

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**  
Independent Auditor's Reports and Financial Statements  
September 30, 2017 and 2016



**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**  
**September 30, 2017 and 2016**

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## Independent Auditor's Report

Board of Commissioners  
Hospital Service District No. 1  
A Component Unit of Iberia Parish, State of Louisiana  
(d/b/a Iberia Medical Center)  
New Iberia, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of Hospital Service District No. 1, a Component Unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) (Medical Center), as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1, a Component Unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) as of September 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Medical Center's basic financial statements. The Schedule of Compensation, Reimbursements, Benefits and Other Payments to Chief Executive Officer, Schedule of Insurance Policies and Schedule of Board Members listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Compensation, Reimbursements, Benefits and Other Payments to Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, reimbursements, benefits and other payments to Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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The Schedule of Insurance Policies and Schedule of Board Members have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2018, on our consideration of the Medical Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

*BKD, LLP*

Dallas, Texas  
January 25, 2018

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**  
**Management's Discussion and Analysis**  
**Years Ended September 30, 2017 and 2016**

***Introduction***

This management's discussion and analysis of the financial performance of Hospital Service District No. 1, a component unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) (Medical Center), provides an overview of the Medical Center's financial activities for the years ended September 30, 2017 and 2016. It should be read in conjunction with the accompanying financial statements of the Medical Center.

***Financial Highlights***

On January 14, 2016, the Medical Center purchased a second hospital building and a medical office building to expand healthcare services to meet healthcare needs of the Parish and surrounding areas. The additional location currently provides services specialized in inpatient and outpatient surgeries, behavioral health services, imaging, laboratory and cardiac rehabilitation services. Operations commenced when licensure was obtained in April 2016. As a result, during 2016, the Medical Center's volumes increased significantly and the Medical Center hired additional employees and incurred additional expenses to prepare for licensure and to accommodate the additional volumes.

- Cash decreased by \$490,000 or 2.6% in 2017 compared to 2016 which increased by \$3,691,000 or 24.1% in 2016 compared to 2015.
- The Medical Center's net position increased \$1,813,000 or 5.2% in 2017 and decreased \$1,478,000 or 4.0% in 2016. The decrease in 2016 was primarily the result of an increase in net pension liability in 2016 compared to 2015 of \$8,725,000 based upon plan actuarial assumptions. The increase in 2017 was due to increased revenues related to an increase in services as a result of Medicaid expansion in Louisiana effective July 1, 2016.
- The Medical Center reported operating income in 2017 of \$2,305,000 and operating loss in 2016 of \$1,036,000, an increase in income of \$3,341,000 or 322.5%. The operating loss in 2016 decreased by \$1,810,000 or 233.7% compared to the operating income reported in 2015.
- Net nonoperating expense increased by \$50,000 or 11.4% in 2017 compared to 2016 and net nonoperating expenses increased \$912,000 or 194.1% in 2016 compared to 2015.

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**Management's Discussion and Analysis (Continued)**  
**Years Ended September 30, 2017 and 2016**

***Using This Annual Report***

The Medical Center's financial statements consist of three statements – a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Medical Center is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

***The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position***

One of the most important questions asked about any hospital's finances is, "Is the entity as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net position report information about the Medical Center's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Medical Center's net position and changes in it. The Medical Center's total net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one measure of the Medical Center's financial health or financial position. Over time, increases or decreases in the Medical Center's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Medical Center's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Medical Center.

***The Statement of Cash Flows***

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from three defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

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***The Medical Center's Net Position***

The Medical Center's net position is the difference between its assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in the balance sheet. The Medical Center's net position increased by \$1,813,000 or 5.2% in 2017 over 2016 and decreased by \$1,478,000 or 4.0% in 2016 over 2015, as shown in Table 1. The decrease in 2016 was driven by an increase in net pension liability of \$8,725,000 in 2016 due to plan actuarial assumptions. The Medical Center's increase in net position in 2017 as compared to 2016 was a result of increased operating efficiencies and increased revenues related to serving an increased number of Medicaid patients as a result of Medicaid expansion in Louisiana effective July 1, 2016.

***Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Assets</b>			
Cash and cash held under bond trust indenture	\$ 18,530,540	\$ 19,020,758	\$ 15,329,436
Patient accounts receivable, net	9,211,673	9,164,995	6,993,833
Other current assets	6,350,014	4,192,755	2,616,791
Capital assets, net	39,060,889	38,495,501	28,766,544
Other noncurrent assets	<u>629,315</u>	<u>663,447</u>	<u>783,975</u>
Total assets	73,782,431	71,537,456	54,490,579
<b>Deferred Outflows of Resources</b>			
	<u>11,030,223</u>	<u>13,620,072</u>	<u>4,551,759</u>
Total assets and deferred outflows of resources	<u>\$ 84,812,654</u>	<u>\$ 85,157,528</u>	<u>\$ 59,042,338</u>
<b>Liabilities</b>			
Long-term debt	\$ 24,758,229	\$ 26,156,417	\$ 11,429,225
Net pension liability	8,821,596	9,800,182	1,075,262
Other current and noncurrent liabilities	<u>12,701,186</u>	<u>12,468,040</u>	<u>9,406,555</u>
Total liabilities	<u>46,281,011</u>	<u>48,424,639</u>	<u>21,911,042</u>
<b>Deferred Inflows of Resources</b>			
	<u>1,543,696</u>	<u>1,557,512</u>	<u>477,996</u>
<b>Net Position</b>			
Net investment in capital assets	14,655,058	14,478,711	16,003,012
Restricted expendable	3,870,262	3,886,710	2,211,570
Unrestricted	<u>18,462,627</u>	<u>16,809,956</u>	<u>18,438,718</u>
Total net position	<u>36,987,947</u>	<u>35,175,377</u>	<u>36,653,300</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 84,812,654</u>	<u>\$ 85,157,528</u>	<u>\$ 59,042,338</u>

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**Management's Discussion and Analysis (Continued)**  
**Years Ended September 30, 2017 and 2016**

The most significant changes in the Medical Center's financial position in 2017 is the increase in other current assets. This is due to a receivable from the Medicaid managed care organizations due to the Medical Center's participation in Louisiana Medicaid Enhanced Rate program, as discussed at *Note 3*, and a receivable due to the Medical Center through participation in a cooperative endeavor agreement with other governmental healthcare providers, as discussed at *Note 5*. Other significant changes in the Medical Center's financial position in 2017 is the decrease in long-term debt due to the Medical Center paying down outstanding debt in 2017.

The Medical Center's cash and cash held under bond indenture decreased \$490,000 or 2.6% in 2017 compared to 2016 due to the Medical Center spending down remaining bond proceeds from the bond issue in fiscal year 2016.

The Medical Center's net pension liability and deferred outflows of resources decreased from 2017 to 2016. The Medical Center's proportionate share of the net pension liability as a part of a multi-employer defined benefit pension plan increased in the current year, but the overall net pension liability decreased due to positive performance of plan assets in 2017 as compared to actuarial projected performance. The deferred inflows of resources were consistent with the prior year as there were no significant changes in expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability. Further discussion of pension balances are discussed in *Note 13*.

Significant changes in the Medical Center's assets in 2016 increases in capital assets and long-term debt due to the Medical Center issuing bonds in fiscal year 2016 to fund the purchase of capital acquisitions and the purchase of a hospital building and medical office building to expand healthcare services in Iberia Parish. The Medical Center issued the Series 2015A, 2015B and 2015C Bonds totaling \$16,395,000 for the purpose of making improvements, extensions, additions, renewals, replacements or repairs to the Medical Center. Additionally, as a result of the expansion, this resulted in an increase in patient accounts receivable, net, and other current liabilities. Other significant changes in the Medical Center's liabilities and deferred outflows of resources in 2016 were the increases in net pension liability and deferred outflows of resources resulting largely from changes in actuarial assumptions from 2015.

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**Management's Discussion and Analysis (Continued)**  
**Years Ended September 30, 2017 and 2016**

**Table 2: Operating Results and Changes in Net Position**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 76,278,003	\$ 71,171,810	\$ 58,318,546
Other operating revenues	13,345,365	6,308,388	4,867,915
Total operating revenues	<u>89,623,368</u>	<u>77,480,198</u>	<u>63,186,461</u>
<b>Operating Expenses</b>			
Pension expense	5,259,901	4,251,990	2,796,576
Salaries, wages and employee benefits	<u>38,611,452</u>	<u>36,661,149</u>	<u>29,794,245</u>
Total salaries, wages and employee benefits	43,871,353	40,913,139	32,590,821
Supplies, professional fees and purchased services	40,124,460	34,480,930	27,050,775
Depreciation and amortization	<u>3,322,644</u>	<u>3,121,899</u>	<u>2,770,343</u>
Total operating expenses	<u>87,318,457</u>	<u>78,515,968</u>	<u>62,411,939</u>
<b>Operating Income (Loss)</b>	<u>2,304,911</u>	<u>(1,035,770)</u>	<u>774,522</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	133,947	76,811	86,651
Interest expense	(768,209)	(615,809)	(324,308)
Legal settlement	-	-	544,146
Income from investments in joint ventures	141,921	265,101	163,635
Bond issue costs	<u>-</u>	<u>(168,256)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(492,341)</u>	<u>(442,153)</u>	<u>470,124</u>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<u>1,812,570</u>	<u>(1,477,923)</u>	<u>1,244,646</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 1,812,570</u>	<u>\$ (1,477,923)</u>	<u>\$ 1,244,646</u>

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**Management's Discussion and Analysis (Continued)**  
**Years Ended September 30, 2017 and 2016**

**Operating Results**

The first component of the overall change in the Medical Center's net position is its operating income – generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In the past 18 years, excluding 2016, the Medical Center has reported an operating gain. In 2017, the Medical Center reported operating income of \$2,305,000. See below for components that make up operating income in the current year.

Operating income of \$2,305,000 increased in 2017 by \$3,341,000 or 322.5% as compared to the operating loss of \$1,036,000 in 2016. The primary components of the increase from an operating loss to operating income in the current year are shown below:

- An increase in net patient service revenue of \$5,106,000 or 7.2%
- An increase in other operating revenues of \$7,037,000 or 111.5%
- An increase in pension expense of \$1,008,000 or 23.7%
- An increase in salaries, wages and employee benefits (excluding pension expense) of \$1,950,000 or 5.3%
- An increase in supplies and other costs of \$5,644,000 or 16.4%, corresponding with the increase in patient services provided

Net patient service revenue increased due to increases in inpatient and outpatient activity due to additional capacity with a full year of operations of the Medical Center's second campus. Patient care services provided by the Medical Center for the years ended September 30, 2017, 2016 and 2015 are as follows:

<b>Patient Care Services Provided</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Inpatient days	15,416	15,026	12,594
Surgery cases	4,942	4,804	3,810
Emergency room visits	40,205	37,374	32,123
Employed physician clinic visits	43,478	38,943	22,384
Outpatient rehab therapy visits	15,967	15,619	13,328
Other outpatient visits	88,349	81,726	69,971

<b>Increase From Prior Year As A Percentage</b>	<b>2017</b>	<b>2016</b>
Inpatient days (excluding observation)	2.60%	19.31%
Surgery cases	2.87%	26.09%
Emergency room visits	7.57%	16.35%
Employed physician clinic visits	11.65%	73.98%
Outpatient rehab therapy visits	2.23%	17.19%
Other outpatient visits	8.10%	16.80%

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The other operating revenue increased in 2017 as compared to 2016 and consists primarily of an increase in funding related to Louisiana Medicaid enhanced rates from managed care organizations (*Note 3*) and participation in a cooperative endeavor agreement (*Note 5*). Funds awarded from these programs during 2017 totaled \$9,505,000 as compared to \$3,150,000 in 2016.

Below is a summary of operating expenses as a percent of operating revenues for 2017, 2016 and 2015.

	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Operating Revenues</b>	100.0%	100.0%	100.0%
<b>Operating Expenses</b>			
Total salaries, wages and employee benefits	49.0%	52.8%	51.6%
Supplies, professional fees and purchased services	44.8%	44.5%	42.8%
Depreciation and amortization	3.7%	4.0%	4.4%
Total operating expenses	97.4%	101.3%	98.8%
<b>Operating Income (Loss)</b>	2.6%	(1.3%)	1.2%

Increases in salaries, wages and employee benefits increased largely due to the increase in pension expense and an increase in patient care services provided, partially offset by staffing efficiencies. The Medical Center's full time equivalents worked in 2017 increased to approximately 553 in 2017 as compared to 514 in 2016, a 7.5% increase. Additionally, the Medical Center's pension expense increased from approximately \$4,252,000 in 2016 to \$5,260,000 in 2017, a \$1,008,000 or 23.7% increase, due to the Medical Center having a higher proportion of the plan due to the addition of full time equivalents participating the plan subsequent to the prior measurement date of December 31, 2015. Further discussion about the pension balances are included in *Note 13*.

Supplies and other costs increased approximately \$5,644,000 or 16.4% from \$34,481,000 in 2016 to \$40,124,000 in 2017 due to additional purchased services in association with the opening of a psychiatric unit at the Medical Center in 2017 and a full year of operations after the opening of the Medical Center's second campus in 2016.

The operating loss in 2016 of \$1,036,000 decreased as compared to the operating income reported in 2015 of \$775,000, a decrease of \$1,810,000 or 233.7%. The operating loss in fiscal year 2016 was primarily the result of the strategic acquisition, staffing, licensing and initiating operations of a second campus and increased pension plan expense as a result of changes in actuarial assumptions.

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**Years Ended September 30, 2017 and 2016**

***Nonoperating Revenues and Expenses***

Nonoperating revenues and expenses consist primarily of investment income, interest expense, income from investments in joint ventures and bond issuance costs. Interest expense in 2017 of \$768,000 increased 24.7% compared to 2016 expense of \$616,000 as a result of bonds issued in fiscal year 2016. Income from investment in joint ventures of \$142,000 decreased 46.5% compared to 2016 income of \$265,000 due to operating performance of the joint ventures in 2017. Additionally, the Medical Center incurred \$168,000 of bond issuance costs in fiscal year 2016 due to the issuance of the Series 2015A, 2015B and 2015C bonds. No bond issuance costs were incurred in 2017.

Net nonoperating expense increased \$912,000 or 194.1% in 2016 compared to 2015 due to a one time positive legal settlement in 2015 and an increase in interest expense in 2016 due to additional bond issuance in fiscal year 2016.

***The Medical Center's Cash Flows***

Changes in the Medical Center's operating and investing cash flows are consistent with changes in operating loss and nonoperating revenues and expenses for 2017, 2016 and 2015, discussed earlier. The change in capital and related financing activities was related to the 2015A, 2015B and 2015C bond issues and purchases of capital assets as described below.

***Capital Assets and Debt Administration***

***Capital Assets***

At the end of 2017 and 2016, the Medical Center had approximately \$39,061,000 and \$38,496,000, respectively, invested in capital assets, net of accumulated depreciation, as detailed in *Note 8* to the financial statements. In 2017 and 2016, the Medical Center purchased new property and equipment costing \$3,860,000 and \$12,811,000, respectively.

***Debt***

At September 30, 2017 and 2016, the Medical Center had \$26,610,000 and \$27,856,000, respectively, in revenue bonds and capital lease obligations outstanding. In fiscal 2016, the Medical Center issued \$16,395,000 in Series 2015A, 2015B and 2015C bonds, as discussed in *Note 11*, to fund the purchase of capital assets. The Medical Center's formal debt issuances and revenue bonds are subject to limitations imposed by state law.

***Contacting the Medical Center's Financial Management***

This financial report is designed to provide the Medical Center's patients, suppliers and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Medical Center Administration by telephoning 337.364.0441.

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**Balance Sheets**  
**September 30, 2017 and 2016**

**Assets and Deferred Outflows of Resources**

	<b>2017</b>	<b>2016</b>
<b>Current Assets</b>		
Cash	\$ 12,456,091	\$ 11,284,814
Held under bond trust indenture, current portion	2,445,094	2,441,917
Patient accounts receivable, net of allowance; 2017 – \$12,061,000; 2016 – \$21,655,000	9,211,673	9,164,995
Estimated amounts due from third-party payers	82,316	781,948
Supplies	2,420,112	2,143,191
Prepaid expenses and other receivables	3,847,586	1,267,616
Total current assets	30,462,872	27,084,481
 <b>Noncurrent Cash and Cash Equivalents</b>		
Held under bond trust indenture	6,074,449	7,735,944
Less amount required to meet current obligations	(2,445,094)	(2,441,917)
	3,629,355	5,294,027
 <b>Capital Assets, Net</b>	39,060,889	38,495,501
 <b>Investments in Joint Ventures</b>	629,315	663,447
Total assets	73,782,431	71,537,456
 <b>Deferred Outflows of Resources - Pension</b>	11,030,223	13,620,072
Total assets and deferred outflows of resources	\$ 84,812,654	\$ 85,157,528

## Liabilities, Deferred Inflows of Resources and Net Position

	<u>2017</u>	<u>2016</u>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 1,851,789	\$ 1,699,607
Note payable to bank	-	10,000
Accounts payable and accrued expenses	4,674,550	4,892,132
Accrued salaries, wages and benefits	5,447,346	5,274,140
Estimated amounts due to third-party payers	<u>727,501</u>	<u>592,161</u>
Total current liabilities	12,701,186	12,468,040
<b>Net Pension Liability</b>	8,821,596	9,800,182
<b>Long-term Debt</b>	<u>24,758,229</u>	<u>26,156,417</u>
Total liabilities	<u>46,281,011</u>	<u>48,424,639</u>
<b>Deferred Inflows of Resources - Pension</b>	<u>1,543,696</u>	<u>1,557,512</u>
<b>Net Position</b>		
Net investment in capital assets	14,655,058	14,478,711
Restricted expendable	3,870,262	3,886,710
Unrestricted	<u>18,462,627</u>	<u>16,809,956</u>
Total net position	<u>36,987,947</u>	<u>35,175,377</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 84,812,654</u>	<u>\$ 85,157,528</u>

**Hospital Service District No. 1**  
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**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended September 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2017 – \$10,992,000 2016 – \$13,885,000	\$ 76,278,003	\$ 71,171,810
Other	13,345,365	6,308,388
Total operating revenues	89,623,368	77,480,198
<b>Operating Expenses</b>		
Salaries and wages	33,605,201	31,022,076
Employee benefits	10,266,152	9,891,063
Purchased services and professional fees	12,386,112	9,833,505
Supplies and other	26,509,101	23,612,190
Insurance	1,229,247	1,035,235
Depreciation and amortization	3,322,644	3,121,899
Total operating expenses	87,318,457	78,515,968
<b>Operating Income (Loss)</b>	2,304,911	(1,035,770)
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	133,947	76,811
Interest expense	(768,209)	(615,809)
Income from investments in joint ventures	141,921	265,101
Bond issuance costs	-	(168,256)
Total nonoperating revenues (expenses)	(492,341)	(442,153)
<b>Increase (Decrease) in Net Position</b>	1,812,570	(1,477,923)
<b>Net Position, Beginning of Year</b>	35,175,377	36,653,300
<b>Net Position, End of Year</b>	\$ 36,987,947	\$ 35,175,377

**Hospital Service District No. 1**  
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**Statements of Cash Flows**  
**Years Ended September 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 77,278,471	\$ 67,602,868
Payments to suppliers and contractors	(40,939,132)	(32,661,818)
Payments to employees	(42,100,700)	(39,302,926)
Other receipts, net	10,794,801	6,027,769
Net cash provided by operating activities	5,033,440	1,665,893
<b>Capital and Related Financing Activities</b>		
Repayment of amounts due under revenue bonds payable	(1,600,000)	(1,240,000)
Proceeds from issuance of note payable	-	10,000
Repayments of note payable	(10,000)	-
Proceeds from the issuance of bonds	-	16,395,000
Repayments of capital lease obligations	(184,714)	(62,520)
Interest paid on debt and capital lease obligations	(893,122)	(577,476)
Purchase of capital assets	(3,160,679)	(12,719,122)
Payments of bond issuance costs	-	(168,256)
Net cash provided by (used in) capital and related financing activities	(5,848,515)	1,637,626
<b>Investing Activities</b>		
Interest income	161,419	101,818
Distributions received from joint ventures	163,438	285,985
Net cash provided by investing activities	324,857	387,803
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(490,218)	3,691,322
<b>Cash and Cash Equivalents, Beginning of Year</b>	19,020,758	15,329,436
<b>Cash and Cash Equivalents, End of Year</b>	\$ 18,530,540	\$ 19,020,758

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
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**Statements of Cash Flows (Continued)**  
**Years Ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>		
Cash	\$ 12,456,091	\$ 11,284,814
Cash and cash equivalents held under bond indenture, current portion	2,445,094	2,441,917
Cash and cash equivalents held under bond indenture, noncurrent portion	<u>3,629,355</u>	<u>5,294,027</u>
Total cash and cash equivalents	<u>\$ 18,530,540</u>	<u>\$ 19,020,758</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ 2,304,911	\$ (1,035,770)
Depreciation and amortization	3,322,644	3,121,899
Amortization of deferred inflows and outflows related to net pension liability	2,233,046	2,553,652
Provision for uncollectible accounts	10,992,321	13,885,136
Changes in operating assets and liabilities		
Patient accounts receivable, net	(11,038,999)	(16,056,298)
Estimated amounts due from and to third-party payers	834,972	(1,343,617)
Accounts payable and accrued expenses	(107,326)	3,092,818
Net pension liability	(978,586)	8,724,920
Deferred outflows of resources - pension	(541,749)	(12,199,911)
Deferred inflows of resources - pension	884,736	1,657,462
Other assets and liabilities	<u>(2,872,530)</u>	<u>(734,398)</u>
Net cash provided by operating activities	<u>\$ 5,033,440</u>	<u>\$ 1,665,893</u>
<b>Supplemental Cash Flows Information</b>		
Capital asset additions in accounts payable	\$ 196,366	\$ 106,908
Capital lease obligations incurred for capital assets	\$ 538,708	\$ -

**Hospital Service District No. 1**  
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**Notes to Financial Statements**  
**September 30, 2017 and 2016**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations and Reporting Entity***

Hospital Service District No. 1, a component unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) (Medical Center) is a 122 bed acute care medical center located in New Iberia, Louisiana. The Medical Center is a component unit of Iberia Parish (Parish) and a political subdivision of the State of Louisiana. The Iberia Parish Government Board of Commissioners appoints a nine-member board of commissioners who operate the Medical Center. The Medical Center primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Parish area.

In January 2016, the Medical Center purchased a second hospital building and an additional medical office building to expand inpatient and outpatient surgical services, behavioral health services, inpatient and outpatient rehabilitation, imaging, laboratory, cardiac rehabilitation as well as other services to meet the healthcare needs of the Parish. The medical office building remained open after the purchase but the hospital building obtained licensure and commenced operations on April 27, 2016.

The Medical Center's financial statements include the operations of Iberia Medical Center Foundation (the Foundation). The Foundation is a controlled corporation that is a component unit of the Medical Center and is included in the financial statements using the blending method. The financial activity of the Foundation is not significant.

***Basis of Accounting and Presentation***

The accompanying financial statements of the Medical Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and parish appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific such as investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Medical Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

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**Notes to Financial Statements**  
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***Use of Estimates***

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

***Risk Management***

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

The Medical Center is self-insured for a portion of its exposure to risk of loss from employee health claims. An annual estimated provision is accrued for the self-insured portion of employee health claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

***Cash Equivalents***

The Medical Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2017, the Medical Center had no cash equivalents and at September 30, 2016, cash equivalents consisted primarily of money market accounts with brokers and are included in noncurrent cash and cash equivalents as amounts held under bond indentures.

***Investments in Joint Ventures***

The Medical Center holds a 20% interest in New Iberia Surgery Center, which provides outpatient surgery services to the community. This investment is carried on the equity method of accounting. The investment in New Iberia Surgery Center totaled \$308,448 and \$291,477 as of September 30, 2017 and 2016, respectively and is included in investments in joint ventures on the accompanying balance sheets.

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The Medical Center originally held a 15% ownership interest in Acadiana Diagnostic Imaging, LLC, which is a provider of imaging services. On May 1, 2015, the Medical Center purchased an additional 25% interest in Acadiana Diagnostic Imaging, LLC for a total of \$395,000, increasing the Medical Center's ownership to 40%. This transaction resulted in goodwill of \$282,536, which is being amortized over 10 years. Unamortized goodwill as of September 30, 2017 and 2016, was \$214,257 and \$242,510, respectively, and is included in investments in joint ventures on the accompanying balance sheets. Subsequent to the additional purchase of ownership interest in 2015, this investment is accounted for using the equity method of accounting. The investment in Acadiana Diagnostic Imaging, LLC, excluding unamortized goodwill, totaled \$106,610 and \$129,460 as of September 30, 2017 and 2016, respectively and is included in investments in joint ventures on the accompanying balance sheets.

Using the equity method of accounting, the Medical Center's share of net income (loss) is recognized as nonoperating revenue (expense) in the Medical Center's statement of revenues, expenses and changes in net position and added to the investment account. The investment account is also reduced for any dividends received.

***Patient Accounts Receivable***

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Medical Center provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

***Supplies***

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

***Capital Assets***

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

Land improvements	15 – 25 years
Buildings and leasehold improvements	20 – 40 years
Equipment	3 – 20 years

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**Notes to Financial Statements**  
**September 30, 2017 and 2016**

The Medical Center capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred was:

	<b>2017</b>	<b>2016</b>
Total interest expense incurred on borrowings for project	\$ 98,405	\$ 164,416
Interest income from investment of proceeds of borrowings for project	(27,472)	(25,007)
Net interest cost capitalized	\$ 70,933	\$ 139,409
Interest capitalized	\$ 98,405	\$ 164,416
Interest charged to expense	768,209	615,809
Total interest incurred	\$ 866,614	\$ 780,225

***Cost-Sharing Defined Benefit Pension Plan***

The Medical Center participates in a cost-sharing multiple-employer defined benefit pension plan, the Parochial Employees' Retirement System of Louisiana (Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. Benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Deferred Outflows/Inflows of Resources***

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources and deferred inflows of resources. As of September 30, 2017 and 2016, the Medical Center's deferred outflows and deferred inflows of resources were related to the Medical Center's defined benefit pension plan as described more fully in *Note 13*.

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**Notes to Financial Statements**  
**September 30, 2017 and 2016**

***Compensated Absences***

The Medical Center's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

***Net Position***

Net position of the Medical Center is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Medical Center, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

***Net Patient Service Revenue***

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

***Charity Care***

The Medical Center provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

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**Notes to Financial Statements**  
**September 30, 2017 and 2016**

***Income Taxes***

As an essential government function of the Parish, the Medical Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Medical Center is subject to federal income tax on any unrelated business taxable income.

***Reclassifications***

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 financial statement presentation. The reclassifications had no effect on the changes in financial position.

**Note 2: Net Patient Service Revenue**

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. These payment arrangements include:

- **Medicare** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare administrative contractor.
- **Medicaid** – Inpatient services rendered to Medicaid program beneficiaries are paid based on prospectively determined rates. Outpatient services are paid under either a cost reimbursement methodology or using defined allowable charges. The Medical Center is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid administrative contractor.

Approximately 63% and 61%, respectively, of net patient service revenue is from participation in the Medicare and state sponsored Medicaid programs for the years ended September 30, 2017 and 2016. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

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**Notes to Financial Statements**  
**September 30, 2017 and 2016**

**Note 3: Louisiana Medicaid Enhanced Rates**

The Medical Center receives Medicaid payments to provide an opportunity for the Medical Center to receive rates from Medicaid Managed Care Organizations that approximate, based on available data, the rates the Medical Center receives for Medicaid fee-for-service patients. During the year ended September 30, 2017, total revenues, net of expenses, recognized by the Medical Center to increase Medicaid Managed Care payments totaled approximately \$4,942,000. During the year ended September 30, 2016, total revenues, net of expenses, recognized by the Medical Center related to these enhanced rates were approximately \$1,348,000. As of September 30, 2017 and 2016, outstanding receivables related to these enhanced rates were \$1,000,000 and \$0, respectively. These net receipts are recorded as other operating revenues in the accompanying statements of revenue, expenses and changes in net position.

**Note 4: Louisiana Supplemental Payment Programs**

The Medical Center also ensures the availability of quality healthcare services for the low-income and needy population by making additional transfers to support the Medicaid program. For the years ended September 30, 2017 and 2016, the Medical Center incurred approximately \$1,133,000 and \$860,000, respectively, in costs, which are included in purchased services and professional fees in the accompanying statements of revenues, expenses and changes in net position.

**Note 5: Cooperative Endeavor Agreement Program**

The Medical Center is party to a cooperative endeavor agreement with other governmental healthcare providers for the purpose of ensuring adequate healthcare services are available for underserved, non-rural populations. The Medical Center receives revenues regarding these services. During the years ended September 30, 2017 and 2016, total revenues, net of expenses, recognized by the Medical Center related to this agreement totaled approximately \$4,563,000 and \$1,802,000, respectively. As of September 30, 2017 and 2016, outstanding receivables related to this agreement was \$912,660 and \$0, respectively. These net receipts are recorded as other operating revenues in the accompanying statements of revenue, expenses and changes in net position.

**Note 6: Deposits**

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Medical Center's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or other qualified investments in the state of Louisiana. At September 30, 2017, the Medical Center's deposits were either insured or collateralized in accordance with state law.

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**Notes to Financial Statements**  
**September 30, 2017 and 2016**

**Note 7: Patient Accounts Receivable**

The Medical Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at September 30, 2017 and 2016, consisted of:

	<b>2017</b>	<b>2016</b>
Medicare	\$ 4,015,328	\$ 3,775,344
Medicaid	972,825	780,295
Other third-party payers	4,618,297	4,339,820
Patients	11,666,509	21,924,350
	21,272,959	30,819,809
Less allowance for uncollectible accounts	12,061,286	21,654,814
	\$ 9,211,673	\$ 9,164,995

**Note 8: Capital Assets**

Capital assets activity for the years ended September 30, 2017 and 2016, was:

	<b>2017</b>				<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	
Land	\$ 1,896,704	\$ -	\$ -	\$ -	\$ 1,896,704
Land improvements	377,299	-	-	-	377,299
Buildings and leasehold improvements	53,696,786	110,525	-	527,727	54,335,038
Equipment	27,530,065	843,376	-	560,754	28,934,195
Construction in progress	965,161	2,905,877	-	(1,088,481)	2,782,557
	84,466,015	3,859,778	-	-	88,325,793
Less accumulated depreciation	(45,970,514)	(3,294,390)	-	-	(49,264,904)
Capital assets, net	\$ 38,495,501	\$ 565,388	\$ -	\$ -	\$ 39,060,889

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**Notes to Financial Statements**  
**September 30, 2017 and 2016**

	2016				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 1,474,357	\$ 351,336	\$ -	\$ 71,011	\$ 1,896,704
Land improvements	354,949	-	-	22,350	377,299
Buildings and leasehold improvements	40,977,088	8,143,491	-	4,576,207	53,696,786
Equipment	25,899,619	928,177	-	702,269	27,530,065
Construction in progress	2,949,172	3,387,826	-	(5,371,837)	965,161
	71,655,185	12,810,830	-	-	84,466,015
Less accumulated depreciation	(42,888,641)	(3,081,873)	-	-	(45,970,514)
Capital assets, net	<u>\$ 28,766,544</u>	<u>\$ 9,728,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,495,501</u>

**Note 9: Medical Malpractice Claims**

The Medical Center has joined together with other providers of health care services to form the Louisiana Hospital Association Medical Malpractice and General Liability Trust Fund, a risk pool (Pool) currently operating as a common risk management and insurance program for its members. The Medical Center purchases medical malpractice insurance from the Pool under a claims-made policy. The Medical Center pays an annual premium to the Pool for its torts insurance coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts.

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

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**Notes to Financial Statements**  
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**Note 10: Employee Health Claims**

Substantially all of the Medical Center’s employees and their dependents are eligible to participate in the Medical Center’s employee health insurance plan. The Medical Center is self-insured for health claims of participating employees and dependents up to an annual stop-loss limit of \$70,000 per employee. Commercial stop-loss insurance coverage is purchased for claims in excess of this amount. A provision is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Medical Center’s estimate will change by a material amount in the near term.

Activity in the Medical Center’s accrued employee health claims liability during 2017 and 2016, is summarized as follows:

	<b>2017</b>	<b>2016</b>
Balance, beginning of year	\$ 486,306	\$ 408,686
Current year claims incurred and changes in estimates for claims incurred in prior years	3,504,476	4,278,795
Claims and expenses paid	(3,568,101)	(4,201,175)
Balance, end of year	\$ 422,681	\$ 486,306

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**Notes to Financial Statements**  
**September 30, 2017 and 2016**

**Note 11: Long-term Obligations**

The following is a summary of long-term obligation transactions for the Medical Center for the years ended September 30, 2017 and 2016:

	<b>2017</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt					
Revenue bonds payable	\$ 27,585,000	\$ -	\$ 1,600,000	\$ 25,985,000	\$ 1,645,000
Capital lease obligations	271,024	538,708	184,714	625,018	206,789
Total long-term obligations	<u>\$ 27,856,024</u>	<u>\$ 538,708</u>	<u>\$ 1,784,714</u>	<u>\$ 26,610,018</u>	<u>\$ 1,851,789</u>

	<b>2016</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt					
Revenue bonds payable	\$ 12,430,000	\$ 16,395,000	\$ 1,240,000	\$ 27,585,000	\$ 1,600,000
Capital lease obligations	333,544	-	62,520	271,024	99,607
Total long-term obligations	<u>\$ 12,763,544</u>	<u>\$ 16,395,000</u>	<u>\$ 1,302,520</u>	<u>\$ 27,856,024</u>	<u>\$ 1,699,607</u>

**Revenue Bonds Payable**

Revenue bonds payable consist of the various series of the Iberia Parish, State of Louisiana Hospital Revenue Bonds, as shown below:

<b>Bond Series</b>	<b>Original Issue Amount</b>	<b>Interest Rate</b>	<b>Final Maturity</b>	<b>Balance September 30, 2017</b>	<b>Balance September 30, 2016</b>
Series 2013A	\$ 8,265,000	2.48%	November 2023	\$ 6,975,000	\$ 7,880,000
Series 2013B	\$ 3,520,000	2.24%	November 2023	2,930,000	3,310,000
Series 2015A	\$ 6,000,000	2.75%	November 2034	5,805,000	6,000,000
Series 2015B	\$ 5,180,000	3.48%	November 2035	5,120,000	5,180,000
Series 2015C	\$ 5,215,000	4.75%	November 2035	5,155,000	5,215,000
				<u>\$ 25,985,000</u>	<u>\$ 27,585,000</u>

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During 2016, the Medical Center issued the Series 2015A tax-exempt Hospital Revenue Bonds of \$6,000,000, Series 2015B tax-exempt Hospital Revenue Bonds of \$5,180,000 and Series 2015C taxable Hospital Revenue Bonds of \$5,215,000 for the purpose of making improvements, extensions, additions, renewals, replacements or repairs to the Medical Center.

During 2013, the Series 2013A and 2013B bonds were issued to refinance the Series 2005C, 2005D, 2005E, 2008, 2009A and 2009B bonds at lower interest rates. The bonds are payable in semiannual installments of principal and interest through final maturity.

The Series 2013A bonds are payable in annual installments ranging from \$925,000 to \$1,070,000 through November 2023. The Series 2013B bonds are payable in annual installments ranging from \$390,000 to \$445,000 through November 2023.

The Series 2015A bonds are payable in annual installments ranging from \$210,000 to \$435,000 through November 2034. The Series 2015B bonds are payable in annual installments ranging from \$60,000 to \$470,000 through November 2035. The Series 2015C bonds are payable in annual installments ranging from \$60,000 to \$500,000 through November 2035.

The bonds are secured by the net revenues of the Medical Center, a mortgage on the Medical Center's property and assets restricted under the bond agreement. The bonds are also secured by a pledge of the general revenues of the Parish should the Medical Center's revenues and other security not be sufficient to pay obligations under the bond agreements.

The bond agreements require that certain funds be established to pay debt service on the bonds. Accordingly, these funds are included as restricted expendable assets under bond agreements. The indenture agreement also requires the Medical Center to comply with certain restrictive covenants, including minimum insurance coverage and maintaining a historical debt-service coverage ratio of at least 1.20 to 1.00. The agreements also require the Parish to maintain days cash on hand in excess of 90 days of expense.

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**

**Notes to Financial Statements**  
**September 30, 2017 and 2016**

The revenue bonds payable requirements as of September 30, 2017, are as follows:

Year Ending September 30,	Total to be Paid	Principal	Interest
2018	\$ 2,445,094	\$ 1,645,000	\$ 800,094
2019	2,447,145	1,690,000	757,145
2020	2,443,146	1,730,000	713,146
2021	2,442,991	1,775,000	667,991
2022	2,441,585	1,820,000	621,585
2023-2027	9,118,572	6,735,000	2,383,572
2028-2032	7,138,503	5,675,000	1,463,503
2033-2036	5,277,361	4,915,000	362,361
	<u>\$ 33,754,397</u>	<u>\$ 25,985,000</u>	<u>\$ 7,769,397</u>

**Capital Lease Obligations**

The Medical Center has entered into lease agreements for equipment, which are accounted for as capital leases. Assets under capital leases at September 30, 2017 and 2016, totaled approximately \$1,016,000 and \$477,000, respectively, net of accumulated amortization of \$434,000 and \$278,000, respectively. The following is a schedule by year of future minimum lease payments under capital lease, discounted using interest at rates of 3.16% to 6.00%, together with the present value of the future minimum lease payments as of September 30, 2017:

Year ending September 30,	
2018	\$ 227,317
2019	127,558
2020	118,489
2021	118,489
2022	80,532
	<u>672,385</u>
Total minimum lease payments	672,385
Less amount representing interest	<u>47,367</u>
Present value of minimum lease payments	<u>\$ 625,018</u>

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**

**Notes to Financial Statements**  
**September 30, 2017 and 2016**

**Note 12: Operating Leases**

Operating leases for medical and office equipment expire in various years through 2020. These leases generally contain renewal options for periods ranging from one to three years and require the Medical Center to pay all executory costs (property taxes, maintenance and insurance). Rental payments include minimum rentals, plus contingent rentals based on revenues.

Future minimum lease payments at September 30, 2017, were:

2018	\$ 379,152
2019	183,110
2020	<u>22,229</u>
	<u>\$ 584,491</u>

Minimum future rentals receivable under noncancellable suboperating leases at September 30, 2017, were:

2018	\$ 1,315,257
2019	640,793
2020	368,851
2021	188,893
2022	<u>40,991</u>
	<u>\$ 2,554,785</u>

Rental expense (income) for all operating subleases consisted of:

	<u>2017</u>	<u>2016</u>
Minimum rentals	\$ 1,040,844	\$ 1,001,634
Sublease rental income	<u>(1,613,384)</u>	<u>(1,402,740)</u>
	<u>\$ (572,540)</u>	<u>\$ (401,106)</u>

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**

**Notes to Financial Statements**  
**September 30, 2017 and 2016**

**Note 13: Pension Plan**

***Plan Description***

The Medical Center contributes to the Parochial Employees' Retirement System (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the state of Louisiana (State). PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS is comprised of two distinct plans – Plan A and Plan B – with separate assets and benefit provisions. Employees of the Medical Center are members of Plan A. Benefit provisions are established by state law and may be amended only by the State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS that can be obtained at <http://www.persla.org/>.

***Benefits Provided***

The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Retirement benefits for employees are calculated as 3% of the plan member's final average compensation multiplied by their years of service. Death benefits are equal to 100% of benefits if member is eligible for normal retirement or 60% of final compensation if not eligible for normal retirement. Disability retirement benefits are calculated to be equal to the lesser of an amount equal to 3% of the member's final average compensation multiplied by their years of services, not to be less than 15, or 3% multiplied by years of service assuming continued service to age 60.

For plan members hired prior to January 1, 2007, a member may obtain retirement benefits if any of the following are reached: (a) any age with 30 or more years of creditable service, (b) age 55 with 25 years of creditable service, (c) age 60 with minimum of 10 years of creditable service, (d) age 65 with a minimum of 7 years of creditable service.

For plan members hired after January 1, 2007, a member may obtain retirement benefits if any of the following are reached: (a) age 55 with 30 or more years of service, (b) age 62 with 10 years of service, (c) age 67 with 7 years of service.

The terms of the Plan provide for annual cost of living allowance for the retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Plan may provide an additional cost of living increase to all retirees and beneficiaries who are over age 65 equal to 2% of the member's benefit paid on October 1, 1977 (or the member's retirement date, if later). Also, the Plan may provide a cost of living increase up to 2.5% for retirees 62 and older. Lastly, Act 270 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**

**Notes to Financial Statements**  
**September 30, 2017 and 2016**

**Contributions**

State statute has the authority to establish and amend the contribution requirements of the Medical Center and active employees. According to state statute, the Plan also receives  $\frac{1}{4}$  of 1% of ad valorem taxes collected within the respective Parishes, except for Orleans and East Baton Rouge Parishes. The Plan also receives revenue sharing funds each year as appropriated by the State Legislature. These additional sources of income are used as additional employer contributions and are considered support from nonemployer contributing entities. As of September 30, 2017 and 2016, employees were required to contribute 9.5% of their annual pay.

Contractually required contribution rates for the Medical Center during the years ended September 30, 2017 and 2016 are as follows:

January 1, 2017 through September 30, 2017	12.50%
January 1, 2016 through December 31, 2016	13.00%
October 1, 2015 through December 31, 2015	14.50%

The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended September 30, 2017 and 2016, contributions to the Plan from the Medical Center were \$3,327,170 and \$3,219,198, respectively. The State also made on-behalf contributions to the Plan, of which \$302,832 and \$270,901 were recognized by the Medical Center for the years ended September 30, 2017 and 2016, respectively; these on-behalf payments did not meet the criteria of a special funding situation.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At September 30, 2017 and 2016, the Medical Center reported a liability of \$8,821,596 and \$9,800,182, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 and 2015, respectively. The Medical Center's proportion of the net pension liability was based on the Medical Center's actual contributions to the plan during the measurement period as compared to the total of all employers' contributions to the Plan during the measurement period.

At December 31, 2016, the Medical Center's proportion of the net pension liability was 4.28%, which was an increase of 0.56% from its proportion measured as of December 31, 2015. At December 31, 2015, the Medical Center's proportion was 3.72%, which was a decrease of 0.21% from its proportion measured as of December 31, 2014.

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**

**Notes to Financial Statements**  
**September 30, 2017 and 2016**

During the 2015 Regular Session of the Louisiana Legislature, ACT 370 was approved to allow the Plan to provide a cost of living increase from the balance in the system's funding deposit account.

For the years ended September 30, 2017 and 2016 the Medical Center recognized pension expense of \$5,259,901 and \$4,251,990, respectively. This expense is included in employee benefits in the accompanying statements of revenues, expenses and changes in net position. At September 30, 2017 and 2016, the Medical Center reported deferred outflows or resources and deferred inflows or resources related to pensions from the following sources:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,543,696
Changes of assumptions	1,674,829	-
Net difference between projected and actual earnings		
on pension plan investments	6,845,885	-
Changes in proportion	44,579	-
Medical Center's contributions subsequent to the measurement date	2,464,930	-
Total	\$ 11,030,223	\$ 1,543,696

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,557,512
Changes of assumptions	2,183,635	-
Net difference between projected and actual earnings		
on pension plan investments	8,967,435	-
Changes in proportion	33,472	-
Medical Center's contributions subsequent to the measurement date	2,435,530	-
Total	\$ 13,620,072	\$ 1,557,512

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**

**Notes to Financial Statements**  
**September 30, 2017 and 2016**

At September 30, 2017 and 2016, the Medical Center reported \$2,464,930 and \$2,435,530, respectively, as deferred outflows of resources related to pensions resulting from the Medical Center's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the years ended September 30, 2018 and 2017, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2017, related to pensions will be recognized in pension expense as follows:

2018	\$ 2,612,845
2019	2,783,232
2020	1,810,477
2021	<u>(184,957)</u>
	<u>\$ 7,021,597</u>

**Actuarial Assumptions**

The total pension liability actuarial valuation was determined using the following actuarial assumptions as of December 31, 2016 and 2015, and applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	5.25% including inflation
Investment rate of return	7.00%, net of pension plan investment expense
Mortality rates	RP-2000 Employee Sex Distinct Table for active members, RP-2000 Health Annuitant Sex Distinct Table for healthy annuitants and beneficiaries and RP-2000 Disabled Lives Mortality Table for disabled annuitants.

The mortality rate assumption used in the December 31, 2016 and 2015 valuations were based on the results of actuarial experience studies for the period of January 1, 2010 through December 31, 2014.

The long-term expected rate of return used in the December 31, 2016 valuation on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**

**Notes to Financial Statements**  
**September 30, 2017 and 2016**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>2016 Long-term Expected Real Rate of Return</b>	<b>2015 Long-term Expected Real Rate of Return</b>
Fixed income	35%	1.24%	1.06%
Equity	52%	3.63%	3.56%
Alternatives	11%	0.67%	0.74%
Real assets	2%	0.12%	0.19%
	<u>100%</u>		

***Discount Rate***

The discount rate used to measure the total pension liability was 7.00% for the years ended December 31, 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The Medical Center's proportionate share of the net pension liability at September 30, 2017 has been calculated using a discount rate of 7.0%. The following presents the Medical Center's proportionate share of the net pension liability (asset) calculated using a discount rate 1% higher and 1% lower than the current rate.

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Medical Center's proportionate share of net pension liability (asset)	\$ 26,388,934	\$ 8,821,596	\$ (6,032,123)

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**

**Notes to Financial Statements**  
**September 30, 2017 and 2016**

***Pension Plan Fiduciary Net Position***

Detailed information about the Plan's fiduciary net position is available in the separately issued PERS' financial report.

***Payable to the Pension Plan***

At September 30, 2017 and 2016, the Medical Center reported a payable of \$920,071 and \$899,403, respectively, for the outstanding amount of the Medical Center's contributions to the Plan required for the years ended September 30, 2017 and 2016. This amount is included in accrued expenses at September 30, 2017 and 2016.

**Note 14: Management Company**

The Medical Center had a management contract with HealthTech Management Services (HealthTech) that terminated on August 31, 2016. In addition to annual management fees, the contract required payment for the salaries and benefits of personnel provided by HealthTech. Total fees paid to HealthTech during the years ended September 30, 2017 and 2016, were approximately \$46,000 and \$1,138,000, respectively.

**Note 15: Significant Estimates and Contingencies**

***Litigation***

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Medical Center's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

***Self-insured Employee Health Care***

Estimates related to the accrual for self-insured employee health claims are discussed in *Note 10*.

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**

**Notes to Financial Statements**  
**September 30, 2017 and 2016**

**Note 16: Related Party Transactions**

The Medical Center leases office space to New Iberia Surgery Center and Acadiana Diagnostic Imaging, LLC under operating leases with expiration dates of November 30, 2021 and May 31, 2018, respectively. Both leases have renewal options upon expiration. Amounts received under the lease agreements for each of the years ended September 30, 2017 and 2016, totaled approximately \$73,000.

The Iberia Parish Council, by a resolution adopted in November 2006, provides the Medical Center use of a building in Jeanerette, LA, for the purpose of providing rural health clinic services. The resolution originally expired October 31, 2015 but was renewed for an additional 3 year period through October 31, 2018. Rent expense recorded for the years ended September 30, 2017 and 2016 totaled approximately \$800 and \$500, respectively.

The Medical Center purchased diagnostic imaging services from Acadiana Diagnostic Imaging, LLC during 2017 and 2016 totaling approximately \$81,000 and \$117,000, respectively.

**Note 17: Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** 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
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

***Recurring Measurements***

The Medical Center presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall. The Medical Center held money market mutual funds of \$0 and \$212,799 at September 30, 2017 and 2016, respectively, classified within Level 1 of the hierarchy.

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**

**Notes to Financial Statements**  
**September 30, 2017 and 2016**

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Medical Center did not have any Level 2 or Level 3 investments at September 30, 2017 and 2016.

## **Required Supplementary Information**

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**

**Schedule of Medical Center's Proportionate Share of the Net Pension Liability**  
**Last 10 Fiscal Years\***

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Medical Center's proportion of net pension liability	4.283340%	3.723066%	3.932805%
Medical Center's proportionate share of the net pension liability	\$ 8,821,596	\$ 9,800,182	\$ 1,075,262
Medical Center's covered - employee payroll	\$ 25,363,474	\$ 21,333,750	\$ 21,683,688
Medical Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.8%	45.9%	5.0%
Plan fiduciary net position as a percentage of the total pension liability	94.15%	92.23%	99.15%

**Note to Schedule:** This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**Changes of assumptions:**

**December 31, 2016**

There were no changes of assumptions since measurement date December 31, 2015

**December 31, 2015**

- 1) Discount rate reduced to 7.00%
- 2) Mortality updated based on January 1, 2010 through December 31, 2014 experience study performed on plan data
- 3) Inflation rate decreased to 2.50%
- 4) Projected salary increases decreased to 5.25% (2.50% inflation, 2.75% merit)

**Changes in plan provisions:**

**December 31, 2016**

There were no changes in plan provisions since measurement date December 31, 2015

**December 31, 2015**

- 1) ACT 370 was approved in the 2015 Louisiana Legislative Regular Session to allow the Plan to provide a cost of living increase from the balance in the system's funding deposit account

\* The amounts presented for each fiscal year are determined as of the Medical Center's measurement date of December 31.

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**  
**Schedule of Medical Center's Contributions**  
**Last 10 Fiscal Years\***

	<u>September 30,</u> <u>2017</u>	<u>September 30,</u> <u>2016</u>	<u>September 30,</u> <u>2015</u>
Actuarially determined contribution	\$ 3,327,170	\$ 3,219,198	\$ 3,166,385
Contribution in relation to the actuarially determined contribution	<u>3,327,170</u>	<u>3,219,198</u>	<u>3,166,385</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Medical Center's covered-employee payroll	\$ 26,351,908	\$ 24,139,449	\$ 21,283,259
Contributions as a percent of covered-employee payroll	12.63%	13.34%	14.88%

**Note to Schedule:** This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**Changes of assumptions:**

**December 31, 2016**

There were no changes of assumptions since measurement date December 31, 2015

**December 31, 2015**

- 1) Discount rate reduced to 7.00%
- 2) Mortality updated based on January 1, 2010 through December 31, 2014 experience study performed on plan data
- 3) Inflation rate decreased to 2.50%
- 4) Projected salary increases decreased to 5.25% (2.50% inflation, 2.75% merit)

\* The amounts presented are determined as of the Medical Center's most recent fiscal year-end.

## **Other Information**

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**

**Schedule of Compensation, Reimbursements, Benefits and Other Payments**  
**to Chief Executive Officer**  
**Year Ended September 30, 2017**

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 280,010
Benefits-insurance	5,355
Benefits-retirement	35,324
Reimbursements	660
Travel	1,809
Conference travel	948

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**  
**Schedule of Insurance Policies**  
**September 30, 2017**

Covered Risks	Insurer	Coverage Description	Coverage Amount	Expiration Date
Malpractice and General Liability	Louisiana Hospital Association	Professional Liability	\$ 2,500,000	11/1/2017
		Umbrella	9,500,000	11/1/2017
		General Liability	2,500,000	11/1/2017
Louisiana Patient Compensation	Louisiana Hospital Association	Louisiana Patient Compensation	500,000	11/1/2017
Professional Liability	Louisiana Hospital Association	Physicians and Surgeons	300,000	11/1/2017
Workers' Compensation	Louisiana Hospital Association	Coverage A	Statutory	1/1/2018
		Coverage B	1,000,000	1/1/2018
Directors, Officers and Employment Practices	Schwing/Traveler's	Liability	3,000,000	1/10/2018
Property	Schwing/AmRisc, LLC	Property Damage	191,621,580	7/1/2018
Crime	Schwing/Traveler's	Crime	250,000	7/1/2018
Auto	Schwing/CNA	Liability	1,000,000	12/1/2017
		Uninsured Motorists	1,000,000	12/1/2017

**Hospital Service District No. 1  
A Component Unit of Iberia Parish, State of Louisiana  
(d/b/a Iberia Medical Center)**

**Schedule of Board Members**

**September 30, 2017**

<b>Name</b>	<b>Office</b>	<b>Residence</b>
Mr. Larry Hensgens, Jr.	Chairman	New Iberia, Louisiana
Dr. Kurt O'Brien	Vice-Chairman	New Iberia, Louisiana
Ms. Catherine DeBlanc Reaves	Member	New Iberia, Louisiana
Larry Nelson, M.D.	Member	New Iberia, Louisiana
Mr. Ernest Wilson	Member	New Iberia, Louisiana
Mr. Burton Cestia, Jr.	Member	New Iberia, Louisiana
Mr. Frederick Metz, Jr.	Member	New Iberia, Louisiana
Mr. Leonard Minvielle	Member	New Iberia, Louisiana
Mr. Brock Wilson	Member	New Iberia, Louisiana

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Commissioners  
Hospital Service District No. 1  
A Component Unit of Iberia Parish, State of Louisiana  
(d/b/a Iberia Medical Center)  
New Iberia, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1, a Component Unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) (Medical Center), which comprise the statement of financial position as of September 30, 2017 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2018.

***Internal Control Over Financial Reporting***

Management of the Medical Center is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Medical Center's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center'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 Medical Center'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 Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Dallas, Texas  
January 25, 2018

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**  
Independent Accountant's Report on  
Applying Agreed-Upon Procedures  
For the Fiscal Period August 1, 2016 through July 31, 2017



## Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Commissioners and the Louisiana Legislative Auditor  
Hospital Service District No. 1  
A Component Unit of Iberia Parish State of Louisiana  
(d/b/a Iberia Medical Center)  
New Iberia, Louisiana

We have performed the procedures enumerated in the attachment to this report, which were agreed to by Hospital Service District No. 1, a Component Unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) (Medical Center), and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period August 1, 2016 through July 31, 2017. The management of the Medical Center is responsible for the control and compliance areas identified in the LLA's SAUPs. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attachment to this report for the purpose for which this report has been requested or for any other purpose.

The findings obtained are described in the attachment to this report.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

*BKD, LLP*

Dallas, Texas  
March 29, 2018

**Hospital Service District No. 1**  
**A Component Unit of Iberia Parish, State of Louisiana**  
**(d/b/a Iberia Medical Center)**  
**Applying Agreed-Upon Procedures**  
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*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.
  - 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.
  - c) **Disbursements**, including processing, reviewing, and approving.
  - d) **Receipts**, including receiving, recording, and preparing deposits.
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - 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.
  - 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.
  - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
  - 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.*
  - j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

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**Results:** The Medical Center did not have written policies and procedures for the following elements:

- Budgeting – Amending the budget
- Purchasing – Adding vendors to the vendor list
- Disbursements – Processing of accounts payable
- Debt Service – No written policies

**Management’s Response:** Management has drafted the recommended policies and procedures and is currently in the process of obtaining appropriate approvals.

***Board Minutes***

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.
  - 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.
  - c) 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.

**Results:** We reviewed the Medical Center’s Board of Commissioners minutes noting meetings were held monthly, budget-to-actual comparisons were presented and discussed as well as non-budgetary financial information.

***Bank Reconciliations***

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

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**Results:** Obtained a listing of bank accounts from management and management's representation that the listing was complete.

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;
  - 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
  - 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.

**Results:** The Medical Center has 12 bank accounts, five were selected for testing. All accounts were reconciled and reviewed by a member of management for all months in the fiscal period from August 1, 2016 through July 31, 2017. Documentation on reconciliations included explanation of outstanding reconciling items, when applicable.

***Collections***

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

**Results:** Obtained a listing of cash collection locations from management and management's representation that the listing was complete.

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

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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.

- 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.
- 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.
  - 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.

**Results:** The Medical Center has 17 collection locations, five were selected for testing. For the five locations selected, each person responsible for collecting cash is covered under an insurance policy covering employee theft and employee dishonesty and not responsible for depositing cash in the bank. One of the five locations selected for testing requires employees to share cash drawers.

The Medical Center provided daily cash reconciliation spreadsheets and has a formal process to reconcile daily cash collections to the general ledger and reconciliation is performed by a person who is not responsible for cash collections in the collection locations selected.

Selected the highest dollar week of cash collections from the accounting records. Four of the five locations selected for testing deposited cash within one day of receiving the cash with the exception of cash received on Fridays as they are deposited on the following Monday. The remaining location experienced delays in cash deposits of up to eight days from receipt date. Daily cash collections were supported by documentation.

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**Management's Response:** Iberia Medical Center's process for depositing clinic collections has been to hold collections until they have been reconciled by a third party billing vendor. This process has been revised so that cash is deposited upon receipt before reconciliation.

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.

**Results:** The Medical Center maintains formal policies and documentation surrounding the reconciliation of cash collections to the general ledger by a person who is not responsible for cash collections as well as policies to determine the completeness of all collections inclusive of electronic transfers.

***Disbursements – General (excluding credit card/fuel card 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.

**Results:** Obtained a listing of disbursements from management and management's representation that the listing was complete.

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

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- 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.

**Results:** Twenty-two of the 25 randomly selected disbursements were initiated using a requisition/purchase order system and met each of the required elements above for initiation, approval and payment. The remaining three disbursements selected did not require initiation through a requisition/purchase order system but were all approved by a person who did not initiate the purchase and payment met the requirements above.

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.

**Results:** Accounts payable clerks are authorized to add vendors but the access to the signature card to process payments is maintained by separate personnel who do not have responsibility or access to process payments.

**Management's Response:** The current Hospital process is that all vendors are added to the accounts payable system by the payroll coordinator, or an accountant in her absence. IT system controls do not allow Iberia Medical Center to remove access to add vendors from the accounts payable clerk. Therefore, multiple compensating controls are in place. One such control is that the accounts payable clerk has limited access to the signature cards. Signature cards are checked out by the accounts payable clerk at the time checks are cut and a check register is reviewed in detail for accuracy when signature card is returned. Iberia Medical Center has also implemented a Positive Pay process with its bank and any payment that was not submitted through this process is reviewed by an accountant prior to authorizing the bank to pay. Hospital management believes that the compensating controls in place provide for adequate segregation of duties.

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.

**Results:** Signatory authorities do not have responsibility for initiating or recording purchases.

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.

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**Results:** Checks are electronically printed on blank checks. Individuals who have 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.

**Results:** No exceptions noted as a result of the procedures performed.

***Credit Cards/Fuel 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.

**Results:** Obtained a listing of cards from management and management's representation that the listing was complete.

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.

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

**Results:** The Medical Center utilizes one fuel card. Per review of supporting documentation, the monthly statement was reviewed by an individual that is not the authorized card holder. Finance charges were applied to the statements for four of the twelve months in the fiscal period from August 1, 2016 through July 31, 2017.

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**Management's Response:** Although finance charges were applied to four of the twelve statements, these charges totaled less than five dollars for the year and were considered immaterial.

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).
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization).

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.

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.

**Results:** Supporting documentation and additional descriptions of business purposes are not required to be documented for purchases on the fuel card by the Medical Center policies. The fuel card must be checked out from the supervisor holding the card and can only be utilized for purchases of gas for the Medical Center van, therefore all purchases have business purpose. Per review of the monthly statements, no purchases were subject to Louisiana Public Bid Law nor were any purchases prohibited by Article 7, Section 14.

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*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.

**Results:** Obtained a listing of all travel and related expense reimbursements, by person, from management and management's representation that the listing was complete.

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](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

**Results:** Management provided a written policy for travel and expense reimbursements. The Medical Center's policy includes meal reimbursement allowances in excess of the U.S. GSA rates and mileage rates consistent with rates established by the U.S. GSA.

**Management's Response:** Iberia Medical Center's travel and expense reimbursement policy is to allow for a maximum daily meal reimbursement of \$75 compared to the US GSA recommendation of \$51 for unspecified geographical areas. The range of US GSA recommended amounts throughout the US is currently from \$54-\$74 for specified areas. Due to the fact that Iberia Medical Center travel is primarily to higher cost specified areas, the current policy is considered reasonable. For the time period under audit, it is estimated that this policy variance resulted in an expense difference of less than \$100.

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.

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- 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.]*
  - Documentation of the business/public purpose *(Note: For meal charges, there should also be documentation of the individuals participating).*
  - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- 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.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Results:** The largest travel expense reimbursement for each of the three employees selected was supported by the documentation listed in criteria a) through d) with no exceptions noted.

***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.

**Results:** Obtained the general ledger detail of all contract service expenses during the fiscal period from August 1, 2016 through July 31, 2017, from management and management's representation that the listing was complete.

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.

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

**Results:** All five contracts selected for testing were supported by a formal agreement. No contracts selected were subject to public bid law. The Medical Center did not maintain formal documentation of competing quotes prior to approval. One contract was amended in the fiscal period from August 1, 2016 through July 31, 2017 and was approved in a manner consistent with the Medical Center's policies. Obtained the largest payment from each contract selected for testing in the fiscal period from August 1, 2016 through July 31, 2017 and payments complied with the terms and conditions of the contract. Three of the five contracts required board approval and were supported by documentation.

***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) 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.

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- 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.

**Results:** Obtained a listing of employees with their related salaries and management's representation that the listing was complete. Compensation paid for the five employees randomly selected for testing were in accordance with the terms and conditions of the employment contract or pay rate structure and changes made to pay rate during the fiscal period was approved in writing and in accordance with policy.

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

**Results:** All of the documentation listed in items a) and c) above were maintained for the 25 employees randomly selected for testing. Electronic approval of attendance was provided for the 25 employees selected. Written documentation and approval for leave for seven of the employees in the pay period selected for testing was not maintained by the Medical Center.

**Management's Response:** Iberia Medical Center moved to a new payroll system in September of 2017. Approval of attendance and leave is currently captured electronically and will alleviate this finding in the future.

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.

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**Results:** Obtained a listing of terminated employees during the fiscal period and management's representation that the listing was complete. The two largest termination payments selected for testing were made in accordance with policy and approved by a level of management.

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.

**Results:** All employee and employer portions of payroll taxes and retirement contributions were submitted to the appropriate agencies by the required deadlines.

***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.

**Results:** One of the five randomly selected employees from procedure #22 was required to complete the ethics training. The Medical Center maintained documentation to demonstrate that required ethics training was completed by this employee. Four of the five employees were not considered public servants and therefore were not required to complete the 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.

**Results:** Per inquiry of management, no ethics violations were reported to the Medical Center during the fiscal period from August 1, 2016 through July 31, 2017.

***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.

**Results:** The Medical Center did not issue any debt in the fiscal period from August 1, 2016 through July 31, 2017.

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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.

**Results:** Per review of supporting documentation, the Medical Center made scheduled debt service payments and maintained debt reserves as required by debt covenants, during the fiscal period from August 1, 2016 through July 31, 2017.

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.

**Results:** The Medical Center did not have any tax millages related to debt service during the fiscal period from August 1, 2016 through July 31, 2017.

***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.

**Results:** Per inquiry of management, the Medical Center had no 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.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Results:** The notices required by R.S. 24:523.1 concerning the reporting of misappropriations, fraud, waste or abuse are posted on the premises and website of the Medical Center.

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

**Results:** No exceptions regarding management's representations in the procedures above noted.