

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion, State of Louisiana
Kaplan, Louisiana

Financial Report

Years Ended September 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
 Hospital Service District No. 1
 Parish of Vermilion, State of Louisiana
 Kaplan, Louisiana

We have audited the accompanying financial statements of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, (the District), as a component unit of the Vermilion Parish Police Jury, as of and for the years ended September 30, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, as of September 30, 2018 and 2017, and the respective changes in financial position and, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana's financial statements as a whole. The accompanying information on pages 17 through 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 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 a report dated January 21, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dawall, Sikes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana
January 21, 2019

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Statements of Net Position
September 30, 2018 and 2017

ASSETS

| | 2018 | 2017 |
|--|--------------|--------------|
| CURRENT ASSETS | | |
| Cash | \$ 6,594,874 | \$ 6,462,557 |
| Certificates of deposit | 11,530,035 | 11,444,017 |
| Investment securities, at market | 5,881,820 | 4,853,410 |
| Sales tax receivable | 209,721 | 185,791 |
| Accrued interest receivable | 139,420 | 85,551 |
| Note receivable, current portion | 326,700 | 326,700 |
| Estimated third-party payor settlements | - | 221,832 |
| Prepaid expenses | 36,115 | 36,543 |
| Total current assets | 24,718,685 | 23,616,401 |
| NONCURRENT ASSETS | | |
| Note receivable, net of current portion | 1,637,854 | 1,964,554 |
| ASSETS WHOSE USE IS LIMITED BY THE BOARD FOR CAPITAL IMPROVEMENTS | | |
| Cash | 95 | 123 |
| Certificates of deposit | 2,063,509 | 2,413,387 |
| Investment securities, at market | 190,874 | 198,148 |
| | 2,254,478 | 2,611,658 |
| PROPERTY, PLANT, AND EQUIPMENT, net | | |
| Land | 58,893 | 58,893 |
| Depreciable assets, net accumulated depreciation | 2,651,613 | 3,037,140 |
| Construction in progress | 488,890 | - |
| Total capital assets, net of accumulated depreciation | 3,199,396 | 3,096,033 |
| TOTAL ASSETS | \$31,810,413 | \$31,288,646 |

LIABILITIES AND NET POSITION

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 708,352 | \$ 188,574 |
| Other payables | <u>1,111</u> | <u>1,111</u> |
| Total current liabilities | <u>709,463</u> | <u>189,685</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 3,199,396 | 3,096,033 |
| Unrestricted | <u>27,901,554</u> | <u>28,002,928</u> |
| Total net position | <u>31,100,950</u> | <u>31,098,961</u> |
| | | |
| TOTAL LIABILITIES AND NET POSITION | <u>\$31,810,413</u> | <u>\$31,288,646</u> |

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2018 and 2017

| | 2018 | 2017 |
|--|--------------|--------------|
| OPERATING REVENUES | | |
| Sales tax revenue | \$ 1,218,643 | \$ 1,170,549 |
| Millage revenue | 428,731 | 448,324 |
| Rental revenue | 337,760 | 355,220 |
| Other revenue | 119,773 | 223,071 |
| Total operating revenues | 2,104,907 | 2,197,164 |
| OPERATING EXPENSES | | |
| Salaries and payroll taxes | 39,831 | 38,256 |
| Contract fees | 26,690 | 25,899 |
| Professional fees | 9,410 | 14,061 |
| Management fees | 24,000 | 24,000 |
| Contract services | 1,647,374 | 1,621,535 |
| Insurance | 73,554 | 75,824 |
| Board fees | 21,000 | 21,400 |
| Office | 1,148 | 2,799 |
| Miscellaneous | 28,572 | - |
| Depreciation | 385,527 | 419,513 |
| Total operating expenses | 2,257,106 | 2,243,287 |
| OPERATING LOSS | (152,199) | (46,123) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest income | 336,347 | 249,306 |
| Gain on sale of fixed assets | - | 4,000 |
| Unrealized loss on investment securities | (182,159) | (60,121) |
| Total non-operating revenues | 154,188 | 193,185 |
| INCREASE IN NET POSITION | 1,989 | 147,062 |
| NET POSITION | | |
| Balance, beginning of year | 31,098,961 | 30,951,899 |
| Balance, end of year | \$31,100,950 | \$31,098,961 |

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Statements of Cash Flows
Years Ended September 30, 2018 and 2017

| | 2018 | 2017 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net position | \$ 1,989 | \$ 147,062 |
| Adjustments to reconcile increase in net position to net cash provided by operating activities | | |
| Unrealized loss on investment securities | 182,159 | 60,121 |
| Gain on sale of fixed assets | - | (4,000) |
| Depreciation | 385,527 | 419,513 |
| (Increase) decrease in assets - | | |
| Receivables | 470,733 | 314,623 |
| Prepaid expenses | 428 | 1,609 |
| Increase (decrease) in liabilities - | | |
| Accounts payable | 519,778 | 1,331 |
| Other payables | <u>-</u> | <u>(405)</u> |
| Net cash provided by operating activities | <u>1,560,614</u> | <u>939,854</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Redemption (purchase) of certificates of deposit, net | 263,860 | (371,200) |
| Redemption (purchase) of investment securities, net | (1,203,295) | - |
| Purchase of property, plant, and equipment | <u>(488,890)</u> | <u>(116,851)</u> |
| Net cash used by investing activities | <u>(1,428,325)</u> | <u>(488,051)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 132,289 | 451,803 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>6,462,680</u> | <u>6,010,877</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 6,594,969</u> | <u>\$ 6,462,680</u> |

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 1 PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Hospital Service District No. 1 (referred to as the "District") is a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the government body with oversight authority.

Nature of Business

The District leases its facility and equipment to Kaplan General Hospital, a subsidiary of Lafayette General Medical Center, Inc., to provide healthcare services.

Basis of Accounting

The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual method. The District accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide* and standards established by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Method of Accounting

GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures* which establish financial reporting standards for state and local governments. These statements establish that the financial statements should consist of management's discussion and analysis (MD&A) to provide an analytical overview of the entity's financial activities, basic financial statements, and required supplementary information (RSI) as required by other GASB statements.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which include a statement of net position, a statement of revenue, expenses, and changes in net position; and a direct method statement of cash flows. It requires the classification of net position into three components – invested in capital assets, net of related debt, restricted, and unrestricted.

These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 1 PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There were no restricted assets for year ended September 30, 2018.
- Unrestricted – This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. The caption “cash and cash equivalents” does not include amounts whose use is limited.

Income Taxes

The District is a political subdivision and has been ruled exempt from federal and state income taxes; therefore, no provision for income taxes is necessary.

Property, Plant, and Equipment

Purchased fixed assets are stated at cost and donated fixed assets are stated at fair market value at the time of donation. Depreciation is computed on the double declining balance method for assets purchased prior to January 1, 1970, and on the straight-line method for assets purchased after January 1, 1970. The estimated useful lives, as recommended by the American Hospital Association, are as follows:

| | |
|---------------------------------|-------------|
| Buildings and Land Improvements | 10-50 years |
| Equipment | 5-25 years |

Use of Estimates

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

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 1 PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

We have evaluated events subsequent to the balance sheet through January 21, 2019, the date the financial statements were available to be issued.

NOTE 2 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consists of funds designated by the Board of Directors to be used for capital asset acquisitions and improvements.

NOTE 3 CASH AND INTEREST-BEARING DEPOSITS

Under state laws, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2018 and 2017, the District has cash and interest-bearing deposits, including certificates of deposit, (book balances) totaling \$20,188,513 and \$20,320,084, respectively.

These deposits are stated at cost, which approximates market. Under state laws, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at September 30, 2018, are as follows:

| | Pedestal Bank | Vermilion Bank | Iberia Bank | Edward Jones |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|
| Bank balances | <u>\$ 9,384,549</u> | <u>\$ 5,167,122</u> | <u>\$ 1,007,018</u> | <u>\$ 3,271,000</u> |
| Federal deposit insurance | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 3,271,000 |
| Pledged securities (category 3) | <u>10,987,054</u> | <u>4,938,568</u> | <u>910,409</u> | <u>-</u> |
| Total | <u>11,237,054</u> | <u>5,188,568</u> | <u>1,160,409</u> | <u>3,271,000</u> |
| Excess of coverage | <u>\$ 1,852,505</u> | <u>\$ 21,446</u> | <u>\$ 153,391</u> | <u>\$ -</u> |

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 4 CERTIFICATES OF DEPOSIT

The District held the following certificates of deposit at September 30, 2018:

| <u>Current Assets:</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Maturity</u> |
|-------------------------------|------------------|----------------------|-----------------|
| Edward Jones | | | |
| Ally Bank | \$ 170,000 | 1.40% | 12/03/18 |
| American Express Bank | 170,000 | 1.65% | 05/31/19 |
| American Express Bank | 10,000 | 2.10% | 12/07/20 |
| American Express Centurian | 100,000 | 1.95% | 08/31/20 |
| American Express Centurian | 140,000 | 2.10% | 12/07/20 |
| Bank of Baroda | 144,000 | 2.05% | 11/13/18 |
| Barclays Bank Delaware | 90,000 | 2.00% | 11/09/20 |
| BMW Bank of North America | 100,000 | 1.30% | 11/30/18 |
| Caldwell Bank & Trust Company | 248,000 | 1.00% | 08/19/19 |
| Capital One | 197,000 | 1.70% | 10/05/21 |
| Capital One Bank USA | 125,000 | 1.60% | 08/03/21 |
| Citibank National Association | 100,000 | 3.35% | 06/06/28 |
| Citibank National Association | 50,000 | 3.45% | 08/24/28 |
| Discover Bank | 70,000 | 2.00% | 05/20/20 |
| Discover Bank | 175,000 | 2.25% | 02/03/23 |
| First Merchants Bank | 76,000 | 2.15% | 08/13/20 |
| GE Capital Retail Bank | 87,000 | 3.30% | 02/14/24 |
| Goldman Sachs Bank | 247,000 | 2.25% | 05/02/19 |
| Goldman Sachs Bank | 174,000 | 2.25% | 02/07/20 |
| Goldman Sachs Bank | 70,000 | 3.00% | 08/08/23 |
| Morgan Stanley Bank | 100,000 | 3.10% | 05/31/22 |
| Morgan Stanley Bank | 84,000 | 2.75% | 03/08/22 |
| Northstar Bank | 124,000 | 1.35% | 08/12/21 |
| Sallie Mae Bank | 100,000 | 3.30% | 05/30/25 |
| State Bank of India | 120,000 | 1.75% | 07/01/19 |
| Wells Fargo Bank | <u>200,000</u> | 3.25% | 06/06/23 |
| | <u>3,271,000</u> | | |
| Iberia Bank | \$ 700,000 | 1.05% | 11/02/18 |
| | <u>307,018</u> | 1.30% | 06/19/19 |
| | <u>1,007,018</u> | | |
| Pedestal Bank | \$ 774,615 | 1.05% | 11/01/18 |
| | 400,000 | 1.98% | 08/02/19 |
| | 750,000 | 1.05% | 11/01/18 |
| | 275,000 | 1.05% | 11/12/18 |
| | 300,000 | 1.05% | 12/01/18 |
| | <u>1,452,787</u> | 2.03% | 09/28/19 |
| | <u>3,952,402</u> | | |

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 4 CERTIFICATES OF DEPOSIT (Continued)

| | | | |
|----------------------------|----------------------|-------|----------|
| Vermilion Bank & Trust Co. | \$ 750,000 | 1.05% | 10/24/18 |
| | 774,615 | 1.05% | 10/27/18 |
| | 275,000 | 1.05% | 11/12/18 |
| | 600,000 | 1.05% | 11/28/18 |
| | 200,000 | 1.05% | 03/08/19 |
| | 200,000 | 1.10% | 03/19/19 |
| | 200,000 | 1.25% | 04/21/19 |
| | 200,000 | 1.25% | 04/30/19 |
| | <u>100,000</u> | 2.03% | 09/20/19 |
| | <u>3,299,615</u> | | |
| | <u>\$ 11,530,035</u> | | |

Assets whose use is limited:

| | <u>Amount</u> | <u>Interest Rate</u> | <u>Maturity</u> |
|----------------------------|---------------------|----------------------|-----------------|
| Pedestal Bank | <u>\$ 200,000</u> | 1.05% | 11/01/18 |
| | <u>200,000</u> | | |
| Vermilion Bank & Trust Co. | \$ 10,722 | 1.25% | 04/24/19 |
| | 1,452,787 | 1.98% | 08/17/19 |
| | <u>400,000</u> | 1.25% | 04/22/19 |
| | <u>1,863,509</u> | | |
| | <u>\$ 2,063,509</u> | | |

NOTE 5 INVESTMENT SECURITIES

Investments are reported at their fair values in the statement of net position. Unrealized gains and losses are included in the change in net position in the statement of revenues, expenses, and changes in net position.

Investments consisted of the following as of September 30, 2018:

| | <u>Cost</u> | <u>Market Value</u> |
|-------------------------------------|---------------------|---------------------|
| Government Bonds | \$ 3,209,671 | \$ 3,114,888 |
| Municipal Bonds | <u>2,795,350</u> | <u>2,766,932</u> |
| Total | <u>\$ 6,005,021</u> | <u>\$ 5,881,820</u> |
| <u>Assets whose use is limited:</u> | | |
| Municipal Bonds | <u>\$ 195,718</u> | <u>\$ 190,874</u> |
| Total | <u>\$ 195,718</u> | <u>\$ 190,874</u> |

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 5 INVESTMENT SECURITIES (Continued)

Fair Values of Financial Instruments

FASB Accounting Standards Codification Topic 820, “Fair Value Measurements (Topic 820) requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements.

These levels are:

- Level 1 - inputs are based upon adjusted quoted prices for identical instruments traded in active markets.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Fair Value of Assets Measured on a Recurring Basis

The District’s investments in securities with readily determinable fair values are recorded at fair value based on quoted market prices. For those investments, where quoted prices are unavailable, management estimates fair value based on quoted prices for similar instruments with consideration of actively quoted interest rates, credit ratings and spreads, prepayment models, and collateral data.

The District relies on the valuation procedures and methodologies of the external managers hired specifically to invest in such securities or in strategies which employ such securities. The following table presents the fair value at September 30, 2018, for each of the fair value hierarchy levels:

| | Level 1 | Level 2 | Level 3 |
|-------------------------------|---------|--------------|---------|
| Government/Agency Obligations | \$ - | \$ 3,114,888 | \$ - |
| Municipal Bonds | - | 2,957,806 | - |
| Total | \$ - | \$ 6,072,694 | \$ - |

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 6 NOTE RECEIVABLE

Note Receivable represents the amount due from Kaplan General Hospital (KGH) for financial assets transferred under the lease agreement. (See Note 10) The balance as of September 30, 2018 and 2017 is \$1,964,554 and \$2,291,254, respectively, and is payable in monthly installments of \$27,225.

NOTE 7 PROPERTY, PLANT, AND EQUIPMENT

The following is a summary of property, plant, and equipment and related accumulated depreciation for the year ended September 30, 2018:

| | September 30, 2017 | Additions | Deletions | September 30, 2018 |
|--------------------------|-----------------------|-------------------|-------------|-----------------------|
| Land | \$ 58,893 | \$ - | \$ - | \$ 58,893 |
| Land improvements | 132,841 | - | - | 132,841 |
| Buildings | 1,909,486 | - | - | 1,909,486 |
| Building Improvements | 1,041,839 | - | - | 1,041,839 |
| Fixed equipment | 2,533,160 | - | - | 2,533,160 |
| Major moveable equipment | 3,791,549 | - | - | 3,791,549 |
| Other moveable equipment | 205,664 | - | - | 205,664 |
| Construction in progress | <u>-</u> | <u>488,890</u> | <u>-</u> | <u>488,890</u> |
| Total | 9,673,432 | 488,890 | - | 10,162,322 |
| Accumulated depreciation | <u>6,577,399</u> | <u>385,527</u> | <u>-</u> | <u>6,962,926</u> |
| Net | <u>\$ 3,096,033</u> | <u>\$ 103,363</u> | <u>\$ -</u> | <u>\$ 3,199,396</u> |

NOTE 8 REVENUE RECOGNITION - PROPERTY TAX

The District receives funds from a property tax which was adopted by the voters of Vermilion Parish. The parish tax is levied each year by the Vermilion Parish Tax Assessor on November 15 based upon the assessed value on the previous January 1 of all real and business personal property within the Parish. The assessed value of the property on the tax rolls as of January 1, 2017 was approximately \$61 million.

The tax becomes due on November 15 and is considered delinquent if not paid by December 31. Most of the property tax revenues are collected during the months of December, January, and February. During May of the subsequent year, properties with delinquent taxes are advertised for auction by the Parish Sheriff. The auction is normally scheduled for June or July. It is at this time a lien is placed on the property. Properties not sold at the auction are adjudicated to the State of Louisiana.

After considering tax exemptions, the net amount of property taxes received by the District was \$428,731 and \$448,324 for the year ended September 30, 2018 and 2017, respectively.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Notes to Financial Statements

NOTE 9 SALES TAX REVENUE

A one percent sales tax proposition was approved by voters for a 10-year period effective April 1, 2011. Proceeds of this sales tax are dedicated towards the costs associated with operating, maintaining, and improving the facilities of the District related to providing emergency medical service. Revenue for the years ended September 30, 2018 and 2017 totaled \$1,218,643 and \$1,170,549, respectively.

NOTE 10 RENTAL INCOME FROM OPERATING LEASE

The District began leasing property and equipment to Kaplan General Hospital (KGH) under an operating lease effective June 1, 2015. Under the lease, KGH will make 120 monthly payments of \$22,775.

Effective November 30, 2015, the District began a ground lease to Acadian Ambulance Service, Inc. under an operating lease. The lease requires 120 monthly payments of \$46.

Effective April 1, 2016, the District began leasing equipment to KGH under an operating lease. The lease requires 60 monthly payments of \$5,330.

The following is a schedule by year of minimum future rentals to be received on non-cancelable operating leases as of September 30, 2018:

| | | |
|------------------------------|----|------------------|
| 2019 | \$ | 337,812 |
| 2020 | | 337,812 |
| 2021 | | 305,832 |
| 2022 | | 273,852 |
| 2023 | | 273,852 |
| Thereafter | | <u>456,604</u> |
| Total minimum future rentals | \$ | <u>1,985,764</u> |

Rental income for the fiscal year ended September 30, 2018 and 2017 totaled \$337,760 and \$355,220, respectively.

ADDITIONAL INFORMATION

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Schedule of Commissioners, Meetings Attended and Compensation
Year Ended September 30, 2018

| <u>Name of Commissioner</u> | <u>Meetings Attended</u> | <u>Compensation</u> |
|-----------------------------|------------------------------|---------------------|
| Ronald Menard | 17 | \$ 3,400 |
| Del Dean David | 12 | 2,400 |
| Winnie Broussard | 12 | 2,400 |
| John Francis | 12 | 2,400 |
| Mona Hebert | 11 | 2,200 |
| Paul D. Marceaux | 12 | 2,400 |
| Charles Bourque | 12 | 2,400 |
| Scott Bergeaux | 17 | 3,400 |

See independent auditor's report.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Schedule of Compensation, Benefits, and Other Payments to Chairperson
Year Ended September 30, 2018

| Del Dean David | |
|-----------------------|---------------|
| Purpose | Amount |
| Board Fees | \$ 2,400 |

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE

E. Larry Sikes, CPA/PFS, CVA*, CFP®
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 Eugene H. Darnall, III, CPA
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 Lauren V. Hebert, CPA/PFS
 Erich G. Loewer, III, CPA, M.S. Tax
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**INDEPENDENT AUDITOR'S REPORT
 ON INTERNAL CONTROL OVER FINANCIAL REPORTING
 AND ON COMPLIANCE AND OTHER MATTERS
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
 IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Commissioners
 Hospital Service District No. 1
 Parish of Vermilion, State of Louisiana
 Kaplan, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the years ended September 30, 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 January 21, 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.

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

Compliance and Other Matters

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

Purpose of this Report

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

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana

January 21, 2019

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Schedule of Prior Year Findings
Year Ended September 30, 2018

This section is not applicable.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Part I: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unmodified opinion has been issued on the District's financial statements as of and for the year ended September 30, 2018.

Deficiencies and Material Weaknesses in Internal Control - Financial Reporting

No deficiencies or material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements.

Material Noncompliance - Financial reporting

There were no instances of noncompliance material to the financial statements disclosed during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended September 30, 2018.

Part II: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

This section is not applicable.

Part III: Findings and Questioned Costs Relating to Federal Programs

This section is not applicable.

Part IV: Management Letter

The auditor did not issue a management letter this year.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Vermilion
State of Louisiana

Management Corrective Action Plan
Year Ended September 30, 2018

This section is not applicable.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
 Hospital Service District No. 1
 Parish of Vermilion, State of Louisiana
 Kaplan, Louisiana

We have performed the procedures enumerated below, which were agreed to by Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, (the District), 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 October 1, 2017 through September 30, 2018. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

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

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

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

- c) **Disbursements**, including processing, reviewing, and approving:

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

- d) **Receipts**, including receiving, recording, and preparing deposits:

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

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked:

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

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process:

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

- g) **Credit Cards** (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage:

There are no written policies and procedures that address the functions noted above; however, the District does not utilize credit cards.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers:

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

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits:

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

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements:

There are no written policies and procedures that address the functions noted above; however, the District does not have any debt service.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/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) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document:

Obtained and reviewed minutes of the board meetings for the fiscal period noting that the board met monthly in accordance with the District's policy.

- b) Report whether the minutes reference or include financial activity relating to public funds if those funds comprise more than 10% of the entity's collections during the fiscal period:

Minutes include financial activity relating to public funds.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund has 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.

This section is not applicable.

Bank Reconciliations

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

Obtained a listing of client bank accounts from management and management provided representation that the listing is complete.

Using the listing provided by management, 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 selected each account, and observe that:

- 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):

Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date.

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

Bank reconciliations include evidence of management/board member's review of the bank reconciliations.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months as of the end of the fiscal period:

Bank reconciliations selected for testing do not include items that have been outstanding for more than 12 months.

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):

Obtained listing of cash collection locations and management provided representation that the listing is complete.

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.
The District does not utilize cash drawers/registers as only checks are received.
 - 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.
Only one employee is employed by the District. Financial reporting packets are prepared for each board meeting which includes documentation of monthly collections. All transactions are reviewed, discussed, and approved by the board at the monthly board meetings.
 - 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.
Only one employee is employed by the District. Financial reporting packets are prepared for each board meeting which includes documentation of monthly collections. All transactions are reviewed, discussed, and approved by the board at the monthly board meetings.
 - d) The employee(s) responsible for reconciling cash collections to the general ledgers and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
Only one employee is employed by the District. Financial reporting packets are prepared for each board meeting which includes documentation of monthly collections. All transactions are reviewed, discussed, and approved by the board at the monthly board meetings.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
Documentation was obtained verifying the person responsible for handling cash is bonded.
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 deposit are made on the same day). Obtain supporting documentation for each deposit and:
 - a) Observe that receipts are sequentially pre-numbered.
The District only receives checks, therefore cash receipts are not prepared.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
The District only receives checks, therefore cash receipts and other related cash collection documentations are not prepared.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
For the deposit dates selected, traced the deposit slip totals 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).

The District employs only one employee on a part time basis. Deposits are made as feasible for employee. Due to non-cash collections and limited receipts of checks, the District deems daily deposits not cost beneficial.

- e) Trace the actual deposit per the bank statement to the general ledger.

For the deposit dates selected, traced the actual deposit per the bank statement to the general ledger.

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

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):

Obtained listing of disbursements and management provided representation that the listing is complete.

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.

Only one employee is employed by the District. The employee initiates a purchase order and a board member approves the purchase. No exceptions were noted.

- b) At least two employees are involved in processing and approving payments to vendors.

Only one employee is employed by the District. The Board approves payments to vendor before payment is processed by the employee. No exceptions were noted.

- 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.

The Board approves new vendors with monthly payment requests prior to the employee processing payments. No exceptions were noted.

- 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.

Only one employee is employed by the District. The Board is responsible for signing checks; however, the employee who processes payments also mails the signed checks.

Management Response: The District will present the approved check listing from the board meeting along with the checks to be mailed to an employee of the hospital, who will then mail the checks for the District.

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.

For each selected disbursement, observed 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.

For each selected disbursement, observed that the disbursement documentation included evidence of segregation of duties tested under #9, as applicable.

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

No exceptions noted during the fiscal year ended September 30, 2017 AUP engagement, therefore this section is excluded from testing this fiscal year.

Travel and Expense Reimbursement

No exceptions noted during the fiscal year ended September 30, 2017 AUP engagement, therefore this section is excluded from testing this fiscal year.

Contracts

No exceptions noted during the fiscal year ended September 30, 2017 AUP engagement, therefore this section is excluded from testing this fiscal year.

Payroll and Personnel

No exceptions noted during the fiscal year ended September 30, 2017 AUP engagement, therefore this section is excluded from testing this fiscal year.

Ethics (excluding nonprofits)

No exceptions noted during the fiscal year ended September 30, 2017 AUP engagement, therefore this section is excluded from testing this fiscal year.

Debt Service (excluding nonprofits)

No exceptions noted during the fiscal year ended September 30, 2017 AUP engagement, therefore this section is excluded from testing this fiscal year.

Other

No exceptions noted during the fiscal year ended September 30, 2017 AUP engagement, therefore this section is excluded from testing this fiscal year.

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.

This 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.

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana

January 21, 2019