

ACADIA-ST. LANDRY HOSPITAL
SERVICE DISTRICT

FINANCIAL REPORT

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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Board of Commissioners
Acadia-St. Landry Hospital Service District
Church Point, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Acadia-St. Landry Hospital Service District (District), a component unit of the Acadia Parish Police Jury, as of June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the basic financial statements, the District had a prior year restatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information on pages 25 through 34 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

BASIC FINANCIAL STATEMENTS

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Statements of Net Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 716,071	\$ 970,875
Investments	1,150,726	729,689
Patient accounts receivable, net of estimated uncollectibles of \$1,585,207 and \$848,993 for 2017 and 2016, respectively	1,235,814	1,764,037
Inventories	334,143	346,096
Prepaid expenses	64,595	46,079
Estimated third-party payor settlements	1,976,756	2,671,844
Other receivables	4,895	6,340
Total current assets	5,483,000	6,534,960
CAPITAL ASSETS		
Property, plant and equipment, at cost, less accumulation depreciation of \$4,817,743 and \$4,670,424 for 2017 and 2016, respectively	1,202,364	1,278,636
Total assets	\$ 6,685,364	\$ 7,813,596
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 498,025	\$ 1,354,157
Accrued expenses	382,996	309,605
Other payables	47,856	-
Total current liabilities	928,877	1,663,762
NET POSITION		
Net investment in capital assets	1,202,364	1,278,636
Unrestricted	4,554,123	4,871,198
Total net position	5,756,487	6,149,834
Total liabilities and net position	\$ 6,685,364	\$ 7,813,596

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

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Net patient service revenues (net of provision for bad debts of \$847,482 in 2017 and \$1,246,538 in 2016)	\$12,454,463	\$11,191,260
Other operating revenues	20,652,358	24,063,067
Total operating revenues	33,106,821	35,254,327
Operating expenses:		
Salaries and wages	4,361,890	4,562,871
Professional services	1,240,668	1,216,855
Other departmental expenses	7,926,800	7,931,288
Depreciation and amortization	147,319	301,601
Intergovernmental transfers - access grants	19,729,456	22,160,396
Total operating expenses	33,406,133	36,173,011
Operating loss	(299,312)	(918,684)
Non-operating revenues (expenses):		
Ad valorem taxes	318,513	308,931
Realized and unrealized gain (loss) on investments	47,802	(30,984)
Investment income	14,684	19,609
Gain (loss) on disposition of assets	-	(992,511)
Total non-operating revenues (expenses)	380,999	(694,955)
Increase (decrease) in net position	81,687	(1,613,639)
Net position, beginning, as restated	5,674,800	7,763,473
Net position, ending	\$ 5,756,487	\$ 6,149,834

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

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of patients	\$ 13,250,596	\$ 11,719,635
Payments to suppliers and contractors	(10,023,600)	(8,620,656)
Payments to employees	(4,288,499)	(4,654,438)
Other receipts and payments, net	<u>917,784</u>	<u>(1,974,289)</u>
Net cash used in operating activities	<u>(143,719)</u>	<u>(3,529,748)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	<u>320,465</u>	<u>307,814</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for the purchase of property and equipment	<u>(71,047)</u>	<u>(95,614)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	14,510	20,368
Sales of investments	460,560	1,513,431
Purchases of investments	<u>(835,573)</u>	<u>(1,062,527)</u>
Net cash provided (used) by investing activities	<u>(360,503)</u>	<u>471,272</u>
 Net decrease in cash and cash equivalents	(254,804)	(2,846,276)
 Cash and cash equivalents, beginning of year	<u>970,875</u>	<u>3,817,151</u>
 Cash and cash equivalents, end of year	<u>\$ 716,071</u>	<u>\$ 970,875</u>

(Continued)

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Statements of Cash Flows (Continued)
For the Years Ended June 30, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (299,312)	\$ (918,684)
Adjustments to reconcile operating loss to net cash flows used by operating activities:		
Depreciation and amortization	147,319	301,601
Provision for bad debts	847,482	1,246,538
(Increase) decrease in assets-		
Patient accounts receivable	(794,293)	(1,265,953)
Inventories	11,953	(82,839)
Prepaid expenses	(18,516)	142,319
Estimated third-party payor settlements	695,088	547,790
Other receivables	1,445	1,652
Increase (decrease) in liabilities-		
Accounts payable	(856,132)	602,214
Accrued expenses	73,391	(91,567)
Due to other governmental agencies	47,856	(3,023,143)
Unearned revenues	-	(989,676)
Net cash used in operating activities	\$ (143,719)	\$(3,529,748)
Noncash investing activities:		
Increase (decrease) in fair value of investments	\$ 51,187	\$ (23,724)

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

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements

(1) Organization and Significant Accounting Policies

Acadia-St. Landry Hospital Service District (the "Hospital Service District") was established in 1967, by the Acadia and St. Landry Parish Police Juries, by virtue of the authority of Louisiana Revised Statutes (R. S.) 46:1051 et seq. The purpose of the Hospital Service District is to provide health services to Acadia and St. Landry parishes. The Board of Commissioners is appointed by the Acadia and St. Landry Parish Police Juries.

On November 1, 2004, the Hospital Service District converted from an Acute Inpatient Prospective Payment System (IPPS) Hospital to a Critical Access Hospital (CAH). This conversion significantly changed the way the Hospital Service District was being reimbursed for Medicare patients. Under the previous Medicare payment methodology, the Hospital Service District was being paid on a Prospective Payment System (PPS). Under the CAH Medicare payment methodology, the Hospital Service District is paid 101% of its reasonable costs for Medicare purposes, except for Inpatient Psychiatric services which were paid based on a blend of reasonable cost and PPS, subject to various limits and rules up to June 30, 2008. As of June 30, 2009, the Hospital Service District was fully PPS for Inpatient Psychiatric services.

A. Reporting Entity

As the governing authority of the Parish, for reporting purposes, the Acadia Parish Police Jury is the financial reporting entity for the Hospital Service District. Accordingly, the Hospital Service District was determined to be a component unit of the Acadia Parish Police Jury. The accompanying financial statements present only the Hospital Service District.

B. Basis of Accounting

The accompanying basic financial statements of the Hospital Service District have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital Service District are described below.

The Hospital Service District utilizes the proprietary fund method of accounting whereby all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses, gains, and losses are measured and reported using the economic resources measurement focus and the accrual basis of accounting. The Hospital Service District's accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and the *AICPA Audits of Providers of Health Care Services* published by the American Institute of Certified Public Accountants.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

In some instances, the GASB requires an entity to delay recognition of decreases in net position as expenditures until a future period. In other instances, entities are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively. There were no deferred outflows of resources and deferred inflows of resources as of June 30, 2017 and 2016.

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Authority reports three components as follows:

- (1) Net investment in capital assets - This component consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- (2) Restricted net position - This component is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Hospital Service District's bonds. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.
- (3) Unrestricted net position - This component of net position consists of net position that does not meet the definition of the above two components and is available for general use.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits and on hand. For purposes of the statement of cash flows, highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

E. Trade Receivables and Allowance for Uncollectible Accounts

Trade receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written-off when deemed uncollectible. Recoveries of trade receivables previously written-off are recorded when received.

F. Investments

In accordance with professional standards, investments meeting the criteria specified in the standards are stated at fair value, which is either quoted market prices or the best estimate available. Investments which do not meet the requirements are stated at cost. Interest, dividends, and gains and losses, both realized and unrealized, are included in non-operating revenue. The unrealized gain on investments held at June 30, 2017 and 2016 was \$81,389 and \$30,202, respectively.

G. Inventories

Inventories are valued at the latest invoice price which approximates the lower of cost (first-in, first-out method) or market.

H. Net Patient Service Revenues

The Hospital Service District has agreements with third-party payors, which includes government programs which the Hospital Service District is paid based upon established charges, the cost of providing services, predetermined diagnosis rates, fixed per diem rates or discounts from established charges. Revenues are recorded at established charges. Revenues are recorded at estimated amounts due from patients and third-party payors for the services provided.

Net patient service revenues are reported at the estimated amounts realizable from patients, the third-party payer, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Hospital Service District provides care to patients even though they are covered by contractual payment arrangements that do not pay full charges or may lack adequate insurance. As a result, the Hospital Service District is exposed to credit risks. The Hospital Service District manages such risks by providing appropriate allowances. The allowances are evaluated on a regular basis and are based upon management's periodic review of the collectability of the accounts considering historical experience, the nature and volume of the accounts and the agreement with the prospective third-party payor.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

I. Property, Plant and Equipment

The Hospital Service District records all property, plant and equipment acquisitions at historical cost, except for assets donated to the Hospital Service District. Donated assets are recorded at fair market value at the date of donation.

The Hospital Service District provides for depreciation of its plant and equipment using the straight-line method over the estimated useful lives of each class of depreciable assets. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation expense in the financial statements. The following estimated useful lives are generally used:

Building and improvements	15-20 years
Equipment	3-20 years

J. Grants and Donations

Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and donations may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as other operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expense.

K. Operating Revenues and Expenses

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

L. Income Taxes

The Hospital Service District is a political subdivision and exempt from taxes.

M. Advertising

The Hospital Service District expenses advertising cost as incurred. Advertising expense for the years ended June 30, 2017 and 2016 totaled \$8,391 and \$12,057, respectively.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

N. Risk Management

The Hospital Service District is exposed to various risks of loss from tort; theft of, damage to and destruction of assets; business interpretation; errors or omissions; employee injuries and illnesses; natural disasters; medical malpractice and employee health. Commercial insurance coverage is purchased for claims arising from such matters.

O. Restricted Resources

When the Hospital Service District has both restricted and unrestricted resources available to finance a particular program, it is the Hospital Service District's policy to use restricted resources before unrestricted resources.

P. Environmental Matters

The Hospital Service District is subject to laws and regulations relating to the protection of the environment. The Hospital Service District's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital Service District's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital Service District. At June 30, 2017 and 2016, management is not aware of any liability resulting from environmental matters.

(2) Deposits and Investments

Under state law the Hospital Service District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Hospital Service District may invest in direct obligations of the United States government, bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and/or the United States government, and time certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2017, the Hospital Service District had demand deposits (book balances) totaling \$716,071.

Custodial credit risk is the risk that in the event of a bank failure of a depository financial institution, the Hospital Service District's deposits may not be recovered or the collateral securities that are in the possession of the outside party will not be recovered. These deposits are stated at cost, which approximates fair value. Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Hospital Service District or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

Deposit balances (bank balances) at June 30, 2017, are secured as follows:

Bank balances	<u>\$ 808,712</u>
Federal deposit insurance	\$ 316,348
Pledged securities	<u>492,364</u>
Total federal deposit insurance and pledged securities	<u>\$ 808,712</u>

Deposits in the amount of \$492,364 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Hospital Service District's name. The Hospital Service District does not have a policy for custodial credit risk.

The Hospital Service District's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in time deposits, money market investment accounts or certificates of deposit with financial institutions insured by FDIC; direct obligations of the United States Government and its agencies; investment grade (A-1/P-1) commercial paper of domestic United States corporations; one of the two highest short-term rating categories of either Standards & Poor's Corporation of Moody's Investors Service; government backed mutual trust funds; and mutual funds which invest in equities and fixed income securities.

Effective July 1, 2012, R.S. 33:2957 was enacted by the Legislature of Louisiana relative to the investments of hospital service districts, stating that any hospital service district may invest its funds as provided by R.S. 46:1073.1, except as provided therein. R.S. 46:1073.1 allows hospital service districts to invest funds as provided by law for investment of funds of the Louisiana State Employee Retirement System (LASERS), including but not limited to R.S. 11:263; however, any such investment may be made only in compliance with rules and regulations established by the hospital service district commission and in compliance with the provisions of R.S. 11:263 and any other law which provides for investments in which funds of LASERS may be invested.

The Hospital Service District's investments generally are reported at fair value, as discussed in Note 1. At June 30, 2017 and 2016, the Hospital Service District had the following investments, all of which were held in the Hospital Service District's name by a custodial bank that is an agent of the Hospital Service District.

Investment Type	June 30, 2017	
	% of Portfolio	Fair Value
Mutual funds:		
Equities	77%	\$ 884,185
Fixed income	<u>23%</u>	<u>266,541</u>
Total	<u>100%</u>	<u>\$ 1,150,726</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

Investment Type	June 30, 2016	
	% of Portfolio	Fair Value
Mutual funds:		
Equities	63%	\$ 456,775
Fixed income	<u>37%</u>	<u>272,914</u>
Total	<u>100%</u>	<u>\$ 729,689</u>

Interest Rate Risk – The state law does not address specific policies for managing interest rate risk. The Hospital Service District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk – Statutes authorize the Hospital Service District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, equities and fixed income mutual funds. At June 30, 2017 and 2016, the Hospital Service District did not have any rated investments.

Concentration of Credit Risk – In compliance with State statutes, the Hospital Service District “may invest more than 55% of the total portfolio in equities, so long as not more than 65% of the total portfolio is invested in equities and at least 10% of the total equity portfolio is invested in one or more index funds which seek to replicate the performance of the chosen index or indices.” The Hospital Service District may place no more than 5% of the market value of the fixed income portion of the portfolio in any one issuer at the time of purchase. However, there is no limit on the holdings of the direct obligations issued or guaranteed by the United States Government or its agencies.

(3) Patient Accounts Receivable

Patient accounts receivable at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Medicare	\$ 1,823,453	\$ 1,404,204
Medicaid	318,745	266,320
Other third-party payors	395,276	260,602
Patients	<u>283,547</u>	<u>681,904</u>
Total patient accounts receivable	2,821,021	2,613,030
Less allowance for uncollectible amounts	<u>(1,585,207)</u>	<u>(848,993)</u>
Patient accounts receivable, net	<u>\$ 1,235,814</u>	<u>\$ 1,764,037</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

(4) Estimated Third-Party Settlements

The estimated third-party payors settlements receivable consisted of the following:

June 30, 2017:				
<u>Cost Report Year</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>UCC</u>	<u>Total</u>
2013	\$ -	\$ 20,783	\$ -	\$ 20,783
2014	-	179,855	-	179,855
2015	-	85,725	-	85,725
2016	-	214,718	-	214,718
2017	<u>1,041,384</u>	<u>305,848</u>	<u>128,443</u>	<u>1,475,675</u>
Totals	<u>\$ 1,041,384</u>	<u>\$ 806,929</u>	<u>\$ 128,443</u>	<u>\$ 1,976,756</u>
June 30, 2016:				
<u>Cost Report Year</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>UCC</u>	<u>Total</u>
2012	\$ -	\$ 33,553	\$ -	\$ 33,553
2013	-	59,428	-	59,428
2014	8,915	179,855	-	188,770
2015	1,081,357	186,381	-	1,267,738
2016	<u>799,754</u>	<u>277,419</u>	<u>45,182</u>	<u>1,122,355</u>
Totals	<u>\$ 1,890,026</u>	<u>\$ 736,636</u>	<u>\$ 45,182</u>	<u>\$ 2,671,844</u>

(5) Capital Assets

Capital asset activity for the years ended June 30, 2017 and 2016 were as follows:

	<u>7/1/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/2017</u>
Capital assets not being depreciated:				
Land	\$ 120,025	\$ -	\$ -	\$ 120,025
Construction in progress	-	3,210	-	3,210
Other capital assets:				
Land improvements	49,082	2,800	-	51,882
Buildings and improvements	3,096,813	44,868	-	3,141,681
Equipment	<u>2,683,140</u>	<u>20,169</u>	-	<u>2,703,309</u>
Total	<u>5,949,060</u>	<u>71,047</u>	-	<u>6,020,107</u>
Less accumulated depreciation:				
Land improvements	42,113	1,158	-	43,271
Buildings and improvements	2,280,604	88,201	-	2,368,805
Equipment	<u>2,347,707</u>	<u>57,960</u>	-	<u>2,405,667</u>
Total depreciation	<u>4,670,424</u>	<u>147,319</u>	-	<u>4,817,743</u>
Capital assets, net	<u>\$ 1,278,636</u>	<u>\$ (76,272)</u>	<u>\$ -</u>	<u>\$ 1,202,364</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

	<u>7/1/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/2016</u>
Capital assets not being depreciated:				
Land	\$ 120,025	\$ -	\$ -	\$ 120,025
Construction in progress	38,489	-	38,489	-
Other capital assets:				
Land improvements	48,072	1,010	-	49,082
Buildings and improvements	3,046,562	50,251	-	3,096,813
Equipment	<u>3,867,693</u>	<u>82,842</u>	<u>1,267,395</u>	<u>2,683,140</u>
Total	<u>7,120,841</u>	<u>134,103</u>	<u>1,305,884</u>	<u>5,949,060</u>
Less accumulated depreciation:				
Land improvements	40,196	1,917	-	42,113
Buildings and improvements	2,194,836	85,768	-	2,280,604
Equipment	<u>2,408,316</u>	<u>213,916</u>	<u>274,525</u>	<u>2,347,707</u>
Total depreciation	<u>4,643,348</u>	<u>301,601</u>	<u>274,525</u>	<u>4,670,424</u>
Capital assets, net	<u>\$ 2,477,493</u>	<u>\$ (167,498)</u>	<u>\$ 1,031,359</u>	<u>\$ 1,278,636</u>

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to \$147,319 and \$301,601, respectively.

(6) Compensated Absences

Effective February 2002, full-time employees accrued four (4) hours of paid time off (PTO) per pay period, while part-time employees accrued PTO at a rate of four (4) percent of total hours worked per pay period until April of 2006. On that date, full-time employees with years of service of one (1) to five (5) years began accruing 5.23 hours of PTO per pay period, while full-time employees with years of service of five (5) or more years began accruing 6.77 hours of PTO per pay period. Part-time employees accrue PTO at a rate of four (4) percent of total hours worked per pay period and may accumulate up to a maximum of 300 PTO hours. Full-time employees may accumulate PTO hours to a maximum of 350 hours. When the employee reaches the maximum, further accumulation is ceased until PTO time is used; there is no cash option associated with this maximum bank. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital Service District's policy is to recognize the cost of unvested sick pay when actually paid to employees. At June 30, 2017 and 2016, accrued compensated absences, which are included in accrued expenses, totaled \$202,038 and \$174,685, respectively.

(7) Net Patient Service Revenues

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

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

Medicare – On November 1, 2004, the Hospital Service District converted to a Critical Access Hospital (CAH) with a Distinct Part Psychiatric Unit. Inpatient acute care services and swing bed services rendered to Medicare program beneficiaries are reimbursed at cost plus 1%. Outpatient services are reimbursed at cost plus 1% (subject to limits and rules), while other outpatient laboratory services are reimbursed on a fee schedule. Inpatient Psychiatric services are reimbursed on a blended cost and PPS reimbursement methodology subject to certain limitations.

The Hospital Service District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital Service District and audits thereof by the Medicare fiscal intermediary. The Hospital Service District's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2013.

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital Service District is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital Service District and audits thereof by the Medicaid fiscal intermediary. The Hospital Service District's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through June 30, 2011.

During the years ended June 30, 2017 and 2016, approximately 89.3% and 86.9%, respectively, of the Hospital Service District's gross patient service revenues were furnished to Medicare and Medicaid beneficiaries. 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 may change by a material amount in the near term. As a result of retroactive adjustments of certain prior year cost reports, the Hospital Service District recorded changes in estimates resulting in a decrease in net patient service revenues of approximately \$56,794 and \$144,799 for the years ending June 30, 2017 and 2016, respectively.

Current regulations limit uncompensated care cost incurred by the Hospital Service District in each fiscal year. These amounts are subject to audit by Medicaid and any overpayments will be recouped. Management has not estimated a reserve liability for the possible recoupment of these uncompensated care cost payments for June 30, 2017 and 2016, respectively. To the extent management's estimate differs from actual results, the differences will be used to adjust income in the period when such differences arise.

Future uncompensated cost payments are dependent upon state appropriations, which require approval by the state legislature. If the state should not fund or substantially change this program, it could have a significant impact on the Hospital Service District's revenue.

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

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

(8) Ad Valorem Taxes

The Hospital Service District's property tax is levied by the parish on the taxable real property in the district in late October of each year. Bills are sent out in November of each year, at which time the Hospital Service District records the tax revenue, and become a lien in the following March. The taxes are based on assessed values determined by the Tax Assessor and are collected by the Sheriff. The Hospital Service District levied 7.64 and 7.67 mills for the fiscal years ended 2017 and 2016, respectively.

For the years ended June 30, 2017 and 2016, property tax revenues, net of pension deductions, totaled \$318,513 and \$308,931, respectively.

(9) Concentration of Credit Risks

The Hospital Service District grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2017 and 2016 was as follows:

	2017	2016
Medicare	64.6%	58.6%
Medicaid	11.3%	11.1%
Other third-party payors	14.0%	10.9%
Patients	<u>10.1%</u>	<u>19.4%</u>
	<u>100.0%</u>	<u>100.0%</u>

(10) Operating Leases

The Hospital Service District leases various equipment under operating leases expiring at various dates through 2021. Total rental expense for the years ended June 30, 2017 and 2016 for all operating leases was approximately \$439,839 and \$453,091, respectively.

The following is a schedule by year of future minimum lease payments under leases that have initial or remaining lease terms in excess of one year.

Years Ending June 30,	Amount
2018	90,972
2019	47,962
2020	44,502
2021	<u>29,187</u>
Total	<u>\$212,623</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

(11) Deferred Compensation

The Hospital Service District offers employees a deferred compensation plan (Plan), which all employees are eligible to participate. The Plan was adopted under the provisions of Internal Revenue Code Section 457, and is administered by Security Benefit. The Hospital Service District does not have managerial or financial responsibility for plan assets. The Hospital Service District will match half (50%) of the employees' contributions to the plan up to a maximum of 5% of the employees gross income per pay period. The Hospital Service District contributed \$37,992 and \$42,154 as of June 30, 2017 and 2016, respectively.

(12) Professional and General Liability Risk

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

The Hospital Service District has acquired additional coverage for professional medical malpractice and general liability through the Louisiana Hospital Association Trust Fund by purchasing a claims-made policy. Losses on medical malpractice and general liability claims are estimated based on deductibles and claims in excess of per-claim or aggregate coverage and incurred but not reported during the claim year. These estimates reflect the Hospital Service District's best estimates of the ultimate costs of reported and unreported claims, using the Hospital Service District's past experience, industry experience and identified asserted claims and reported incidents. No provision for losses on medical malpractice and general liability claims are recorded based on management's estimates that these matters will be resolved without material adverse effect on the Hospital Service District's future financial position or results from operations.

(13) Contingencies

The Hospital Service District evaluates contingencies based upon the best available evidence. The Hospital Service District believes that no loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital Service District's estimates, future earning will be charged or credited.

The principle contingencies are described below:

Third-party Government Revenues (Note 7) – Cost reimbursements are subject to examination by agencies administering the programs. The Hospital Service District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statues, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

The healthcare industry is subject 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 program participating requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Hospital Service District is in compliance with fraud and abuse statutes as well as other applicable governmental 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.

The Patient Protection and Affordable Healthcare Act (PPACA) was signed into law on March 23, 2010. In addition, the Health Care and Education Affordability Reconciliation Act (Reconciliation Act), which contains a number of amendments to the PPACA, was signed into law on March 30, 2010. These healthcare bills (collectively, the "Reform Legislation") seek to increase the number of persons with access to health insurance coverage. The reform legislation makes a number of other changes to Medicare and Medicaid, such as reductions to the annual market basket update for federal fiscal years 2010 through 2019, a productivity offset to the market basket update beginning October 1, 2011, and a reduction to disproportionate share payments. The various provisions in the Reform Legislation that directly or indirectly affect reimbursement are scheduled to take effect over a number of years.

Also included in the Reform Legislation are provisions aimed at reducing fraud, waste and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Reform Legislation amends several existing federal laws, including the Medicare Anti-Kickback Statute and the False Claims Act, making it easier for government agencies and private plaintiffs to prevail in lawsuits brought against healthcare providers. These amendments also make it easier for potentially severe fines and penalties to be imposed on healthcare providers accused of violating applicable laws and regulations.

Management cannot predict the impact that Reform Legislation may have on the Hospital's financial position, results of operations or changes in net assets or cash flows.

Litigation and Other Matters – the Hospital Service District is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital Service District's future financial position or results from operations.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

(14) Grant Revenue

The Hospital Service District collaborated with the Rural Hospital Coalition, a nonprofit organization, to design and implement a grant program funded by various sources to ensure that adequate and essential medically necessary healthcare services are accessible and available to the service population subject to the availability of such grant funds. On February 3, 2015, the Hospital Service District entered into a cooperative endeavor agreement (CEA) with other public Louisiana hospital service districts whereby the Hospital Service District receives grant funding and awards intergovernmental transfer grants (IGT) to be used in accordance with the grant program. As of June 30, 2017 and 2016, the District received \$20,563,718 and \$23,005,250 of grant program funding and provided intergovernmental transfer grants to other hospital service districts in the amount of \$19,729,456 and \$22,160,396, respectively.

(15) Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. In subsequent years, providers must demonstrate meaningful use of such technology to qualify for additional Medicaid incentive payments. Hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in federal fiscal year 2015.

The EHR incentive payment revenue is recognized when the Hospital Service District is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the grant revenue will be received. As of June 30, 2015, EHR incentive payment revenues were collected by the Hospital Service District. Income from incentive payments is subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated. The Hospital Service District's attestation compliance with the meaningful use criteria is subject to audit by the federal government.

Additionally, the Hospital Service District received reimbursement for the EHR software cost less the sequestration portion in the amount of \$1,099,640. This amount will be recognized as revenue over the estimated useful life of the software. During fiscal year ending June 30, 2016, the Hospital returned the EHR software originally purchased to the vendor and entered into an agreement with another EHR software provider. As a result, the Hospital recognized the remaining unearned revenue in the amount of \$989,676 at June 30, 2016.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

(16) Fair Value Measurements

Professional standards require the disclosure for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of inputs used to measure fair value are as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b. Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- c. Level 3 inputs are unobservable inputs for the asset or liability.

The following methods and assumptions were used by the District in estimating fair values of financial instruments:

- a. The carrying amount reported in the statement of net position for the following approximates fair value due to the short maturities of these instruments: cash, accounts receivable, and accounts payable.
- b. The fair value for investment securities are based on quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2017 and 2016:

Description	June 30, 2017			
	Total	(Level 1)	(Level 2)	(Level 3)
Equities	\$ 884,185	\$ -	\$ 884,185	\$ -
Fixed income	266,541	-	266,541	-
	<u>\$ 1,150,726</u>	<u>\$ -</u>	<u>\$ 1,150,726</u>	<u>\$ -</u>

Description	June 30, 2016			
	Total	(Level 1)	(Level 2)	(Level 3)
Equities	\$ 456,775	\$ -	\$ 456,775	\$ -
Fixed income	272,914	-	272,914	-
	<u>\$ 729,689</u>	<u>\$ -</u>	<u>\$ 729,689</u>	<u>\$ -</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

(17) Tax Abatement

Louisiana's State Constitution Chapter VII Section 21 authorizes the State Board of Commerce and Industry to create a ten (10) year ad valorem tax abatement program for new manufacturing establishments in the State. Under the terms of this program, qualified businesses may apply for an exemption of local ad valorem taxes on capital improvements and equipment related to manufacturing for the first ten years of its operation; after which the property will be added to the local tax roll and taxed at the value and millage in force at that time. The future value to this exempt property could be subject to significant fluctuations from today's value; however, the District could receive a substantial increase in ad valorem tax revenues once the exemption on this property expires. Because these taxes are not assessed, no adjustments have been made to the District's financial statements to record the exempt amounts. At June 30, 2017, the District's ad valorem revenues were reduced by \$218,787 as a result of these abatements.

(18) Schedule of Compensation, Benefits, and Other Payments to Agency Head

The schedule of compensation and benefits paid to Cindy Walters, Chief Executive Officer, for the year ended June 30, 2017 follows:

Purpose	Amount
Salary	\$ 81,651
Benefits - insurance	20,946
Benefits - disability insurance	1,229
Reimbursements	149
Travel	38
Continuing professional education fees	382

(19) Prior Year Restatement

Management determined that there was an error in the calculation of the June 30, 2016 contractual adjustments during the current year. The correction of this error resulted in a restatement of previously reported net position as follows:

June 30, 2016 net position, as previously reported	\$ 6,149,834
Net effect of change in estimate of contractual adjustments	<u>(475,034)</u>
June 30, 2016 net position, as restated	<u>\$ 5,674,800</u>

SUPPLEMENTARY INFORMATION

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Schedules of Net Patient Service Revenues
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Gross patient direct services	\$ 12,925,420	\$ 12,787,690
Less:		
Contractual allowances	795,150	(1,020)
Uncollectible accounts	(847,482)	(1,246,538)
Discounts	<u>(418,625)</u>	<u>(348,872)</u>
Total contractual allowances, discounts and uncollectible accounts	<u>(470,957)</u>	<u>(1,596,430)</u>
Net patient service revenues	<u>\$ 12,454,463</u>	<u>\$ 11,191,260</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Schedules of Other Operating Revenues
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cafeteria	\$ 11,841	\$ 11,638
Vending machine commissions	1,322	1,443
Rent income	27,414	24,315
Medical record income	4,423	4,047
Intergovernmental transfers - access grants	20,563,718	23,005,250
Electronic health records incentive payment	-	989,676
Miscellaneous	<u>43,640</u>	<u>26,698</u>
Total other operating revenues	<u>\$ 20,652,358</u>	<u>\$ 24,063,067</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Schedules of Other Operating Revenues and Expenses
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Direct operating revenues	\$ 12,925,420	\$ 12,787,690
Direct operating expenses	<u>8,610,069</u>	<u>8,852,721</u>
Excess of direct operating revenues over direct operating expenses	4,315,351	3,934,969
Contractual allowances, discounts and uncollectible accounts	<u>470,957</u>	<u>1,596,430</u>
Net excess of direct operating revenues over direct operating expenses	<u>3,844,394</u>	<u>2,338,539</u>
General operating expenses:		
General services	1,348,383	1,318,654
Financial and administrative services	<u>3,570,906</u>	<u>3,539,639</u>
Total general operating expenses	<u>4,919,289</u>	<u>4,858,293</u>
Other operating revenues	<u>20,652,358</u>	<u>24,063,067</u>
Other operating expenses:		
Depreciation and amortization	147,319	301,601
Intergovernmental transfers - access grants	<u>19,729,456</u>	<u>22,160,396</u>
	<u>19,876,775</u>	<u>22,461,997</u>
Deficiency of operating revenues over operating expenses	<u>\$ (299,312)</u>	<u>\$ (918,684)</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Schedules of Departmental Direct
Operating Revenues and Expenses
For the Years Ended June 30, 2017 and 2016

	Inpatient Revenues		Outpatient Revenues	
	2017	2016	2017	2016
Direct services:				
Central Supply	\$ 805,159	\$ 1,685,509	\$ 130,675	\$ 540,841
CT Scan	17,465	24,087	467,736	416,839
Daily patient services	709,800	755,795	-	-
EEG physician fees	-	1,755	-	585
Electrocardiology	3,228	4,035	35,770	29,386
Emergency room	4,115	7,587	447,139	463,374
Emergency room physician	-	5,254	230,575	239,854
Kidmed	-	-	-	-
Laboratory	312,003	311,957	1,411,512	1,215,709
MRI	-	3,251	99,249	81,871
Nuclear medicine	-	-	-	-
Occupational therapy	276,279	214,409	39,326	14,517
Operating room and Gastro	88,350	50,685	35,870	133,830
Other	530	730	1,929	1,630
Pharmacy	1,091,476	986,553	271,019	178,069
Physical therapy	191,261	184,033	253,849	199,743
Psychiatric therapy group	31,370	5,771	2,809,800	2,962,937
Psychiatric unit	1,443,835	1,343,915	46,050	100
Radiology	17,445	23,774	246,480	217,458
Respiratory therapy	1,056,253	165,065	87,673	64,871
Speech therapy	62,014	48,192	25,482	26,132
Ultrasound	25,077	50,025	149,626	127,562
Total direct services	<u>\$ 6,135,660</u>	<u>\$ 5,872,382</u>	<u>\$ 6,789,760</u>	<u>\$ 6,915,308</u>

Total Direct Revenues		Direct Operating Expenses		Excess (Deficiency) of Direct Revenues Over Direct Operating Expenses	
2017	2016	2017	2016	2017	2016
\$ 935,834	\$ 2,226,350	\$ 149,805	\$ 182,741	\$ 786,029	\$ 2,043,609
485,201	440,926	164,940	152,670	320,261	288,256
709,800	755,795	2,459,026	2,667,601	(1,749,226)	(1,911,806)
-	2,340	-	-	-	2,340
38,998	33,421	1,799	5,877	37,199	27,544
451,254	470,961	100,901	85,898	350,353	385,063
230,575	245,108	1,020,215	974,910	(789,640)	(729,802)
-	-	-	413	-	(413)
1,723,515	1,527,666	812,485	785,847	911,030	741,819
99,249	85,122	49,060	52,971	50,189	32,151
-	-	677	2,268	(677)	(2,268)
315,605	228,926	133,726	119,625	181,879	109,301
124,220	184,515	5,543	2,135	118,677	182,380
2,459	2,360	-	-	2,459	2,360
1,362,495	1,164,622	709,638	694,667	652,857	469,955
445,110	383,776	223,396	194,095	221,714	189,681
2,841,170	2,968,708	1,287,859	1,376,430	1,553,311	1,592,278
1,489,885	1,344,015	783,262	863,595	706,623	480,420
263,925	241,232	322,862	343,778	(58,937)	(102,546)
1,143,926	229,936	260,903	237,099	883,023	(7,163)
87,496	74,324	68,631	56,874	18,865	17,450
174,703	177,587	55,341	53,227	119,362	124,360
<u>\$ 12,925,420</u>	<u>\$ 12,787,690</u>	<u>\$ 8,610,069</u>	<u>\$ 8,852,721</u>	<u>\$ 4,315,351</u>	<u>\$ 3,934,969</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Schedules of Departmental Direct
and General Operating Expenses
For the Years Ended June 30, 2017 and 2016

	Salaries		Professional Fees	
	2017	2016	2017	2016
Direct services:				
Central Supply	\$ 38,419	\$ 51,170	\$ -	\$ -
CT Scan	-	-	-	-
Daily patient services	1,968,130	2,115,961	72,380	100,367
Electrocardiology	-	-	-	-
Emergency room	-	-	-	-
Emergency room physician	-	-	1,020,215	974,910
Kidmed	-	-	-	-
Laboratory	446,703	433,309	22,565	23,804
MRI	-	-	49,060	52,971
Nuclear medicine	-	-	-	-
Occupational therapy	-	-	-	-
Operating room and Gastro	-	-	-	-
Pharmacy	25,476	19,617	-	-
Physical therapy	-	-	-	-
Psychiatric therapy group	-	-	-	-
Psychiatric unit	-	-	-	-
Radiology	288,042	289,854	-	-
Respiratory therapy	201,702	177,738	6,000	6,000
Speech therapy	-	-	68,571	56,856
Ultrasound	-	-	-	-
Total direct services	<u>2,968,472</u>	<u>3,087,649</u>	<u>1,238,791</u>	<u>1,214,908</u>
General services:				
Dietary	242,432	201,461	-	-
Housekeeping	128,439	124,267	-	-
Laundry and linen	-	-	-	-
Plant engineering	<u>254,345</u>	<u>308,245</u>	<u>-</u>	<u>-</u>
Total general services	<u>625,216</u>	<u>633,973</u>	<u>-</u>	<u>-</u>
Subtotals forward	<u>\$3,593,688</u>	<u>\$3,721,622</u>	<u>\$ 1,238,791</u>	<u>\$ 1,214,908</u>

Other Expenses		Total	
2017	2016	2017	2016
\$ 111,386	\$ 131,571	\$ 149,805	\$ 182,741
164,940	152,670	164,940	152,670
418,516	451,273	2,459,026	2,667,601
1,799	5,877	1,799	5,877
100,901	85,898	100,901	85,898
-	-	1,020,215	974,910
-	413	-	413
343,217	328,734	812,485	785,847
-	-	49,060	52,971
677	2,268	677	2,268
133,726	119,625	133,726	119,625
5,543	2,135	5,543	2,135
684,162	675,050	709,638	694,667
223,396	194,095	223,396	194,095
1,287,859	1,376,430	1,287,859	1,376,430
783,262	863,595	783,262	863,595
34,820	53,924	322,862	343,778
53,201	53,361	260,903	237,099
60	18	68,631	56,874
55,341	53,227	55,341	53,227
<u>4,402,806</u>	<u>4,550,164</u>	<u>8,610,069</u>	<u>8,852,721</u>
206,913	196,606	449,345	398,067
25,734	22,721	154,173	146,988
40,736	42,696	40,736	42,696
449,784	422,658	704,129	730,903
<u>723,167</u>	<u>684,681</u>	<u>1,348,383</u>	<u>1,318,654</u>
<u>\$ 5,125,973</u>	<u>\$ 5,234,845</u>	<u>\$ 9,958,452</u>	<u>\$ 10,171,375</u>

(continued)

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Schedules of Departmental Direct
and General Operating Expenses (Continued)
For the Years Ended June 30, 2017 and 2016

	Salaries		Professional Fees	
	2017	2016	2017	2016
Subtotals forwarded	<u>\$3,593,688</u>	<u>\$3,721,622</u>	<u>\$1,238,791</u>	<u>\$1,214,908</u>
Financial and administrative services				
Accounting	137,051	145,836	-	-
Administration	196,268	202,395	1,877	1,947
Business office	208,353	261,234	-	-
Medical records	112,400	146,437	-	-
Risk management	114,130	85,347	-	-
Payroll taxes	-	-	-	-
Employee benefits	-	-	-	-
Other general and administrative expenses	-	-	-	-
Total financial and administrative expenses	<u>768,202</u>	<u>841,249</u>	<u>1,877</u>	<u>1,947</u>
Total direct operating expenses	<u>\$4,361,890</u>	<u>\$4,562,871</u>	<u>\$1,240,668</u>	<u>\$1,216,855</u>

Other Expenses		Total	
2017	2016	2017	2016
<u>\$5,125,973</u>	<u>\$5,234,845</u>	<u>\$ 9,958,452</u>	<u>\$10,171,375</u>
135,770	180,416	272,821	326,252
81,965	74,400	280,110	278,742
794,645	241,775	1,002,998	503,009
75,350	49,120	187,750	195,557
4,814	287	118,944	85,634
326,380	348,462	326,380	348,462
905,872	920,973	905,872	920,973
<u>476,031</u>	<u>881,010</u>	<u>476,031</u>	<u>881,010</u>
<u>2,800,827</u>	<u>2,696,443</u>	<u>3,570,906</u>	<u>3,539,639</u>
<u>\$7,926,800</u>	<u>\$7,931,288</u>	<u>\$13,529,358</u>	<u>\$13,711,014</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Schedules of Board Fees
For the Years Ended June 30, 2017 and 2016

<u>Board Members</u>	<u>2017</u>	<u>2016</u>
Benjamin Bellard	\$ 480	\$ 240
Myra Lewis	240	240
Nicholas Bellard	120	240
Claire Jackson	400	400
Roger Boudreaux	440	400
Michael Williams, M.D.	480	400

The schedule of compensation paid to the Board of Commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Legislature. In accordance with Louisiana Revised Statute 46:1053(C)(2)(a), the Hospital Service District's board members receive \$40 for each day of attendance at meetings of the commission, not to exceed 12 meetings per year.

**INTERNAL CONTROL,
COMPLIANCE
AND OTHER MATTERS**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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

Board of Commissioners
Acadia-St. Landry Hospital Service District
Church Point, 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 the Acadia-St. Landry Hospital Service District, a component unit of the Acadia Parish Police Jury, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Acadia-St. Landry Hospital Service District's basic financial statements, and have issued our report thereon dated December 27, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
December 27, 2017

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2017

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Completion Date
CURRENT YEAR (6/30/2017) --						
<u>Internal Control:</u>						
There were no internal control findings.						
<u>Compliance:</u>						
There were no compliance findings.						
PRIOR YEAR (6/30/2016) --						
<u>Internal Control:</u>						
2016-001	2016	The District is not properly reconciling payroll related liability accounts on the general ledger to supporting documentation. The general ledger accounts should be reconciled on a monthly basis and any differences should be investigated and adjusted appropriately.	Yes	Procedures will be established to properly reconcile the general ledger balances for payroll related liabilities to appropriate supporting documentation. Any differences will be researched and adjustments will be recorded accordingly.	Lucille Lejeune, CFO	6/30/2017

Compliance:

There were no compliance findings.

**Acadia-St. Landry Hospital
Service District**

Independent Accountant's Report
On Applying Agreed-Upon Procedures

Year Ended June 30, 2017

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Members of the Board of Commissioners
of Acadia-St. Landry Hospital Service District
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the management of the Acadia-St. Landry Hospital Service District (District) and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the District's compliance with certain laws, regulations and best practices during the year ended June 30, 2017. Management of the District is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above except for the following: how vendors are added to the vendor list.

Management's response: The District has a procedure for how vendors are added to a vendor list, but it is not documented. The District will add the procedure to their written policy.

- c) **Disbursements**, including processing, reviewing, and approving.
Written policies and procedures were obtained and address the functions noted above.
- d) **Receipts**, including receiving, recording, and preparing deposits.
Written policies and procedures were obtained and did not reference any of the items noted above.
Management's response: The District has a procedure for receiving, recording and preparing deposits, but it is not listed in a formal policy. The District will document the procedure.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
Written policies and procedures were obtained and address the functions noted above.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
Written policies and procedures were obtained and address the functions noted above, except for the standard terms and conditions of contracts and how the contracts are monitored.
Management's response: The District will review the process in place for monitoring contracts and adopt into a formal policy.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
Written policies and procedures were obtained and address the functions noted above.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
Written policies and procedures were obtained and address the functions noted above, except for the dollar threshold by category of expense.
Management's response: The District will review the travel and reimbursement policy along with policies on the LLA website in order to properly adjust the policy.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
Written policies and procedures were obtained and do not address the functions noted above.
Management's response: The District will review procedures for ethics administration and formally document. The District has always used the LA Board of Ethics website for its policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
The District does not have debt service.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
There were no exceptions noted as a result of applying this procedure.

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

The minutes referenced monthly budget-to-actual comparisons on the District's Enterprise Fund. The monthly budget-to-actual comparisons did not reflect deficit spending.

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

The minutes did reference non-budgeting financial information for at least one meeting during the fiscal period.

Bank Reconciliations

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

A listing of client bank accounts and management's representation that listing is complete were obtained.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank statements and reconciliations for all months in the fiscal period were obtained for selected accounts noting that reconciliations have been prepared for all months.

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

Bank statements and reconciliations for all months in the fiscal period were obtained for selected accounts noting that management's review was documented on the reconciliations.

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

Bank statements and reconciliations for all months in the fiscal period were obtained for selected accounts noting that there was no review of items outstanding greater than 6 months.

Management's response: Outstanding items are periodically reviewed but this is not documented on the face of the bank statement. The District will incorporate this into the monthly process and document appropriately.

Collections

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

A listing of cash collection locations and management's representation that the listing is complete were obtained.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

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

In the two locations, the person responsible for collecting cash is not bonded, is not responsible for depositing cash in the bank, recording transactions, or reconciling the bank account. In both locations the person responsible for collecting cash is required to share a cash drawer.

Management's response: The District will look at bonding employees that collect money, despite the low dollar amount collected. The District will also consider a process for two cash drawers.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

There were no exceptions noted as a result of applying this procedure.

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

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

The highest (dollar) week of cash collections for each location was obtained along with collection documentation, deposit slips, and bank statements. All deposits were made on the same day as collection.

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

All collections were completely supported by documentation for each of the two locations tested.

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

In the cash locations selected, there is not a written process defined to determine the completeness of collections by a person who is not responsible for collections.

Management's response: The District will document in writing the process of determining the completeness of collections by person.

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

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

A listing of disbursements and management's representation that the listing is complete were obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

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

Examined supporting documentation for each of the 25 disbursements selected and found that only six of the disbursements were applicable and were initiated using a purchase order system.

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

Examined supporting documentation for each of the 25 disbursements selected noting that all disbursement requiring purchase orders had the appropriate approval.

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

Examined supporting documentation for each of the 25 disbursements noting that the payments were processed with proper approval, receiving report (if applicable), and approved invoice.

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

The District does not have written documentation that prohibits the person responsible for processing payments from adding vendors to the District's purchasing/disbursement system.

Management's response: The District will document, in writing, a procedure to not allow personnel processing payments from adding vendors.

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

The District does not have written documentation that prohibits the person with signatory authority or the person that makes the final authorization for disbursements from initiating or recording purchases.

Management's response: The District will investigate this matter and properly address the issue.

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

Inquiry of management indicated that unused check stock is maintained in a locked location. It was noted that persons with signatory authority do not have system access to print checks.

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

There were no exceptions noted upon inquiry of authorized signers.

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

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

A listing of active credit cards, bank debit cards, fuel cards and the name of the person who maintains possession of the cards and management's representation that the listing is complete were obtained.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

There were nine active cards during the fiscal year, three cards were randomly selected.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

The monthly statements were obtained and address the functions noted above.

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

There were no finance charges and/or late fees assessed on any of the cards selected.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
- An original itemized receipt (i.e., identifies precisely what was purchased)
There were no exceptions noted as a result of applying this procedure.
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
There were no exceptions noted as a result of applying this procedure.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
The written policies did not require any other documentation.
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
There were no exceptions noted as a result of the testing of transaction details to the District's written purchasing/department policies. There were no transactions noted that would have been subject to Louisiana Public Bid Law.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
All transactions were in compliance with Article 7, Section 14 of the Louisiana Constitution.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
A listing of travel and expense reimbursements by person and management's representation that the listing is complete were obtained.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
The District's written policies relating to travel and expense reimbursements were obtained and the amounts did not exceed the GSA rates.
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
Of the three reimbursements tested there were no exceptions noted.

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
Of the three reimbursements tested there were no exceptions noted.
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
There were no exceptions noted as a result of applying this procedure.
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
There were no exceptions noted as a result of applying this procedure.
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
There were no exceptions noted as a result of applying this procedure.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
There were no exceptions noted as a result of applying this procedure.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
A listing of all contracts in effect during the fiscal period and management's representation that the listing is complete were obtained.
21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
There were no exceptions noted as a result of applying this procedure.
 - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
There were no instances of noncompliance noted.

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

The District did not solicit quotes for contracts that did not meet the requirements of the Public Bid Law.

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

Three of the contracts that were selected were amended as follows:

1. *The contract was amended to extend the contract for an additional three years.*
2. *The original contract was amended to change the physician's coverage from \$58 an hour to \$16 an hour for administration fee and the physician's coverage should not exceed \$80 an hour.*
3. *The original contract was amended to change the original terms of the contract from ending after 36 months to automatically renewing for a 1 year contract after the 36 months. The contract was also amended to change the base management fees for outpatient from \$175/patient day to \$255/patient day.*

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

There were no exceptions noted as a result of applying this procedure.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

The District's policy does not require the contracts to be approved by the Board.

Payroll and Personnel

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

A listing of employees with their related salaries and management's representation that the listing is complete were obtained.

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

Of the five employees selected, one employee did not have a contract in the file.

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

Of the five employees selected, one employee did not have a contract in the file.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

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

There were no exceptions noted as a result of applying this procedure.

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

There was no written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.

Management's response: The District will look into a process whereby supervisors formally approve, either electronically or in writing, the attendance and leave of employees.

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

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

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

There were no exceptions noted as a result of applying this procedure.

Ethics (excluding nonprofits)

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

There was no documentation maintained to demonstrate that the required ethics training was completed.

Management's response: The District will incorporate a practice of properly documenting the 1 hour required ethics training.

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

Management asserted that there were no allegations during the fiscal period.

Debt Service (excluding nonprofits)

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

No debt was issued during the fiscal period.

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

The District does not have any outstanding debt.

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

The District has no tax millages relating to debt service.

Other

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

Management has asserted that the District did not have any misappropriations of public funds or assets.

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

The District does have the required notices posted on its premises. The required notices are not present on the District's website.

Management's response: The District has posted the notice but was not aware that it needed to be on their website. This will be reviewed for future AUPs.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

There were no exceptions noted as a result of applying this procedure.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the District and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
December 27, 2017