPs Year 3 – Reporting Years Ending 6/30/2019 through 5/31/2020, issued May 17, 2019.

Payroll and Personnel

21. Obtain from management a listing of all employees employed during the reporting period. Select a sample of five employees, obtain their paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates within their personnel files.
22. Select one pay period during the reporting period and for the five employees selected above in SAUP 21, obtain attendance leave records and leave documentation, and:
 - a. Observe that all selected employees documented their daily attendance and leave (e.g. vacation, sick, compensatory).
 - b. Observe that supervisors approved the attendance and leave of the selected employees.

- c. Observe that any leave accrued or taken for those selected employees is reflected in the Hospital's cumulative leave records.
23. Obtain from management a listing of all employees that received termination payments during the reporting period. Select a sample of the two employees and obtain related documentation of the hours and pay rates used in termination payment calculations. Agree hours to the employees' cumulative leave records and agree pay rates to the employees' authorized pay rates per their personnel files.
24. 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 were submitted to the applicable agencies by the required deadlines.

Not applicable for Year 3 in accordance with guidance per SAUPs Year 3 – Reporting Years Ending 6/30/2019 through 5/31/2020, issued May 17, 2019.

Ethics

25. Using the sample of five employees from the listing provided in SAUP 21, obtain ethics compliance documentation from management and determine whether the Hospital maintained documentation to demonstrate:
- a. Each employee completed one hour of required ethics training during the reporting period.
 - b. Each employee attested through signature verification that they have read the Hospital's ethics policy during the reporting period.

Not applicable for Year 3 in accordance with guidance per SAUPs Year 3 – Reporting Years Ending 6/30/2019 through 5/31/2020, issued May 17, 2019.

Debt Service

26. If debt was issued during the reporting period, obtain supporting documentation from the Hospital, and determine whether approval was obtained from the State Bond Commission.
27. If the Hospital had outstanding debt during the reporting period, obtain from management a listing of all bonds/notes outstanding. 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.

Not applicable for Year 3 in accordance with guidance per SAUPs Year 3 – Reporting Years Ending 6/30/2019 through 5/31/2020, issued May 17, 2019.

Other

28. Inquire of management whether the Hospital had any misappropriations of public funds or assets during the reporting period. If applicable, review supporting documentation and determine whether the Hospital reported the misappropriation to the legislative auditor and the Hospital attorney of the parish in which the Hospital is domiciled.
29. Observe whether the Hospital has posted on its premises and website the notice required by R.S 24:523.1 related to the reporting of misappropriation, fraud, waste or abuse of public funds.

Not applicable for Year 3 in accordance with guidance per SAUPs Year 3 – Reporting Years Ending 6/30/2019 through 5/31/2020, issued May 17, 2019.

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

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

HORNE LLP

Ridgeland, Mississippi
September 25, 2019