St. Charles Parish Hospital Service District
A Component Unit of St. Charles Parish

FINANCIAL STATEMENTS

December 31, 2019 and 2018

CRI CARR RIGGS & INGRAM
CPAs and Advisors
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Report

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
111 Veterans Memorial Blvd.
Suite 350
Metairie, Louisiana 70005

(504) 833-2436
(504) 484-0807 (fax)
www.CRIcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
St. Charles Parish Hospital Service District
Luling, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of St. Charles Parish Hospital Service District (the Hospital), a component unit of St. Charles Parish, as of and for the years ended December 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, a component unit of St. Charles Parish, as of December 31, 2019 and 2018, and the changes in its net 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

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head, Schedule of Board of Commissioners and Compensation, and the Schedule of Bonds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head, Schedule of Board of Commissioners and Compensation, and the Schedule of Bonds are the responsibility of management and were derived from and relate 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 Board of Commissioners and Compensation, and the Schedule of Bonds are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2020, 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 the Hospital's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Metairie, Louisiana
June 24, 2020

Financial Statements

As of December 31,	**2019**	**2018**
Assets		
Current assets		
Cash and cash equivalents	**$ 3,399,824**	$ 2,926,328
Restricted cash	**144,656**	144,656
Patient accounts receivable, net of estimated uncollectibles and allowances of $14,575,965 in 2019 and $11,272,779 in 2018	**5,210,823**	4,097,324
Other receivables	**13,436,856**	14,601,299
Estimated third-party settlements	**2,909,127**	1,239,204
Assets whose use is limited, by board for indenture reserves	**2,115,286**	1,272,015
Inventory	**397,766**	275,000
Prepaid expenses	**297,846**	248,796
Total current assets	**27,912,184**	24,804,622
Noncurrent assets and investments		
Assets whose use is limited:		
By board for indenture reserves	**2,115,286**	1,272,015
By indenture agreement for capital acquisition	**846,491**	2,907,646
Total assets whose use is limited	**2,961,777**	4,179,661
Less: amounts by board for indentures reserves required to meet current obligations	**(2,115,286)**	(1,272,015)
Total noncurrent cash and investments	**846,491**	2,907,646
Capital assets, net	**40,013,627**	38,038,244
Other assets		
Investment in joint venture	**-**	1,049,435
Note receivable	**629,904**	629,904
Total other assets	**629,904**	1,679,339
Deferred Outflows		
Deferred outflow - bond refundings	**196,532**	426,938
Total deferred outflows	**196,532**	426,938
Total Assets and Deferred Outflows	**$ 69,598,738**	$ 67,856,789

(Continued)

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

As of December 31,	**2019**	**2018**
Liabilities and Net Position		
Current liabilities		
Accounts payable	**$ 5,751,272**	$ 607,416
Current maturities of long-term debt and capital lease obligations	**4,590,913**	4,278,731
Due to Hospital manager	**4,770,634**	8,960,804
Current maturities of multi-employer pension withdrawal liability	**528,568**	492,358
Accrued salaries and benefits	**559,069**	434,503
Accrued interest payable	**365,213**	484,418
Other accrued expenses	**12,219**	85,111
Total current liabilities	**16,577,888**	15,343,341
Long-term debt and other liabilities		
Long-term debt and capital lease obligations, net of current maturities	**52,615,733**	57,223,181
Multi-employer pension withdrawal liability, net of current maturities	**1,607,424**	2,135,991
Lease deposits	**20,202**	20,202
Total long-term debt and other liabilities	**54,243,359**	59,379,374
Total liabilities	**70,821,247**	74,722,715
Net position		
Net investment in capital assets	**(16,113,145)**	(20,348,719)
Unrestricted	**14,890,636**	13,482,793
Total net position (deficit)	**(1,222,509)**	(6,865,926)
Total Liabilities and Net Position	**$ 69,598,738**	$ 67,856,789

(Concluded)

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

St. Charles Parish Hospital Service District
Statements of Revenue, Expenses, and Changes in Net Position

For the Year Ended December 31,		2019		2018
Operating Revenue				
Net patient service revenues	$	**36,821,329**	$	31,888,012
Rural Hospital Grant		**6,460,660**		6,441,483
Other operating revenues		**4,300,542**		2,201,670
Total operating revenues		**47,582,531**		40,531,165
Operating Expenses				
Salaries and wages		**9,439,379**		7,959,061
Employee benefits		**1,870,452**		1,766,015
Supplies and other		**11,479,764**		9,450,876
Purchased services		**5,480,518**		5,771,849
Medicaid program support		**15,572,691**		12,000,000
Depreciation and amortization		**3,375,448**		3,309,051
Total operating expenses		**47,218,252**		40,256,852
Operating Income		**364,279**		274,313
Non-Operating Revenue (Expenses)				
Ad valorem taxes - maintenance		**3,737,999**		3,440,943
Ad valorem taxes - debt service		**4,791,156**		4,385,175
Noncapital grants and contributions		**-**		236,684
Interest income		**6,770**		27,058
Loss on sale of interest in joint venture		**(769,435)**		-
Interest expense		**(2,487,352)**		(2,779,997)
Total non-operating revenue, net		**5,279,138**		5,309,863
Increase in Net Position		**5,643,417**		5,584,176
Net Position (Deficit) - beginning of year		**(6,865,926)**		(12,450,102)
Net Position (Deficit) - end of year	$	**(1,222,509)**	$	(6,865,926)

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

For the Year Ended December 31,	**2019**	2018
Operating Activities		
Revenue collected	**$ 47,013,668**	$ 35,133,512
Payments for supplies, services, and other operations	**(31,753,379)**	(21,711,513)
Payments to employees and for employee-related costs	**(11,255,881)**	(9,784,319)
Net cash provided by (used in) operating activities	**4,004,408**	3,637,680
Noncapital Financing Activities		
Ad valorem taxes - maintenance	**3,400,487**	3,064,307
Ad valorem taxes - debt service	**4,358,552**	3,905,187
Noncapital grants and contributions	**-**	236,684
Net cash provided by (used in) noncapital financing activities	**7,759,039**	7,206,178
Capital and Related Financing Activities		
Proceeds from issuance of limited tax bonds	**-**	2,620,000
Principal payments on general obligation bonds	**(2,490,000)**	(2,765,000)
Principal payments on limited tax bonds	**(1,560,000)**	(1,350,000)
Principal payment on other long term debt	**(200,612)**	(188,894)
Principal payments on multi-employer pension liability	**(492,357)**	(458,480)
Principal payments on capital leases	**(70,734)**	(68,617)
Cash paid for interest on debt obligations	**(2,376,151)**	(3,010,546)
Purchase of capital assets (property, plant and equipment)	**(5,324,751)**	(1,277,446)
Net cash provided by (used in) capital and related financing activities	**(12,514,605)**	(6,498,983)
Investing Activities		
Cash received as interest	**6,770**	27,058
Changes in assets whose use is limited and restricted cash	**1,217,884**	(2,376,924)
Net cash provided by (used in) investing activities	**1,224,654**	(2,349,866)
Net increase (decrease) in cash and cash equivalents	**473,496**	1,995,009
Cash and Cash Equivalents - beginning of year	**2,926,328**	931,319
Cash and Cash Equivalents - end of year	**$ 3,399,824**	$ 2,926,328

(Continued)

For the Year Ended December 31,		**2019**		2018
Reconciliation of Operating Income to Net Cash Provided by (Used In) Operating Activities:				
Operating income	**$**	**364,279**	$	274,313
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation and amortization		**3,375,448**		3,309,051
Provision for bad debts		**3,768,701**		2,424,933
Changes in operating assets and liabilities:				
Change in accounts receivable		**(4,882,200)**		(2,859,379)
Change in inventory		**(122,766)**		(18,983)
Change in prepaid expenses		**(49,050)**		(53,974)
Change in other receivable		**2,214,559**		(3,755,638)
Change in deposits		**-**		55,893
Change in estimated third-party payor settlements		**(1,669,923)**		(1,207,569)
Change in accounts payable		**5,143,856**		(682,645)
Change in grant payable		**-**		-
Change in due to Hospital manager		**(4,190,170)**		6,211,340
Change in accrued salaries and benefits		**124,566**		9,128
Change in other accrued expenses		**(72,892)**		(68,790)
Net cash provided by (used in) operating activities	**$**	**4,004,408**	$	3,637,680

(Concluded)

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

Note 1: DESCRIPTION OF HOSPITAL

Reporting Entity

St. Charles Parish Hospital Service District (the Hospital), a special district and component of St. Charles Parish (the Parish), was formed for the purpose of operating St. Charles Parish Hospital, a non-profit community hospital established in 1956. The Board of Commissioners is the governing authority for the Hospital and is responsible for obtaining voter approval for the levy of tax or debt issuance, but all related Louisiana State Bond Commission approvals must be obtained through the Parish.

On September 1, 2014, the Hospital entered into a management agreement with a wholly-owned subsidiary of Ochsner Health System, to provide management, staff, and other assistance to operate the Hospital. This expanded affiliation enables the Hospital to further enhance existing clinical services while simultaneously improving resources, including operational efficiencies (see Note 18).

Component Units

The Hospital follows the requirements under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34.* The financial statements of the Hospital include the accounts of the Hospital and its wholly owned component units, St. Charles Hospital Continuum of Care Corporation, St. Charles Hospital Services Corporation, and Plantation View Medical Offices. The significant intercompany transactions and balances have been eliminated.

The St. Charles Hospital Continuum of Care Corporation (SCHCCC) was incorporated on August 10, 2006 with a subsequent name change to St. Charles Health Initiatives, Inc. (SCHII). SCHII is a non-profit hospital that principally provides housing, healthcare, and other related services to residents. SCHII maintains a shared governing board and receives funding through the Hospital Service District. Due to the level of control and the financial benefit/burden relationship with the District that exists, SCHII is considered a blended component unit of the District for accounting purposes. The operations of the Corporation are included in the financial statements of the Hospital for the years ended December 31, 2019 and 2018.

St. Charles Hospital Services Corporation (the Corporation) is a non-profit entity that, while legally separate from the Hospital, is reported as if it were a part of the Hospital because of the presence of a shared governing body with the Hospital. As a component unit of the Hospital, the operations of the Corporation are included in the financial statements of the Hospital; however, the operations of the Corporation became dormant. During the year ended December 31, 2007, the Corporation changed its name to the St. Charles Continuum of Care Corporation after the SCHCCC mentioned above changed its name to St. Charles Health Initiatives, Inc. As a blended component unit of the Hospital, the operations of the Corporation are included in the financial statements of the Hospital for the years ended December 31, 2019 and 2018.

Note 1: DESCRIPTION OF HOSPITAL (CONTINUED)

Component Units (Continued)

On December 2, 2013, Plantation View Medical Offices (PVMO) was formed with St. Charles Parish Hospital being the sole member. PVMO was formed as a not-for-profit corporation for the purpose of building a medical office building on the east bank of St. Charles Parish. On January 13, 2014, PVMO received a donation of land that was appraised at $714,000. PVMO also secured financing in the amount of $14,700,000, to build the medical office building. The financing is a mixture of New Markets Tax Credits, a commercial loan, and a grant from the Hospital. Construction was substantially completed in March of 2016. As a blended component unit of the Hospital, the operations of PVMO are included in the financial statements of the Hospital for the years ended December 31, 2019 and 2018.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Hospital reports in accordance with accounting principles generally accepted in the United States as specified by the American Institute of Certified Public Accountants' Audits of Health Care Entities and, as a governmental entity, also reports in accordance with accounting principles promulgated by the Governmental Accounting Standards Board (GASB), for proprietary funds. As such, the Hospital utilizes the enterprise fund method of accounting whereby revenues and expenses are recognized on the accrual basis. SCHII, the Corporation, and PVMO also use the accrual method.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change in the near term are related to the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payer settlements. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Hospital purchases medical malpractice under claims-made policies. Under these policies, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less, excluding amounts whose use is limited by board designation, other arrangements under trust agreements, or with third-party payors.

Restricted Cash

The Hospital's restricted cash includes cash received through the New Markets Tax Credits transaction whose use is restricted for the PVMO project (See Note 9 for further discussion of the New Markets Tax Credits transaction).

Assets Whose Use is Limited

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

Patient Accounts Receivable, Net

Patient accounts receivable are reduced by estimated contractual and other adjustments and estimated uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debt. Management reviews data about these major payer sources of revenue on a monthly basis in evaluating the sufficiency of the allowances. On a continuing basis, management analyzes delinquent receivables and writes them off against the allowance when deemed uncollectible. No interest is charged on patient accounts receivable balances.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable, Net (Continued)

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with uninsured patients (also known as 'self-pay'), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2019 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2019 or 2018.

Inventory

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

Prepaid Expenses

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The following estimated useful lives are being used by the Hospital:

Buildings and improvements	20 - 40 years
Leasehold improvements	5 - 15 years
Equipment	3 - 7 years
Vehicle	4 - 12 years
Software	1 - 3 years

Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss, if any, is included in the statement of revenues, expenses and changes in net position.

Expenditures that materially increase values, change capacities, or extend useful lives of the respective assets are capitalized. Routine maintenance and repairs are charged to expense when incurred.

Cost of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Costs incurred in connection with the obtaining of financing are deferred and amortized over the period the obligation is outstanding using the interest method. Premiums or discounts incurred in connection with the issuance of bonds and indentures are amortized over the life of the obligations on the interest method, and the unamortized amount is included in the balance of the outstanding debt. There was no interest capitalized during 2019 and 2018.

Impairment of Long-Lived Assets

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management’s evaluations, no long-lived assets impairments were recognized during the years ended December 31, 2019 and 2018.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences, included as a component of accrued salaries and benefits on the Hospital's statements of net position, was $308,893 and $254,012 as of December 31, 2019 and 2018, respectively.

Net Position

Net position of the Hospital is classified in three components, as follows:

> Investments in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.
>
> Restricted net position – net position is reported as restricted when there are limitations imposed on their use, either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There are no restricted net position amounts at December 31, 2019 and 2018.
>
> Unrestricted – the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position described above.

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

Operating Revenue and Expenses

The Hospital's statements of revenue, expenses and changes in net position distinguish between operating and non-operating revenue and expenses. Operating revenue result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenue, including investment income, grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payers.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Service Revenue (Continued)

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews, and investigations.

The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid program, and in recent years there has been an increase in regulatory initiatives at the state and federal levels including the Recovery Audit Contractor ("RAC") and Medicaid Integrity Contractor ("MIC") programs, among others. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue 'improper' (in their judgment) payments with a three year look back from the date the claim was paid.

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. The Hospital maintains records to identify and monitor the level of charity care it provides to all of its qualifying patients. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. As presented in Note 11, the Hospital reduced its gross revenues for its cost of charity care. For the years ended December 31, 2019 and 2018, charity care totaled $830,249 and $734,964, respectively.

Grants and Contributions

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions

Government grants are recognized as income when there is reasonable assurance that the Hospital will comply with the conditions attached to them, and that the grants will be received. This revenue is recorded as either operating revenue or non-operating revenue dependent upon how the transaction is classified on the statements of cash flows. Cash flows that do not meet the reporting criteria for investing, capital financing or non-capital financing would be reported as operating activities, with their associated revenue reported as operating revenue within the statements of revenues, expenses, and changes in net position.

Ad Valorem Tax Revenues

The Hospital receives dedicated property tax revenues in amounts sufficient to fund annual debt maturities of the general obligation bonds and related interest costs. Such revenues are considered non-operating in the accompanying statements of revenues, expenses and changes in net position.

Ad valorem taxes are normally levied and billed in November of each year and are due by December 31st of the year levied. Revenues are recognized when levied due to the extent they are determined to be currently collectible. Ad valorem taxes are billed and collected using the assessed values determined by the Tax Assessor of St. Charles Parish. For the year ended December 31, 2019 and 2018 the millage rates have been set at 2.48 mills for Maintenance and Operations and 3.16 mills for Bonds. The ad valorem taxes receivable for the year ended December 31, 2019 totaled $8,403,881. The ad valorem taxes receivable for the year ended December 31, 2018 totaled $7,633,765. Ad valorem taxes receivable are included as other receivables on statements of net position.

Managed Care Incentive Payment Revenue

The Hospital participates in the State of Louisiana's Managed Care Incentive Payment (MCIP) Program which provides incentive payments to healthcare entities for achieving quality reforms that increase access to health care, improve the quality care, and/or enhance the health of patients they serves. Incentive payments received after the specified activities, targets, performance measures, or quality-based outcomes achieved by the healthcare entity. The revenue associated with MCIP incentive payments is recognized by the Hospital as soon as the amounts are estimable. Any changes resulting from the change in estimate is recognized within operation in the period in which they occur.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current Healthcare Environment

The Hospital monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs
- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payer industry

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on the Hospital's financial position and operating results.

Advertising Costs

Advertising costs are expensed as incurred. Marketing media/advertising expenses included advertising costs of $5,120 and $3,732 for the years ended December 31, 2019 and 2018, respectively.

Income Tax Status

The Hospital is a governmental unit which is exempt from Federal income taxes on related income pursuant to Section 115 of the Internal Revenue Code.

SCHCCC, the Corporation and PVMO, the component units of the Hospital as noted in Note 1, are exempt from taxes on income other than unrelated business income under section 501(c)(3) of the Internal Revenue Code.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Electronic Health Records (EHR) Incentive Payments

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that adopt and meaningful use certified EHR technology. These incentive payments are determined based on a formula, including inputs such as charity care charges and total discharges. The revenue associated with EHR incentive payments is recognized by the Hospital when management can provide reasonable assurance that the Hospital will be able to demonstrate compliance with the meaningful use objectives for that reporting period and that the incentive payments will be received by the Hospital. Because these incentive payments are based on management's best estimate, the amounts recognized are subject to change. Any changes resulting from a change in estimate would be recognized within operations in the period in which they occur. In addition, these payments and the related attestation of compliance with meaningful use objectives are subject to audit by the federal government or its designee.

For the year ended December 31, 2018, the Hospital received and recognized EHR incentive payments of $78,483. No such incentive payments were received or recognized in fiscal 2019, and management believes it is unlikely that any additional significant meaningful use incentives will be received in the future, as the terms of the program are coming to a close. However, prior incentive payments remain subject to future audits and recoupments. These amounts were recognized in full at the date of attestation and are included within other operating revenues on the statement of revenues, expenses, and changes in net position.

Recently adopted pronouncements

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* – This Statement was issued to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement was adopted in the year ended December 31, 2019 and it did not have an impact on the financial statements of the Hospital.

Pronouncements Issued But Not Yet Effective

GASB Statement No. 87, *Leases* - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for the Hospital for the year ended December 31, 2021 and management is currently estimating the impact this statement will have on its financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 24, 2020. See Note 22 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Note 3: DEPOSITS AND INVESTMENTS

The Hospital has various deposits and investments. The amounts reflected on the accompanying statements of net position at December 31, 2019 and 2018 is $6,506,257 and $7,250,645, respectively, held in depository and money market accounts.

Under state law, these deposits must be secured by either Federal deposit insurance or by the pledge of securities owned by a fiscal agent bank. The market value of the pledged securities plus federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent bank.

At December 31, 2019, the Hospital had $16,074,572 in securities pledged by banks that are holding Hospital accounts that have balances in excess of the federal deposit insurance. Of the $6,483,567 of deposits over the federal deposit insurance limit all were secured by collateral owned by the fiscal agent bank in the name of the Hospital. At December 31, 2018, the Hospital had $12,451,823 in securities pledged by banks that are holding Hospital accounts that have balances in excess of the federal deposit insurance. Of the $6,864,928 of deposits over the federal deposit insurance limit all were secured by collateral owned by the fiscal agent bank in the name of the Hospital.

Under Louisiana Revised Statutes 39:1271 and 33:2955, the Hospital may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having principal offices in Louisiana. Additionally, Louisiana statutes allow the Hospital to invest in direct obligations of the U.S. Government, federally insured instruments, guaranteed investment contracts issued by certain financial institutions, and mutual or trust funds registered with the Securities and Exchange Commission.

Note 4: PATIENT ACCOUNTS RECEIVABLE

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31, 2019 and 2018 was:

		2019		2018
Medicare	**$**	**6,085,728**	$	5,510,802
Medicaid		**6,714,459**		4,270,065
Other third-party payers		**5,467,457**		4,100,720
Patients		**1,519,144**		1,488,516
Total patient accounts receivables		**19,786,788**		15,370,103
Less allowance for uncollectible accounts		**(14,575,965)**		(11,272,779)
Patient accounts receivables, net	**$**	**5,210,823**	$	4,097,324

Concentration Of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are residents of St. Charles Parish and are insured under third-party payor agreements. The mix of accounts receivable due from patients and third-party payors as of December 31, 2019 and 2018 was as follows:

	2019	2018
Medicare	**30.8%**	35.8%
Medicaid	**33.9%**	27.8%
Other third-party payers	**27.6%**	26.7%
Patients	**7.7%**	9.7%
Total	**100%**	100%

Note 5: ASSETS WHOSE USE IS LIMITED

Assets whose use is limited that are required for bond obligations classified as current liabilities are also reported as current assets as these amounts have been designated by the board to pay the debt. The composition of assets whose use is limited at December 31, 2019 and 2018 is set forth in the following table:

		2019		2018
By board for indenture reserves				
Cash and cash equivalents	**$**	**2,115,286**	$	1,272,015
By indenture agreement for capital asset acquisition				
Cash and cash equivalents		**846,491**		2,907,646
Total	**$**	**2,961,777**	$	4,179,661

Note 6: CAPITAL ASSETS

Capital assets activity as of and for the year ended December 31, 2019, is as follows:

	December 31, 2018	Additions	Disposals	**December 31, 2019**
Capital assets not being depreciated:				
Land	$ 1,586,681	$ -	$ -	**$ 1,586,681**
Construction in progress	121,003	3,950,488	-	**4,071,491**
Total capital assets not being depreciated	1,707,684	3,950,488	-	**1,707,684**
Capital assets being depreciated:				
Building and improvements	65,003,580	67,113	-	**65,070,693**
Equipment	20,787,587	516,245	-	**21,303,832**
Leasehold improvements	22,110	470,117	-	**492,227**
Software	-	4,440	-	**4,440**
Vehicles	1,014,489	316,348	-	**1,330,837**
Total capital assets being depreciated	86,827,766	1,374,263	-	**88,202,029**
Less accumulated depreciation:				
Building and improvements	(31,321,251)	(2,417,310)	-	**(33,738,561)**
Equipment	(18,401,029)	(866,715)	-	**(19,267,744)**
Leasehold improvements	(22,110)	(8,132)	-	**(30,242)**
Software	-	(617)	-	**(617)**
Vehicles	(752,816)	(56,594)	-	**(809,410)**
Total accumulated depreciation	(50,497,206)	(3,349,368)	-	**(53,846,574)**
Total capital assets being depreciated, net	36,330,560	(1,975,105)	-	**34,355,455**
Total capital assets, net	$ 38,038,244	$ 1,975,383	$ -	**$ 40,013,627**

Major projects included in constructions in progress as of December 31, 2019 were renovations of a rehab facility and a physical and occupational therapy office.

Note 6: CAPITAL ASSETS (CONTINUED)

Capital assets activity as of and for the year ended December 31, 2018, is as follows:

	December 31, 2017	Additions	Transfers and Disposals	December 31, 2018
Capital assets not being depreciated:				
Land	$ 1,586,681	$ -	$ -	$ 1,586,681
Construction in progress	68,083	251,389	(738,557)	121,003
Total capital assets not being depreciated	2,194,171	251,389	(738,557)	1,707,684
Capital assets being depreciated:				
Building and improvements	63,856,215	1,147,065	-	65,003,580
Equipment	20,245,938	548,946	(7,297)	20,787,587
Leasehold improvements	22,110	-	-	22,110
Vehicles	1,176,580	-	(162,091)	1,014,489
Total capital assets being depreciated	85,301,143	1,696,011	(169,388)	86,827,766
Less accumulated depreciation:				
Building and improvements	(28,983,465)	(2,337,786)	-	(31,321,251)
Equipment	(17,525,816)	(882,510)	7,297	(18,401,029)
Leasehold improvements	(22,795)	-	-	(22,110)
Vehicles	(818,731)	(96,176)	162,091	(752,816)
Total accumulated depreciation	(47,350,122)	(3,316,472)	169,388	(50,497,206)
Total capital assets being depreciated, net	37,951,021	(1,620,461)	-	36,330,560
Total capital assets, net	$ 40,145,873	$ (1,162,548)	$ (738,557)	$ 38,038,244

Depreciation expense reported in the year ended December 31, 2019, was $3,348,887. Depreciation expense reported in the year ended December 31, 2018, was $3,316,472.

Note 7: INVESTMENT IN JOINT VENTURE

The Hospital contributed land with a cost of $1,049,435, in exchange for a 9.9% membership interest in an LLC, Ashton Plantation Real Property, LLC. During 2019, the Hospital sold its membership interest in the joint venture for $280,000. The Hospital recognized a loss on the sale of it's membership interest of $769,435 for the year ended December 31, 2019. At December 31, 2018 this investment was measured at the cost of the land donated.

Note 8: NOTE RECEIVABLE

As part of the New Markets Tax Credits transaction (discussed in Note 9 below), the Hospital issued a note receivable to FNBC NMTC Hybrid Fund, LLC (the Investment Fund) in the amount of $629,904, with an interest rate of 1% (the Junior Leverage Loan). The Investment Fund pays interest only on the Junior Leverage Loan quarterly in arrears on the 25th day of each March, June, September and December for the previous quarter, commencing on January 10, 2014, through January 10, 2044. On the date of maturity, the Investment Fund will pay the balance of all outstanding principal and accrued and unpaid interest. The Investment Fund pledged rights, title and interest in the CDE (defined in Note 9) to secure the note receivable.

Note 9: LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

The components of long-term debt and capital lease obligations as of December 31, 2019 and 2018 are as follows:

		2019	2018
Hospital Revenue Bonds, Series 2009	(A)	**$ -**	$ 145,000
Hospital Revenue Bonds, Series 2009A	(B)	45,000	90,000
Hospital Revenue Bonds, Series 2009B	(C)	3,365,000	3,585,000
Hospital Revenue Bonds, Series 2012A	(D)	6,595,000	6,930,000
Hospital Revenue Bonds, Series 2012B	(D)	5,005,000	5,235,000
Taxable GO Bonds, Series 2013	(E)	445,000	545,000
GO Refunding Bonds, Series 2013A	(F)	1,625,000	1,905,000
New Market Tax Credit-QLICI A Loan	(G)	1,914,596	1,914,596
New Market Tax Credit-QLICI B Loan	(G)	1,585,404	1,585,404
First National Bank Direct Loan	(H)	9,506,738	9,707,350
GO Refunding Bonds, Series 2016	(I)	5,035,000	5,725,000
GO Refunding Bonds, Series 2016A	(J)	9,655,000	10,100,000
Taxable Limited Tax Refunding Bonds, Series 2018	(K)	10,050,000	11,565,000
Limited Tax Bonds, Series 2018A	(L)	2,255,000	2,300,000
Capital leases	(M)	36,181	106,915
		57,117,919	61,439,265
Unamortized discount/premium		**88,727**	62,647
Less: Current maturities		**(4,590,913)**	(4,278,731)
Total		**$ 52,615,733**	$ 57,223,181

Note 9: LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

Scheduled maturities of general obligation bonds, limited tax bonds, and long-term debt as of December 31, 2019 are as follows:

Year Ending December 31,	Principal	Interest
2020	$ 4,590,913	$ 2,047,949
2021	6,721,528	1,869,492
2022	4,975,477	1,703,867
2023	5,128,913	1,532,901
2024	5,333,137	1,354,673
2025-2029	18,635,072	4,462,721
2030-2034	5,379,489	2,312,464
2035-2039	2,736,738	1,453,559
2040-2044	3,555,705	557,104
2045-2049	60,947	305
Total	**$ 57,117,919**	**$ 17,295,035**

(A) During the year ended July 31, 2010, the Hospital issued $5,500,000 of General Obligation Bonds, Series 2009, dated August 1, 2009. The purpose of the issue is purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing hospital facilities. In 2016, the Hospital had a partial defeasance of $4,540,000 of General Obligation Bonds, Series 2009; by placing the proceeds of General Obligation Bonds, Series 2016A in an irrevocable trust to provide for all future debt service payments of the defeased bonds. The undefeased portion of the bonds will be repaid in 3 annual installments through 2019 with principal payments ranging from $105,000 to $145,000. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 5.88% to 7.00%. These bonds are secured by and payable from unlimited ad valorem taxes. On March 1, 2019, the Hospital made the final principal and interest installment.

(B) During the year ended July 31, 2010, the Hospital issued $1,000,000 of General Obligation Bonds, Series 2009A, dated November 1, 2009. The purpose of the issue is purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing hospital facilities. In 2016, the Hospital had a partial defeasance $630,000 of General Obligation Bonds, Series 2009A; by placing the proceeds of General Obligation Bonds, Series 2016A in an irrevocable trust to provide for all future debt service payments of the defeased bonds. The undefeased portion of the bonds will be repaid in 4 annual installments ranging from $35,000 to $45,000 which began March 1, 2017, with the final installment due March 1, 2020. Interest is payable semiannually on March 1st and September 1st at rates from 3.20% to 5.00%. These bonds are secured by and payable from unlimited ad valorem taxes. On March 1, 2020, the Hospital made the final principal and interest installment.

Note 9: LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

(C) During the year ended July 31, 2010, the Hospital issued $5,000,000 of General Obligation Bonds, Series 2009B, dated November 1, 2009. The purpose of the issue is the refunding and extending of the Hospital's outstanding Limited Tax Bonds, Series 2008 and to represent said indebtedness. The outstanding principal of the bonds will be repaid in 20 annual installments ranging from $120,000 to $460,000 beginning March 1, 2010, with the final installment due March 1, 2029. Interest is payable semi-annually on March 1 and September 1 at rates ranging from 5.25% to 7.00%. These bonds are secured by and payable from unlimited ad valorem taxes.

(D) In April 2012, the residents of the Parish voted for a bond proposition authorizing the Hospital to issue up to $15,000,000 of 20-year General Obligation Bonds for the purpose of purchasing, acquiring land and constructing buildings, machinery, equipment, and furnishings, including both real and personal property, to be used in providing hospital facilities. These bonds are general obligations of the Hospital and payable from ad valorem taxes.

In August 2012, the Hospital adopted a resolution issuing $8,000,000 General Obligation, Series 2012A bonds and $6,000,000 Taxable General Obligation, Series 2012B bonds. Interest is payable semiannually on March 1 and September 1.

The Series 2012A bonds mature according to maturity schedules contained in the bond documents beginning on March 1, 2013, with scheduled maturities ranging from $45,000 to $635,000 each year through March 1, 2032. Interest rates associated with this Series range from 2.00% to 3.25%.

The Series 2012B bonds mature, according to maturity schedules contained in the bond documents, beginning on March 1, 2013. Scheduled maturities range from $50,000 to $520,000 each year through March 1, 2032. Interest rates associated with this Series range from 2.00% to 4.25%. These bonds are secured by and payable from unlimited ad valorem taxes.

(E) During the year ended July 31, 2014, the Hospital issued $1,000,000 of General Obligation Bonds, Series 2013, dated September 10, 2013. The purpose of the issue is purchasing, acquiring land and constructing buildings, machinery, equipment and furnishings, including both real and personal property, to be used in providing hospital facilities. The outstanding principal of the bonds will be repaid in ten annual installments ranging from $85,000 to $115,000 beginning March 1, 2014, with the final installment due March 1, 2023. Interest is payable semi-annually on March 1 and September 1 at a rate of 4.55%. These bonds are secured by and payable from unlimited ad valorem taxes.

Note 9: LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

(F) During the year ended July 31, 2014, the Hospital issued $4,350,000 of General Obligation Bonds, Series 2013A, dated September 10, 2013. The purpose of the issue is refunding all or a portion of the Hospital's outstanding Taxable General Obligation Refunding Bonds, Series 2003A, and General Obligation Bonds, Series 2004, and paying the costs incurred in connection with the issuance thereof. The outstanding principal of the bonds will be repaid in eleven annual installments ranging from $280,000 to $555,000 beginning March 1, 2014, with the final installment due March 1, 2024. Interest is payable semi-annually on March 1 and September 1 at a rate of 3.05%. These bonds are secured by and payable from unlimited ad valorem taxes.

(G) PVMO began drawing down on its debt for construction of a medical center on the East Bank of St. Charles Parish (the Project) during fiscal 2014. The Facility A and B notes are intended to qualify as a "qualified low-income community investment" for the purposes of generating certain tax credits called New Markets Tax Credits (NMTCs) under section 45D of the Internal Revenue Code of 1986, as amended. To qualify, PVMO must comply with certain representations, warranties, and covenants. These include, but are not limited to, a covenant that the "portion of the business" (as defined) will operate to qualify as a qualified low-income community business. If, as a result of the breach of the agreement or loan documents by PVMO, the Lender is required to recapture all or any part of the New Markets Tax Credits previously claimed by the Lender, PVMO agrees to pay to the Lender an amount equal to the sum of the credits recaptured. Additionally, the QLICI Lender has a security interest in the assets of PVMO other than real property.

On January 10, 2014, PVMO issued a note payable (Facility A) to FNBC-CDE #13, LLC. The note is subject to credit and loan agreements executed by PVMO, as the community development entity (CDE) under the New Markets Tax Credit Program, and FNBC- CDE #13, LLC (Lender).

The Facility A Note, issued for $1,914,596, is secured under the aforementioned credit and loan agreements. The Facility A Note matures on January 10, 2021. The note will bear interest at a rate per annum equal to 3.74%. PVMO will pay interest only on this note quarterly in arrears on March 15, June 15, September 15, and December 15 of each year, commencing March 15, 2014, and continuing until December 15, 2020. PVMO shall pay the principal balance on the maturity date. PVMO may not prepay this note in full or in part any time prior to the expiration of the NMTC seven year compliance period.

Note 9: LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

The Facility B Note in the amount of $1,585,404 was issued in connection with Facility A on January 10, 2014 to PVMO. The note is secured under the same aforementioned credit and loan agreements executed by PVMO for the Facility A Note. The note bears interest at a rate per annum equal to 3.74% and PVMO will pay interest only on this note quarterly in arrears on March 15, June 15, September 15, and December 15 of each year commencing March 15, 2014, and continuing until June 15, 2021. The entire principal is due on June 15, 2021. PVMO may not prepay this note in full or in part any time prior to the expiration of the NMTC compliance period.

In association with Facility Notes A and B (the NMTC Facilities), the Hospital, for the benefit of PVMO, unconditionally and irrevocably guarantees the full, complete, and timely payment and, to the extent legally permissible, performance of all obligations owed to the Lender under the loan documents.

At the end of the seven year tax credit compliance period, the Investment Fund (defined in Note 11) may exercise a put option whereby the Investment Fund will sell its interest in the NMTC Facilities to the Hospital for the put price of $1,000. In the event the Investment Fund does not exercise the put and PVMO remains in compliance with the loan terms and the NMTC rules and regulations, the Hospital may exercise a call option during the six months following the end of the compliance period to purchase the NMTC Facilities for an amount equal to the loans' fair market value determined by mutual agreement of the parties or qualified independent appraiser.

(H) The First National Bank Direct Loan (the Direct Loan) is a $10,000,000 note used in construction of PVMO. Interest is payable semi-annually at a rate of 6% and principal is payable annually through 2044. It is secured with a 1st mortgage and assignment of leases and rents on the Project. The Facility A and B Notes provide funding for PVMO through the NMTC transaction and are secured with a 2nd mortgage and assignment of leases and rents.

(I) During the period from August 1, 2015 through December 31, 2016, the Hospital issued $7,040,000 of General Obligation Refunding Bonds, Series 2016, dated May 31, 2016. The purpose of the issue is refunding all or a portion of the Hospital's outstanding Taxable General Obligation Bonds, Series 2005, and General Obligation Bonds, Series 2006, and paying the costs incurred in connection with the issuance thereof. The outstanding principal of the bonds will be repaid in ten annual installments ranging from $370,000 to $840,000 beginning March 1, 2017, with the final installment due March 1, 2026. Interest is payable semi-annually on March 1 and September 1 at a rate of 2.19%.

Note 9: LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

(J) During the period from August 1, 2015 through December 31, 2016, the Hospital issued $10,655,000 of General Obligation Refunding Bonds, Series 2016A, dated August 9, 2016. The purpose of the issue is refunding all or a portion of the Hospital's outstanding Taxable General Obligation Bonds, Series 2007, General Obligation Bonds, Series 2009, and General Obligation Bonds, Series 2009A, and paying the costs incurred in connection with the issuance thereof. The outstanding principal of the bonds will be repaid in thirteen annual installments ranging from $420,000 to $1,305,000 beginning March 1, 2017, with the final installment due March 1, 2029. Interest is payable semi-annually on March 1 and September 1 at a rate of 2.23%.

(K) During the year ended December 31, 2018, the Hospital issued $11,565,000 of Taxable Limited Tax Refunding Bonds, Series 2018, dated October 9, 2018. The purpose of the issue is refunding all or a portion of the Hospital's outstanding Limited Tax Bonds, Series 2014 and Limited Tax Bonds, Series 2015, and paying the costs incurred in connection with the issuance thereof. The outstanding principal of the bonds will be repaid in seven annual installments ranging from $1,515,000 to $1,785,000 beginning March 1, 2019, with the final installment due March 1, 2025. Interest is payable semi-annually on March 1 and September 1 at a rate of 4.06%.

(L) During the year ended December 31, 2018, the Hospital issued $2,300,000, of Limited Tax Bonds, Series 2018A, dated October 9, 2018. The purpose of the issue is construction, operating and maintaining the Hospital facilities, and paying the cost incurred in connection with the issuance thereof. The outstanding principal of the bonds will be repaid in eight annual installments ranging from $35,000 to $1,945,000 beginning March 1, 2019, with the final installment due March 1, 2026. Interest is payable semi-annually on March 1 and September 1 at a rate of 3.37%.

(M) During 2017, the Hospital entered into a capital lease for the acquisition of two new ambulances. The capital lease commenced on August 26, 2017 with final payment being made on May 26, 2020. The outstanding principal on the capital lease will be repaid in installments ranging from $16,703 to $18,159. Interest is payable quarterly at a rate of 3.05%.

The debt service coverage ratio required by the Direct Loan (I), related to PVMO, was not maintained during 2019 and 2018. As of the date of the audit report, the Hospital received a waiver of these debt covenants from the lender for the years ended December 31, 2019 and 2018.

Note 9: LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

Defeasance of Debt

In 2018, the Hospital defeased $7,725,000 of Limited Tax Bonds, Series 2014 and $3,520,000 of Limited Tax Bonds, Series 2015 and issued $11,565,000 of Taxable Limited Tax Refunding Bonds, Series 2018 and $2,300,000 of Limited Tax Bonds, Series 2018A. Deferred outflows of $196,532 at December 31, 2019 relate to the defeasance of the Series 2014 and 2015 bonds. Deferred outflows of $234,570 at December 31, 2018 relate to the defeasance of the Series 2014 and 2015 bonds.

In 2016 the Series 2009 and 2009A bonds were partially defeased and resulted in deferred outflows related to future interest to be paid by escrow. Those deferred outflow balances resulting from the partial refunding were $-0- and $192,368 at December 31, 2019 and 2018, respectively.

Note 9: LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

Long-term debt and other non-current liabilities activity as of and for the year ended December 31 2019, is as follows:

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due Within One Year
General Obligation Bonds:					
Series 2009	$ 145,000	$ -	$ (145,000)	**$ -**	-
Series 2009A	90,000	-	(45,000)	**45,000**	45,000
Series 2009B	3,585,000	-	(220,000)	**3,365,000**	240,000
Series 2012A	6,930,000	-	(335,000)	**6,595,000**	390,000
Series 2012B	5,235,000	-	(230,000)	**5,005,000**	270,000
Series 2013	545,000	-	(100,000)	**445,000**	105,000
Series 2013A	1,905,000	-	(280,000)	**1,625,000**	285,000
Series 2016	5,725,000	-	(690,000)	**5,035,000**	720,000
Series 2016A	10,100,000	-	(445,000)	**9,655,000**	770,000
Limited Tax Bonds:					
Series 2018	11,565,000	-	(1,515,000)	**10,050,000**	1,535,000
Series 2018A	2,300,000	-	(45,000)	**2,255,000**	40,000
Total long-term debt	48,125,000	-	(4,050,000)	**44,075,000**	4,400,000
Other Long-term Liabilities					
Multi-employer pension withdrawal liability	2,628,349	-	(492,357)	**2,135,992**	528,568
NMTC QLICI A Loan	1,914,596	-	-	**1,914,596**	-
NMTC QLICI B Loan	1,585,404	-	-	**1,585,404**	-
FNBC Direct Loan	9,707,350	-	(200,612)	**9,506,738**	154,732
Capital lease	106,915	-	(70,734)	**36,181**	36,181
Lease deposits	20,202	-	-	**20,202**	-
Total other long-term liabilities	15,962,816	-	(763,703)	**15,199,113**	719,481
Unamortized discount/premium	62,647	26,080	-	**88,727**	-
Total long-term debt and other obligations	**$ 64,150,463**	**$ 26,080**	**$(4,813,703)**	**$ 59,362,840**	**$ 5,119,481**

Note 9: LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (CONTINUED)

Long-term debt and other non-current liabilities activity as of and for the year ended December 31, 2018, is as follows:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Due Within One Year
General Obligation Bonds:					
Series 2009	$ 290,000	$ -	$ (145,000)	$ 145,000	$ 145,000
Series 2009A	130,000	-	(40,000)	90,000	45,000
Series 2009B	3,790,000	-	(205,000)	3,585,000	220,000
Series 2012A	7,255,000	-	(325,000)	6,930,000	335,000
Series 2012B	5,450,000	-	(215,000)	5,235,000	230,000
Series 2013	645,000	-	(100,000)	545,000	100,000
Series 2013A	2,460,000	-	(555,000)	1,905,000	280,000
Series 2013B	90,000	-	(90,000)	-	-
Series 2016	6,395,000	-	(670,000)	5,725,000	690,000
Series 2016A	10,520,000	-	(135,000)	10,100,000	445,000
Limited Tax Bonds:					
Series 2014	8,500,000	-	(8,500,000)	-	-
Series 2015	4,095,000	-	(4,095,000)	-	-
Series 2018	-	11,565,000	-	11,565,000	1,515,000
Series 2018A	-	2,300,000	-	2,300,000	45,000
Total long-term debt	49,620,000	13,865,000	(15,360,000)	48,125,000	4,050,000
Other Long-term Liabilities					
Multi-employer pension withdrawal liability	3,086,829	-	(458,480)	2,628,349	492,358
NMTC QLICI A Loan	1,914,596	-	-	1,914,596	-
NMTC QLICI B Loan	1,585,404	-	-	1,585,404	-
FNBC Direct Loan	9,896,244	-	(188,894)	9,707,350	157,997
Capital lease	175,532	-	(68,617)	106,915	70,734
Lease deposits	20,202	-	-	20,202	-
Total other long-term liabilities	16,678,807	-	(715,991)	16,678,807	721,089
Unamortized discount/premium	70,068	-	(7,421)	62,647	-
Total long-term debt and other obligations	**$ 66,368,875**	**$ 13,865,000**	**$ (16,083,412)**	**$ 64,150,463**	**$ 4,771,089**

Note 10: NET INVESTMENT IN CAPITAL ASSETS

The Hospital's net investment in capital assets for the years ended December 31, 2019 and 2018, as presented on the accompanying statements of net position is calculated as follows:

		2019		2018
Capital assets, net	$	40,013,627	$	38,038,244
Less debt related to capital assets		(57,117,919)		(61,439,265)
Plus restricted cash		144,656		144,656
Plus cash held for capital acquisition		846,491		2,907,646
Net investment in capital assets	$	(16,113,145)	$	(20,348,719)

Note 11: NET PATIENT SERVICE REVENUE

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

Medicare – The Hospital is paid for inpatient acute care services rendered to Medicare program beneficiaries on a prospectively determined amount per procedure.

The Hospital is paid for inpatient psychiatric care services rendered to Medicare program beneficiaries under a payment methodology which, during a transitional period, utilizes a blended rate of cost-based and prospective payment methodologies. The cost-based component is subject to cost report settlement.

Outpatient services to Medicare beneficiaries are paid on a prospectively determined amount based on a patient classification system. Cost reimbursed outpatient services were paid at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits performed thereof by the Medicare fiscal intermediary. Outpatient services subject to the outpatient prospective payment system are not subject to cost report settlement with several exceptions.

The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through July 31, 2017.

Medicaid – Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through July 31, 2014.

Note 11: NET PATIENT SERVICE REVENUE (CONTINUED)

Other – 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 and prospectively determined daily rates.

A summary of gross revenue from patient services provided under contracts with third-party payers for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Medicare	30.7%	38.2%
Medicaid	42.1%	37.6%
Other commercial and preferred provider organizations	27.2%	24.2%
Total	100%	100%

A summary of the Hospital's net patient service revenue for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Gross patient service revenue	**$ 140,177,698**	$ 119,684,393
Less provision for contractual adjustments under third-party reimbursement programs and other adjustments	**(98,757,419)**	(84,636,484)
Provision for bad debts	**(3,768,701)**	(2,424,933)
Free care	**(830,249)**	(734,964)
Net patient service revenue	**$ 36,821,329**	$ 31,888,012

Note 12: RURAL HOSPITAL GRANT

Since the Hospital serves a disproportionate share of low-income patients, it qualifies for additional reimbursements from the State of Louisiana Department of Health and Hospitals rural hospital grant program. The rural hospital grant program was developed by the Rural Hospital Coalition, Inc., to assist rural hospitals in receiving adequate reimbursement for uninsured and indigent patients under the State of Louisiana Rural Hospital Preservation Act. The grant funds totaled $6,460,660 for the year ended December 31, 2019, of which $3,580,467 is recorded as other receivables as of December 31, 2019. The grant funds totaled $6,441,483 for the year ended December 31, 2018, of which $2,488,215 is recorded as other receivables as of December 31, 2018.

Note 13: MANAGED CARE INCENTIVE PAYMENT PROGRAM

As part of the State of Louisiana's Managed Care Incentive Payment (MCIP) Program, the Hospital participated in the Quality and Outcome Improvement Network (QIN), the network formed to contract with hospitals wishing to participate in the MCIP program and implemented measures designed by the QIN to achieve incentive arrangements in exchange for incentive payments form QIN. The Hospital recorded revenue of $1,779,648 and a receivables of $877,391 for the year ended December 31, 2019. There were no incentive payments received for the year ended December 31, 2018.

Note 14: RENTAL REVENUES

The Hospital leases the Medical Office Building from PVMO under a master lease agreement whereby the Hospital pays PVMO $78,000 per month, which eliminates in consolidation for reporting purposes herein.

As part of this this agreement, the Hospital can sublease the office space to third parties. For the years ended December 31, 2019 and 2018, rental income related to this property and others rented by the Hospital totaled $1,607,435 and $1,126,573, respectively, and is recorded on the statements of revenues, expenses, and changes in net position as other operating revenues.

The Hospital has various office space leases with the Hospital's manager. Annual payments under the lease range from $47,890 to $212,823 and the leases expire at various dates through March 31, 2028. For the years ended December 31, 2019 and 2018, the Hospital recorded rental income of $1,085,059 and $757,195 respectively from the Hospital's manager. Rental income with the Hospital's manager is included in total rental income stated in the preceding paragraph.

Future minimum rent receipts are as follows:

Year Ending December 31,		Rent Receipts
2020	$	**1,383,131**
2021		**866,596**
2022		**889,975**
2023		**914,317**
2024		**940,189**
Thereafter		**1,683,763**
Total	$	**6,677,971**

Note 15: MEDICAID PROGRAM SUPPORT

As part of the Hospital's continuing support of the State of Louisiana's Medicaid Program, the Hospital has, throughout the year, made intergovernmental transfers (IGT's) amounts to the State of Louisiana (State) restricted for use in support of the Medicaid Program. For the years ended December 31, 2019 and 2018 the Hospital made IGT's of $15,572,691 and $12,000,000 to the State which is included in Medicaid program support, respectively.

Note 16: RETIREMENT BENEFITS

Multi-Employer Defined Benefit Pension Plan and 2013 Withdrawal

Substantially all employees of the Hospital had been members of the Parochial Employees' Retirement System of Louisiana (System), a cost sharing, multiple-employer public employee retirement system, controlled and administered by a separate board of trustees. The Hospital formally terminated its participation in the Plan effective December 1, 2013.

Per Louisiana Revised Statute 11:1903, if an employer terminates its agreement for coverage of its employees, the employer shall remit to the System that portion of the unfunded actuarial accrued liability which is attributable to the employer's participation in the System. The amount required to be remitted shall be determined as of the December thirty-first immediately prior to the date of termination. The amount due shall be determined by the actuary employed by the System and shall either be paid in a lump sum or amortized over ten year in equal monthly payments with interest at the System's actuarial valuation rate, at the option of the employer.

The Hospital has chosen to pay its withdrawal liability over ten year in equal monthly installments of principal and interest of $55,298, with the first payment due September 1, 2013. The non-interest component of this monthly payment equates to a total withdrawal liability of $2,135,992 and $2,628,349 as of December 31, 2019 and 2018, respectively.

In planning for the termination of participation in the Parochial Employees' Retirement System of Louisiana, the Hospital established a deferred compensation 457(b) plan and a defined contribution 401(a) retirement plan for eligible employees.

Section 457(b) Deferred Compensation Plan

Effective December 1, 2013, the Hospital offered to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan is available to all Hospital employees as of the first enrollment date following the date they become an employee and permits them to contribute a portion of their salary to the plan on an annual basis.

Note 16: RETIREMENT BENEFITS (CONTINUED)

Section 401(a) Defined Contribution Retirement Plan

The Hospital also established a 401(a) retirement plan for the purpose of matching 100% of an employee's salary reduction contributions to the deferred compensation plan up to 3% of the employee's compensation received for that year. To be eligible for this match, the employee must be employed as of December 31. The contribution match for the Hospital will be made during the first quarter of the following year. For the year ended December 31, 2019 and 2018, total employer contributions to the plan were $69,178 and $82,229, respectively.

The amounts of compensation deferred, and other contributions under the above plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, and the benefits may not be diverted to any other use. It is the opinion of Hospital management that the Hospital has no liability for losses under the plans but does have the duty of due care that would be required of an ordinary prudent investor.

Note 17: COMMITMENTS

Operating Leases

The Hospital leases medical and office equipment under operating lease agreements and on a month-to-month basis. Annual payments under the lease range from $18,341 to $349,815 and the leases expire at various dates through March 31, 2024. Future minimum lease payments required under operating leases in excess of one year are as follows:

Year Ending December 31,		**Lease Payments**
2020	**$**	**903,263**
2021		**201,337**
2022		**108,987**
2023		**85,746**
2024		**25,525**
Total	**$**	**1,324,858**

Lease expenses totaled $1,230,370 and $992,363 for the years ended December 31, 2019 and 2018, respectively.

Note 17: COMMITMENTS (CONTINUED)

Operating Leases (Continued)

During January 2014, PVMO entered into a lease agreement with the Hospital whereby the Hospital will lease from PVMO for medical offices in the amount of $78,000 per month commencing approximately on June 1, 2015, with an initial term of thirty years. Pursuant to this agreement, the Hospital assumed total property management and payment of all costs associated with the maintenance and operation of the medical offices. Future minimum lease payments under this lease for the next five years from the commencement of the lease are $936,000 per year, and the total payments under the lease commitment are $28,080,000. For the years ended December 31, 2019 and 2017, $936,000 of rental income was paid to PVMO in each year. This rental income and corresponding expense have been eliminated on the financial statements.

Total Renal Care Cooperative Endeavor and Services Agreements

On April 1 2010, the Hospital entered into a ten year cooperative endeavor lease agreement with Total Renal Care, Inc. (TRC). Under this agreement, TRC is leasing approximately 4,425 square feet of the Hospital building for the sum of $92,628 per year, payable in equal monthly installments of $7,719.

The Hospital entered into a five year Acute Services Agreement with TRC effective April 1, 2010. The agreement states that the Hospital appoints TRC as its exclusive provider of dialysis and other related services to its patients. The Hospital will pay TRC for these services under the fee schedule described in “Exhibit 7.1” of the agreement. This agreement will be automatically renewed for successive two year terms unless terminated.

The Hospital also entered into a one year Stat Laboratory Services Agreement with TRC effective June 10, 2013. The agreement states that the Hospital will provide certain laboratory tests and services necessary for TRC’s dialysis patients. TRC will compensate the Hospital for these services under the fee schedule described in “Exhibit A” of the agreement. This agreement has been automatically renewed for one year effective each annual period following the initial agreement, and will be automatically renewed for successive one year terms unless terminated.

Cardiovascular Institute of the South (A Professional Medical Corporation) Cooperative Endeavor Agreement

The Hospital entered into a five year Nurse Staffing Agreement with CIS effective March 1, 2013. This agreement includes provisions for three additional five year terms. This agreement states that CIS will provide up to three cardiac registered nurses or advanced nurse practitioners to the Hospital. This agreement was terminated in 2018.

Note 18: HOSPITAL MANAGEMENT CONTRACT

As mentioned in Note 1, effective September 1, 2014, the Hospital is managed by St. Charles Operational Management Company (SCOMC), a wholly owned subsidiary of Ochsner Health System. The Hospital pays a monthly management fee to SCOMC in exchange for management, staff, and other assistance to operate the Hospital.

In addition to the management fee referred to above, the Hospital provides other payments to SCOMC for supplies purchased, professional services provided outside of the management agreement, and other miscellaneous items received or services provided throughout the year.

During year ended December 31, 2019, the Hospital purchased supplies and other items pursuant to this agreement through SCOMC totaling approximately $8,400,000 and made payments of approximately $16,300,000, outstanding amounts of approximately $4,800,000 are recorded as due to Hospital manager in the Hospital's statement of net position as a current liability at December 31, 2019. During year ended December 31, 2018, the Hospital purchased supplies and other items pursuant to this agreement through SCOMC totaling approximately $6,800,000 and made payments of approximately $4,400,000, outstanding amounts of approximately $9,000,000 are recorded as due to Hospital manager in the Hospital's statement of net position as a current liability.

Note 19: CONTINGENCIES AND RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital carries commercial insurance for all risks of loss except as noted below.

Medical Malpractice Insurance

The Hospital participates in the State of Louisiana Patient Compensation fund (the Fund). The Fund provides malpractice coverage to the Hospital for claims in excess of $100,000 up to $500,000. According to current state law, medical malpractice liability (exclusive of future medical care awards) is limited to $500,000 per occurrence. The management of the Hospital has no reason to believe that the Hospital will be prevented from continuing its participation in the Fund.

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 19: CONTINGENCIES AND RISK MANAGEMENT (CONTINUED)

Workmen's Compensation

The Hospital participates in the Louisiana Commercial and Trade Association Workmen's Compensation Trust Fund (the Trust Fund). Should the Trust Fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not practical to estimate the amount of additional assessments, if any, and the costs associated with any such assessments are treated as period expenses at the time they are assessed.

The Trust Fund presumes to be a "grantor trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations and equity amounts assigned to the Hospital by the Trust Fund in its financial statements.

In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance, if any. It is reasonably possible that this estimate could change materially in the near term.

Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Hospital is in compliance with fraud and abuse, as well as other applicable government, laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated that the Centers for Medicare & Medicaid Services (CMS) implement a Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. The program uses RAC's to search for potentially improper Medicare payments that may have been made to healthcare providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment.

Note 19: CONTINGENCIES AND RISK MANAGEMENT (CONTINUED)

Laws and Regulations (Continued)

A five-state pilot program concluded in March 2008, with a nationwide rollout of the RAC effort done in phases beginning in 2009. The experiences during the pilot found far more overpayments than underpayments. The Hospital will deduct from revenue amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. RAC assessments against the Hospital are anticipated; however, the outcomes of such assessments are unknown and cannot be reasonably estimated.

Note 20: TAX ABATEMENTS

In accordance with GASB 77 *Tax Abatement Disclosures* which requires the Hospital to disclose information regarding the ad-valorem tax abatements that affect the taxes collected by the Hospital, whether approved by the Hospital or other governmental entity. The program under which these abatements are granted is described below:

- **Industrial Tax Exemption:** Manufacturers receive a property tax exemption for a five-year period, renewable for an additional five years. Exemptible property includes buildings, machinery, equipment, furniture and fixtures for a new expanded or renovated facility.

For the year ended December 31, 2019 the Hospital's tax collections are affected by abatements authorized by the State of Louisiana (State), St. Charles Parish Council (Council), and the Industrial Development Board of St. Charles Parish (IDB) as detailed below:

Industrial Tax Exemption	Total Amount of Abated Taxes	Hospital's Share of Abated Taxes
State approved	$ 107,718,114	$ 4,984,249
Council approved	142,747	6,609
IDB approved	252,350	11,677

For the year ended December 31, 2018 the Hospital's tax collections are affected by abatements authorized by the State of Louisiana (State), St. Charles Parish Council (Council), and the Industrial Development Board of St. Charles Parish (IDB) as detailed below:

Industrial Tax Exemption	Total Amount of Abated Taxes	Hospital's Share of Abated Taxes
State approved	$ 118,182,547	$ 5,468,452
Council approved	141,636	6,554
IDB approved	250,375	11,585

Note 21: COMBINING CONDENSED BLENDED COMPONENT UNIT INFORMATION

The following table presents the combining condensed statements of net position information for the Hospital and its component units for the year ended December 31, 2019 :

	St. Charles Parish Hospital Service District	Plantation View Medical Offices	SCHII	Eliminations	Total
Current Assets	$ 28,515,058	$ 144,656	$ 5,077	$ (752,607)	$ 27,912,184
Assets whose use is limited	846,491	-	-	-	846,491
Capital assets, net	24,583,061	15,430,566	-	-	40,013,627
Other assets	629,904	-	-	-	629,904
Total assets	$ 54,574,514	$ 15,575,222	$ 5,077	$ (752,607)	$ 69,402,206
Deferred outflows	$ 196,532	$ -	$ -	$ -	$ 196,532
Current Liabilities	$ 16,423,155	$ 907,340	$ -	$ (752,607)	$ 16,577,888
Long-term liabilities - less amounts due within one year	41,391,353	12,852,006	-	-	54,243,359
Net position	(3,043,462)	1,815,876	5,077	-	(1,222,509)
Total liabilities and net position	$ 54,771,046	$ 15,575,222	$ 5,077	$ (752,607)	$ 69,598,738

The following table presents the combining condensed statements of net position information for the Hospital and its component units for the year ended December 31, 2018:

	St. Charles Parish Hospital Service District	Plantation View Medical Offices	SCHII	Eliminations	Total
Current Assets	$ 25,221,998	$ 144,656	$ 5,077	$ (567,109)	$ 24,804,622
Assets whose use is limited	2,907,646	-	-	-	2,907,646
Capital assets, net	22,365,438	15,672,806	-	-	38,038,244
Other assets	1,679,339	-	-	-	1,679,339
Total assets	$ 52,174,421	$ 15,817,462	$ 5,077	$ (567,109)	$ 67,429,851
Deferred outflows	$ 426,938	$ -	$ -	$ -	$ 426,938
Current Liabilities	$ 15,185,344	$ 725,106	$ -	$ (567,109)	$ 15,343,341
Long-term liabilities - less amounts due within one year	46,330,021	13,049,353	-	-	59,379,374
Net position	(8,914,006)	2,043,003	5,077	-	(6,865,926)
Total liabilities and net position	$ 52,601,359	$ 15,817,462	$ 5,077	$ (567,109)	$ 67,856,789

Note 21: COMBINING CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

The following table presents the combining condensed statement of revenues, expenses and changes in net position for the Hospital and its component units for the year ended December 31, 2019:

	St. Charles Parish Hospital Service District	Plantation View Medical Offices	SCHII	Eliminations	Total
Operating Revenues	$ 47,582,531	$ 936,000	$ -	$ (936,000)	$ 47,582,531
Operating Expenses					
Salaries, wages, and benefits	11,309,831	-	-	-	11,309,831
Supplies and other	27,988,455	-	-	(936,000)	27,052,455
Purchased services	5,430,228	50,290	-	-	5,480,518
Depreciation and amortization	2,970,323	405,125	-	-	3,375,448
Total operating expenses	47,698,837	455,415	-	(936,000)	47,218,252
Net (loss) income from operations	(116,306)	480,585	-	-	364,279
Non-Operating Revenues (Expenses)					
Ad valorem taxes	8,529,155	-	-	-	8,529,155
Noncapital grants and contributions	-	-	-	-	-
Loss on sale of interest in joint venture	(769,435)	-	-	-	(769,435)
Interest income	6,770	-	-	-	6,770
Interest expense	(1,779,640)	(707,712)	-	-	(2,487,352)
Total non-operating revenues, net	5,986,850	(707,712)	-	-	5,279,138
Change in Net Position	5,870,544	(227,127)	-	-	5,643,417
Net Position, Beginning of Year	(8,914,006)	2,043,003	5,077	-	(6,865,926)
Net Position, End of Year	$ (3,043,462)	$ 1,815,876	$ 5,077	$ -	$ (1,222,509)

Note 21: COMBINING CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

The following table presents the combining condensed statement of revenues, expenses and changes in net position for the Hospital and its component units for the year ended December 31, 2018:

	St. Charles Parish Hospital Service District	Plantation View Medical Offices	SCHII	Eliminations	Total
Operating Revenues	$ 40,531,165	$ 936,000	$ -	$ (936,000)	$ 40,531,165
Operating Expenses					
Salaries, wages, and benefits	9,725,076	-	-	-	9,725,076
Supplies and other	22,386,877	-	(1)	(936,000)	21,450,876
Purchased services	5,718,429	53,420	-	-	5,771,849
Depreciation and amortization	2,911,680	397,371	-	-	3,309,051
Total operating expenses	40,742,062	450,791	(1)	(936,000)	40,256,852
Net (loss) income from operations	(210,897)	485,209	1	-	274,313
Non-Operating Revenues (Expenses)					
Ad valorem taxes	7,826,118	-	-	-	7,826,118
Noncapital grants and contribution	236,684	-	-	-	236,684
Interest income	27,058	-	-	-	27,058
Interest expense	(2,057,338)	(722,659)	-	-	(2,779,997)
Total non-operating revenues, ne	6,032,522	(722,659)	-	-	5,309,863
Change in Net Position	5,821,625	(237,450)	1	-	5,584,176
Net Position, Beginning of Year	(14,735,631)	2,280,453	5,076	-	(12,450,102)
Net Position, End of Year	$ (8,914,006)	$ 2,043,003	$ 5,077	$ -	$ (6,865,926)

The following table presents the combining condensed statement of cash flows for the Hospital and its component units as of December 31, 2019:

	St. Charles Parish Hospital Service District	Plantation View Medical Offices	SCHII	Eliminations	Total
Net cash provided by (used in):					
Operating activities	$ 4,004,408	$ -	$ -	$ -	$ 4,004,408
Noncapital financing activities	7,759,039	-	-	-	7,759,039
Capital and related financing activities	(12,514,605)	-	-	-	(12,514,605)
Investing activities	1,224,654	-	-	-	1,224,654
Net increase (decrease) in cash and cash equivalents	473,496	-	-	-	473,496
Cash and cash equivalents - beginning of period	2,921,251	-	5,077	-	2,926,328
Cash and cash equivalents - end of period	$ 3,394,747	$ -	$ 5,077	$ -	$3,399,824

Note 21: COMBINING CONDENSED BLENDED COMPONENT UNIT INFORMATION (CONTINUED)

The following table presents the combining condensed statement of cash flows for the Hospital and its component units as of December 31, 2018:

	St. Charles Parish Hospital Service District	Plantation View Medical Offices	SCHII	Eliminations	Total
Net cash (used in) provided by:					
Operating activities	$ 3,637,679	$ -	$ 1	$ -	$ 3,637,680
Noncapital financing activities	7,206,178	-	-	-	7,206,178
Capital and related financing activities	(6,498,983)	-	-	-	(6,498,983)
Investing activities	(2,349,866)	-	-	-	(2,349,866)
Net (decrease) increase in cash and cash equivalents	1,995,008	-	1	-	1,995,009
Cash and cash equivalents - beginning of period	926,243	-	5,076	-	931,319
Cash and cash equivalents - end of period	$ 2,921,251	-	$ 5,077	$ -	$2,926,328

Note 22: SUBSEQUENT EVENTS

In addition to subsequent events included in Note 9, other subsequent events are as follows:

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, all elective surgeries have been postponed resulting in a negative impact to revenue. While this disruption is expected to be temporary, there is uncertainty as to the duration. Therefore, while the Hospital expects this matter to negatively impact its business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. In April and May 2020, the Hospital received $753,979 stimulus payment under the CARES Act and $2,144,816 under CMS COVID-19 Accelerated Payment Program. Additionally, the Hospital applied for and received $1,731,300 funding under Paycheck Protection Program Loan.

Also, in March 2020, the Hospital defeased $3,125,000 of General Obligation Bonds, Series 2009B and issued $3,135,000 of Taxable General Obligation Refunding Bonds, Series 2020.

Supplementary Information

Agency Head Name: Austin Reeder, Chief Executive Officer through August 2019. Terrell Neal, Chief Executive Officer from September 2019 through December 2019.

Note: Effective September 1, 2014, St. Charles Parish Hospital Service District is managed by St. Charles Operational Management Company, a wholly owned subsidiary of Ochsner Health System (Ochsner). The Agency Head is Austin Reeder, Chief Executive Officer through August 2019 and Terrell Neal, Chief Executive Officer from September 2019 through December 2019. Austin Reeder and Trerrel Neal are employees of Ochsner. St. Charles Parish Hospital Service District did not make any payments to or on behalf of the Chief Executive Officer, an individual as the agency head for the year ended December 31, 2019.

St. Charles Parish Hospital Service District
Schedule of Board of Commissioners and Compensation
For The Year Ended December 31, 2019

	Number of Meetings Attended	Amount Paid	Amount Payable	Total
Karen Raymond	12	$ 540	$ 180	$ 720
Jake Lemmon	9	420	120	540
Timothy J. Vial	11	-	-	-
William Sirmon	7	180	240	420
Pamela Smith	11	480	180	660
Total	**50**	**$ 1,620**	**$ 720**	**$ 2,340**

St. Charles Parish Hospital Service District
Schedule of Bonds
For The Year Ended December 31, 2019

General Obligation Bonds, Series 2009	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
	5.875% to 7.00%					$ 5,500,000	$ 5,500,000	$ 5,500,000	$ -
		3/1/2019	-	3/1/2019	-				

General Obligation Bonds, Series 2009A	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
	3.20% to 5.00%					$ 1,000,000	$ 1,000,000	$ 955,000	$ 45,000
		3/1/2020	945	3/1/2020	45,000				

General Obligation Bonds, Series 2009B	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
	5.25% to 7.00%					$ 5,000,000	$ 5,000,000	$ 1,635,000	$ 3,365,000
		3/1/2020	113,170	3/1/2020	240,000				
		9/1/2020	105,970						
		3/1/2021	105,970	3/1/2021	255,000				
		9/1/2021	98,065						
		3/1/2022	98,065	3/1/2022	275,000				
		9/1/2022	89,403						
		3/1/2023	89,403	3/1/2023	295,000				
		9/1/2023	79,815						
		3/1/2024	79,815	3/1/2024	315,000				
		9/1/2024	69,263						
		3/1/2025	69,263	3/1/2025	340,000				
		9/1/2025	57,575						
		3/1/2026	57,575	3/1/2026	365,000				
		9/1/2026	44,800						
		3/1/2027	44,800	3/1/2027	395,000				
		9/1/2027	30,975						
		3/1/2028	30,975	3/1/2028	425,000				
		9/1/2028	16,100						
		3/1/2029	16,100	3/1/2029	460,000				

St. Charles Parish Hospital Service District
Schedule of Bonds
For The Year Ended December 31, 2019

General Obligation Bonds, Series 2012A	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
	2.00% to 3.25%					$ 8,000,000	$ 8,000,000	$ 1,405,000	$ 6,595,000
		3/1/2020	88,703	3/1/2020	390,000				
		9/1/2020	88,703						
		3/1/2021	84,703	3/1/2021	410,000				
		9/1/2021	84,703						
		3/1/2022	80,369	3/1/2022	430,000				
		9/1/2022	80,369						
		3/1/2023	75,581	3/1/2023	445,000				
		9/1/2023	75,581						
		3/1/2024	70,172	3/1/2024	465,000				
		9/1/2024	70,172						
		3/1/2025	64,234	3/1/2025	485,000				
		9/1/2025	64,234						
		3/1/2026	57,766	3/1/2026	500,000				
		9/1/2026	57,766						
		3/1/2027	50,391	3/1/2027	525,000				
		9/1/2027	50,391						
		3/1/2028	42,365	3/1/2028	545,000				
		9/1/2028	42,365						
		3/1/2029	33,864	3/1/2029	565,000				
		9/1/2029	33,864						
		3/1/2030	24,840	3/1/2030	590,000				
		9/1/2030	24,840						
		3/1/2031	15,275	3/1/2031	610,000				
		9/1/2031	15,275						
		3/1/2032	10,319	3/1/2032	635,000				

St. Charles Parish Hospital Service District
Schedule of Bonds
For The Year Ended December 31, 2019

General Obligation Bonds, Series 2012B	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
	2.00% to 4.25%					$ 6,000,000	$ 6,000,000	$ 995,000	$ 5,005,000
		3/1/2020	87,944	3/1/2020	270,000				
		9/1/2020	87,944						
		3/1/2021	83,781	3/1/2021	285,000				
		9/1/2021	83,781						
		3/1/2022	79,356	3/1/2022	305,000				
		9/1/2022	79,356						
		3/1/2023	74,669	3/1/2023	320,000				
		9/1/2023	74,669						
		3/1/2024	69,719	3/1/2024	340,000				
		9/1/2024	69,719						
		3/1/2025	64,289	3/1/2025	360,000				
		9/1/2025	64,289						
		3/1/2026	58,179	3/1/2026	380,000				
		9/1/2026	58,179						
		3/1/2027	51,349	3/1/2027	400,000				
		9/1/2027	51,349						
		3/1/2028	43,759	3/1/2028	420,000				
		9/1/2028	43,759						
		3/1/2029	35,319	3/1/2029	445,000				
		9/1/2029	35,319						
		3/1/2030	26,219	3/1/2030	465,000				
		9/1/2030	26,219						
		3/1/2031	16,309	3/1/2031	495,000				
		9/1/2031	16,309						
		3/1/2032	11,050	3/1/2032	520,000				

General Obligation Bonds, Series 2013	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds			
						Authorized	Issued	Retired	Outstanding
	4.55%					$ 1,000,000	$ 1,000,000	$ 555,000	$ 445,000
		3/1/2020	10,124	3/1/2020	105,000				
		9/1/2020	7,735						
		3/1/2021	7,735	3/1/2021	110,000				
		9/1/2021	5,233						
		3/1/2022	5,233	3/1/2022	115,000				
		9/1/2022	2,616						
		3/1/2023	2,616	3/1/2023	115,000				

St. Charles Parish Hospital Service District
Schedule of Bonds
For The Year Ended December 31, 2019

General Obligation Bonds, Series 2013A	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
	3.05%					$ 4,350,000	$ 4,350,000	$ 2,725,000	$ 1,625,000
		3/1/2020	24,781	3/1/2020	285,000				
		9/1/2020	20,435						
		3/1/2021	20,435	3/1/2021	295,000				
		9/1/2021	15,936						
		3/1/2022	15,936	3/1/2022	305,000				
		9/1/2022	11,285						
		3/1/2023	11,285	3/1/2023	310,000				
		9/1/2023	6,558						
		3/1/2024	6,558	3/1/2024	430,000				

Limited Tax Bonds, Series 2016	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
	2.19%					$ 7,040,000	$ 7,040,000	$ 645,000	$ 5,035,000
		3/1/2020	55,133	3/1/2020	720,000				
		9/1/2020	47,249						
		3/1/2021	47,249	3/1/2021	740,000				
		9/1/2021	39,146						
		3/1/2022	39,146	3/1/2022	760,000				
		9/1/2022	30,824						
		3/1/2023	30,824	3/1/2023	790,000				
		9/1/2023	22,174						
		3/1/2024	22,174	3/1/2024	815,000				
		9/1/2024	13,250						
		3/1/2025	13,250	3/1/2025	840,000				
		9/1/2026	4,052						
		3/1/2026	4,052	3/1/2026	370,000				

Limited Tax Bonds, Series 2016A	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds: Authorized	Issued	Retired	Outstanding
	2.23%					$ 10,655,000	$ 10,655,000	$ 135,000	$ 9,655,000
		3/1/2020	107,653	3/1/2020	770,000				
		9/1/2020	99,068						
		3/1/2021	99,068	3/1/2021	865,000				
		9/1/2021	89,423						
		3/1/2022	89,423	3/1/2022	855,000				
		9/1/2022	79,890						
		3/1/2023	79,890	3/1/2023	845,000				
		9/1/2023	70,468						
		3/1/2024	70,468	3/1/2024	885,000				
		9/1/2024	60,600						
		3/1/2025	60,600	3/1/2025	870,000				
		9/1/2026	50,900						
		3/1/2026	50,900	3/1/2026	1,250,000				
		9/1/2026	36,962						
		3/1/2027	36,962	3/1/2027	1,305,000				
		9/1/2027	22,412						
		3/1/2028	22,412	3/1/2028	990,000				
		9/1/2028	11,373						
		3/1/2029	11,373	3/1/2029	1,020,000				

Taxable Limited Tax Refunding Bonds, Series 2018	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds: Authorized	Issued	Retired	Outstanding
	4.06%					$ 11,565,000	$ 11,565,000	$ -	$ 10,050,000
		3/1/2020	204,015	3/1/2020	1,535,000				
		9/1/2020	172,855						
		3/1/2021	172,855	3/1/2021	1,595,000				
		9/1/2021	140,476						
		3/1/2022	140,476	3/1/2022	1,645,000				
		9/1/2022	107,083						
		3/1/2023	107,083	3/1/2023	1,710,000				
		9/1/2023	72,370						
		3/1/2024	72,370	3/1/2024	1,785,000				
		9/1/2024	36,134						
		3/1/2025	36,134	3/1/2025	1,780,000				

Limited Tax Bonds, Series 2018A	Rate	Interest Payment Date	Payment Amount	Principal Payment Date	Scheduled Principal Payments	Principal Portion of Bonds Authorized	Issued	Retired	Outstanding
	3.37%					$ 2,300,000	$ 2,300,000	$ -	$ 2,255,000
		3/1/2020	37,997	3/1/2020	40,000				
		9/1/2020	37,323						
		3/1/2021	37,323	3/1/2021	40,000				
		9/1/2021	36,649						
		3/1/2022	36,649	3/1/2022	50,000				
		9/1/2022	35,806						
		3/1/2023	35,806	3/1/2023	50,000				
		9/1/2023	34,964						
		3/1/2024	34,964	3/1/2024	35,000				
		9/1/2024	34,374						
		3/1/2025	34,374	3/1/2025	95,000				
		9/1/2025	32,773						
		3/1/2026	32,773	3/1/2026	1,945,000				

Total Interest	$ 7,494,217	Total principal	$ 44,075,000
Due within one year	1,397,746	Due within one year	4,400,000
Long-term	6,096,471	Long-term	39,675,000
Total	$ 7,494,217	Total	44,075,000
		Bond Premium, Net	88,727
		Total	$ 44,163,727

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
111 Veterans Memorial Blvd.
Suite 350
Metairie, Louisiana 70005

(504) 833-2436
(504) 484-0807 (fax)
www.CRIcpa.com

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

To the Board of Commissioners
St. Charles Parish Hospital Service District
Luling, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of St. Charles Parish Hospital Service District (the Hospital), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Hospital's financial statements, and have issued our report thereon dated June 24, 2020.

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 Hospital'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 of 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is intended for the information of the Board of Commissioners, Management of St. Charles Parish Hospital, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Metairie, Louisiana
June 24, 2020

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* for the year ended December 31, 2019.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* for the year ended December 31, 2018.

St. Charles Parish Hospital Service District

A Component Unit of St. Charles Parish

AGREED-UPON PROCEDURES REPORT

For the Year Ended December 31, 2019

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, Louisiana 70005

(504) 833-2436
(504) 484-0807 (fax)
www.CRIcpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of
St. Charles Parish Hospital Service District
Luling, Louisiana

We have performed the procedures enumerated below, which were agreed to by St. Charles Parish Hospital Service District (the Hospital) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

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 our results are as follows:

Written Policies and Procedures

1. Obtained the Hospital's written policies and procedures and observed that those written policies and procedures address each of the following financial/business functions:

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

      Results: No exceptions were found as a result of applying the above procedure.

Travel and Expense Reimbursement

2. Obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and obtained management's representation that the listing was complete. Randomly selected five reimbursements, obtained the related expense reimbursement forms/documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

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

   Results: No exceptions were found as a result of applying the above procedure.

b) If reimbursed using actual costs, observed that the reimbursement was supported by an original itemized receipt that identified precisely what was purchased.

   Results: No exceptions were found as a result of applying the above procedure.

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

   Results: No exceptions were found as a result of applying the above procedure.

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

   Results: No exceptions were found as a result of applying the above procedure.

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*. We were not engaged to conduct, and did not conduct, an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C 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 procedures performed on those C/C areas identified in the SAUPs, and the result of the procedures performed, 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.

Carr, Riggs & Ingram, L.L.C.

June 24, 2020