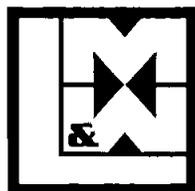


HOSPITAL SERVICE DISTRICT NO. 1
PARISH OF POINTE COUPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
OCTOBER 31, 2018 AND 2017



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Years Ended October 31, 2018 and 2017

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Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate Management's Discussion and Analysis

This section of the Hospital Service District's annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on October 31, 2018. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- Total assets and deferred outflows increased by \$409,513 and \$1,407,009 in total for fiscal years 2018 and 2017, respectively.
- Total liabilities and deferred inflows decreased by \$867,705 and \$459,043 in total for fiscal years 2018 and 2017, respectively. The District's total assets and deferred outflows exceeded its liabilities and deferred inflows by approximately \$39 million and \$38 million at October 31, 2018 and 2017, respectively.
- Net operating revenues decreased by \$407,039 or 1.62% in fiscal year 2018, compared to an increase of \$1,469,284 in fiscal year 2017.
- Operating expenses increased by \$241,384 or 1.06% compared to the prior year. In fiscal year 2017, operating expenses increased by \$778,861.
- The District had income from operations in 2018, 2017, and 2016 of \$1,583,571, \$2,231,994, and \$1,541,571, respectively.
- The District received sales tax revenues of \$2,066,644 in fiscal year 2018, \$1,972,582 in fiscal year 2017, and \$1,879,144 in fiscal year 2016.

Required Financial Statements

The Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenue, Expenses, and Changes in Net Position. This statement measures improvements in the District's operations over the past two years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing, and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Hospital Service District

The Statements of Net Position and the Statements of Revenue, Expenses, and Changes in Net Position report information about the Hospital Service District's activities. These two statements report the net position of the District and changes in them. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate
Management's Discussion and Analysis (Continued)

Net Position

A summary of the District's Statements of Net Position is presented in Table 1 below:

TABLE 1
Condensed Statements of Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total current assets	\$ 5,041,425	\$ 5,801,791	\$ 5,134,600
Capital assets - net	12,039,461	12,430,639	12,201,267
Other assets	<u>26,343,042</u>	<u>23,281,121</u>	<u>21,242,482</u>
 Total Assets	 <u>43,423,928</u>	 <u>41,513,551</u>	 <u>38,578,349</u>
 Deferred outflows related to pension liability	 <u>2,019,268</u>	 <u>3,520,132</u>	 <u>5,048,325</u>
 Total Assets and Deferred Outflows of Resources	 \$ <u>45,443,196</u>	 \$ <u>45,033,683</u>	 \$ <u>43,626,674</u>
 Current liabilities	 \$ 2,416,363	 \$ 2,892,640	 \$ 2,361,592
Long-term liabilities	<u>913,474</u>	<u>3,734,594</u>	<u>4,630,197</u>
 Total Liabilities	 <u>3,329,837</u>	 <u>6,627,234</u>	 <u>6,991,789</u>
 Deferred inflows related to pension liability	 <u>2,936,043</u>	 <u>506,351</u>	 <u>600,839</u>
 Invested in capital assets, net of related debt	 11,117,672	 11,501,086	 11,264,465
Restricted	847,862	847,862	847,863
Unrestricted	<u>27,211,782</u>	<u>25,551,150</u>	<u>23,921,718</u>
 Net position	 <u>39,177,316</u>	 <u>37,900,098</u>	 <u>36,034,046</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ <u>45,443,196</u>	 \$ <u>45,033,683</u>	 \$ <u>43,626,674</u>

In Table 1, it can be seen that total assets increased by 4.60% or \$1,910,377 in fiscal year 2018. While cash and cash equivalents decreased by \$861,483 during the year, investments increased by \$2,049,306. In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.*, net pension asset of \$985,566 was recognized during fiscal year 2018. Recognition of net pension asset contributed to the decrease of long-term liabilities, which decreased by \$2,821,120 compared to prior year. Current liabilities have decreased by \$476,277 or 16.47% during fiscal year 2018 due to a decrease in third-party payor settlements.

Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate
Management's Discussion and Analysis (Continued)

Summary of Revenue, Expenses, and Changes in Net Assets

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended October 31, 2018, 2017, and 2016.

TABLE 2
Condensed Statements of Revenue, Expenses, and
Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenue:			
Net patient service revenue	\$ 20,773,833	\$ 20,478,917	\$ 18,766,488
Sales tax revenue	2,066,644	1,972,582	1,879,144
Other revenues	<u>1,834,208</u>	<u>2,630,225</u>	<u>2,966,808</u>
 Total revenue	 <u>24,674,685</u>	 <u>25,081,724</u>	 <u>23,612,440</u>
 Expenses:			
Salaries and benefits	12,440,577	12,448,305	12,125,994
Medical supplies and drugs	1,384,863	1,303,900	1,267,843
Insurance	323,889	402,538	418,358
Professional fees	3,130,961	2,929,138	2,857,059
Depreciation	877,230	886,289	938,773
Other expenses	<u>4,933,594</u>	<u>4,879,560</u>	<u>4,462,842</u>
 Total expenses	 <u>23,091,114</u>	 <u>22,849,730</u>	 <u>22,070,869</u>
 Operating income (loss)	 \$ <u>1,583,571</u>	 \$ <u>2,231,994</u>	 \$ <u>1,541,571</u>

Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate
Management's Discussion and Analysis (Continued)

Summary of Revenue, Expenses, and Changes in Net Assets (Continued)

TABLE 2 (Continued)
Condensed Statements of Revenue, Expenses, and
Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Nonoperating income (loss):			
Interest income and expense, net	\$ 312,157	\$ 218,347	\$ 253,662
Gain (loss) on disposal of assets	(122)	-0-	1,000
Payments to Police Jury	<u>(323,000)</u>	<u>(323,000)</u>	<u>(323,000)</u>
Nonoperating income, net	<u>(10,965)</u>	<u>(104,653)</u>	<u>(68,338)</u>
Excess of revenues (expenses)			
before capital grants	1,572,606	2,127,341	1,473,233
Capital grants	<u>4,500</u>	<u>12,873</u>	<u>-0-</u>
Excess of revenues (expenses)	1,577,106	2,140,214	1,473,233
Other comprehensive income	<u>(299,888)</u>	<u>(274,162)</u>	<u>(73,185)</u>
Comprehensive income (loss)	1,277,218	1,866,052	1,400,048
Beginning net position	<u>37,900,098</u>	<u>36,034,046</u>	<u>34,633,998</u>
Ending net position	\$ <u>39,177,316</u>	\$ <u>37,900,098</u>	\$ <u>36,034,046</u>

Sources of Revenue

Operating Revenue

During fiscal year 2018, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients or their third-party payers, who receive care in the Hospital's facilities.

The Hospital became a Critical Access Hospital (CAH) on November 1, 2004. This changed the method of payment for most Medicare charges from prospective payment to cost based reimbursement. Swing bed services for Medicare patients also began in fiscal year 2005. Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes interest income, cafeteria sales, and revenue from services provided to physicians, rental income and other miscellaneous services.

Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate
Management's Discussion and Analysis (Continued)

Operating Revenue (Continued)

Table 3 presents the relative percentages of gross charges billed for patient services by payer for the fiscal years ended October 31, 2018, 2017, and 2016.

**TABLE 3
Payer Mix by Percentage**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare	23%	24%	25%
Medicaid	24%	24%	18%
Blue Cross Blue Shield	14%	14%	15%
Commercial Insurance	31%	32%	33%
Self Pay	5%	6%	9%

Non-operating Income

The District holds designated and restricted funds in its Statements of Net Position that are invested primarily in the Louisiana Asset Management Pool and Merrill Lynch. Interest income in 2018 was \$375,778 compared to \$282,485 in fiscal year 2017. Total investments in fiscal years 2018 and 2017 respectively were \$21,471,623 and \$19,422,317. For fiscal year 2016, these investments were \$17,427,388 and earned \$318,283 in interest income.

Operating and Financial Performance

The following summarizes the Hospital's Statements of Revenue, Expenses, and Changes in Net Assets between 2018, 2017, and 2016:

In fiscal year 2018, patient discharges totaled 196 or a percentage decrease of 18.0%. Overall activity at the Hospital, as measured by patient discharges, decreased in 2017 to 239 discharges from 263 discharges in fiscal year 2016.

In 2018, patient days decreased to 581 from 832 in 2017 and 876 in 2016, or a percentage decrease of 30.2% and 5.0% in 2018 and 2017, respectively.

Average length of stay in 2018 was 3.1 for acute and 10.4 for swing. In 2016, the average length of stay for acute was 3.5 days and 10.6 days for swing. The average length of stay for acute was 3.1 in fiscal year 2016.

In 2018, total net patient service revenue increased by 1.44% or \$294,916. Total net patient service revenue increased by 9.12% or \$1,712,429 in fiscal year 2017, compared to an increase of \$1,108,451 or 6.28% in fiscal year 2016.

Gross accounts receivable decreased in 2018 for the Hospital by \$477,754 and gross accounts receivable increased for Home Health / Hospice by \$42,687. In 2017, gross accounts receivable increased for the Hospital by \$357,452 and gross accounts receivable decreased for Home Health / Hospice by \$46,845.

Average days in net accounts receivable decreased to 33 in 2018 compared to 38 days in 2017 and 37 days in 2016. The Hospital continues to exert every effort to assist patients in finding funding sources for health care.

Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate
Management's Discussion and Analysis (Continued)

Operating and Financial Performance (Continued)

Salaries increased in 2018, 2017 and 2016, respectively, by \$398,710, \$210,261 and \$50,022. Benefits decreased by \$406,438 in 2018 compared to increases of \$112,050 and \$575,966 in 2017 and 2016, respectively. Benefits decreased mainly due to the pension costs.

Medical professional fees increased by \$201,823, \$72,079 and \$103,156 in 2018, 2017 and 2016, respectively. In fiscal year 2018, physical therapy services increased and wound care services began.

The cost of medical supplies increased by \$80,963 and \$36,057 in 2018 and 2017, compared to a decrease of \$65,022 in fiscal year 2016.

For fiscal years 2018 and 2017, the provision for bad debts decreased by \$40,605 and \$1,891,271, respectively. The provision for bad debt increased by \$227,116 in fiscal year 2016.

Capital Assets

During fiscal year 2018, the District invested approximately \$489,566 in capital assets. Net property, plant, and equipment decreased by \$391,178 in 2018 compared to increases of \$229,372 and \$187,567 in 2017 and 2016, respectively.

**TABLE 4
Capital Assets**

	October 31, <u>2018</u>	October 31, <u>2017</u>	October 31, <u>2016</u>
Land and improvements	\$ 165,617	\$ 165,617	\$ 165,617
Buildings and fixed equipment	21,921,267	21,821,947	20,335,042
Moveable equipment	6,913,540	6,627,113	6,555,851
Construction in progress	<u>97,704</u>	<u>-0-</u>	<u>754,868</u>
 Total	 29,098,128	 28,614,677	 27,811,378
Less: accumulated depreciation	<u>17,058,667</u>	<u>16,184,038</u>	<u>15,610,111</u>
Net property, plant, and equipment	 \$ <u>12,039,461</u>	 \$ <u>12,430,639</u>	 \$ <u>12,201,267</u>

The District entered into construction contracts, which totaled \$1,272,616, to renovate the second floor of the Hospital.

Long-Term Debt

At October 31, 2018, the District had \$921,789 in short-term and long-term debt.

Contacting the Hospital Service District's Financial Manager

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



LESTER, MILLER & WELLS

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Hospital Service District No. 1
Parish of Pointe Coupee, State of Louisiana
New Roads, Louisiana

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Hospital Service District No. 1, Parish of Pointe Coupee, (the "District"), a component unit of the Pointe Coupee Parish Police Jury, as of and for the years ended October 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Maison Pointe Coupee Apartments, which represent 3.8 percent, 1.9 percent and 1.3 percent, respectively, of the assets, net position, and revenues of the District. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors. 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of the District, as of October 31, 2018 and 2017, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the combined financial statements present only the financial information of Pointe Coupee Hospital Service District No. 1 and do not purport to, and do not, present fairly the financial position of the Pointe Coupee Parish Police Jury as of October 31, 2018 and 2017, and the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through vi, Schedule of Proportionate Share of Net Pension Liability on page 41, and Schedule of Employer Contributions to Pension Plan on page 42 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements.



Board of Commissioners
Hospital Service District No. 1
Parish of Pointe Coupee, State of Louisiana
Page Three

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2019, on our consideration of the District'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Alexandria, Louisiana

April 29, 2019



Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combined Statements of Net Position
October 31,

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current		
Cash and cash equivalents (Notes 2 & 3)	\$ 1,372,989	\$ 2,234,472
Patient accounts receivable, net of estimated uncollectibles (Note 5)	1,896,029	2,134,975
Estimated third-party payor settlements	1,238,316	936,900
Other receivables	280	280
Inventory	483,616	471,371
Prepaid expenses	<u>50,195</u>	<u>23,793</u>
 Total Current Assets	 5,041,425	 5,801,791
 Assets limited as to use (Note 4)	 1,911,455	 1,884,406
 Land	 1,974,398	 1,974,398
 Capital assets, net (Note 6)	 12,039,461	 12,430,639
Other assets		
Investments	21,249,100	19,199,794
LHA investment	222,523	222,523
Net pension asset (Note 10)	<u>985,566</u>	<u>-0-</u>
 Total Assets	 <u>43,423,928</u>	 <u>41,513,551</u>
 Deferred outflows related to net pension liability	 <u>2,019,268</u>	 <u>3,520,132</u>
 Total Assets and Deferred Outflows of Resources	 \$ <u>45,443,196</u>	 \$ <u>45,033,683</u>

See accompanying notes to financial statements.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combined Statements of Net Position (Continued)
October 31,

<u>LIABILITIES AND NET POSITION</u>	<u>2018</u>	<u>2017</u>
Current		
Accounts payable	\$ 443,143	\$ 361,932
Accrued expenses and withholdings payable (Note 7)	1,259,728	1,119,178
Estimated third-party payor settlements	705,177	1,403,766
Current portion of long-term debt (Note 8)	<u>8,315</u>	<u>7,764</u>
Total Current Liabilities	2,416,363	2,892,640
Long-term		
Net pension liability (Note 10)	-0-	2,812,805
Long-term debt (Note 8)	<u>913,474</u>	<u>921,789</u>
Total Liabilities	<u>3,329,837</u>	<u>6,627,234</u>
Deferred inflows related to net pension liability	<u>2,936,043</u>	<u>506,351</u>
Net Position		
Invested in capital assets, net of related debt	11,117,672	11,501,086
Restricted - Donor capital	847,862	847,862
Unrestricted	<u>27,211,782</u>	<u>25,551,150</u>
Total Net Position	<u>39,177,316</u>	<u>37,900,098</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ <u>45,443,196</u>	\$ <u>45,033,683</u>

See accompanying notes to financial statements.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combined Statements of Revenue, Expenses, and Changes in Net Position
Years Ended October 31,

	<u>2018</u>	<u>2017</u>
Revenue		
Net patient service revenue (Note 12)	\$ 20,773,833	\$ 20,478,917
Sales tax revenue	2,066,644	1,972,582
Intergovernmental transfer grant	924,739	1,730,529
Grants	4,700	2,565
Other operating revenue	<u>904,769</u>	<u>897,131</u>
 Total Revenue	 <u>24,674,685</u>	 <u>25,081,724</u>
Expenses		
Salaries and benefits	12,440,577	12,448,305
Medical supplies and drugs	1,384,863	1,303,900
Insurance	323,889	402,538
Professional fees	3,130,961	2,929,138
Depreciation	877,230	886,289
Other expenses	<u>4,933,594</u>	<u>4,879,560</u>
 Total Expenses	 <u>23,091,114</u>	 <u>22,849,730</u>
 Operating Income (Loss)	 <u>1,583,571</u>	 <u>2,231,994</u>
Nonoperating Income (Loss)		
Investment income	375,778	282,485
Interest expense	(63,621)	(64,138)
Gain (loss) on disposal of assets	(122)	-0-
Payments to Police Jury	<u>(323,000)</u>	<u>(323,000)</u>
 Nonoperating Income (Loss), net	 <u>(10,965)</u>	 <u>(104,653)</u>
 Excess of Revenue (Expenses) before Capital Grants	 1,572,606	 2,127,341
Capital grants	<u>4,500</u>	<u>12,873</u>
 Excess of Revenues (Expenses)	 1,577,106	 2,140,214
 Unrealized investment gains (losses)	 <u>(299,888)</u>	 <u>(274,162)</u>
Changes in net position	1,277,218	1,866,052
 Beginning Net Position	 <u>37,900,098</u>	 <u>36,034,046</u>
 Ending Net Position	 \$ <u>39,177,316</u>	 \$ <u>37,900,098</u>

See accompanying notes to financial statements.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combined Statements of Cash Flows
Years Ended October 31,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash receipts from patients and third-party payors	\$ 20,012,774	\$ 21,392,439
Cash receipts from other operating revenues	3,900,974	4,768,285
Cash payments to employees and for employee-related cost	(12,167,841)	(11,797,607)
Cash payments for other operating expenses	<u>(9,730,866)</u>	<u>(9,934,806)</u>
Net cash provided (used) by operating activities	<u>2,015,041</u>	<u>4,428,311</u>
Cash flows from investing activities:		
Other investment income	75,890	8,323
Assets limited as to use	(27,049)	(43,710)
Unrestricted investments	<u>(2,049,306)</u>	<u>(1,994,929)</u>
Net cash provided (used) by investing activities	<u>(2,000,465)</u>	<u>(2,030,316)</u>
Cash flows from non-capital financing activities:		
Payments to Police Jury	<u>(323,000)</u>	<u>(323,000)</u>
Net cash provided (used) by non-capital financing activities	<u>(323,000)</u>	<u>(323,000)</u>
Cash flows from capital and related financing activities:		
Purchases of property, plant, and equipment	(486,174)	(1,115,661)
Proceeds from capital grants	4,500	12,873
Principal payments on long-term debt	(7,764)	(7,249)
Interest paid on long-term debt	<u>(63,621)</u>	<u>(64,138)</u>
Net cash provided (used) by capital and related financing activities	<u>(553,059)</u>	<u>(1,174,175)</u>
Net increase (decrease) in cash and cash equivalents	(861,483)	900,820
Beginning cash and cash equivalents	<u>2,234,472</u>	<u>1,333,652</u>
Ending cash and cash equivalents	\$ <u>1,372,989</u>	\$ <u>2,234,472</u>

See accompanying notes to financial statements.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combined Statements of Cash Flows (Continued)
Years Ended October 31,

	<u>2018</u>	<u>2017</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ <u>63,621</u>	\$ <u>64,138</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income (loss)	\$ 1,583,571	\$ 2,231,994
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	877,230	886,289
Provision for bad debts	2,419,213	2,459,818
(Increase) decrease in:		
Net patient accounts receivable	(2,180,267)	(2,671,120)
Estimated third-party payor settlements	(301,416)	298,188
Other receivables	-0-	165,478
Inventory	(12,245)	(18,572)
Prepaid expenses	(26,402)	(163)
Deferred outflows related to net pension liability	1,500,864	1,528,193
Increase (decrease) in:		
Accounts payable	81,211	(400,935)
Accrued expenses and withholdings payable	140,550	104,832
Net pension liability (asset)	(3,798,371)	(887,839)
Estimated third-party payor settlements	(698,589)	826,636
Deferred inflows related to net pension liability	<u>2,429,692</u>	<u>(94,488)</u>
Net cash provided (used) by operating activities	\$ <u>2,015,041</u>	\$ <u>4,428,311</u>

See accompanying notes to financial statements.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Pointe Coupee Hospital Service District No. 1 (referred to herein as "Pointe Coupee General Hospital" or the "District") was created by an ordinance of the Pointe Coupee Parish Police Jury on June 5, 1979. The District's area includes all of Pointe Coupee Parish, Louisiana.

The District is a political subdivision of the Pointe Coupee Parish Police Jury whose jurors are elected officials. The District's nine commissioners are appointed by the Pointe Coupee Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Pointe Coupee Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Pointe Coupee Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

An affiliate, Hospital Service District No. 1 of Pointe Coupee, Louisiana, Inc. (dba Maison Pointe Coupee Apartments) was incorporated as a Louisiana nonprofit corporation on July 21, 1999. On November 1, 2004, Pointe Coupee Homebound Health and Hospice (PCHHH) was transferred from the Hospital enterprise fund and became a separate enterprise fund of the District.

Nature of Business

The District provides outpatient, emergency, inpatient acute hospital services, skilled nursing (through "swing-beds"), as well as home health care and hospice services. It also provides services to the parish ambulance service, health unit, mental health unit, substance abuse unit and the Council on Aging. Its affiliate began providing elderly housing to local residents on April 5, 2002. On November 1, 2004, the Hospital converted to a 25 bed critical access hospital (CAH).

Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of the Hospital Service District No. 1, Parish of Pointe Coupee as well as Maison Pointe Coupee Apartments. A separate enterprise fund was created November 1, 2004 for Pointe Coupee Homebound Health and Hospice. The District has control of its affiliate through common board members. All intercompany transactions and balances have been eliminated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The District uses the enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus.

Cash and Cash Equivalents

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

Credit Risk

The District provides medical care primarily to Pointe Coupee Parish residents and grants credit to patients, substantially all of whom are local residents.

The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenues and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Accordingly, changes in federal or state legislation or interpretations of rules have a significant impact on the District.

Net Patient Service Revenue

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the Hospital is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Inventory

Inventory is stated at the lower of cost or market value. Cost is determined by the first-in, first-out method.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. The District uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals, and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Net Position

The District classifies net position into three components: invested in capital assets, net of related debt; restricted and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted. When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue and Expenses

The District's statements of revenue, expenses, and changes in net assets distinguish between operating and nonoperating revenue and expenses. Operating revenues result from exchange transactions associated with providing health care services – the District's principal activity. Operating revenue also includes sales taxes passed to provide the District with revenue to operate and maintain the District. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges for the services provided, less an estimate made for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines that allowance for doubtful accounts by utilizing a historical experience applied to an aging of accounts. Patient accounts receivable are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expense are recorded as a reduction of bad debt expense when received.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions

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

Use of Estimates

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

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classifications.

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Risk Management

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense item until then. The District has one item that meets this criterion, deferrals of pension expense.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District has one item that meets the criterion for this category, deferrals of pension expense.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District is a participating employer in a defined benefit pension plan as described in Note 10. 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value within the plan.

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the District to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust institutions. Louisiana statutes also require that all of the deposits of the District be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Custodial Credit Risks – Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at October 31, 2018 and 2017.

Interest Rate Risks – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Concentration of Credit Risks – The District has 57.2% in Federal Home Loan Bank and 31.4% in Federal National Mortgage Association.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The carrying amounts of deposits and investments are included in the Hospital's balance sheets as follows:

	<u>2018</u>	<u>2017</u>
Carrying amount		
Deposits	\$ 3,284,444	\$ 4,118,878
Investments	<u>21,471,623</u>	<u>19,422,317</u>
	<u>\$ 24,756,067</u>	<u>\$ 23,541,195</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 1,372,989	\$ 2,234,472
Assets whose use is limited	1,911,455	1,884,406
Investments	<u>21,471,623</u>	<u>19,422,317</u>
	<u>\$ 24,756,067</u>	<u>\$ 23,541,195</u>

Account balances according to banks' records at October 31, 2018, for the Hospital are as follows:

	<u>Regions Bank</u>	<u>Merrill Lynch</u>
Cash in bank	\$ <u>813,726</u>	\$ <u>27,597</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>27,597</u>
Collateralization by fair market value	\$ <u>563,726</u>	\$ <u>-0-</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

The District has 7% of its investments invested in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation organized under the laws of the state of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pools of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955.

LAMP is an investment pool that, to the extent practical, invest in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

Credit Risks – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – LAMP is designed to be highly liquid to give participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities in excess of 397 days or 762 days for U.S. Government floating/variable rate investments.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of pool shares.

LAMP is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

At October 31, 2018 and 2017, the District had the following investments and maturities, all of which were held in the District's name by a custodial bank that is an agent of the District.

<u>October 31, 2018</u>		<u>Investment Maturities (In Years)</u>			
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
LAMP	\$ 1,552,573	\$ 1,552,573	\$ -0-	\$ -0-	\$ -0-
Federal National Mortgage Association	7,121,887	4,650,171	2,471,716	-0-	-0-
Federal Home Loan Mortgage Corporation	995,450	-0-	995,450	-0-	-0-
Federal Home Loan Bank	<u>12,973,564</u>	<u>3,443,874</u>	<u>9,529,690</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>22,643,474</u>	\$ <u>9,646,618</u>	\$ <u>12,996,856</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
<u>October 31, 2017</u>		<u>Investment Maturities (In Years)</u>			
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
LAMP	\$ 1,526,099	\$ 1,526,099	\$ -0-	\$ -0-	\$ -0-
Federal National Mortgage Association	6,988,950	829,379	6,159,571	-0-	-0-
Federal Home Loan Mortgage Corporation	999,800	999,800	-0-	-0-	-0-
Federal Home Loan Bank	<u>11,078,242</u>	<u>185,113</u>	<u>10,893,129</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>20,593,091</u>	\$ <u>3,540,391</u>	\$ <u>17,052,700</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The District records these investments under the provision of the GASB Statement No 31. These investments are considered Level 2 investments under the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of October 31, 2018, the District's investments were rated as follows:

Investment Type	<u>Moody's</u>	<u>S&P</u>
LAMP	Not Rated	AAAm
Federal National Mortgage Association	AAA	AA+
Federal Home Loan Mortgage Corporation	AAA	AA+
Federal Home Loan Bank	AAA	AA+

NOTE 4 - ASSETS LIMITED AS TO USE

Assets limited as to use are summarized below. Investments are stated at cost that approximates market value.

	<u>2018</u>	<u>2017</u>
Limited by board for capital improvements	\$ 1,056,779	\$ 1,038,760
Limited by board for third-party payor contingencies	493,584	485,167
Limited by board for elderly housing project	<u>361,092</u>	<u>360,479</u>
Total	<u>\$ 1,911,455</u>	<u>\$ 1,884,406</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of patient accounts receivable is presented below.

	<u>2018</u>	<u>2017</u>
Hospital patient receivables	\$ 3,269,403	\$ 3,747,157
Home Health patient receivables	142,706	85,601
Hospice patient receivables	<u>109,920</u>	<u>124,338</u>
	3,522,029	3,957,096
Estimated uncollectibles	<u>(1,626,000)</u>	<u>(1,822,121)</u>
Net patient accounts receivable	\$ <u>1,896,029</u>	\$ <u>2,134,975</u>

The following is a summary of the mix of receivables from patients and third-party payors at October 31:

	<u>2018</u>	<u>2017</u>
Medicare	16%	19%
Medicaid	1%	1%
Blue Cross Blue Shield of Louisiana	5%	4%
Commercial and other third-party payors	24%	19%
Patients	<u>54%</u>	<u>57%</u>
Total	<u>100%</u>	<u>100%</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 6 - CAPITAL ASSETS

The following is a summary of capital asset additions, retirements, and balances for the years ended October 31:

	October 31, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	October 31, <u>2018</u>
Land improvements	\$ 165,617	\$ -0-	\$ -0-	\$ 165,617
Buildings & improvements	21,821,947	99,320	-0-	21,921,267
Equipment	6,627,113	292,542	6,115	6,913,540
Construction in progress	<u>-0-</u>	<u>97,704</u>	<u>-0-</u>	<u>97,704</u>
 Total	 28,614,677	 489,566	 6,115	 29,098,128
Accumulated depreciation	<u>16,184,038</u>	<u>879,954</u>	<u>5,325</u>	<u>17,058,667</u>
 Net capital assets	 \$ <u>12,430,639</u>	 \$ <u>(390,388)</u>	 \$ <u>790</u>	 \$ <u>12,039,461</u>
	October 31, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	October 31, <u>2017</u>
Land improvements	\$ 165,617	\$ -0-	\$ -0-	\$ 165,617
Buildings & improvements	20,335,042	1,503,905	17,000	21,821,947
Equipment	6,555,851	382,983	311,721	6,627,113
Construction in progress	<u>754,868</u>	<u>-0-</u>	<u>754,868</u>	<u>-0-</u>
 Total	 27,811,378	 1,886,888	 1,083,589	 28,614,677
Accumulated depreciation	<u>15,610,111</u>	<u>886,292</u>	<u>312,365</u>	<u>16,184,038</u>
 Net capital assets	 \$ <u>12,201,267</u>	 \$ <u>1,000,596</u>	 \$ <u>771,224</u>	 \$ <u>12,430,639</u>

NOTE 7 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

A summary of accrued expenses follows:

	<u>2018</u>	<u>2017</u>
Salaries and wages	\$ 302,873	\$ 268,979
Compensated absences	813,887	712,578
Payroll taxes and withholdings	132,854	127,079
Other accrued expenses	<u>10,114</u>	<u>10,542</u>
 Total accrued expenses	 \$ <u>1,259,728</u>	 \$ <u>1,119,178</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 8 - LONG-TERM DEBT

The following is a summary of the changes in long-term debt as of October 31:

	October 31, <u>2017</u>	<u>Additions</u>	<u>Payments</u>	October 31, <u>2018</u>	<u>Due Within One Year</u>
USDA note payable	\$ <u>929,553</u>	\$ <u>-0-</u>	\$ <u>7,764</u>	\$ <u>921,789</u>	\$ <u>8,315</u>
Total	\$ <u>929,553</u>	\$ <u>-0-</u>	\$ <u>7,764</u>	\$ <u>921,789</u>	\$ <u>8,315</u>
	October 31, <u>2016</u>	<u>Additions</u>	<u>Payments</u>	October 31, <u>2017</u>	<u>Due Within One Year</u>
USDA note payable	\$ <u>936,802</u>	\$ <u>-0-</u>	\$ <u>7,249</u>	\$ <u>929,553</u>	\$ <u>7,764</u>
Total	\$ <u>936,802</u>	\$ <u>-0-</u>	\$ <u>7,249</u>	\$ <u>929,553</u>	\$ <u>7,764</u>

The following are the terms and due dates of the District's long-term debt at October 31, 2018:

USDA note payable at 6.875%, due in 359 monthly installments of \$5,952 through September 30, 2032, with the balance due at that date. The loan is collateralized by two parcels of land owned by the District.

Scheduled principal and interest payments on long-term debt obligations are as follows:

<u>Year Ended October 31,</u>	<u>Long-term Debt Principal</u>	<u>Long-term Debt Interest</u>	<u>Total</u>
2019	\$ 8,315	\$ 63,114	\$ 71,429
2020	8,905	62,524	71,429
2021	9,537	61,892	71,429
2022	10,213	61,216	71,429
2023	10,938	60,491	71,429
2024-2028	67,494	289,651	357,145
2029-2032	<u>806,387</u>	<u>212,336</u>	<u>1,018,723</u>
Totals	\$ <u>921,789</u>	\$ <u>811,224</u>	\$ <u>1,733,013</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 9 - COMPENSATED ABSENCES

Upon completion of six months of employment, employees are eligible for paid time off (PTO). The amount in which each employee is entitled varies depending upon the job classification, length of service, number of hours worked each week, and other factors. A maximum of 400 hours may be carried over from year to year. Any excess must be paid or used by September 30, of a subsequent year. Vested PTO time has been recorded as a liability in the accompanying financial statements at the payroll rates in effect at the balance sheet date.

NOTE 10 - PENSION PLAN

Plan Description - Substantially all Hospital employees are eligible for participation in the Parochial Employees' Retirement System of Louisiana (the "Plan"), a cost-sharing multiple-employer defined benefit pension plan established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana. The plan is governed by R.S. 11:1901 of the Louisiana Revised Statutes (LRS). The Plan is administered by the Parochial Employees' Retirement System of Louisiana.

Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The District participates in Plan A.

The Plan provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the state of Louisiana which does not have their own retirement system and which elects to become a member of the system. All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the Plan.

Retirement Benefits - Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Hospital Service District No. 1
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Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 10 - PENSION PLAN (Continued)

Retirement benefits are determined as an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Disability Benefits - For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

Survivor Benefits - Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes. Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes. A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

Deferred Retirement Option Plan (DROP) - Act 338 of 1990 established the deferred retirement option plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement. In lieu of terminating employment and accepting a service retirement, any member of Plan A who is eligible to retire may elect to participate in the DROP in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Cost of Living Adjustments - The Board is authorized to provide a cost of living allowance for those 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 Board may provide an additional cost of living

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NOTE 10 - PENSION PLAN (Continued)

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 Board may provide a cost of living increase up to 2.5% for retirees 62 and older (LRS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Contributions - According to state statute, contributions for all employers are actuarially determined each year. For the years ended December 31, 2017 and 2016, the actuarially determined contribution rate was 9.35% and 10.52% of member's compensation for Plan A. The actual contribution rate for the years ending December 31, 2017 and 2016 was 12.50% and 13.00% for Plan A. For the period from January 1, 2018 to October 31, 2018, the District's contractually required contribution rate was 11.50% of covered employee's compensation.

According to state statute, the System also receives ¼ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

The following is a schedule that summarizes information regarding contributions to the Plan for the years ended October 31:

	<u>2018</u>	<u>2017</u>
Total District payroll	\$ 10,118,543	\$ 9,719,833
Total covered payroll	8,512,881	8,129,939
Employee contributions	763,064	736,016
Employer contributions	996,789	1,024,929

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At October 31, 2018 and 2017, the District reported an asset of \$985,566 and a liability of \$2,812,805, respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) for the system was measured as of December 31, 2017 and 2016, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined based on an actuarial valuation as of those dates. The District's proportion of the net pension liability (asset) was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contribution of all participating employers, actuarially determined.

As of the most recent measurement dates, the District's proportionate shares were:

	<u>2017</u>	<u>2016</u>
District's proportionate share	1.327815%	1.365762%
Increase (Decrease) from prior year	-0.037947%	-0.040104%

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Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 10 - PENSION PLAN (Continued)

For the years ended October 31, 2018 and 2017, the District recognized a total pension expense of \$1,227,689 and \$1,667,705, respectively. The amounts are made up of the following:

<u>Components of Pension Expense</u>	<u>2018</u>	<u>2017</u>
District's pension expense per the pension plan	\$ 1,231,517	\$ 1,671,232
District's amortization of actual contributions over its proportionate share of contributions	<u>(3,828)</u>	<u>(3,527)</u>
Total pension expense (benefit) recognized by district	\$ <u>1,227,689</u>	\$ <u>1,667,705</u>

The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -0-	\$ (637,980)
Net difference between projected and actual earnings on pension plan investments	-0-	(2,276,943)
Changes in proportion to NPL	1,243,931	-0-
Differences between the District's contributions and its proportionate share of contributions	1,115	(21,120)
The District's contributions subsequent to the December 31, 2017 measurement date	<u>774,222</u>	<u>-0-</u>
Total - October 31, 2018	\$ <u>2,019,268</u>	\$ <u>(2,936,043)</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -0-	\$ (492,215)
Net difference between projected and actual earnings on pension plan investments	2,182,841	-0-
Changes in proportion to NPL	534,027	-0-
Differences between the District's contributions and its proportionate share of contributions	4,216	(14,136)
The District's contributions subsequent to the December 31, 2016 measurement date	<u>799,049</u>	<u>-0-</u>
Total - October 31, 2017	\$ <u>3,520,133</u>	\$ <u>(506,351)</u>

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Years Ended October 31, 2018 and 2017

NOTE 10 - PENSION PLAN (Continued)

Deferred outflows of resources resulting from the District's contributions subsequent to the measurement date totaled \$774,222 at October 31, 2018. This amount will be recognized as a reduction of the net pension liability (asset) in the year ended October 31, 2019.

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

<u>Years Ending October 31,</u>	<u>Amount of Amortization</u>
2019	\$ 139,037
2020	(156,654)
2021	(770,922)
2022	(902,452)

Actuarial Assumptions - The total pension liability in the Plan's December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost
Inflation rate	2.50%
Investment rate of return	6.75% (net of investment expense)
Expected remaining service lives	4 years
Projected salary increases	5.25% (2.75% merit / 2.50% inflation)
Cost of living adjustments	The present value of future retirement benefits is based on benefits currently being paid by the Plan and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Mortality rates	RP-2000 Employee Mortality Table was selected for active members. RP-2000 Healthy Annuity Mortality Table was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

The Plan's December 31, 2017 actuarial valuation was determined using the same actuarial assumptions as the December 31, 2016 valuation with the exception of the investment rate of return. The investment rate of return was 7.00% for the December 31, 2016 measurement date.

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and

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NOTE 10 - PENSION PLAN (Continued)

combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% and 7.66% for the years ended December 31, 2018 and 2017, respectively.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed income	35%	1.24%
Equity	52%	3.57%
Alternatives	11%	0.69%
Real assets	2%	0.12%
Totals	100%	5.62%
Inflation		2.00%
Expected arithmetic nominal return - December 31, 2017		7.62%
Fixed income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real assets	2%	0.12%
Totals	100%	5.66%
Inflation		2.00%
Expected arithmetic nominal return - December 31, 2016		7.66%

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NOTE 10 - PENSION PLAN (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 6.75% and 7.00% for the years ended December 31, 2017 and 2016, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate - The following presents the net pension liability (asset) of the District calculated using the discount rates for the years ended December 31, 2017 and 2016, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>Changes in Discount Rate</u>		
	1% Decrease <u>5.75%</u>	Current Discount Rate <u>6.75%</u>	1% Increase <u>7.75%</u>
Net pension liability (asset) - December 31, 2017	\$ <u>4,859,199</u>	\$ <u>(985,566)</u>	\$ <u>(6,189,943)</u>
	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Net pension liability (asset) - December 31, 2016	\$ <u>8,414,229</u>	\$ <u>2,812,805</u>	\$ <u>(1,923,369)</u>

Non-Employer Contributing Entities - Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The District recognizes revenue in an amount equal to their proportionate share of total contributions to the pension plan from these non-employer contributing entities. The District recognized revenue as a result of support received from non-employer contributing entities of \$98,715 and \$100,887 for the years ended October 31, 2018 and 2017, respectively.

Pension Plan Fiduciary Net Position - The Plan issues a publicly available financial statement report that includes financial statements and required supplementary information. That report may be obtained at www.PERSLA.org or by writing to the Plan at 7905 Wrenwood Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 928-1361.

Hospital Service District No. 1
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Notes to Combined Financial Statements
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NOTE 10 - PENSION PLAN (Continued)

Payables to the Pension Plan - As of October 31, 2018 and 2017, the District had payables due to the Plan of \$134,716 and \$128,083, respectively. These amounts represent one and half month's contributions paid in the month following accrual.

NOTE 11 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a per-diem based on the patient's level of income. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the cost associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The cost of caring for charity care patients were approximately \$100,000 and \$117,000 for the years ended October 31, 2018 and 2017, respectively. Funds received through UCC and grants, which pay part of the cost of charity care and uninsured care, were approximately \$73,000 and \$84,000 for the years ended October 31, 2018 and 2017, respectively.

NOTE 12 - NET PATIENT SERVICE REVENUE

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

Medicare - Prior to November 1, 2004, inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates varied according to a patient classification system that was based on clinical, diagnostic, and other factors. Certain outpatient services related to Medicare beneficiaries were paid based on a set fee per diagnosis with a hold harmless provision for cost reimbursement. Effective November 1, 2004, the District became a Medicare "Critical Access Hospital" (CAH). This designation enables the District to receive cost based reimbursement for most services provided to Medicare beneficiaries on or after this date.

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. Home health services are reimbursed based upon a prospectively determined rate per episode. Hospice services are reimbursed based on a prospectively determined rate per day. The District's Medicare cost reports have been settled by the Medicare fiscal intermediary through October 31, 2016. The intermediary may reopen and further adjust any year within three years of the date of a Notice of Program Reimbursement.

Medicaid - Medicaid inpatient services are reimbursed based upon a prospectively determined per diem rate. Some Medicaid outpatient services are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through October 31, 2013.

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Years Ended October 31, 2018 and 2017

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates. Blue Cross Blue Shield "BCBS" is the largest commercial provider. BCBS charges were 16% and 14% of the total charges for the year ended October 31, 2018 and 2017, respectively.

The following is a summary of the District's net patient service revenue for the years ended October 31:

	<u>2018</u>	<u>2017</u>
Gross charges	\$ 38,016,257	\$ 39,359,583
Less charges associated with charity patients	<u>172,915</u>	<u>208,924</u>
Gross patient service revenue	37,843,342	39,150,659
Less deductions from revenue:		
Contractual adjustments	16,238,096	17,694,527
Discounts	30,901	26,908
Physician supplement revenue	<u>(1,618,701)</u>	<u>(1,509,511)</u>
Patient service revenue (net of contractual adjustments and discounts)	23,193,046	22,938,735
Less provision for bad debts	<u>2,419,213</u>	<u>2,459,818</u>
Net patient service revenue less provision for bad debts	\$ <u>20,773,833</u>	\$ <u>20,478,917</u>

The District receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid net patient service revenues for the years ended October 31:

	<u>2018</u>	<u>2017</u>
Medicare and Medicaid gross patient charges	\$ 18,530,646	\$ 18,922,195
Contractual adjustments, net of UCC	<u>(1,856,792)</u>	<u>(3,317,500)</u>
Program patient service revenue	\$ <u>16,673,854</u>	\$ <u>15,604,695</u>
Percent of total patient gross charges	<u>49%</u>	<u>48%</u>
Percent of total net patient revenues	<u>80%</u>	<u>76%</u>

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. The adjustments resulted in a decrease of \$196,435 in net patient service revenue in fiscal year 2018.

Hospital Service District No. 1
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Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

The Hospital's previous reimbursements are also subject to secondary review by Medicare and Medicaid representatives. These representatives have several initiatives in progress. No material liabilities have been identified to date under these review programs; however, the potential does exist for future claims. These will be recognized in the year the amounts are determined, if any.

NOTE 13 - INTERGOVERNMENTAL TRANSFER GRANTS

The District entered into a cooperative endeavor agreement with a regional public hospital ("Grantor") whereby the Grantor awards an intergovernmental transfer grant ("IGT") to be used solely to provide adequate and essential medically necessary and available healthcare services to the District's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$924,739 and \$1,730,529 for the years ended October 31, 2018 and 2017, respectively.

NOTE 14 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide professional medical liability coverage to health care providers. The fund provides for \$400,000 of coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence. Defense costs are not included in these amounts.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are pro-rated to member hospitals. The District has included these allocations and equity in the trust in its financial statements.

NOTE 15 - WORKMEN'S COMPENSATION

The District participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro-rata share of the resulting deficit. It is not possible to estimate the amount, if any, of additional assessments. The trust fund presumes to be a "Grantor Trust" and accordingly, income and expenses are pro-rated to member hospitals. The District has included these allocations and equity in the trust in its financial statements.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 16 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred.

The following is a schedule by year of future minimum lease payments under operating leases as of October 31, 2018, that have initial or remaining lease terms in excess of one year.

<u>Years Ending October 31,</u>	<u>Amount</u>
2019	\$ 35,048
2020	25,239
2021	14,812
2022	8,828
2023	4,838
2024 and thereafter	<u>-0-</u>
Total minimum lease payments	<u>\$ 88,765</u>

NOTE 17 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowance for loss contingencies is considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited. The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 12) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District.

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

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Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 17 - CONTINGENCIES (Continued)

laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 14) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Payments to Police Jury - During 2018 and 2017, the District transferred \$323,000 and \$323,000 respectively, to the Police Jury for the District's portion of 911 service. These transfers were funded from interest income.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

NOTE 18 - BOARD OF COMMISSIONERS

The following schedule presents a list of the members of the Board of Commissioners of Pointe Coupee General Hospital at October 31, 2018.

Dr. Carl McLemore, M.D., Chairman
Mr. Maurice Picard, Vice Chairman
Mr. Stephen Smith, Secretary
Dr. Donald Doucet, M.D., Finance Chair
Mr. Frank Foti
Ms. Mary Grezaffi
Mr. Anthony Hurst
Mr. John Pourciau
Mr. William Vercher, Jr.

These commissioners serve the District without compensation, per diem or reimbursement of expense, except actual cash out-of-pocket expenses incurred in the performance of their duties.

NOTE 19 - SALES TAX

On September 29, 1984, a 1% sales tax was renewed by the citizens of the parish for an indefinite term. The resolution provides that 50% of such tax shall be dedicated to the District. The remaining tax revenues are designated by the District to be distributed to hospital operations. On November 8, 2016, a ¼% sales tax was approved by citizens of the parish for a ten (10) year term.

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Notes to Combined Financial Statements
Years Ended October 31, 2018 and 2017

NOTE 20 - RELATED PARTY

The District has engaged in transactions with Innis Community Health Center, Inc., a 501(c)(3) corporation. The District has an economic interest in this entity through common board members. Those transactions consist of various expenses in the amount of \$45,421 and \$39,251 for October 31, 2018 and 2017, respectively.

NOTE 21 - COMMITMENTS

The District entered into construction contracts, which totaled \$1,272,616 as of October 31, 2018.

NOTE 22 - SUBSEQUENT EVENTS

Events have been evaluated through April 29, 2019, for subsequent event disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Schedules of Net Patient Service Revenue
Years Ended October 31,

	<u>2018</u>	<u>2017</u>
Routine services:		
Adult and pediatric	\$ <u>590,125</u>	\$ <u>776,475</u>
Total routine services	<u>590,125</u>	<u>776,475</u>
Other professional services:		
Operating room	100,992	131,823
Anesthesiology	201,000	232,800
Radiology	9,197,971	9,165,521
Laboratory	11,612,999	12,108,192
Cardio pulmonary	1,183,530	1,206,994
Physical therapy	3,009,598	2,822,262
Occupational therapy	331,968	311,732
Speech therapy	228,650	211,530
Medical supply	450,145	564,109
Pharmacy	1,178,151	1,439,086
Emergency service	6,453,247	6,781,464
Observation room	142,185	188,695
Hospice	1,264,927	1,304,988
Wound care	118,976	1,858
Chemical dependency services	50,707	51,368
Home health	<u>1,901,086</u>	<u>2,060,686</u>
Total other professional services	<u>37,426,132</u>	<u>38,583,108</u>
Gross charges	\$ <u>38,016,257</u>	\$ <u>39,359,583</u>

Hospital Service District No. 1
 Of the Parish of Pointe Coupee and Affiliate
 Schedules of Net Patient Service Revenue (Continued)
 Years Ended October 31,

	<u>2018</u>	<u>2017</u>
Less charges associated with charity patients	\$ <u>(172,915)</u>	\$ <u>(208,924)</u>
Gross patient service revenue	37,843,342	39,150,659
Less deductions from revenue:		
Contractual adjustments	(16,238,096)	(17,694,527)
Discounts	(30,901)	(26,908)
Physician supplement revenue	<u>1,618,701</u>	<u>1,509,511</u>
Patient service revenue	23,193,046	22,938,735
Less provision for bad debts	<u>(2,419,213)</u>	<u>(2,459,818)</u>
Net patient service revenue	\$ <u>20,773,833</u>	\$ <u>20,478,917</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Schedules of Other Revenue
Years Ended October 31,

	<u>2018</u>	<u>2017</u>
Rent	\$ 677,908	\$ 656,411
Medical record abstracts	5,364	13,294
Cafeteria	98,613	116,540
Miscellaneous revenue	<u>122,884</u>	<u>110,886</u>
 Total other operating revenue	 \$ <u>904,769</u>	 \$ <u>897,131</u>

Hospital Service District No. 1
 Of the Parish of Pointe Coupee and Affiliate
 Schedules of Expenses – Salaries and Benefits
 Years Ended October 31,

	<u>2018</u>	<u>2017</u>
Salaries:		
Administration	\$ 1,584,569	\$ 1,447,767
Plant operations and maintenance	310,351	304,534
Laundry	24,021	41,071
Housekeeping	372,607	347,226
Dietary and cafeteria	349,107	339,542
Nursing administration	128,515	123,369
Medical records	223,890	217,860
Nursing services	1,828,272	1,864,029
Central supply	71,557	64,181
Operating room	88,415	89,477
Radiology	838,709	800,589
Laboratory	992,349	881,630
Cardio pulmonary	313,505	309,687
Pharmacy	242,031	231,709
Emergency room	497,785	438,822
Home health	1,266,480	1,283,911
District	210,789	200,525
Health unit	112,284	93,510
Hospice	<u>663,307</u>	<u>640,394</u>
 Total salaries	 <u>10,118,543</u>	 <u>9,719,833</u>
Benefits:		
Employee benefits	1,471,534	1,894,696
Hospitalization insurance	<u>850,500</u>	<u>833,776</u>
 Total benefits	 <u>2,322,034</u>	 <u>2,728,472</u>
 Total salaries and benefits	 \$ <u>12,440,577</u>	 \$ <u>12,448,305</u>

Hospital Service District No. 1
 Of the Parish of Pointe Coupee and Affiliate
 Schedules of Expenses – Medical Supplies and Drugs
 Years Ended October 31,

	<u>2018</u>	<u>2017</u>
Nursing services	\$ 80,323	\$ 83,146
Operating room	21,461	20,541
Anesthesiology	2,090	1,816
Radiology	45,238	67,782
Laboratory and blood	493,603	417,408
Cardio pulmonary	68,234	55,901
Physical therapy	28,380	23,174
Central supply	92,540	88,583
Pharmacy	350,744	321,752
Wound clinic	750	-0-
Emergency room	108,071	129,820
Home health	20,492	17,165
Hospice	<u>72,937</u>	<u>76,812</u>
 Total medical supplies and drugs	 \$ <u><u>1,384,863</u></u>	 \$ <u><u>1,303,900</u></u>

Hospital Service District No. 1
 Of the Parish of Pointe Coupee and Affiliate
 Schedules of Expenses – Professional Fees
 Years Ended October 31,

	<u>2018</u>	<u>2017</u>
Nursing services	\$ 15,905	\$ 10,047
Operating room	-0-	925
Anesthesiology	88,270	98,622
Radiology	335,392	313,662
Laboratory and blood	306,252	313,827
Physical therapy	1,332,124	1,188,334
Cardio pulmonary	121,579	105,459
Pharmacy	45,851	49,983
Hospice	755	949
Wound clinic	66,750	-0-
Emergency room	692,209	720,037
Ambulance	29,283	37,978
Home health	86,058	73,930
Physician clinic	<u>10,533</u>	<u>15,385</u>
 Total professional fees	 \$ <u>3,130,961</u>	 \$ <u>2,929,138</u>

Hospital Service District No. 1
 Of the Parish of Pointe Coupee and Affiliate
 Schedules of Expenses – Other Expenses
 Years Ended October 31,

	<u>2018</u>	<u>2017</u>
Purchased services	\$ 1,794,783	\$ 1,790,934
Medical specialist	2,750	8,950
Collection fees	32,744	44,507
Supplies	564,341	629,914
Repairs and maintenance	111,470	146,083
Utilities	376,160	375,700
Telephone	85,679	56,696
Travel	133,988	116,290
Rentals	210,309	194,360
Advertising	120,081	103,177
Dues and subscriptions	136,857	123,283
Inter-governmental transfer	816,084	793,959
Miscellaneous	<u>548,348</u>	<u>495,707</u>
 Total other expenses	 \$ <u>4,933,594</u>	 \$ <u>4,879,560</u>

Hospital Service District No.1
Of the Parish of Pointe Coupee and Affiliate
Schedule of Proportionate Share of Net Pension Liability

Fiscal Year*	Agency's proportion of the net pension liability (asset)	Agency's proportionate share of the net pension liability (asset)	Agency's covered payroll	Agency's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Louisiana Parochial Employees' Retirement System					
2014	1.431669%	\$ 391,430	\$ 8,061,572	4.9%	99.15%
2015	1.405866%	3,700,644	8,003,102	46.2%	92.23%
2016	1.365762%	2,812,805	8,079,457	34.8%	94.15%
2017	1.327815%	(985,566)	8,172,920	-12.1%	101.98%

*Amounts presented were determined as of the measurement date (December 31).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of Benefit Terms

There were no changes of benefit terms for the four years ended December 31, 2017.

Changes of Assumptions

For the actuarial valuation dated December 31, 2015, the discount rate was reduced from 7.25% to 7.00%, the inflation rate was reduced from 3.0% to 2.5%, and the rate for projected salary increases was reduced from 5.75% to 5.25%.

For the actuarial valuation dated December 31, 2017, the discount rate was reduced from 7.00% to 6.75%.

Hospital Service District No.1
Of the Parish of Pointe Coupee and Affiliate
Schedule of Employer Contributions to Pension Plan

Fiscal Year*	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution Deficiency (Excess)	Agency's covered payroll	Contributions as a percentage of covered payroll
Louisiana Parochial Employees' Retirement System					
2015	\$ 1,195,934	\$ 1,195,934	\$ -	\$ 8,042,831	14.9%
2016	1,107,839	1,107,839	-	8,283,695	13.4%
2017	1,024,929	1,024,929	-	8,129,939	12.6%
2018	996,789	996,789	-	8,512,881	11.7%

*Amounts presented were determined as of the end of the fiscal year.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Hospital Service District No.1
 Of the Parish of Pointe Coupee and Affiliate
 Schedule of Compensation, Benefits and Other
 Payments to Chief Executive Officer
 Year Ended October 31, 2018

Agency Head Name: Chad Olinde
 Position: Chief Executive Officer
 Time Period: November 1, 2017 to October 31, 2018

<u>Purpose</u>	<u>Amount</u>
Salary	223,394
Health insurance	7,757
Retirement	4,598
Car allowance	-0-
Vehicle provided by government	-0-
Reimbursements	-0-
Travel	1,150
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	3,449
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-

Agency Head Name: Jeanine Thibodeaux
 Position: Administrator
 Time Period: November 1, 2017 to October 31, 2018

<u>Purpose</u>	<u>Amount</u>
Salary	144,663
Health insurance	-0-
Retirement	16,768
Car allowance	-0-
Vehicle provided by government	-0-
Reimbursements	30
Travel	-0-
Registration fees	753
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	37

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Net Position
October 31, 2018

<u>Assets</u>	<u>Pointe Coupee General Hospital</u>	<u>Pointe Coupee Home Health & Hospice</u>	<u>Maison Pointe Coupee Apartments</u>	<u>Eliminating Entries</u>	<u>Combined</u>
Current assets:					
Cash and cash equivalents (Note 3)	\$ 1,268,096	\$ 57,654	\$ 47,239	\$ -0-	\$ 1,372,989
Patient accounts receivable, net of estimated uncollectibles (Note 5)	1,641,462	252,626	1,941	-0-	1,896,029
Estimated third-party payor settlements	1,238,316	-0-	-0-	-0-	1,238,316
Other receivables	280	-0-	-0-	-0-	280
Inventory	473,812	9,804	-0-	-0-	483,616
Prepaid expenses	<u>42,424</u>	<u>5,480</u>	<u>2,291</u>	<u>-0-</u>	<u>50,195</u>
Total current assets	4,664,390	325,564	51,471	-0-	5,041,425
Assets limited as to use (Note 4)	1,550,363	-0-	361,092	-0-	1,911,455
Land	1,874,398	-0-	100,000	-0-	1,974,398
Capital assets, net (Note 6)	10,844,755	41,154	1,153,552	-0-	12,039,461
Other assets:					
Investments	21,246,890	2,210	-0-	-0-	21,249,100
LHA investment	222,523	-0-	-0-	-0-	222,523
Net pension asset (Note 10)	<u>985,566</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>985,566</u>
Total assets	<u>41,388,885</u>	<u>368,928</u>	<u>1,666,115</u>	<u>-0-</u>	<u>43,423,928</u>
Deferred outflows					
related to net pension liability	<u>2,019,268</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,019,268</u>
Total assets and deferred outflows of resources	\$ <u>43,408,153</u>	\$ <u>368,928</u>	\$ <u>1,666,115</u>	\$ <u>-0-</u>	\$ <u>45,443,196</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Net Position (Continued)
October 31, 2018

	Pointe Coupee General <u>Hospital</u>	Pointe Coupee Home Health & Hospice	Maison Pointe Coupee Apartments	Eliminating Entries	<u>Combined</u>
<u>Liabilities and Net Position</u>					
Current liabilities:					
Accounts payable	\$ 397,164	\$ 39,201	\$ 6,778	\$ -0-	\$ 443,143
Accrued expenses and withholdings payable (Note 7)	1,063,592	186,022	10,114	-0-	1,259,728
Estimated third-party payor settlements	705,177	-0-	-0-	-0-	705,177
Current maturities of long-term debt (Note 8)	<u>-0-</u>	<u>-0-</u>	<u>8,315</u>	<u>-0-</u>	<u>8,315</u>
Total current liabilities	<u>2,165,933</u>	<u>225,223</u>	<u>25,207</u>	<u>-0-</u>	<u>2,416,363</u>
Net pension liability (Note 10)	-0-	-0-	-0-	-0-	-0-
Long-term debt, net of current maturities (Note 8)	<u>-0-</u>	<u>-0-</u>	<u>913,474</u>	<u>-0-</u>	<u>913,474</u>
Total liabilities	<u>2,165,933</u>	<u>225,223</u>	<u>938,681</u>	<u>-0-</u>	<u>3,329,837</u>
Deferred inflows related to net pension liability	<u>2,936,043</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,936,043</u>
Net position:					
Invested in capital assets, net of related debt	10,844,755	41,154	231,763	-0-	11,117,672
Restricted - Donor capital	-0-	-0-	847,862	-0-	847,862
Unrestricted	<u>27,461,421</u>	<u>102,551</u>	<u>(352,190)</u>	<u>-0-</u>	<u>27,211,782</u>
Total net position	<u>38,306,176</u>	<u>143,705</u>	<u>727,435</u>	<u>-0-</u>	<u>39,177,316</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u>43,408,152</u>	\$ <u>368,928</u>	\$ <u>1,666,116</u>	\$ <u>-0-</u>	\$ <u>45,443,196</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Net Position
October 31, 2017

<u>Assets</u>	<u>Pointe Coupee General Hospital</u>	<u>Pointe Coupee Home Health & Hospice</u>	<u>Maison Pointe Coupee Apartments</u>	<u>Eliminating Entries</u>	<u>Combined</u>
Current assets:					
Cash and cash equivalents (Note 3)	\$ 2,168,948	\$ 45,560	\$ 19,964	\$ -0-	\$ 2,234,472
Patient accounts receivable, net of estimated uncollectibles (Note 5)	1,912,933	209,939	12,103	-0-	2,134,975
Estimated third-party payor settlements	936,900	-0-	-0-	-0-	936,900
Other receivables	280	-0-	-0-	-0-	280
Inventory	460,063	11,308	-0-	-0-	471,371
Prepaid expenses	<u>16,899</u>	<u>5,555</u>	<u>1,339</u>	<u>-0-</u>	<u>23,793</u>
 Total current assets	 5,496,023	 272,362	 33,406	 -0-	 5,801,791
 Assets limited as to use (Note 4)	 1,523,927	 -0-	 360,479	 -0-	 1,884,406
 Land	 1,874,398	 -0-	 100,000	 -0-	 1,974,398
 Capital assets, net (Note 6)	 11,199,705	 39,404	 1,191,530	 -0-	 12,430,639
Other assets:					
Investments	19,197,622	2,172	-0-	-0-	19,199,794
LHA investment	<u>222,523</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>222,523</u>
 Total assets	 <u>39,514,198</u>	 <u>313,938</u>	 <u>1,685,415</u>	 <u>-0-</u>	 <u>41,513,551</u>
Deferred outflows					
related to net pension liability	<u>3,520,132</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,520,132</u>
 Total assets and deferred outflows of resources	 \$ <u>43,034,330</u>	 \$ <u>313,938</u>	 \$ <u>1,685,415</u>	 \$ <u>-0-</u>	 \$ <u>45,033,683</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Net Position (Continued)
October 31, 2017

	<u>Pointe Coupee General Hospital</u>	<u>Pointe Coupee Home Health & Hospice</u>	<u>Maison Pointe Coupee Apartments</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<u>Liabilities and Net Position</u>					
Current liabilities:					
Accounts payable	\$ 300,533	\$ 53,704	\$ 7,695	\$ -0-	\$ 361,932
Accrued expenses and withholdings payable (Note 7)	939,682	168,954	10,542	-0-	1,119,178
Estimated third-party payor settlements	1,403,766	-0-	-0-	-0-	1,403,766
Current maturities of long-term debt (Note 8)	<u>-0-</u>	<u>-0-</u>	<u>7,764</u>	<u>-0-</u>	<u>7,764</u>
Total current liabilities	<u>2,643,981</u>	<u>222,658</u>	<u>26,001</u>	<u>-0-</u>	<u>2,892,640</u>
Net pension liability (Note 10)	2,812,805	-0-	-0-	-0-	2,812,805
Long-term debt, net of current maturities (Note 8)	<u>-0-</u>	<u>-0-</u>	<u>921,789</u>	<u>-0-</u>	<u>921,789</u>
Total liabilities	<u>5,456,786</u>	<u>222,658</u>	<u>947,790</u>	<u>-0-</u>	<u>6,627,234</u>
Deferred inflows related to net pension liability	<u>506,351</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>506,351</u>
Net position					
Invested in capital assets, net of related debt	11,199,705	39,404	261,977	-0-	11,501,086
Restricted - Donor capital	-0-	-0-	847,862	-0-	847,862
Unrestricted	<u>25,871,487</u>	<u>51,876</u>	<u>(372,213)</u>	<u>-0-</u>	<u>25,551,150</u>
Total net position	<u>37,071,192</u>	<u>91,280</u>	<u>737,626</u>	<u>-0-</u>	<u>37,900,098</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 43,034,329</u>	<u>\$ 313,938</u>	<u>\$ 1,685,416</u>	<u>\$ -0-</u>	<u>\$ 45,033,683</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Revenue, Expenses, and Changes in Net Position
Year Ended October 31, 2018

	Pointe Coupee General <u>Hospital</u>	Pointe Coupee Home Health & Hospice	Maison Pointe Coupee Apartments	Eliminating Entries	<u>Combined</u>
Revenue:					
Net patient service revenue	\$ 18,082,215	\$ 2,691,618	\$ -0-	\$ -0-	\$ 20,773,833
Sales tax revenue	2,066,644	-0-	-0-	-0-	2,066,644
Intergovernmental transfer grant	924,739	-0-	-0-	-0-	924,739
Grants	4,700	-0-	-0-	-0-	4,700
Other operating revenue	<u>585,068</u>	<u>639</u>	<u>319,062</u>	<u>-0-</u>	<u>904,769</u>
Total revenue	<u>21,663,366</u>	<u>2,692,257</u>	<u>319,062</u>	<u>-0-</u>	<u>24,674,685</u>
Expenses:					
Salaries and benefits	10,047,388	2,326,084	67,105	-0-	12,440,577
Medical supplies and drugs	1,291,434	93,429	-0-	-0-	1,384,863
Insurance	272,749	30,000	21,140	-0-	323,889
Professional fees	3,044,675	86,286	-0-	-0-	3,130,961
Depreciation	803,913	14,759	58,558	-0-	877,230
Other expenses	<u>4,085,575</u>	<u>729,190</u>	<u>118,829</u>	<u>-0-</u>	<u>4,933,594</u>
Total expenses	<u>19,545,734</u>	<u>3,279,748</u>	<u>265,632</u>	<u>-0-</u>	<u>23,091,114</u>
Operating income (loss)	<u>2,117,632</u>	<u>(587,491)</u>	<u>53,430</u>	<u>-0-</u>	<u>1,583,571</u>
Nonoperating income (loss):					
Investment income	375,740	38	-0-	-0-	375,778
Interest expense	-0-	-0-	(63,621)	-0-	(63,621)
Gain (loss) on disposal of assets	-0-	(122)	-0-	-0-	(122)
Intergovernmental transfers	(640,000)	640,000	-0-	-0-	-0-
Payments to Police Jury	<u>(323,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(323,000)</u>
Nonoperating income (loss), net	<u>(587,260)</u>	<u>639,916</u>	<u>(63,621)</u>	<u>-0-</u>	<u>(10,965)</u>
Excess of revenues (expenses)					
before capital grants	1,530,372	52,425	(10,191)	-0-	1,572,606
Capital grants	<u>4,500</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,500</u>
Excess of revenues (expenses)	1,534,872	52,425	(10,191)	-0-	1,577,106
Other comprehensive income					
Unrealized investment gains (losses)	<u>(299,888)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(299,888)</u>
Comprehensive income (loss)	1,234,984	52,425	(10,191)	-0-	1,277,218
Beginning net position	<u>37,071,192</u>	<u>91,280</u>	<u>737,626</u>	<u>-0-</u>	<u>37,900,098</u>
Ending net position	\$ <u>38,306,176</u>	\$ <u>143,705</u>	\$ <u>727,435</u>	\$ <u>-0-</u>	\$ <u>39,177,316</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Revenue, Expenses, and Changes in Net Position
Year Ended October 31, 2017

	Pointe Coupee General Hospital	Pointe Coupee Home Health & Hospice	Maison Pointe Coupee Apartments	Eliminating Entries	Combined
Revenue:					
Net patient service revenue	\$ 17,602,666	\$ 2,876,251	\$ -0-	\$ -0-	\$ 20,478,917
Sales tax revenue	1,972,582	-0-	-0-	-0-	1,972,582
Intergovernmental transfer grant	1,730,529	-0-	-0-	-0-	1,730,529
Grants	2,565	-0-	-0-	-0-	2,565
Other operating revenue	<u>583,544</u>	<u>1,499</u>	<u>312,088</u>	<u>-0-</u>	<u>897,131</u>
Total revenue	<u>21,891,886</u>	<u>2,877,750</u>	<u>312,088</u>	<u>-0-</u>	<u>25,081,724</u>
Expenses:					
Salaries and benefits	10,047,107	2,332,864	68,334	-0-	12,448,305
Medical supplies and drugs	1,210,023	93,877	-0-	-0-	1,303,900
Insurance	323,813	57,719	21,006	-0-	402,538
Professional fees	2,853,948	75,190	-0-	-0-	2,929,138
Depreciation	816,478	12,608	57,203	-0-	886,289
Other expenses	<u>3,963,423</u>	<u>801,534</u>	<u>114,603</u>	<u>-0-</u>	<u>4,879,560</u>
Total expenses	<u>19,214,792</u>	<u>3,373,792</u>	<u>261,146</u>	<u>-0-</u>	<u>22,849,730</u>
Operating income (loss)	<u>2,677,094</u>	<u>(496,042)</u>	<u>50,942</u>	<u>-0-</u>	<u>2,231,994</u>
Nonoperating income (loss):					
Investment income	282,467	18	-0-	-0-	282,485
Interest expense	-0-	-0-	(64,138)	-0-	(64,138)
Gain (loss) on disposal of assets	-0-	-0-	-0-	-0-	-0-
Intergovernmental transfers	(484,000)	484,000	-0-	-0-	-0-
Payments to Police Jury	<u>(323,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(323,000)</u>
Nonoperating income (loss), net	<u>(524,533)</u>	<u>484,018</u>	<u>(64,138)</u>	<u>-0-</u>	<u>(104,653)</u>
Excess of revenues (expenses)					
before capital grants	2,152,561	(12,024)	(13,196)	-0-	2,127,341
Capital grants	<u>12,873</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>12,873</u>
Excess of revenues (expenses)	2,165,434	(12,024)	(13,196)	-0-	2,140,214
Other comprehensive income					
Unrealized investment gains (losses)	<u>(274,162)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(274,162)</u>
Comprehensive income (loss)	1,891,272	(12,024)	(13,196)	-0-	1,866,052
Beginning net position	<u>35,179,920</u>	<u>103,304</u>	<u>750,822</u>	<u>-0-</u>	<u>36,034,046</u>
Ending net position	\$ <u>37,071,192</u>	\$ <u>91,280</u>	\$ <u>737,626</u>	\$ <u>-0-</u>	\$ <u>37,900,098</u>

Hospital Service District No.1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Operations by Service Component
Year Ended October 31, 2018

	-----District Summary-----						
	Hospital	COA*	Home Health & Hospice	Innis	Elderly Housing	District**	Total
Revenue:							
Net patient service revenue	\$ 18,082,215	\$ -0-	\$ 2,691,618	\$ -0-	\$ -0-	\$ -0-	\$ 20,773,833
Sales tax revenue	2,066,644	-0-	-0-	-0-	-0-	-0-	2,066,644
Intergovernmental transfer grant	924,739	-0-	-0-	-0-	-0-	-0-	924,739
Grants	4,700	-0-	-0-	-0-	-0-	-0-	4,700
Other	<u>225,609</u>	<u>-0-</u>	<u>639</u>	<u>-0-</u>	<u>319,062</u>	<u>359,459</u>	<u>904,769</u>
 Total revenue	 <u>21,303,907</u>	 <u>-0-</u>	 <u>2,692,257</u>	 <u>-0-</u>	 <u>319,062</u>	 <u>359,459</u>	 <u>24,674,685</u>
Expenses:							
Salaries and benefits	9,907,094	-0-	2,326,084	-0-	67,105	140,294	12,440,577
Medical supplies and drugs	1,291,434	-0-	93,429	-0-	-0-	-0-	1,384,863
Insurance	272,749	-0-	30,000	-0-	21,140	-0-	323,889
Professional fees	3,033,794	-0-	86,286	-0-	-0-	10,881	3,130,961
Depreciation	612,193	-0-	14,759	14,791	58,558	176,929	877,230
Other expenses	<u>3,614,189</u>	<u>296,080</u>	<u>729,190</u>	<u>30,630</u>	<u>118,829</u>	<u>144,676</u>	<u>4,933,594</u>
 Total expenses	 <u>18,731,453</u>	 <u>296,080</u>	 <u>3,279,748</u>	 <u>45,421</u>	 <u>265,632</u>	 <u>472,780</u>	 <u>23,091,114</u>
 Operating income (loss)	 <u>2,572,454</u>	 <u>(296,080)</u>	 <u>(587,491)</u>	 <u>(45,421)</u>	 <u>53,430</u>	 <u>(113,321)</u>	 <u>1,583,571</u>
Nonoperating income (loss):							
Investment income	375,740	-0-	38	-0-	-0-	-0-	375,778
Interest expense	-0-	-0-	-0-	-0-	(63,621)	-0-	(63,621)
Gain (loss) on disposal of asset	(122)	-0-	-0-	-0-	-0-	-0-	(122)
Payments to Police Jury	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(323,000)</u>	<u>(323,000)</u>
 Nonoperating income (loss), net	 <u>375,618</u>	 <u>-0-</u>	 <u>38</u>	 <u>-0-</u>	 <u>(63,621)</u>	 <u>(323,000)</u>	 <u>(10,965)</u>
Excess of revenues (expenses)							
before capital grants	2,948,072	(296,080)	(587,453)	(45,421)	(10,191)	(436,321)	1,572,606
Capital grants	<u>4,500</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,500</u>
 Excess of revenues (expenses)	 <u>\$ 2,952,572</u>	 <u>\$ (296,080)</u>	 <u>\$ (587,453)</u>	 <u>\$ (45,421)</u>	 <u>\$ (10,191)</u>	 <u>\$ (436,321)</u>	 <u>\$ 1,577,106</u>

* Council on Aging

** Remaining non-hospital activities of the District

Hospital Service District No.1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Operations by Service Component
Year Ended October 31, 2017

	Hospital	COA*	Home Health & Hospice	-----District Summary-----			Total
			Innis	Elderly Housing	District**		
Revenue:							
Net patient service revenue	\$ 17,602,666	\$ -0-	\$ 2,876,251	\$ -0-	\$ -0-	\$ -0-	\$ 20,478,917
Sales tax revenue	1,972,582	-0-	-0-	-0-	-0-	-0-	1,972,582
Intergovernmental transfer grant	1,730,529	-0-	-0-	-0-	-0-	-0-	1,730,529
Grants	2,565	-0-	-0-	-0-	-0-	-0-	2,565
Other	238,941	-0-	1,499	-0-	312,088	344,603	897,131
Total revenue	21,547,283	-0-	2,877,750	-0-	312,088	344,603	25,081,724
Expenses:							
Salaries and benefits	9,924,984	-0-	2,332,864	-0-	68,334	122,123	12,448,305
Medical supplies and drugs	1,210,023	-0-	93,877	-0-	-0-	-0-	1,303,900
Insurance	323,813	-0-	57,719	-0-	21,006	-0-	402,538
Professional fees	2,853,948	-0-	75,190	-0-	-0-	-0-	2,929,138
Depreciation	626,401	-0-	12,608	14,603	57,203	175,474	886,289
Other expenses	3,536,951	300,301	801,534	24,648	114,603	101,523	4,879,560
Total expenses	18,476,120	300,301	3,373,792	39,251	261,146	399,120	22,849,730
Operating income (loss)	3,071,163	(300,301)	(496,042)	(39,251)	50,942	(54,517)	2,231,994
Nonoperating income (loss):							
Investment income	282,467	-0-	18	-0-	-0-	-0-	282,485
Interest expense	-0-	-0-	-0-	-0-	(64,138)	-0-	(64,138)
Gain (loss) on disposal of asset	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Payments to Police Jury	-0-	-0-	-0-	-0-	-0-	(323,000)	(323,000)
Nonoperating income (loss), net	282,467	-0-	18	-0-	(64,138)	(323,000)	(104,653)
Excess of revenues (expenses) before capital grants							
	3,353,630	(300,301)	(496,024)	(39,251)	(13,196)	(377,517)	2,127,341
Capital grants	12,873	-0-	-0-	-0-	-0-	-0-	12,873
Excess of revenues (expenses)	\$ 3,366,503	\$ (300,301)	\$ (496,024)	\$ (39,251)	\$ (13,196)	\$ (377,517)	\$ 2,140,214

* Council on Aging

** Remaining non-hospital activities of the District



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

To the Board of Commissioners
Hospital Service District No. 1
Parish of Pointe Coupee, State of Louisiana
New Roads, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of the Hospital Service District No. 1, Parish of Pointe Coupee, (the "District" or the "Hospital"), a component unit of the Pointe Coupee Parish Police Jury, as of and for the years ended October 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 29, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2018-01, 2018-02 and 2018-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's combined 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 required to be reported under *Government Auditing Standards*.

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Alexandria, Louisiana

April 29, 2019



POINTE COUPEE GENERAL HOSPITAL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED OCTOBER 31, 2018

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified – No
- Significant deficiencies identified – Yes

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – Not applicable

Section II. Financial Statement Findings

FINDING 2018-01 - Draft of Financial Statements

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

Recommendation: Management should either (a) obtain the resources necessary to internally prepare or review the auditors' preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency.

FINDING 2018-02 - Segregation of Duties

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.



POINTE COUPEE GENERAL HOSPITAL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED OCTOBER 31, 2018

Section II. Financial Statement Findings (Continued)

FINDING 2018-02 - Segregation of Duties (Continued)

Response: Management will continue to segregate duties as much as possible and will closely supervise and review duties to prevent errors.

FINDING 2018-03 - Third-party Payor Settlements

Finding: Management is responsible for calculating and recording estimates of interim (Medicare and Medicaid) cost settlements. An adjustment of \$1,063,206 was made to record the FY 2018 cost report payable to Medicare and Medicaid.

Recommendation: Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefits.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end. Management will record differences between interim payments and actual cost report settlements. These differences will be charged against income in the future periods when determinable.

Section III. Management Letter

Not Applicable

Section IV. Federal Award Findings and Questioned Costs

Not Applicable



POINTE COUPEE GENERAL HOSPITAL
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED OCTOBER 31, 2018

Section I. Financial Statement Findings

FINDING 2017-01 - Draft of Financial Statements

Fiscal Year Initially Reported: October 31, 2007

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

Recommendation: Management should either (a) obtain the resources necessary to internally prepare or review the auditors' preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency.

Current Status: Not resolved - See finding 2018-01

FINDING 2017-02 - Segregation of Duties

Fiscal Year Initially Reported: October 31, 2007

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: Management will continue to segregate duties as much as possible and will closely supervise and review duties to prevent errors.

Current Status: Not resolved - See finding 2018-02

FINDING 2017-03 - Third-party Payor Settlements

Fiscal Year Initially Reported: October 31, 2016

Finding: Management is responsible for calculating and recording estimates of interim (Medicare and Medicaid) cost settlements. An adjustment of \$657,705 was made to record the FY 2017 cost report payable to Medicare and Medicaid.



POINTE COUPEE GENERAL HOSPITAL
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED OCTOBER 31, 2018

Section I. Financial Statement Findings (Continued)

FINDING 2017-03 - Third-party Payor Settlements (Continued)

Recommendation: Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefits.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end. Management will record differences between interim payments and actual cost report settlements. These differences will be charged against income in the future periods when determinable.

Current Status: Not resolved - See finding 2018-03

FINDING 2017-04 - Pension Plan

Fiscal Year Initially Reported: October 31, 2016

Finding: The District did not record an estimate of the net pension liability or deferred inflows and outflows as required by GASB 68.

Recommendation: Financial statements should reflect an estimate of pension expense with related inflows and outflows as required by GASB 68.

Response: An estimate of the net pension liability along with deferred inflows and outflows will be recorded on future financial statements.

Current Status: Resolved

Section II. Management Letter

Not Applicable

Section III. Federal Award Findings and Questioned Costs

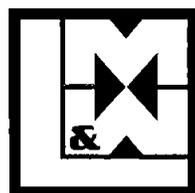
Not Applicable



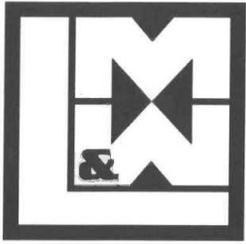
HOSPITAL SERVICE DISTRICT NO. 1
PARISH OF POINTE COUPEE

INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED UPON
PROCEDURES

FOR THE YEAR ENDED
OCTOBER 31, 2018



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
of Hospital Service District No. 1,
Parish of Pointe Coupee, State of Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Hospital Service District No. 1, Parish of Pointe Coupee and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period November 1, 2017 through October 31, 2018. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - 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/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - 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.

Board of Commissioners
of Hospital Service District No. 1,
Parish of Pointe Coupee, State of Louisiana
and the Louisiana Legislative Auditor

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Exceptions: The governing board approved policies on February 20, 2018. The purchasing policy does not state how vendors are added.

Management's Response: Management will continue to update and to implement policies as needed.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Exceptions: The board meets on a monthly basis according to its bylaws. During the period under examination, the board did not meet two (2) of the twelve (12) months.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:



Board of Commissioners
of Hospital Service District No. 1,
Parish of Pointe Coupee, State of Louisiana
and the Louisiana Legislative Auditor

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exceptions: One reconciliation did not have evidence that the reconciliation was prepared within two (2) months of the statement closing date.

Management's Response: Management will ensure bank reconciliations include evidence that they were prepared within two (2) months of the closing date.

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day).
Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.



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- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2018, since fiscal year 2017 did not contain any exceptions.

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

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

Exceptions: The employee responsible for processing payments can add and modify vendor files, and the changes are not periodically reviewed.

Management's Response: Due to every check requiring two signatures, each payment is being reviewed by two people independent of processing payments.



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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, 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) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Exceptions: One statement did not have evidence that it was reviewed and approved by someone other than the authorized cardholder. Of the 30 transactions tested, six (6) did not have an original, itemized receipt, eight (8) did not have written documentation of the business purpose, and four (4) did not have documentation of individuals participating in meals.

Management's Response: Credit card statements and supporting documentation for the CEO and Administrator will be reviewed and signed by a member of the governing board. Efforts will be made to ensure all transactions have an original, itemized receipt with a documented business purpose.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.



- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exceptions: No exceptions noted in applying the above procedures.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Exceptions: No exceptions noted in applying the above procedures.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain



related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

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

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2018, since fiscal year 2017 did not contain any exceptions.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2018, since fiscal year 2017 did not contain any exceptions.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Exceptions: The above procedures are not applicable, as the District has not incurred debt.

Other

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



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

Exceptions: No exceptions noted in applying the above procedures.

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

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



Certified Public Accountants
Alexandria, Louisiana

April 16, 2019

