

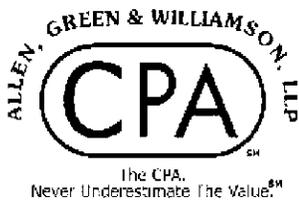
**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**Annual Financial Report
As of and For the Year Ended
September 30, 2017**

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

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Independent Auditor's Report

Board of Commissioners
Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), a component unit of the LaSalle Parish Police Jury as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), a component unit of the LaSalle Parish Police Jury, as of September 30, 2017 and 2016, and the changes in it's financial position and it's cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, and the other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The accompanying other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018 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 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.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

March 27, 2018

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)**

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**Management's Discussion and Analysis (MD&A)
September 30, 2017 and 2016**

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2017. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$17,313 (*net position*). The District reported an increase in net position of \$4,590.

The District consisting of the 35-bed acute care critical access designated hospital along with two Medicare certified rural health clinics continues to add specialty services making it a viable and in-demand rural referral center. With the addition of many specialties, rural patients are accessing high quality medical care much closer to home creating a business model that helps both to fill the patients' needs as well as building a sustainable economic model for providing jobs in the community. As awareness grows so goes the increase in volumes in all areas of service.

The increase in net position was also a result of intensified budget management helping the District reduce expenses from the previous year in daily patient services, nursing services, and administrative and fiscal services.

OVERVIEW OF THE FINANCIAL STATEMENTS This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The District is a special-purpose government engaged only in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements.

FUND FINANCIAL STATEMENTS A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one fund which is reported as a proprietary fund type.

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**Management's Discussion and Analysis (MD&A)
September 30, 2017 and 2016**

USING THIS ANNUAL REPORT The District's annual report consists of financial statements that show information about the District's enterprise fund.

Financial Section

**Required Supplementary Information
Management's Discussion & Analysis (MD&A)**

Basic Financial Statements

**Fund Financial Statements
Notes to the Basic Financial Statements**

**Supplementary Information
Schedule of Compensation Paid Board Members
Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive
Officer**

Our auditor has provided assurance in the independent auditors' report, located immediately preceding this Management's Discussion and Analysis, that the basic financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Reporting the District's Fund The District's financial statements provide detailed information about the enterprise fund. The District's enterprise fund uses the following accounting approach:

Proprietary funds - all of the District's services are reported in enterprise funds. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of proprietary funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**Management's Discussion and Analysis (MD&A)
September 30, 2017 and 2016**

FINANCIAL ANALYSIS The District's net position was \$17,313 at September 30, 2017. Our analysis below focuses on the net position and the change in net position of the District as a whole.

**Table 1
Net Position
(in thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Other assets	\$ 18,099	\$ 13,515	\$ 10,869
Capital assets, net	6,589	7,442	8,273
Total assets	<u>24,688</u>	<u>20,957</u>	<u>19,142</u>
Other liabilities	2,284	2,751	2,896
Long-term liabilities	5,091	5,483	5,837
Total liabilities	<u>7,375</u>	<u>8,234</u>	<u>8,733</u>
Net position			
Net investment in capital assets	1,107	1,550	1,924
Restricted	729	571	411
Unrestricted	15,477	10,602	8,074
Total net position	<u>\$ 17,313</u>	<u>\$ 12,723</u>	<u>\$ 10,409</u>

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**Management's Discussion and Analysis (MD&A)
September 30, 2017 and 2016**

**Table 2
Changes in Net Position
(in thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues:			
Operating revenues:			
Net patient service revenues	\$ 28,352	\$ 25,013	\$ 25,368
Contributions from Ambulance Service District	121	122	115
Operating Grants	3,379	2,798	1,807
Property taxes	183	187	172
Other	208	111	186
Total operating revenues	<u>32,243</u>	<u>28,231</u>	<u>27,648</u>
Expenses:			
Operating expenses:			
Daily patient services	2,760	2,562	2,622
Nursing services	4,869	4,611	4,797
Other professional services	10,313	9,631	9,370
General services	2,308	2,138	1,973
Administrative and fiscal services	2,816	2,482	2,446
Employee benefits	3,532	3,138	3,402
Depreciation	1,015	1,236	1,345
Total operating expenses	<u>27,613</u>	<u>25,798</u>	<u>25,955</u>
Operating Income (Loss)	4,630	2,433	1,693
Nonoperating Revenues (Expenses)			
Grant Revenue	232	179	382
Interest Revenue	3	1	-
Interest Expense	<u>(275)</u>	<u>(299)</u>	<u>(370)</u>
Total nonoperating revenues (expenses)	<u>(40)</u>	<u>(119)</u>	<u>12</u>
Change in Net position	4,590	2,314	1,705
Net position, beginning of year	<u>12,723</u>	<u>10,409</u>	<u>8,704</u>
Net position, end of year	<u>\$ 17,313</u>	<u>\$ 12,723</u>	<u>\$ 10,409</u>

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**Management's Discussion and Analysis (MD&A)
September 30, 2017 and 2016**

Total operating revenues increased by \$4,012 due mainly to addition of programs and specialists, and two full-time primary care physicians.

Total operating expenses increased \$1,815 due mainly to better budgetary management.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2017, the District had \$6,589 invested in capital assets, including land, buildings, site improvements, furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$853 or 11% from last year due mainly to ageing assets and lack of capital investments.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 109	\$ 93	\$ 27
Construction In Progress	9	-	-
Land improvements	1,076	1,076	1,076
Building	8,732	8,732	8,685
Equipment, furniture and fixtures	8,170	8,035	7,784
Less accumulated depreciation	(11,507)	(10,494)	(9,299)
Totals	<u>\$ 6,589</u>	<u>\$ 7,442</u>	<u>\$ 8,273</u>

See Note 6 for further details on capital assets.

Debt

At September 30, 2017, the District has \$5,482 in outstanding long-term debt, which includes certificate of indebtedness, revenue bonds, and capital leases. See Note 7 and Note 8 for further details on debt.

ECONOMIC FACTORS continue to be risks associated with prescription drugs inflation and the stability of government programs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Mr. Paul Mathews, 1102 North Pine Road, Olla, Louisiana 71465, telephone number (318) 495-3131.

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

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**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

BASIC FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE, STATE OF LOUISIANA
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana

ENTERPRISE FUND
STATEMENT OF NET POSITION
September 30, 2017 and 2016

	<u>General Fund</u>	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Cash, checking	\$ 5,292,690	\$ 2,675,948
Restricted cash	729,419	570,484
Receivables		
Patient services, net of allowances of \$1,161,357 and \$1,160,329	5,315,265	4,610,293
Estimated third-party payor settlements	3,122,917	1,366,932
Other	2,989,863	3,362,004
Supplies	434,454	408,459
Prepaid expenses	214,796	520,608
	<u>18,099,404</u>	<u>13,514,728</u>
CAPITAL ASSETS		
Land	108,680	92,990
Land improvements	1,076,108	1,076,108
Construction in progress	9,456	-
Buildings	8,732,475	8,732,475
Equipment, furniture and fixtures	8,169,600	8,034,740
Less accumulated depreciation	(11,507,716)	(10,493,829)
	<u>6,588,603</u>	<u>7,442,484</u>
TOTAL ASSETS	<u>\$ 24,688,007</u>	<u>\$ 20,957,212</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement A

	<u>General Fund</u>	
	<u>2017</u>	<u>2016</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 757,038	\$ 554,216
Salaries payable	408,344	325,206
Group insurance payable	210,513	210,513
Other accounts payable	-	761,820
Current portion of capital leases	92,351	128,630
Certificates and revenue bonds payable	298,341	280,697
Accrued vacation payable	491,071	461,767
Accrued bond interest payable	25,994	28,128
	<u>2,283,652</u>	<u>2,750,977</u>
NONCURRENT LIABILITIES		
Certificates and revenue bonds payable	5,001,455	5,300,938
Capital leases	89,807	182,156
	<u>5,091,262</u>	<u>5,483,094</u>
TOTAL LIABILITIES	<u>7,374,914</u>	<u>8,234,071</u>
NET POSITION		
Net investment in capital assets	1,106,649	1,550,063
Restricted for debt service	729,419	570,484
Unrestricted	15,477,025	10,602,594
	<u>17,313,093</u>	<u>12,723,141</u>
TOTAL NET POSITION	<u>\$ 17,313,093</u>	<u>\$ 12,723,141</u>

HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
 PARISH OF LaSALLE, STATE OF LOUISIANA
 A Component Unit of the LaSalle Parish Police Jury
 Olla, Louisiana

ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 For the Years Ended September 30, 2017 and 2016

Statement B

	<u>General Fund</u>	
	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Net patient service revenues	\$ 28,351,858	\$ 25,012,830
Contributions from Ambulance Service District	120,550	122,457
Operating grants	3,379,541	2,797,710
Property taxes	183,044	186,822
Other	208,405	111,443
Total operating revenues	<u>32,243,398</u>	<u>28,231,262</u>
OPERATING EXPENSES		
Daily patient services	2,760,183	2,561,633
Nursing services	4,869,298	4,611,198
Other professional services	10,313,413	9,630,984
General services	2,308,306	2,137,909
Administrative and fiscal services	2,814,926	2,481,731
Employee benefits	3,531,781	3,138,009
Depreciation	1,015,119	1,236,514
Total operating expenses	<u>27,613,026</u>	<u>25,797,978</u>
OPERATING INCOME (LOSS)	<u>4,630,372</u>	<u>2,433,284</u>
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	231,730	178,716
Interest revenue	2,648	1,092
Interest expense	<u>(274,798)</u>	<u>(299,311)</u>
Total nonoperating revenues (expenses)	<u>(40,420)</u>	<u>(119,503)</u>
CHANGE IN NET POSITION	4,589,952	2,313,781
NET POSITION, BEGINNING OF YEAR	<u>12,723,141</u>	<u>10,409,360</u>
NET POSITION, END OF YEAR	<u>\$ 17,313,093</u>	<u>\$ 12,723,141</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE, STATE OF LOUISIANA
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**ENTERPRISE FUND
Statement of Cash Flows
For the Years Ended September 30, 2017 and 2016**

Statement C

	General Fund	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net receipts from patient services	\$ 25,890,901	\$ 25,203,587
Operating grants	2,989,862	2,421,344
Other receipts	511,999	420,722
Payments to vendors	(14,114,301)	(15,010,201)
Payments to employees	(11,888,525)	(9,873,563)
	<u>3,389,936</u>	<u>3,161,889</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
	<u>3,389,936</u>	<u>3,161,889</u>
CASH FLOWS (USED) FROM NON CAPITAL FINANCING ACTIVITIES		
Payment of line of credit	-	(700,000)
Grants	231,730	178,716
	<u>231,730</u>	<u>178,716</u>
NET CASH PROVIDED (USED) BY NON CAPITAL FINANCING ACTIVITIES		
	<u>231,730</u>	<u>(521,284)</u>
CASH FLOWS (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property, plant and equipment	(160,006)	(405,535)
Certificate of indebtedness and revenue bonds:		
Principal	(283,071)	(264,336)
Capital lease obligations:		
Proceeds	-	56,330
Principal	(128,628)	(248,551)
Interest paid	(276,932)	(320,209)
	<u>(848,637)</u>	<u>(1,182,301)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
	<u>\$ (848,637)</u>	<u>\$ (1,182,301)</u>

(Continued)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE
PARISH OF LaSALLE, STATE OF LOUISIANA
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**ENTERPRISE FUND
Statement of Cash Flows
For the Years Ended September 30, 2017 and 2016**

Statement C

	<u>General Fund</u>	
	<u>2017</u>	<u>2016</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	\$ 2,648	\$ 1,092
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>2,648</u>	<u>1,092</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,775,677	1,459,396
CASH AND CASH EQUIVALENTS - BEGINNING	<u>3,246,432</u>	<u>1,787,036</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>6,022,109</u></u>	<u><u>3,246,432</u></u>
RECONCILIATION TO THE BALANCE SHEET		
Cash and cash equivalents	5,292,690	2,675,948
Restricted cash	<u>729,419</u>	<u>570,484</u>
	<u><u>6,022,109</u></u>	<u><u>3,246,432</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	4,630,372	2,433,284
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,015,119	1,236,514
(Increase) decrease in:		
Accounts receivable: Patient services, net	(704,972)	229,840
Accounts receivable: Estimated third-party payor settlements	(1,755,985)	(39,083)
Accounts receivable: Other	(389,679)	(376,366)
Supplies	(25,995)	142,771
Prepaid expenses	305,812	(381,507)
Increase (decrease) in:		
Accounts payable, trade	202,822	(227,852)
Salaries payable	83,138	59,556
Group insurance payable	-	16,570
Accrued vacation payable	<u>29,304</u>	<u>68,162</u>
Total adjustments	<u>(1,240,436)</u>	<u>728,605</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 3,389,936</u></u>	<u><u>\$ 3,161,889</u></u>

(Concluded)

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2017 and 2016**

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**Hospital Service District Number One
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**Notes to the Basic Financial Statements
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), was created by the LaSalle Parish Police Jury, and operates Hardtner Medical Center through its Board of Commissioners. Hardtner Medical Center is a 35-bed hospital located in Olla, Louisiana, providing health care services to residents of Olla and the surrounding communities. In addition, the District provides office space on a rental basis to a physician who serves patients of the hospital.

The District is governed by a Board of Commissioners composed of five members. The Hospital Administrator serves as secretary and treasurer of the Board.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. The more significant of the Hospital Service District's accounting policies are described below.

The District is a special purpose government engaged only in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements.

A. REPORTING ENTITY The District is a component unit of the LaSalle Parish Police Jury, the reporting entity. The LaSalle Parish Police Jury is the governing authority of the parish of LaSalle, Louisiana, and is governed by a board of police jurors elected by the public. Under the provisions granted by the Louisiana statutes, the police jury created the District and appoints the members of its Board of Commissioners. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the LaSalle Parish Police Jury, or other governmental units that comprise the financial reporting entities.

B. ENTERPRISE FUND An enterprise fund is a proprietary fund type that accounts for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Proprietary Funds The proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. With this measurement focus, all assets, liabilities, and outflows/inflows of resources associated with the operation of these funds are included on the statement of net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds principal ongoing operations. The principal operating revenue of the District is patient related revenue. Operating expenses include the costs of providing this service. All revenues and expenses not meeting this definition are reported as non-operating.

Net Patient Service Revenue Net patient service revenue is patient revenue reported at Hardtner Medical Center's established rates less contractual adjustments, bad debt expense and policy discounts. Retroactive adjustments arising under reimbursement agreements with third-party payers are accrued on an estimated basis in the period the

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related services are rendered and adjusted in future periods as final settlements are determined. Bad debt allowance is determined as a percentage of gross revenue.

The District has agreements with third-party payers that provide for reimbursement to the District at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the District's established rates for services and amounts reimbursed by third-party payers. A summary of the basis of reimbursement with major third-party payers follows:

Medicare On October 1, 2004, the District converted to a Critical Access Hospital (CAH) with a Distinct Part Psychiatric Unit. Inpatient acute care services and swing bed services rendered to Medicare program beneficiaries are reimbursed at cost plus 1%. Outpatient services are reimbursed at cost plus 1% (subject to limits and rules), while other outpatient laboratory services are reimbursed on a fee schedule. Inpatient Psychiatric services are reimbursed using a prospective methodology based upon length of stay, diagnosis and other factors. Rural health clinic services are reimbursed based on a cost per visit methodology.

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 Medicare cost reports have been settled by the Medicare fiscal intermediary through September 30, 2011.

Medicaid Inpatient services rendered to Medicaid program beneficiaries are reimbursed on prospectively determined rates. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodology. The District is reimbursed at a tentative rate 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 audited by the Medicaid fiscal intermediary through September 30, 2011.

Blue Cross Inpatient and outpatient services rendered to Blue Cross subscribers are reimbursed using prospectively determined rates that are not relative to costs or charges.

Civilian Health and Medical Program of the Uniformed Services (Tricare) Inpatient and outpatient services rendered are reimbursed using prospectively determined rates.

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Net patient service revenue Following is a summary of contractual and other adjustments to arrive at net patient service revenues for the years ended September 30:

	2017	2016
Gross patient service revenue	\$ 74,883,018	\$ 73,107,544
Less bad debt expense	(1,858,937)	(3,697,066)
Less contractual adjustments:		
Medicare	(20,214,609)	(22,127,375)
Medicaid	(15,794,217)	(12,821,657)
Other third parties	(8,663,397)	(9,448,616)
Total contractual adjustments	(44,672,223)	(44,397,648)
Net patient service revenue	\$ 28,351,858	\$ 25,012,830

Approximately sixty to sixty-five percent of the net patient service revenue comes from Medicare and Medicaid billings.

Ad Valorem Taxes are susceptible to accrual.

Contributions Contributions from the LaSalle Parish Ambulance Service District for operation of the ambulances are treated as operating revenues. Unrestricted donations are treated as nonoperating revenues when received.

Operating Grants The District (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer grant (ITG) to be used solely to provide adequate and essential medically necessary and available healthcare services to Grantee's service population subject to the availability of such grant funds. The aggregate ITG grant income is \$3,379,541 and \$2,797,710 for fiscal years 2017 and 2016, respectively.

D. BUDGET PRACTICES The District maintains only enterprise funds in its accounting system and is not subject to the Louisiana Local Government Budget Act or the requirements of accounting principles generally accepted in the United States of America that require budget to actual comparisons. Therefore, budget to actual comparisons, usually found in the financial statements of governmental entities, are not included in these statements.

E. ENCUMBRANCES The District does not use a formal system of encumbrance accounting.

F. CASH AND CASH EQUIVALENTS Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. The District deposits its funds in fiscal agent banks organized under the laws of the state of Louisiana, or the laws of the United States of America.

G. INVESTMENTS Investments are bank certificates of deposit that are valued at cost which approximates market. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

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H. SUPPLIES AND INVENTORY Inventories of supplies and minor equipment are valued at lower of cost (first-in, first-out) or latest invoice price.

I. ASSETS WHOSE USE IS LIMITED Assets whose use is limited include funds set aside in accordance with agreements with third-party payers and funds held in accordance with the provisions of debt agreements.

J. PREPAID ITEMS Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

K. PROPERTY, PLANT AND EQUIPMENT Property and equipment acquisitions are recorded at cost. Property and equipment donated for the District's operations are valued at their fair market value on the date received. The threshold for capitalization is \$5,000 for individual items and \$5,000 for aggregate.

All exhaustible property and equipment are shown in the accompanying balance sheet at their original costs, less accumulated depreciation. Depreciation is recorded on the straight-line method over the estimated useful lives, as follows:

Land improvements	12-29 years
Buildings	16-40 years
Fixed equipment	5-20 years
Major moveable equipment	3-20 years

L. RESTRICTED NET POSITION Net position is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

M. 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 statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. VACATION In lieu of vacation, holiday and sick time, a paid time off (PTO) plan is the policy at Hardtner Medical Center. PTO is granted to all full time employees after completion of ninety (90) days of continuous service. The employee will be allowed to accumulate PTO to a maximum of one and a half (1½) years accruals. The following is a table of accrual rates per pay period and maximum accruals based on continuous years of full-time employment:

<u>Length of Service</u>	<u>Accrual Rate</u>	<u>Maximum Accrual</u>
1 day to 5 years	6.15 hours per 80 hrs. paid	240 hours
5 to 10 years	7.69 hours per 80 hrs. paid	300 hours
10 + years	9.23 hours per 80 hrs. paid	360 hours

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Regular part-time, temporary full-time and temporary part-time employees are not eligible for PTO benefits. Employees are encouraged to take their PTO time off. PTO time cannot be sold and must be taken to be compensated. Exceptions are made by administrative approval only.

O. 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, these amounts are not reported as revenue.

NOTE 2 - DEPOSITS At September 30, 2017, the District has cash and cash equivalents of \$6,022,109 as follows:

Interest Rate Risk: The District's policy does not address interest rate risk.

Credit Risk: The District invests in certificates of deposit which do not have credit ratings. The District's policy does not address credit risk.

Custodial credit risk: At year end, the District's carrying amount of deposits was \$6,022,109 which includes \$729,419 of restricted cash and the bank balance was \$6,426,111. Of the bank balance, \$500,000 was covered by federal depository insurance. For the remaining bank balance, the District had securities held by the pledging financial institution's trust department or agent but not in the District's name. The District's policy does not address custodial credit risk.

NOTE 3 - ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS Accounts receivable - patients, include unpaid amounts billed to discharged patients and third-party payers such as insurance companies and the fiscal intermediaries of the Social Security Administration on behalf of patients eligible for benefits under Title XVIII and XIX of the Social Security Act. Also included, are unbilled charges for those patients not discharged at September 30.

Estimated third-party payor settlements are amounts due for cost reports filed with Medicare and Medicaid for the periods 2012 through 2017.

Other accounts receivable as of September 30, 2017 of \$2,968,493 is for operating grants received through a cooperative endeavor agreement with a regional hospital and \$21,370 is due from 340B. Other accounts receivable as of September 30, 2016 of \$3,360,808 was for operating grants received through a cooperative endeavor agreement with a regional hospital and \$1,196 was due for 340B.

NOTE 4 - CONTINGENCIES The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are 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.

Third-Party Government-Based Revenues Cost reimbursements are subject to examination by agencies administering the programs. 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.

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The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program 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 District is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Risk Management The District is exposed to various risks of loss related to professional and general liability, director’s and officer’s liability, property damage, equipment breakdown, auto liability, employee theft, and worker’s compensation. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District became partially self-insured for employees’ group and health insurance coverage on June 1, 2002. In 2013 Blue Cross Blue Shield replaced IMA as the insurer. Claims are funded through employee contributions and operating funds of the District. The District maintains stop-loss coverage with an insurance company for claims in excess of \$50,000 per claim for each participant. All known claims filed and an estimate of incurred but not reported claims based on experience of the District are made and accrued as necessary in the financial statements. Incremental costs is not included. The estimate of incurred but not reported claims at September 30, 2017 was \$210,513 which is reported on Statement A. This estimate is based on claims filed in the month following the fiscal year end which includes other incremental costs.

The following is a summary of the self-insurance transactions for the year ended September 30, 2017:

<u>Fiscal Year</u>	<u>Balance Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Ending</u>
2014-2015	193,943	2,191,096	2,191,096	193,943
2015-2016	193,943	1,991,943	1,975,373	210,513
2016-2017	210,513	2,384,094	2,384,094	210,513

Litigation At September 30, 2017, the District was involved in one litigation. Although the actual outcome of this lawsuit is hard to predict, management feels that the maximum possible financial effect would be \$23,966. No liability has been recorded in the financial statements for this claim.

Energy Performance Contract The District entered into an energy performance contract in October 2005. The contract may be terminated by the District at any time by giving 30 days written notice. The contract contains an operational stipulated savings clause. The Louisiana Attorney General issued an opinion (A.G. Opinion No. 07-0002) regarding a similar contract and concluded that some of these contracts may not meet the statutory definition of a performance based energy contract.

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The original contract was amended October 5, 2009 to meet the statutory definition of a performance based contract. Per the amendment, there shall be an annual review and disbursement/reconciliation of the energy related cost savings. An energy and operational savings report will be provided to the District within 60 days of each anniversary of the performance commitment date or within 30 days of receiving from the local utility provider a final utility bill for the annual reporting period.

In the event the Energy and Operational Savings achieved during any twelve-month period is less than the Energy and Operational Savings Guaranteed during the years the guarantee is in effect, the District will be paid an amount equal to the deficiency within 60 days of the annual reconciliation. If during any twelve month period the savings are greater than the guaranteed amount, the District may apply the excess savings to either additional energy savings projects pursuant to the terms of the original contract or expansion of services or to the principal debt service payment obligation.

NOTE 5 - PENSION PLAN The District implemented a retirement plan for employees during 2008 consisting of a 401(a) plan and 457 plan. The District contributes 1% to the 401(a) plan and a 50% matching contribution (up to 4%) is made to the 457 plan. The defined contributions plan is administered by Principal Life.

Employees covered by the plan are eligible to participate after 1 year of service. Employees must be 21 to participate. Contribution rates are determined and may be changed by the employer. Participants are fully vested after 5 years of service. Forfeitures may first be used to pay administrative expenses. Any forfeitures that have not been used to pay administrative expenses shall be applied to reduce employer contributions made after the forfeitures are determined. The amount of forfeitures in the fiscal year 2017 was \$7,615 of which \$6,701 was used to reduce employer contributions and \$914 was used for administrative expense. The amount recognized as pension expense was \$165,728 in the 2017 fiscal year and \$172,602 for the 2016 fiscal year.

The District's contributions to the plans for 2017 as follows:

	401 A Plan	457 Plan
Employer	\$ 87,842	\$ 92,927
Employee	-	344,803

The District's contributions to the plans for 2016 were as follows:

	401 A Plan	457 Plan
Employer	\$ 80,603	\$ 90,867
Employee	-	298,071

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NOTE 6 - PROPERTY PLANT AND EQUIPMENT The balances and changes in property, plant and equipment as of and for the year ended September 30, 2017 are as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Nondepreciable assets:				
Land	\$ 92,990	\$ 15,690	\$ -	\$ 108,680
Construction in progress	-	9,456	-	9,456
	<u>92,990</u>	<u>25,146</u>	<u>-</u>	<u>118,136</u>
Depreciable assets:				
Land improvements	1,076,108	-	-	1,076,108
Buildings	8,732,475	-	-	8,732,475
Fixed equipment	759,642	-	-	759,642
Electronic health record equipment	1,726,324	69,251	-	1,795,575
Moveable equipment, furniture and fixtures	5,548,774	65,609	-	5,614,383
Total depreciable assets	<u>17,843,323</u>	<u>134,860</u>	<u>-</u>	<u>17,978,183</u>
Total	<u>17,936,313</u>	<u>160,006</u>	<u>-</u>	<u>18,096,319</u>
Less accumulated depreciation:				
Land improvements	388,659	65,018	-	453,677
Buildings	4,598,886	392,110	-	4,990,996
Fixed equipment	725,582	15,444	-	741,026
Electronic health record equipment	1,214,509	243,252	-	1,457,761
Moveable equipment, furniture and fixtures	3,566,193	298,063	-	3,864,256
Total accumulated depreciation	<u>10,493,829</u>	<u>1,013,887</u>	<u>-</u>	<u>11,507,716</u>
Property, plant and equipment, net	<u>\$ 7,442,484</u>	<u>\$ (853,881)</u>	<u>\$ -</u>	<u>\$ 6,588,603</u>

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The balances and changes in property, plant, and equipment as of and for the year ended September 30, 2016 are as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Nondepreciable assets:				
Land	\$ 26,677	\$ 66,313	\$ -	\$ 92,990
Depreciable assets:				
Land improvements	1,076,108	-	-	1,076,108
Buildings	8,685,192	47,283	-	8,732,475
Fixed Equipment	753,749	5,893	-	759,642
Electronic health record equipment	1,605,145	122,682	1,503	1,726,324
Equipment, furniture and fixtures	5,425,906	164,868	42,000	5,548,774
Total depreciable assets	<u>17,546,100</u>	<u>340,726</u>	<u>43,503</u>	<u>17,843,323</u>
Total	<u>17,572,777</u>	<u>407,039</u>	<u>43,503</u>	<u>17,936,313</u>
Less accumulated depreciation:				
Land improvements	316,438	72,221	-	388,659
Buildings	4,176,014	422,872	-	4,598,886
Fixed Equipment	710,953	14,629	-	725,582
Electronic health record equipment	882,474	332,035	-	1,214,509
Equipment, furniture and fixtures	3,213,435	394,758	42,000	3,566,193
Total accumulated depreciation	<u>9,299,314</u>	<u>1,236,515</u>	<u>42,000</u>	<u>10,493,829</u>
Property, plant and equipment, net	<u>\$ 8,273,463</u>	<u>\$ (829,476)</u>	<u>\$ 1,503</u>	<u>\$ 7,442,484</u>

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NOTE 7 - LONG-TERM DEBT

The District issued Certificate of Indebtedness, Series 2006 in the amount of \$1,660,000 with a stated interest rate of 5.75% and a maturity date of November 1, 2024. The proceeds were used for capital improvement costs and is repaid with service revenues of the District. The annual debt service requirements are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 98,000	\$ 59,570	\$ 157,570
2019	107,000	53,676	160,676
2020	117,000	47,236	164,236
2021	128,000	40,193	168,193
2022	139,000	32,516	171,516
2023-2025	496,000	44,333	540,333
Total	<u>\$ 1,085,000</u>	<u>\$ 277,524</u>	<u>\$ 1,362,524</u>

In 2012, the District issued Hospital Revenue Bonds, Series 2011A and 2011B, in the amount of \$3,859,000 with a stated interest rate of 3.75% on Series 2011A for \$2,859,000 and a stated interest rate of 7% on Series 2011B for \$1,000,000. These bonds are related to the construction of the new clinic and are repaid with service revenues of the District. The 2011A bonds have a maturity date of February 10, 2037. The 2011B bonds have a maturity date of February 10, 2032. The annual debt service requirements are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 123,341	\$ 147,104	\$ 270,445
2019	129,283	141,161	270,444
2020	135,542	134,903	270,445
2021	142,135	128,310	270,445
2022	149,083	121,362	270,445
2023-2027	863,568	488,657	1,352,225
2028-2032	1,019,674	250,584	1,270,258
2033-2037	706,170	60,361	766,531
Total	<u>\$ 3,268,796</u>	<u>\$ 1,472,442</u>	<u>\$ 4,741,238</u>

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In 2013, the District issued Hospital Revenue Bonds, Series 2012, in the amount of \$1,285,000 with a stated interest rate of 4.50% with a maturity date of October 1, 2027. These bonds are related to the renovation of patient rooms in the hospital and are repaid with service revenues of the District. The annual debt service requirements are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 77,000	\$ 42,570	\$ 119,570
2019	80,000	39,105	119,105
2020	84,000	35,505	119,505
2021	88,000	31,725	119,725
2022	92,000	27,765	119,765
2023-2027	525,000	72,946	597,946
Total	<u>\$ 946,000</u>	<u>\$ 249,616</u>	<u>\$ 1,195,616</u>

Following is a schedule of changes in long term debt for the year ended September 30, 2017:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>	<u>Due in One Year</u>
Certificates of indebtedness, Series 2006	\$ 1,174,000	\$ -	\$ 89,000	\$ 1,085,000	\$ 98,000
Revenue Bonds Payable	4,407,635	-	192,839	4,214,796	200,341
Capital leases	310,786	-	128,628	182,158	92,351
Compensated absences	461,767	585,683	556,379	491,071	491,071
	<u>\$ 6,354,188</u>	<u>\$ 585,683</u>	<u>\$ 966,846</u>	<u>\$ 5,973,025</u>	<u>\$ 881,763</u>

Following is a schedule of changes in long term debt for the year ended September 30, 2016:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>	<u>Due in One Year</u>
Certificates of indebtedness, Series 2006	\$ 1,255,000	\$ -	\$ 81,000	\$ 1,174,000	\$ 89,000
Revenue Bonds Payable	4,590,971	-	183,336	4,407,635	191,697
Capital leases	503,007	56,330	248,551	310,786	128,630
Compensated absences	393,605	466,263	398,101	461,767	461,767
	<u>\$ 6,742,583</u>	<u>\$ 522,593</u>	<u>\$ 910,988</u>	<u>\$ 6,354,188</u>	<u>\$ 871,094</u>

Bond Sinking Fund Requirements:

Under the terms of the series 2011 and 2012 hospital revenue bonds, the following requirements are stated:

Sinking Fund-A monthly payment of 1/12 of the current year principal and interest installment must be made into the Sinking Fund account which will be used to make the payments on the bonds. The amount on deposit in the Sinking Fund account at September 30, 2017 was \$548,528.

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Reserve Fund-The Reserve Fund is required to be funded to an amount equal to the highest scheduled principal and interest falling due in any year on all bonds payable from the Sinking Fund. Pursuant to the Bond Resolution, the District is to deposit monthly or before the 20th of each month a sum at least equal to 5% of the amount to be paid into the Sinking Fund, to continue until such time there has been accumulated therein a sum equal to the Reserve Fund requirement. The deposits were not made by the 20th of each month. The amount required to be on deposit at September 30, 2017 was \$120,685 and the amount on deposit in the Reserve Fund account was \$86,005. The remainder was on deposit in the Sinking Fund account.

Depreciation and Contingency Fund-A Depreciation and Contingency Fund is required to be created for extensions, renewals and replacements. The District is required to deposit monthly in this fund an amount equal to 5% of the amount to be paid into the Sinking Fund. The payments are to continue until an amount equal to the Reserve Fund requirement is on deposit in the Reserve Fund, then each month a sum equal to 10% of the Sinking Fund payment is to be made into the Contingency Fund. These deposits are to be made before the 20th of each month. The deposits were not made by the 20th of each month. The amount required to be on deposit at September 30, 2017 was \$106,036 and the amount on deposit in the Depreciation and Contingency Fund account was \$94,886. The remainder was on deposit in the Sinking Fund account.

Restricted cash of \$729,419 is the total of these three funds. Although the Reserve and Depreciation and Contingency Funds did not have the required balances at September 30, 2017, the Sinking Fund balance was enough to cover the differences.

NOTE 8 - CAPITAL LEASE OBLIGATIONS The District records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of equipment under capital leases at September 30, 2017:

<u>Type</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
GE Anesthesia Unit	\$ 36,799	\$ 18,407	\$ 18,392
US Bank Physio Life Pak	56,338	15,978	40,360
Business Office	216,313	30,728	185,585
Restech from Hewlett Packard	199,960	176,732	23,228
Total	<u>\$ 509,410</u>	<u>\$ 241,845</u>	<u>\$ 267,565</u>

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2017 and 2016**

The following is an analysis of equipment under capital leases at September 30, 2016:

Type	Cost	Accumulated Depreciation	Net Book Value
GE Anesthesia Unit	\$ 36,799	\$ 13,150	\$ 23,649
Olympus surgical Equipment	208,016	58,473	149,543
US Bank Physio Life Pak	56,338	4,710	51,628
Business Office	216,313	19,912	196,401
i1000 Blood Analyzer	82,050	75,235	6,815
Restech from Hewlett Packard	199,960	136,740	63,220
Total	<u>\$ 799,476</u>	<u>\$ 308,220</u>	<u>\$ 491,256</u>

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of September 30, 2017:

Years ending September 30,	Business Office	Anesthesia Unit	HP Financial Restech	US Bank Physio Life Pak	Total
2018	\$ 47,952	\$ 8,271	\$ 30,401	\$ 11,804	\$ 98,428
2019	47,952	6,206	-	11,804	65,962
2020	3,996	-	-	11,804	15,800
2021	-	-	-	10,820	10,820
Total minimum lease payments	99,900	14,477	30,401	46,232	191,010
Less amounts representing interest	(5,984)	(605)	(594)	(1,669)	(8,852)
Present value of net minimum lease payments	<u>\$ 93,916</u>	<u>\$ 13,872</u>	<u>\$ 29,807</u>	<u>\$ 44,563</u>	<u>\$ 182,158</u>

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of September 30, 2016:

Years ending September 30,	i1000 Blood Analyzer	Business Office	Anesthesia Unit	Surgical Equipment	HP Financial Restech	US Bank Physio Life Pak	Total
2017	\$ 15,682	\$ 47,952	\$ 8,272	\$ 12,657	\$ 45,600	\$ 11,804	\$ 141,967
2018	-	47,952	8,271	-	30,401	11,804	98,428
2019	-	47,952	6,206	-	-	11,804	65,962
2020	-	3,996	-	-	-	11,804	15,800
2021	-	-	-	-	-	10,820	10,820
Total minimum lease payments	15,682	147,852	22,749	12,657	76,001	58,036	332,977
Less amounts representing interest	(1,947)	(12,692)	(1,447)	(95)	(3,408)	(2,602)	(22,191)
Present value of net minimum lease payments	<u>\$ 13,735</u>	<u>\$ 135,160</u>	<u>\$ 21,302</u>	<u>\$ 12,562</u>	<u>\$ 72,593</u>	<u>\$ 55,434</u>	<u>\$ 310,786</u>

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
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**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2017 and 2016**

NOTE 9 - INCOME TAXES The District is a governmental entity and is not subject to federal and state income taxes.

NOTE 10 - BEHAVIORAL HEALTH UNIT The District established a Behavioral Health Unit (BHU) in 1996. The BHU provides programs for the treatment of emotional problems and psychiatric disorders and operates out of a ten-bed wing in the Hospital.

NOTE 11 - AD VALOREM TAX The District levies taxes on real and business personal property located within LaSalle Parish's boundaries. Property taxes are levied by the District on property values assessed by the LaSalle Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

The LaSalle Parish Sheriff's Office bills and collects property taxes for the District. Collections are remitted to the District monthly.

Property Tax Calendar

Millage rates adopted	July 26, 2016
Levy date	January 1, 2016
Tax bills mailed	November 1, 2016
Total taxes are due	December 31, 2016
Lien date	January 1, 2017
Penalties and interest are added	January 31, 2017
Tax sale - 2016 delinquent property	May, 2017

Assessed values are established by the LaSalle Parish Tax Assessor each year on a uniform basis at the following ratios of assessed value to fair market value.

10% land	15% machinery
10% residential improvements	15% commercial improvements
15% industrial improvements	25% public service properties, excluding land

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2016. Total gross assessed value was \$25,801,505 in calendar year 2016. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was \$5,088,990 of the assessed value in calendar year 2016.

State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the sheriff is required by the *Constitution of the State of Louisiana* to sell the least quantity of property necessary to settle the taxes and interest owed.

All property taxes are recorded in the enterprise fund on the basis explained in Note 1. Revenues in this fund are recognized in the accounting period in which they become measurable and when there exists an enforceable legal claim. The District considers January 1 the lien date, as the date that an enforceable legal claim exists. Estimated

**Hospital Service District Number One
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**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2017 and 2016**

uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll.

Historically, virtually all ad valorem taxes receivable were collected since they are secured by property. Therefore, there is no allowance for uncollectible taxes.

The following is a summary of authorized and levied (tax rate per \$1,000 assessed value) ad valorem tax:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Parish-wide tax:			
Operations and maintenance	9.33	9.33	2025

NOTE 12 - OPERATING LEASES The District is committed under various non-cancelable operating leases primarily for medical equipment. Future minimum operating lease commitments are as follows:

<u>Year Ending September 30,</u>	
2018	\$ 179,303
2019	95,697

Rental expense was \$254,406 for the year ended September 30, 2017 and \$260,928 for the year ended September 30, 2016.

NOTE 13 - NEW GASB STANDARDS In fiscal year 2017, the District adopted the following new standard of financial accounting issued by the Governmental Accounting Standards Board:

- *Statement No. 77 – Tax Abatement Disclosures* establishes standards of accounting and financial reporting for tax abatements. Financial statement users need information about certain limitations on a government’s ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues.

The adoption of this standard had no impact on the District’s financial statements. The District did not have any tax abatements to disclose.

NOTE 14 - 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 District determines the cost associated with providing charity care by aggregating the applicable direct and indirect costs, including wage and related benefits, supplies, and other operating expenses. The District had no charity care write offs for the years ended September 30, 2017 and 2016.

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
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Olla, Louisiana**

SUPPLEMENTARY INFORMATION

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**Schedule of Compensation Paid Board Members
For the Year Ended September 30, 2017**

Board members who served during the fiscal year and the amount of compensation received by each are presented below in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

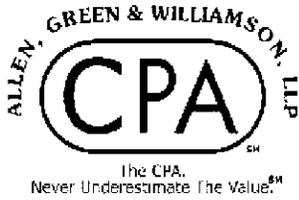
Lee Richardel, Chairman	\$480
Steve Tannehill	480
Rick Smotherman	480
Joe Wilson	480
Mike Duke, Vice Chairman	<u>480</u>
 Total	 <u>\$2,400</u>

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
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**Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer
For the Year Ended September 30, 2017**

Agency Head: Paul Mathews, Administrator

<u>Purpose</u>	<u>Amount</u>
Salary	\$309,072
Benefits-insurance	5,220
Benefits-retirement	9,272
Cell phone/Internet	4,443
Reimbursements/Mileage	13,726
Dues (not paid directly to agency head)	1,409
Registration & conference fees (not paid directly to agency head)	1,425
Conference travel (not paid directly to agency head)	5,978



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Eddi Hernandez, CPA
Jennie Henry, CPA
Ronnie Jacola, CPA
Audit Manager: Margie Williamson, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

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*

Independent Auditor's Report

Board of Commissioners
Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District) a component unit of the LaSalle Parish Police Jury as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 2018.

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. 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

March 27, 2018

**Hospital Service District Number One
Of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

OTHER INFORMATION

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**Summary Schedule of Prior Year Audit Findings and Questioned Costs
As of and for the Year Ended September 30, 2017**

Year of Origination: September 30, 2015.

Reference # and title: **2016-001** **Louisiana Bid Law**

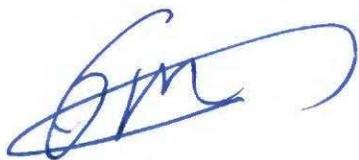
Condition: Louisiana Revised Statute 38:2238, Used Fire and Emergency Response Vehicle Procurement by Political Subdivisions, is applicable for the procurement of used fire and emergency vehicles, including associated equipment, with a per-unit purchase cost of less and \$100,000. The statute provides that a political subdivision may procure used fire or emergency response vehicles through a request for proposal which conforms to requirements specified in the statute.

The District purchased a used ambulance and did not follow the procurement procedures described in R.S. 38:2238.

Corrective action taken: See management's corrective action taken on page 44. This finding is considered to be cleared.

Status of Prior Year Finding:

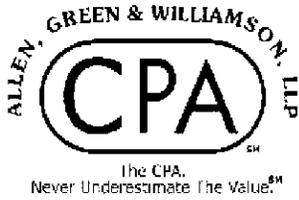
Management has secured a copy of the Revised Public Bid Law and has followed the recommended guidelines for purchases. Management now consults with legal counsel on all purchases subject to bid law requirements to ensure proper adherence to bid law statutes.



Paul G. Mathews
Administrator

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
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AGREED UPON PROCEDURES



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING STATEWIDE AGREED-UPON PROCEDURES

Board of Commissioners
Hospital Service District Number One
Of the Parish of LaSalle, State of Louisiana
a Component Unit of LaSalle Parish Police Jury
Olla, Louisiana

We have performed the procedures enumerated below, which were agreed to by the management of Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District) a component Unit of LaSalle Parish Police Jury, and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the period September 30, 2017. The District's management is responsible for the control and compliance areas identified in these Statewide Agreed-Upon Procedures. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the reports. 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.

Our procedures and 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
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts**, including receiving, recording, and preparing deposits

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements

Comment: When reviewing the applicable written policies and procedures for the required elements, the following exceptions were noted: There were no policies or procedures for contracting provided. There was also an exception noted with the purchasing policy due to it not having all of the required elements of the policy.

Management's response: A written policy and procedure for contracting will be implemented. An amendment will be made to the existing purchasing policy which will include all required elements.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Comment: No exceptions were noted in applying the agreed upon procedures.

Bank Reconciliations

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

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Comment: Five bank accounts were selected for testing. For all five bank accounts the person who reviewed the reconciliation was involved in the transactions associated with the bank account. For one bank account, each month had checks outstanding for longer than 6 months with no evidence the checks had been researched.

Management's Response: The review of bank reconciliations is done by the Administrator. Although the administrator has online access to all bank accounts, he does not post or initiate any transactions. All employees in the accounting and administration department have limited access to either the Accounts Payable function or to online banking, therefore it is not possible to review these items without hiring additional personnel.

Payments outstanding for longer than 6 months are now researched.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each cash collection location selected:
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Comment: Five locations were selected for testing. At one location, the person collecting also records the receipt. At another location the same person collects, records, and deposits the receipts. For these same five locations, the highest dollar week of collections were tested for timely deposit and adequate documentation. Four deposits were made in 2 days instead of one and 2 deposits were made 6 days later. One day at each of 2 locations did not have adequate support.

Management's Response: Procedures were already in place to ensure timely deposits as well as separation of job duties for collection of cash, posting of payments and deposit preparation. Any variation from this was due to employee shortage. Daily reconciliation/deposit sheets are made in each location and are verified by personnel other than those preparing deposits and posting payments.

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

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Comment: The person processing disbursements can add vendors to the system. Checks are electronically signed and the person with signature authority has system access to print checks

Management's Response: The Vendor Master list resides in the Accounts Payable module of our accounting system. It's not possible to deny Accounts Payable employees access to this part of the system. However, a listing of each check run is given to the Sr. Accountant and the Administrator for payment approval. As a compensating control, a monthly audit report under User Administration will be reviewed for any changes to the Vendor Master File.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Report whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
 - a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Comment: Eight credit card statements were selected for testing. For one of the statements, there were 5 instances where the receipts were not itemized and 4 more receipts which did not include a listing of persons included in the meal receipts.

Management's Response: Accounting will ensure non itemized receipts are returned to the owner for proper documentation to be recorded.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
 - a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

- c) Compare the entity’s documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Comment: One hotel charge did not include an itemized receipt.

Management’s Response: Accounting will ensure reimbursement requests contain proper itemized documentation.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management’s representation that the listing or general ledger is complete.
- 21. Using the listing above, select the five contract “vendors” that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
 - a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) Compare each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
 - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Comment: No exceptions were noted as a result of alloying the agreed upon procedures.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

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

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

Comment: No exceptions noted in testing of time and attendance. No exceptions noted in testing termination payments. Two exceptions were noted in testing payroll taxes and retirement benefits because the amount on the canceled check did not agree to the amount on the payroll summary for that payroll period.

Management's Response: Reconciliation of payroll taxes and benefits are done to ensure proper amounts are deducted from employee payroll. At year end, deductions for payroll taxes and retirement benefits reconcile with payments made.

Ethics (excluding nonprofits)

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

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

policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Comment: No exceptions noted.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Comment: The Medical Center does not use millage collections for debt service payments.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Comment: No exceptions noted as a result of applying the agreed upon procedures.

We were not engaged to and did not perform an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance area 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 control and compliance area 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 Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP
Monroe, Louisiana
March 27, 2018