

**The Hospital Service District of
West Feliciana Parish Louisiana
A Component Unit of the
West Feliciana Parish Government
St. Francisville, Louisiana
October 31, 2019**

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The Hospital Service District of West Feliciana Parish Louisiana
Management's Discussion and Analysis of the Basic Financial Statements
October 31, 2019

This portion of the Hospital's annual financial reporting presents background information and management's review of the Hospital's financial performance during the fiscal year ended October 31, 2019. This Section should be interpreted within the context of financial statements as displayed in this report.

FINANCIAL HIGHLIGHTS

Fiscal year 2019 was another strong financial year for the Hospital. Our current economic stability has allowed us to continue with our strategy of expanding services and staff. Since opening the new facility in October 2017, the Hospital has developed new programs and recruited additional physicians, resulting in financial growth. Operating revenues increased from 2018 by \$1,761,407, or 7.8%, and, despite an increase in operating expenses, net position increased by \$749,096 from 2018. Collectively, net revenue has increased \$8.4M in the last 2 fiscal years. Moreover, current assets increased \$3.1M from 2018, or 23%, while current liabilities decreased approximately \$67,000. Also, total assets increased approximately \$150,000, and capital assets increased over \$1.2M, marking three years in a row that capital assets increased over \$1M.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements of the Hospital report information regarding the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenue and expenses are accounted for in the Statement of Revenue, Expenses, and Changes in Net Position. This statement measures improvements in the Hospital's operations over the past year, and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service and other revenue sources. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Hospital's cash flows from operations and financial activities, as well as define the sources of cash, its use, and cash balance changes during the reporting period. Additional statistical information and notes are offered as support, explanation and information.

FINANCIAL ANALYSIS OF THE HOSPITAL SERVICE DISTRICT

The Statements of Net Position and Statements of Revenue, Expenses, and Changes in Net Position report data about the Hospital's activities. These two (2) statements report the net position of the Hospital and changes in it. Increases or decreases in net position are one indicator regarding the financial integrity of the Hospital. Other non-financial indicators include changes in state and local economic conditions, as well as regulatory changes regarding Medicare and Medicaid, especially as these may impact Critical Access Hospital status, and related cost-based reimbursements.

**The Hospital Service District of West Feliciana Parish Louisiana
Management's Discussion and Analysis of the Basic Financial Statements
October 31, 2019**

Net Position

Condensed statements of net position as of October 31, 2019, 2018, and 2017 are displayed in the following table:

Condensed Statements of Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 16,758,169	\$ 13,623,288	\$ 10,532,123
Assets limited as to use	10,292,360	11,745,905	12,531,483
Capital assets, net	<u>29,439,419</u>	<u>30,973,051</u>	<u>32,303,936</u>
Total assets	<u>\$ 56,489,948</u>	<u>\$ 56,342,244</u>	<u>\$ 55,367,542</u>
Current liabilities	\$ 2,566,761	\$ 2,633,453	\$ 3,552,331
Long-term liabilities	24,684,885	25,219,585	23,932,570
Net position	<u>29,238,302</u>	<u>28,489,206</u>	<u>27,882,641</u>
Total liabilities and net position	<u>\$ 56,489,948</u>	<u>\$ 56,342,244</u>	<u>\$ 55,367,542</u>

The following table presents the components of the Hospital's net position as of October 31, 2019, 2018, and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net investment in capital assets	\$ 4,220,802	\$ 5,447,568	\$ 8,138,936
Restricted for debt service	10,255,428	11,196,624	10,992,931
Unrestricted - reserved for capital projects	36,932	549,281	1,538,552
Unrestricted	<u>14,725,140</u>	<u>11,295,733</u>	<u>7,212,222</u>
Total net position	<u>\$ 29,238,302</u>	<u>\$ 28,489,206</u>	<u>\$ 27,882,641</u>

Capital Assets

The following table presents the components of capital assets at October 31, 2019, 2018, and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land and land improvements	\$ 2,448,288	\$ 2,329,750	\$ 2,325,087
Buildings and leasehold improvements	29,885,213	28,649,181	27,818,172
Equipment	11,461,769	11,069,925	11,937,217
Construction in progress	<u>—</u>	<u>503,424</u>	<u>43,656</u>
	43,795,270	42,552,280	42,124,132
Less: accumulated depreciation	<u>14,355,851</u>	<u>11,579,229</u>	<u>9,820,196</u>
Capital assets, net	<u>\$ 29,439,419</u>	<u>\$ 30,973,051</u>	<u>\$ 32,303,936</u>

**The Hospital Service District of West Feliciana Parish Louisiana
Management's Discussion and Analysis of the Basic Financial Statements
October 31, 2019**

Summary of Revenue, Expenses, and Changes in Net Position

The following table presents a summary of the Hospital's revenue and expenses for the latest three fiscal years:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Condensed Statements of Revenue, Expenses and Changes in Net Position			
Net patient service revenue	\$20,985,465	\$20,407,120	\$14,162,818
Other operating revenue	3,311,524	2,128,462	1,697,621
Operating revenue	<u>24,296,989</u>	<u>22,535,582</u>	<u>15,860,439</u>
Salaries, wages and benefits	10,667,516	9,892,617	9,260,129
Other operating expenses	11,923,271	10,848,498	9,035,855
Depreciation	2,844,324	2,775,278	821,151
Operating expenses	<u>25,435,111</u>	<u>23,516,393</u>	<u>19,117,135</u>
Tax revenue	2,401,014	2,331,233	2,215,663
Interest income	138,901	80,421	73,261
Other non-operating revenue	335,495	178,822	94,581
Non-operating expenses	(988,192)	(1,003,100)	(244,951)
Non-operating revenue, net	<u>1,887,218</u>	<u>1,587,376</u>	<u>2,138,554</u>
Change in Net Position	749,096	606,565	(1,118,142)
Net Position, beginning of year	<u>28,489,206</u>	<u>27,882,641</u>	<u>29,000,783</u>
Net Position, end of year	<u>\$29,238,302</u>	<u>\$28,489,206</u>	<u>\$27,882,641</u>

SOURCES OF REVENUE

The Hospital derives the majority of its total revenue from patient service operations. The following table displays payor mix percentages as a function of total billed charges during 2019, 2018, and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Medicare	21%	23%	24%
Medicaid	30%	30%	30%
Commercial and other	41%	41%	39%
Self-Pay	8%	6%	7%

The Hospital derives additional revenue from ad valorem taxes, grants, and donations.

**The Hospital Service District of West Feliciana Parish Louisiana
Management's Discussion and Analysis of the Basic Financial Statements
October 31, 2019**

OPERATING AND FINANCIAL PERFORMANCE

The Hospital's primary source of revenue is derived from patient services and is driven by admissions. The practical end of patient revenue involves converting admissions and treatment into cash collections. The industry standard regarding management of receivables is the measure of outstanding days in accounts receivable. The following table displays both inpatient days, along with days in accounts receivable from 2019, 2018, and 2017.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Inpatient Days	994	642	317
Net Outstanding Days in A/R	50	35	34

BUDGET AND STRATEGY FOR FISCAL YEAR 2020

The Board of Commissioners have approved the budget for the fiscal year ending October 31, 2020, with a projected positive change in net position. The projected change is greater than the previous year's final net change for several reasons. Gastroenterology was the first physician specialty service started in 2019. Not fully implemented until the summer of 2019, gastroenterology has shown much promise as an essential service in the community. The strategy this year is to add additional specialties: Pain Management, Ophthalmology, Cardiology, and Dermatology. Adding these new services will help us accomplish the Hospital's mission of bringing more healthcare services to our community.

The remodeling has been completed on the wing of the old hospital structure and the Cypress building. The Hospital has been able to move the IOP operations into the old hospital facility, and move Pediatrics and Primary Care (and eventually Ophthalmology) into the space vacated by IOP. With the news that West Feliciana Parish has been declared a Health Professional Shortage Area, the strategy has changed to have the Cypress building converted to a rural health clinic (RHC). Creating an RHC on campus should enhance the financial operations of the clinic.

The Hospital is continuing to reevaluate the possible use of the rest of the old hospital building and to purchase adjacent land around the hospital to allow for future growth.

CONTACTING THE HOSPITAL'S CHIEF FINANCIAL OFFICER

This financial report is intended to provide our community, patients, and creditors with a general overview of the Hospital's financial position, and demonstrate accountability regarding all revenue received. If further information is required, requests should be submitted in writing to:

Chief Financial Officer
West Feliciana Hospital
5266 Commerce Street
St. Francisville, LA 70775



**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Brittany B. Thames, CPA
Kevin M. Rodriguez, CPA
Blaine M. Crochet, CPA

Independent Auditor's Report

Board of Commissioners
The Hospital Service District of West Feliciana Parish Louisiana
d/b/a West Feliciana Hospital
St. Francisville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Hospital Service District of West Feliciana Parish Louisiana, a component unit of the West Feliciana Parish Government, as of and for the years ended October 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise The Hospital Service District of West Feliciana Parish Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Hospital Service District of West Feliciana Parish Louisiana as of October 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2020, on our consideration of The Hospital Service District of West Feliciana Parish Louisiana'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 Hospital Service District of West Feliciana Parish Louisiana'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 Hospital Service District of West Feliciana Parish Louisiana's internal control over financial reporting and compliance.

Hawthorn, Waymouth & Carroll, L.L.P.

April 24, 2020

The Hospital Service District of West Feliciana Parish Louisiana
Statements of Net Position
October 31, 2019 and 2018

Assets	2019	2018
	2019	2018
Current Assets		
Cash and cash equivalents	\$ 3,636,517	\$ 4,370,223
Certificates of deposit	3,308,322	3,077,694
Investments	1,102,952	-
Accounts receivable, less allowance for doubtful accounts	3,227,634	2,227,229
Due from third party payors	2,106,238	1,664,165
Accounts receivable - other	2,460,739	1,285,410
Inventory	521,655	549,206
Prepaid expenses	394,112	449,361
	16,758,169	13,623,288
Assets Limited As to Use	10,292,360	11,745,905
Capital Assets, net	29,439,419	30,973,051
	\$ 56,489,948	\$ 56,342,244
Liabilities and Net Position		
Current Liabilities		
Current maturities of bonds payable	\$ 503,732	\$ 275,898
Current maturities of note payable	30,000	30,000
Accounts payable	380,005	452,419
Accrued expenses	1,381,194	1,875,136
Due to third party payors	271,830	-
	2,566,761	2,633,453
Long-Term Liabilities		
Bonds payable, less current maturities	24,539,885	25,044,585
Note payable, less current maturities	145,000	175,000
	24,684,885	25,219,585
Net Position		
Net investment in capital assets	4,220,802	5,447,568
Restricted for debt service	10,255,428	11,196,624
Unrestricted - reserved for capital projects	36,932	549,281
Unrestricted	14,725,140	11,295,733
	29,238,302	28,489,206
	\$ 56,489,948	\$ 56,342,244

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

**The Hospital Service District of West Feliciana Parish Louisiana
Statements of Revenue, Expenses, and Changes in Net Position
Years Ended October 31, 2019 and 2018**

	2019	2018
Operating Revenue		
Net patient service revenue	\$ 20,985,465	\$ 20,407,120
Other operating revenue	3,311,524	2,128,462
	<hr/>	<hr/>
Operating revenue	24,296,989	22,535,582
	<hr/>	<hr/>
Operating Expenses		
Salaries, wages and benefits	10,667,516	9,892,617
Professional services	6,675,247	6,032,224
Supplies and other expenses	1,570,477	1,379,422
Other operating expenses	3,677,547	3,436,852
Depreciation	2,844,324	2,775,278
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Operating expenses	25,435,111	23,516,393
	<hr/>	<hr/>
Operating loss	(1,138,122)	(980,811)
	<hr/>	<hr/>
Non-Operating Revenue (Expenses)		
Interest income	138,901	80,421
Interest expense	(985,658)	(988,377)
Bond issuance costs	-	(14,723)
Tax revenue	2,401,014	2,331,233
Gain (loss) on sale of assets	(2,534)	3,953
Other non-operating revenue	335,495	174,869
	<hr/>	<hr/>
Non-operating revenue, net	1,887,218	1,587,376
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Change in Net Position	749,096	606,565
	<hr/>	<hr/>
Net Position, beginning of year	28,489,206	27,882,641
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Net Position, end of year	\$ 29,238,302	\$ 28,489,206
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The accompanying notes are an integral part of these financial statements.

The Hospital Service District of West Feliciana Parish Louisiana
Statements of Cash Flows
Years Ended October 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	\$ 21,762,938	\$ 21,374,846
Payments for goods and services	(12,011,331)	(12,089,909)
Payments to employees for services	(10,853,675)	(9,817,762)
Net cash used in operating activities	(1,102,068)	(532,825)
 Cash Flows from Non-Capital Financing Activities		
Tax receipts	2,391,830	2,154,724
Other income	329,044	179,799
Net cash provided by non-capital financing activities	2,720,874	2,334,523
 Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(1,315,569)	(1,444,393)
Proceeds from issuance of bonds payable	-	1,410,000
Payment of bond issuance costs	-	(14,723)
Principal payments on bonds payable	(276,866)	(254,517)
Proceeds from issuance of note payable	-	265,000
Principal payments on note payable	(30,000)	(60,000)
Interest paid	(986,953)	(988,803)
Net cash used in capital and related financing activities	(2,609,388)	(1,087,436)
 Cash Flows from Investing Activities		
Purchases of certificates of deposit	(1,571,745)	(406,098)
Sales and maturities of certificates of deposit	1,341,117	350,000
Purchases of investments	(1,103,711)	-
Sales and maturities of investments	-	249,388
Interest income	134,571	78,894
Proceeds from the sale of property	2,338	3,953
Net cash provided by (used in) investing activities	(1,197,430)	276,137
 Net Increase (Decrease) in Cash and Cash Equivalents	(2,188,012)	990,399
 Cash and Cash Equivalents, beginning of year		
Including \$11,711,807 and \$12,247,997 limited as to use for 2019 and 2018, respectively	16,082,030	15,091,631
 Cash and Cash Equivalents, end of year		
Including \$10,257,501 and \$11,711,807 limited as to use for 2019 and 2018, respectively	\$ 13,894,018	\$ 16,082,030

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

The Hospital Service District of West Feliciana Parish Louisiana
Statements of Cash Flows
Years Ended October 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Loss to Net Cash Used in		
Operating Activities:		
Operating loss	\$ (1,138,122)	\$ (980,811)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,844,324	2,775,278
Provision for doubtful accounts	2,123,865	2,185,999
(Increase) Decrease in assets:		
Patient accounts receivable	(3,124,964)	(2,623,750)
Due from third party payors	(442,073)	(635,459)
Other receivables	(1,153,372)	54,220
Inventory	27,551	(5,990)
Prepaid expenses	55,249	(146,118)
Increase (Decrease) in liabilities:		
Accounts payable	(72,414)	(914,657)
Accrued expenses	(493,942)	(77,689)
Due to third party payors	271,830	(163,848)
Net cash used in operating activities	<u>\$ (1,102,068)</u>	<u>\$ (532,825)</u>

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

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 1-Summary of Significant Accounting Policies

A. Legal Organization

On February 21, 1968, the West Feliciana Parish Police Jury passed a resolution creating the West Feliciana Parish Hospital Service District No. 1 (“the Hospital”) under the authority of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The Hospital is a political subdivision of the West Feliciana Parish Government, whose jurors are elected officials. The Hospital’s seven (7) commissioners are appointed by the West Feliciana Parish Government. The Hospital’s legal name is now The Hospital Service District of West Feliciana Parish Louisiana and its DBA name is West Feliciana Hospital.

B. Nature of Business

The Hospital primarily earns revenue by providing inpatient, outpatient, and emergency care services to patients in the West Feliciana Parish area.

C. Basis of Accounting and Presentation

The Hospital utilizes the proprietary fund method of accounting, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

As a proprietary fund, the Hospital distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing patient services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the Hospital’s proprietary fund are charges to customers related to patient services. Operating expenses for the Hospital’s proprietary fund include patient care expenses, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

The Hospital follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989 to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Hospital has elected not to follow subsequent private-sector guidance.

The Hospital follows GASB standards for state and local governments which require that resources be classified for accounting and reporting purposes into the following three net position components:

- The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted net position results when external constraints are placed on asset use by creditors, grantors, contributors, or laws through constitutional provisions or enabling legislation. At October 31, 2019 and 2018, the Hospital had \$10,255,428 and \$11,196,624, respectively, of net position restricted for debt service.

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 1-Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting and Presentation (Continued)

- The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position is often designated to indicate that management does not consider it to be available for general operations; however, these designations can be removed or modified. At October 31, 2019 and 2018, the Hospital had \$36,932 and \$549,281, respectively, of unrestricted net position that was reserved for capital projects.

When both restricted and unrestricted resources are available for use, it is the Hospital's policy to first use restricted resources then unrestricted resources as they are needed.

D. Reporting Entity

As the governing authority of the parish, for reporting purposes, the West Feliciana Parish Government ("parish government") is the financial reporting entity for West Feliciana Parish. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Section 2100 of the 2011 Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, establishes criteria for determining which component units should be considered part of the West Feliciana Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

This criteria, as it relates to the Hospital, includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the parish government to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish government.
2. Organizations for which the parish government does not appoint a voting majority, but are fiscally dependent on the parish government.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the parish government appoints all members to the Hospital's Board of Commissioners, the Hospital was determined to be a component unit of the West Feliciana Parish Government, the financial reporting entity. The accompanying financial statements present information only of the funds maintained by the Hospital and do not present information on the parish government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 1-Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant item on the Statements of Net Position that involves a greater degree of accounting estimates subject to changes in the near future is the assessment of the allowance for doubtful accounts. As additional information becomes available (or actual amounts are determinable), the recorded estimates are revised and reflected in operating results of the period they are determined.

F. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Hospital considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

G. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable from patients, insurance companies, and third-party reimbursement contractual agencies are recorded at established charge rates. Certain third-party insured accounts (Medicare and Medicaid) are based on cost reimbursement agreements, which generally result in the Hospital collecting more or less than the established charge rates with the difference recorded as “contractual adjustments.” Final determination of settlement is subject to review by appropriate authorities.

The Hospital provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of all receivables. Management estimates the losses based on historical collection experience coupled with a review of the current status of existing receivables. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

H. Inventory

Inventory is valued at the lower of cost or net realizable value (first-in, first-out method). Inventory is comprised of departmental supplies and pharmaceutical items.

I. Investments

Investments in debt and equity securities are carried at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 1-Summary of Significant Accounting Policies (Continued)

J. Capital Assets

Capital assets are stated at cost, except for assets donated to the Hospital. Donated assets are recorded at the appraised value at the date of donation. Depreciation is recorded on a straight-line basis over the useful lives of the assets. Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures in excess of \$5,000 for major renewals and betterments that extend the useful lives of capital assets are capitalized.

The following estimated useful lives are used:

Buildings and Leasehold Improvements	5 - 40 years
Equipment	3 - 20 years

Gifts of long-lived assets such as land, buildings, or equipment with no donor stipulations are reported as unrestricted support, while those with explicit donor stipulations are reported as restricted support.

K. Operating Revenue and Expenses

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

L. Net Patient Service Revenue

The Hospital is a "Critical Access Hospital" (CAH), which allows it to receive cost based reimbursements from Medicare and Medicaid.

The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Inpatient acute care services, swing bed services and outpatient services rendered to Medicare program beneficiaries are reimbursed at cost plus one percent (subject to limits, rules and regulations), while other outpatient laboratory services are reimbursed on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through October 31, 2014.

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services to Medicaid program beneficiaries are reimbursed at cost plus ten percent, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through October 31, 2012.

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 1-Summary of Significant Accounting Policies (Continued)

L. Net Patient Service Revenue (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretations. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized.

The Hospital has entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates. To the extent management's estimate differs from actual results, the differences will be recorded in the year such differences arise.

M. Charity Care

The Hospital provides care, without charge or at amounts less than its established rates, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts qualifying as charity care, they are not included in gross patient service revenue.

N. Grants and Donations

Grants and donations (including capital contributions of assets) are recognized as revenue when all eligibility requirements, including time requirements, imposed by the provider have been met.

O. Property Taxes

The Hospital receives property taxes, which are levied on or about October 1st for the current year. Property taxes are invoiced and collected by the West Feliciana Parish Sheriff. Taxes are due by December 31st following the levy date. The Hospital records the expected revenue to be received based on factors such as previous years' collections of assessments and the estimated taxable assessed value for the current year. Adjustments are made upon final receipt. The Hospital currently receives a 0.50 mill property tax, which is in effect through 2026.

P. Income Taxes

The Hospital is exempt from income taxes under Internal Revenue Code Section 115. Accordingly, the accompanying financial statements do not include any provision for income taxes.

Q. Advertising

Advertising costs are expensed as incurred. Advertising costs of \$154,274 and \$136,763 were expensed in 2019 and 2018, respectively.

R. Environmental Matters

Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at this time, management is not aware of any environmental matters which need to be considered.

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 1-Summary of Significant Accounting Policies (Continued)

S. Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental, and accident benefits. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self-insurance of 1) Hospital professional liability and comprehensive general liability and 2) statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss. As of October 31, 2019 and 2018, the Hospital has no known malpractice claims exceeding its coverage.

T. Fair Value Measurements

The Hospital follows GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. This topic establishes a hierarchal framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment.

The Hospital utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Hospital determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1: Quoted prices (unadjusted) in active markets accessible at the measurement date.

Level 2: Prices based on observable inputs corroborated by market data, but no quoted active markets.

Level 3: Prices based on unobservable inputs, including situations where there is little, if any, market activity for the assets or liabilities. The inputs used in the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investments.

U. Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's financial statement presentation. The reclassifications had no effect on net position or the change in net position as of and for the year ended October 31, 2018.

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 2-Deposits and Investments

The Hospital has various deposits and investments. The amounts reflected on the accompanying Statements of Net Position are as follows:

	<u>2019</u>	<u>2018</u>
Operations		
Cash and cash equivalents	\$ 3,636,517	\$ 4,370,223
Certificates of deposit	3,308,322	3,077,694
Investments	1,102,952	—
Assets Limited As to Use		
Cash and cash equivalents	10,257,501	11,711,807
Certificates of deposit	<u>34,859</u>	<u>34,098</u>
Total	<u>\$ 18,340,151</u>	<u>\$19,193,822</u>

The Hospital's investment policies comply with state statutes. Funds may be invested in time deposits, money market investment accounts, or certificates of deposit with financial institutions insured by the FDIC; direct obligations of the United States Government and its agencies; investment grade commercial paper of domestic United States corporations; one of the two highest short-term rating categories of either Standards & Poor's Corporation or Moody's Investors Service; and government backed mutual trust funds.

At October 31, 2019, investments held by the Hospital consist of \$1,102,952 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB, LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a governmental external investment pool that reports at fair value. The following facts are relevant for an investment pool:

Credit Risk: LAMP is rated AAAM by Standard & Poor's.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Hospital's policy with respect to custodial risk is based on Louisiana statutes. LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of Credit Risk: The Hospital's investment policy does not limit the amount the Hospital may invest in any one issuer. Pooled investments are excluded from the five percent (5%) disclosure requirement.

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 2-Deposits and Investments (Continued)

Interest Rate Risk: As a means of limiting exposure to fair value losses arising from rising interest rates, the Hospital limits investments to highly liquid investments or marketable U.S. Treasury and U.S. agency obligations. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. To provide for this liquidity, all investments at the time of purchase have a maximum remaining maturity of 397 days or 762 days for U.S. Government floating/variable rate investments, and the WAM of LAMP is restricted to not more than 60 days. At October 31, 2019, the WAM for LAMP's total investments was 45 days.

Foreign Currency Risk: Not applicable.

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

LAMP, Inc. is subject to the regulatory oversight of the Louisiana state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. An annual audit of LAMP is conducted by an independent certified public accountant. The Legislative Auditor of the State of Louisiana has full access to the records of LAMP.

LAMP issues financial reports which can be obtained by writing: LAMP, Inc., 650 Poydras Street, Suite 2220, New Orleans, LA 70130.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name as of October 31, 2019 and 2018.

Account balances according to banks' records at October 31, 2019 and 2018, for the Hospital were as follows:

	<u>2019</u>	<u>2018</u>
Cash in banks	<u>\$16,952,007</u>	<u>\$20,249,362</u>
Insured by FDIC	<u>\$ 2,808,003</u>	<u>\$ 2,792,703</u>
Collateralization by fair market value of securities held by the pledging institution	<u>\$18,705,414</u>	<u>\$21,019,135</u>
Uncollateralized	<u>\$ -</u>	<u>\$ -</u>

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 3-Assets Limited As To Use

Assets whose use is limited under Board designations for the replacement of depreciable capital assets and as security interest for the Hospital Revenue Bonds are summarized as follows:

	<u>2019</u>	<u>2018</u>
Cash – Held as Security Interest for the Hospital Revenue Bonds		
Whitney Bank - Savings yielding .10%	\$ 2,075	\$ 515,183
Investar Bank - Money Market account yielding .55%	8,487,372	9,561,573
Investar Bank - Reserve Fund yielding .20%	1,489,737	1,486,760
Investar Bank - Contingency Fund	278,317	127,000
Investar Bank - Sinking Fund	–	21,291
	<u>\$10,257,501</u>	<u>\$11,711,807</u>
Certificates of Deposit – Board designated		
Merrill Lynch - CDs/Equivalents yielding 1.72%	\$ 34,859	\$ 34,098
	<u>\$ 34,859</u>	<u>\$ 34,098</u>
Total assets limited as to use	<u>\$10,292,360</u>	<u>\$11,745,905</u>

Note 4-Certificates of Deposit

The Hospital has certificates of deposit with various federally insured financial institutions. The certificates of deposit bear interest at rates ranging from 1.40% to 3.92% per annum and have maturity dates ranging from one to six years.

Note 5-Accounts Receivable - Patients

Patient account receivables consisted of the following at October 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Total patient accounts receivable	\$ 6,542,714	\$ 5,382,557
Less: allowance for uncollectible accounts	<u>(3,315,080)</u>	<u>(3,155,328)</u>
	<u>\$ 3,227,634</u>	<u>\$ 2,227,229</u>

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 6-Accounts Receivable - Other

Accounts receivable - other consisted of the following at October 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Accrued uncompensated care	\$ 2,041,961	\$ 751,491
Uncollected sales tax revenue	157,392	158,996
Uncollected ad valorem tax revenue	182,654	175,074
Medicaid EHR incentive payments receivable	-	65,724
Insurance company reimbursement	-	40,527
All other	<u>78,732</u>	<u>93,598</u>
Total accounts receivable - other	<u>\$ 2,460,739</u>	<u>\$ 1,285,410</u>

Note 7-Capital Assets

A summary of capital assets additions, deductions, and balances for the year ended October 31, 2019 follows:

	<u>Balance</u> <u>October 31,</u> <u>2018</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance</u> <u>October 31,</u> <u>2019</u>
Land and land improvements	\$ 2,329,750	\$ 96,330	\$ 22,208	\$ -	\$ 2,448,288
Buildings and leasehold improvements	28,649,181	9,722	1,226,310	-	29,885,213
Equipment	11,069,925	313,349	151,074	(72,579)	11,461,769
Construction in progress	<u>503,424</u>	<u>896,168</u>	<u>(1,399,592)</u>	<u>-</u>	<u>-</u>
Total capital assets	42,552,280	1,315,569	-	(72,579)	43,795,270
Accumulated depreciation	<u>(11,579,229)</u>	<u>(2,844,324)</u>	<u>-</u>	<u>67,702</u>	<u>(14,355,851)</u>
Total capital assets, net	<u>\$ 30,973,051</u>	<u>\$ (1,528,755)</u>	<u>\$ -</u>	<u>\$ (4,877)</u>	<u>\$ 29,439,419</u>

A summary of capital assets additions, deductions, and balances for the year ended October 31, 2018 follows:

	<u>Balance</u> <u>October 31,</u> <u>2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance</u> <u>October 31,</u> <u>2018</u>
Land and land improvements	\$ 2,325,087	\$ 17,900	\$ -	\$ (13,237)	\$ 2,329,750
Buildings and leasehold improvements	27,818,172	296,405	557,698	(23,094)	28,649,181
Equipment	11,937,217	112,622	-	(979,914)	11,069,925
Construction in progress	<u>43,656</u>	<u>1,017,466</u>	<u>(557,698)</u>	<u>-</u>	<u>503,424</u>
Total capital assets	42,124,132	1,444,393	-	(1,016,245)	42,552,280
Accumulated depreciation	<u>(9,820,196)</u>	<u>(2,775,278)</u>	<u>-</u>	<u>1,016,245</u>	<u>(11,579,229)</u>
Total capital assets, net	<u>\$ 32,303,936</u>	<u>\$ (1,330,885)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,973,051</u>

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 8-Bonds Payable

The schedule of changes in the Hospital's bonds payable for the year ended October 31, 2019 is as follows:

Bonds Payable	Balance October 31, 2018	Additions	Reductions	Balance October 31, 2019	Amount Due Within One Year
Hospital Revenue Bonds					
20 Year	\$ 7,745,483	\$ -	\$ (276,866)	\$ 7,468,617	\$ 277,921
40 Year	17,575,000	-	-	17,575,000	225,811
Total bonds payable	<u>\$ 25,320,483</u>	<u>\$ -</u>	<u>\$ (276,866)</u>	<u>\$ 25,043,617</u>	<u>\$ 503,732</u>

The schedule of changes in the Hospital's bonds payable for the year ended October 31, 2018 is as follows:

Bonds Payable	Balance October 31, 2017	Additions	Reductions	Balance October 31, 2018	Amount Due Within One Year
Hospital Revenue Bonds					
20 Year	\$ 8,000,000	\$ -	\$ (254,517)	\$ 7,745,483	\$ 275,898
40 Year	16,165,000	1,410,000	-	17,575,000	-
Total bonds payable	<u>\$ 24,165,000</u>	<u>\$ 1,410,000</u>	<u>\$ (254,517)</u>	<u>\$ 25,320,483</u>	<u>\$ 275,898</u>

Hospital Revenue Bonds - 20 Year

Hospital Revenue Bonds (Series 2018B) of \$8,000,000, issued on October 19, 2017, due in monthly installments of \$53,908 (principal and interest) beginning November 2017 for 20 years at an interest rate of 4.77% for year 1, 4.92% for year 2, 5.08% for year 3, and a fixed rate of 5.25% for years 4 through 10. The interest rate will be reset on the tenth (10th) anniversary date (October 19, 2027) based on the Wall Street Prime as of such date, plus one percent (1%) per annum (not to exceed 7% per annum) and the amortized monthly payments shall continue thereafter through October 19, 2037. Bonds are secured by a pledge of net revenue from the operations of the Hospital, a mortgage lien on the property, all Hospital equipment and appurtenances.

Hospital Revenue Bonds - 40 Year

Hospital Revenue Bonds (Series 2018A) of \$17,575,000, issued on October 19, 2018, bearing interest at 3.50% per annum. Bond proceeds totaling \$16,165,000 were disbursed to the Hospital during the year ended October 31, 2017, and the remaining \$1,410,000 of the bond proceeds were disbursed during the year ended October 31, 2018. Principal and interest are payable over a forty (40) year period with the first two payments being for interest only due on October 19, 2018 and October 19, 2019. Thereafter, the bonds will be due in monthly installments of \$69,773 (principal and interest), commencing November 19, 2019 and continuing through October 19, 2057. Bonds are secured by a pledge of net revenue from the operations of the Hospital, a mortgage lien on the property, all Hospital equipment and appurtenances.

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 8-Bonds Payable (Continued)

As required by the bond agreement, the Hospital is required to maintain three separate accounts: Sinking Fund, Reserve Fund, and Contingency Fund. The Sinking Fund is required to have an amount sufficient to pay promptly and fully the monthly principal and interest on the bonds due on the next payment date. The Reserve Fund must have an amount equal to the highest combined principal and interest falling due in any fiscal year on all bonds. The Reserve Fund was fully funded as of October 31, 2019 and 2018. The Contingency Fund shall have deposited a sum equal to five percent (5%) of the amount being paid monthly into the Sinking Fund to cover depreciation, extensions, additions, improvements and replacements necessary to properly operate the Hospital. The monthly payments into the Contingency Fund are increased to ten percent (10%) of the amount being paid monthly into the Sinking Fund when a sum equal to the Reserve Fund Requirement has been accumulated in the Reserve Fund.

In a resolution adopted by the Board, four additional requirements for security of the bond required by Investar Bank are as follows. 1) A separate and identifiable fund in the amount of \$9,500,000 was required as additional security for the Bonds, which sum will decrease by one third on each anniversary date of the Bond delivery (commencing in the year 2019). 2) The "Hospital Reserve Fund" was fully funded upon closing. 3) The Hospital set aside in a separate fund the sum of \$1,250,000, which was applied to the Phase I renovations of the old hospital building and the Cypress Building. 4) The Hospital shall be required to hold sufficient operating cash and investments (operating reserve) in an amount equal to at least 120 days operating cash (calculated as the difference of annual operating expenses of the Issuer for the succeeding budget period less non-cash depreciation and amortization, divided by 365). This operating reserve requirement is in addition to other required debt service funds provided that the amount of such operating reserve shall not exceed 25% of the then outstanding principal balance of the Bonds. The operating reserve amount shall be determined at the delivery of the Bonds and, thereafter annually at the end of each fiscal year. These accounts have been classified as assets limited as to use.

Bond maturities for each of the next five years ending October 31, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 503,732	\$ 980,495	\$ 1,484,227
2021	514,025	970,202	1,484,227
2022	533,184	951,043	1,484,227
2023	557,449	926,778	1,484,227
2024	582,862	901,365	1,484,227
Thereafter	<u>22,352,365</u>	<u>13,465,579</u>	<u>35,817,944</u>
	<u>\$ 25,043,617</u>	<u>\$ 18,195,462</u>	<u>\$ 43,239,079</u>

Note 9-Note Payable

The Hospital has a note payable to the Fire Protection District No. 1 of West Feliciana Parish for a portion of the cost to construct a Fire and EMS Station that the Fire Protection District and the Hospital both utilize. The original balance of the note payable was \$265,000. The note bears no interest and is to be paid in annual installments of \$30,000 with one final payment of \$25,000 due on December 1, 2024. The note is secured by the Hospital's portion of the Bluff's Fire Station.

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 9-Note Payable (Continued)

The schedule of changes in the Hospital's note payable for the year ended October 31, 2019 is as follows:

	<u>Balance October 31, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance October 31, 2019</u>	<u>Amount Due Within One Year</u>
Note payable	\$ 205,000	\$ —	\$ (30,000)	\$ 175,000	\$ 30,000

The schedule of changes in the Hospital's note payable for the year ended October 31, 2018 is as follows:

	<u>Balance October 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance October 31, 2018</u>	<u>Amount Due Within One Year</u>
Note payable	\$ —	\$ 265,000	\$ (60,000)	\$ 205,000	\$ 30,000

Future maturities for the note payable for each of the next five years ending October 31, are as follows:

2020	\$ 30,000
2021	30,000
2022	30,000
2023	30,000
2024	30,000
Thereafter	<u>25,000</u>
	<u>\$ 175,000</u>

Note 10-Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone, based on established rates, were approximately \$40,900 and \$43,300 for the years ended October 31, 2019 and 2018, respectively. These charges are included in the provision for bad debts.

Management estimates that approximately \$36,700 and \$38,600 of costs were related to charity care for the years ended October 31, 2019 and 2018, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

Note 11-Grant Revenue

Intergovernmental Transfers – Operating Grant Income

The Hospital (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer grant (IGT) 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 IGT grant income for the years ended October 31, 2019 and 2018 was \$3,211,145 and \$2,022,190, respectively, which is included in other operating revenue in the accompanying statements of revenue, expenses, and changes in net position.

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 12-Tax Revenue

The Hospital receives tax revenue from sales tax and property tax collected on purchases and property assessments in West Feliciana Parish, Louisiana. The sales tax is used for the operation of the Hospital, and the property tax is used for the operation and maintenance of the Hospital.

Tax revenues were as follows:

	<u>2019</u>	<u>2018</u>
Sales tax	\$2,212,934	\$2,148,138
Ad valorem tax	182,119	177,309
State revenue sharing	<u>5,961</u>	<u>5,786</u>
Total tax revenues	<u>\$2,401,014</u>	<u>\$2,331,233</u>

Note 13-Operating Leases

The Hospital (“lessor”) leases office space on its campus to various medical service providers, under operating leases with terms ranging from month-to-month to one year. The Hospital also leases its lab, certain hospital equipment, and its lab interface system to an independently owned clinical laboratory under an operating lease with a term of five years. Revenue from these leases totaled \$150,803 in 2019 and \$145,700 in 2018. This revenue is included in other non-operating revenue in the financial statements.

Note 14-Cash Flows Supplemental Information

Total cash and cash equivalents for October 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,636,517	\$ 4,370,223
Assets whose use is limited - cash	<u>10,257,501</u>	<u>11,711,807</u>
Total cash and cash equivalents	<u>\$13,894,018</u>	<u>\$16,082,030</u>

Note 15-Compensated Absences

Accumulated unpaid vacation is accrued when earned. Full-time employees can earn and vest in vacation leave according to years of service as shown below:

<u>Years of Service</u>	<u>Vacation Time Earned</u>
Less than 5 years	6.67 hours per month
After 5 years	10.00 hours per month
After 10 years	13.33 hours per month

Sick pay is not vested and therefore not accrued. Employees only vest in vacation leave after one year of employment. The Hospital’s policy is to recognize the cost of sick pay when actually paid to employees. Accrued compensated absences at October 31, 2019 and 2018 were \$375,463 and \$299,899, respectively.

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 16-Retirement Plan

The Hospital has executed the Variable Annuity Life Insurance Company (VALIC) prototype Profit Sharing Plan with Cash or Deferred Arrangement Option Non-Standardized Adoption Agreement No. 3. The defined contribution plan (457) provides benefits to substantially all employees. The Hospital matches contributions made by an employee up to six percent of the employee's compensation. Total payroll for the fiscal years ended October 31, 2019 and 2018 was \$8,539,152 and \$7,972,872, respectively. Covered payroll for 2019 and 2018 was \$8,414,274 and \$7,938,924, respectively. Total pension expense was \$334,781 and \$325,321 for 2019 and 2018, respectively.

Note 17-Assets Measured at Fair Value on a Recurring Basis

There were no assets measured at fair value on a recurring basis as of October 31, 2018. The following presents assets measured at fair value on a recurring basis as of October 31, 2019:

	<u>Fair Value</u>	<u>Assets at Fair Value as of October 31, 2019</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Louisiana Asset Management Pool	\$1,102,952	\$ —	\$1,102,952	\$ —
	<u>\$1,102,952</u>	<u>\$ —</u>	<u>\$1,102,952</u>	<u>\$ —</u>

The Hospital's investments in LAMP are measured using observable inputs other than quoted market prices (Level 2 inputs). The investments in LAMP are valued using quoted market prices of the underlying investment of LAMP on a weekly basis and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

Note 18-Concentration of Credit Risk

The Hospital is located in St. Francisville, Louisiana and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables (net of allowances) from patients and third-party payors at October 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Medicare	52.5%	42.3%
Medicaid	14.6%	27.1%
Commercial and other third-party payors	29.7%	27.5%
Self-pay	3.2%	3.1%
	<u>100.0%</u>	<u>100.0%</u>

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2019

Note 19-Payments to Board Members

The following schedule shows the amount of board per diems paid during the years ended October 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Melvin Harvey	<u>\$ 360</u>	<u>\$ 320</u>
	<u>\$ 360</u>	<u>\$ 320</u>

Note 20-Subsequent Events

Management evaluated all subsequent events through April 24, 2020, the date the financial statements were available to be issued.

In late 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. Subsequent to year-end, the spread of COVID-19 began to cause some business disruption through reduced patient revenue, specifically related to elective and preventive procedures and physician office visits. As the economy adjusts to the pandemic caused by COVID-19, certain changes in availability of supplies and equipment, reduction in patient visits and other yet undetermined impacts will affect the operations of the Hospital. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The Hospital expects this matter could negatively impact its financial condition and operating results. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Supplementary Information



**HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.**
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Brittany B. Thames, CPA
Kevin M. Rodriguez, CPA
Blaine M. Crochet, CPA

**Independent Auditor's Report
on Supplementary Information**

Board of Commissioners
The Hospital Service District of West Feliciana Parish Louisiana
d/b/a West Feliciana Hospital
St. Francisville, Louisiana

We have audited the basic financial statements of The Hospital Service District of West Feliciana Parish Louisiana as of and for the years ended October 31, 2019 and 2018, and our report thereon dated April 24, 2020, which expressed an unmodified opinion on those basic financial statements, appears on pages 7 through 8. Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information, identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hawthorn, Waymouth & Carroll, L.L.P.

April 24, 2020

The Hospital Service District of West Feliciana Parish Louisiana
Schedules of Net Patient Service Revenue
Years Ended October 31, 2019 and 2018

	2019	2018
Patient Service Revenue		
Ambulance service	\$ 1,512,672	\$ 1,507,044
Anesthesiology	26,103	-
Blood bank	16,074	13,054
Bone density	22,968	14,616
Central services	58,269	59,873
CT scan	3,505,879	3,433,936
Echocardiogram	99,128	72,404
Electrocardiology	135,880	145,288
Emergency services	4,877,626	4,827,550
Family medicine	5,512	764,942
Intensive outpatient psychiatry	1,309,770	1,347,150
Laboratory	4,597,083	4,214,280
Mammography	183,600	176,040
MRI scan	1,018,545	738,536
Nursing services	1,111,303	808,092
Occupational therapy	354,966	368,061
Pediatrics	736,424	1,166,414
Pharmacy	662,210	578,191
Physical therapy	2,193,333	2,038,431
Physician's fees	1,201,022	1,169,107
Radiology	1,843,090	1,845,116
Respiratory therapy	129,718	361,319
Sleep studies	243,600	198,300
Speech therapy	377,025	316,401
St. Francis Clinic	2,140,704	453,527
Surgery	282,526	-
Ultrasound	490,658	373,908
Wound care	306,128	485,008
	<hr/>	<hr/>
Gross patient service revenue	29,441,816	27,476,588
Less: contractual adjustments and discounts	6,332,486	4,883,469
Less: provision for bad debts	2,123,865	2,185,999
	<hr/>	<hr/>
Net patient service revenue	<u>\$ 20,985,465</u>	<u>\$ 20,407,120</u>

The Hospital Service District of West Feliciana Parish Louisiana
Schedules of Operating Expenses
Salaries, Wages and Benefits
Years Ended October 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Salaries, Wages and Benefits		
Administrative	\$ 454,390	\$ 384,021
Ambulance	674,460	726,208
Business office	693,492	678,389
Central supply	145,039	141,278
CT scan	54,626	57,697
Dietary management	180,058	173,276
Echocardiogram	20,008	15,949
Emergency room	1,028,813	687,169
Family medicine	-	364,497
Housekeeping	285,868	272,458
Information technology	272,177	263,711
Intensive outpatient psychiatry	476,313	496,978
Laboratory technicians	-	44,736
Medical records	227,614	188,536
MRI scan	52,625	55,247
Nursing services	1,052,122	1,073,505
Pediatrics	298,861	479,360
Plant operations	190,648	317,877
Purchasing	68,067	61,523
Radiology	428,260	403,123
Respiratory therapy	388,396	425,706
Social services	12,921	21,278
St. Francis Clinic	1,194,934	418,603
Surgery	61,894	-
Ultrasound	148,966	125,638
Utilization review	108,050	94,310
All other	20,550	1,799
	<u>8,539,152</u>	<u>7,972,872</u>
Total salaries and wages		
Total benefits	2,128,364	1,919,745
	<u>10,667,516</u>	<u>9,892,617</u>
Total salaries, wages, and benefits		

The Hospital Service District of West Feliciana Parish Louisiana
Schedules of Operating Expenses
Professional Services
Years Ended October 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Professional Services		
Administrative	\$ 390,873	\$ 334,145
Ambulance	18,164	16,717
Anesthesia	20,920	4,800
Dietary	19,840	27,450
EKG	11,223	12,228
Emergency room physician fees	1,527,444	1,459,895
Information technology	176,239	183,793
Intensive outpatient psychiatry	256,606	227,428
Laboratory	2,007,061	1,720,728
Laundry/linen	41,681	54,340
Mammography	69,316	71,026
Medical records	30,536	43,027
Nursing services	450	16,790
Occupational therapy	181,793	171,357
Pharmacy	136,225	133,229
Physical therapy	989,215	850,226
Physician medical director fee	32,175	22,275
Physician IP/OP fees	33,150	60,000
Plant operations	311,146	119,924
Radiology	32,370	11,346
Respiratory therapy	2,450	3,300
Sleep studies	39,600	28,650
Speech therapy	142,707	121,008
St. Francis Clinic	12,965	7,717
Ultrasound	25,730	63,920
Wound care	134,650	239,151
All other	30,718	27,754
	<u> </u>	<u> </u>
Total professional services	<u>\$ 6,675,247</u>	<u>\$ 6,032,224</u>

The Hospital Service District of West Feliciana Parish Louisiana
Schedules of Operating Expenses
Supplies and Other Expenses
Years Ended October 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Supplies and Other Expenses		
Administrative	\$ 22,880	\$ 34,503
Ambulance	84,622	82,670
Business office	18,784	20,409
Central services	67,594	60,962
CT scan	12,583	18,511
Dietary	111,777	119,289
Emergency room	35,580	30,026
Family medicine	-	15,883
Housekeeping	73,637	82,716
Information technology	24,751	44,020
Intensive outpatient psychiatry	17,929	13,135
Laboratory	1,176	39,612
Medical records	10,192	6,524
Nursing services	76,536	79,721
Pediatrics	141,963	100,991
Pharmacy	456,411	355,562
Physical therapy	41,326	44,094
Plant operations	73,634	98,155
Radiology	13,424	13,419
Respiratory therapy	38,270	38,285
St. Francis Clinic	211,458	55,495
Surgery	23,747	3,675
All other	12,203	21,765
	<u>\$ 1,570,477</u>	<u>\$ 1,379,422</u>
Total supplies and other expenses	<u>\$ 1,570,477</u>	<u>\$ 1,379,422</u>

The Hospital Service District of West Feliciana Parish Louisiana
Schedules of Operating Expenses
Other Operating Expenses
Years Ended October 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Other Operating Expenses		
Administrative	\$ 41,831	\$ 52,664
Audit and legal fees	250,048	230,852
Collection fees	873,071	755,724
CT scan	92,911	67,756
Dues and subscriptions	60,717	80,404
Education	88,785	84,607
Family medicine	2,116	16,165
Insurance	304,457	281,825
Intensive outpatient psychiatry	23,934	23,331
Laboratory	31,796	34,953
Mammography	50,640	22,500
Nursing services	43,398	30,844
Office space and resource sharing	271,361	601,209
Pediatrics	37,733	42,296
Physician FMP match	350,178	189,995
Physical therapy	7,200	6,600
Plant operations and utilities	421,143	454,735
Postage	11,797	12,458
Public relations	138,748	129,606
Radiology	107,448	52,934
St. Francis Clinic	108,700	18,846
Telephone	96,398	99,802
Ultrasound	17,726	13,521
All other	245,411	133,225
	<u>\$ 3,677,547</u>	<u>\$ 3,436,852</u>

**The Hospital Service District of West Feliciana Parish Louisiana
Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
Year Ended October 31, 2019**

Agency Head Name: Ledoux Chastant, III, CEO

Purpose	Amount
Salary	\$ 178,924
Benefits - insurance (health)	14,637
Benefits - retirement	6,500
Benefits - disability and life insurance	1,825
Car allowance	4,800
Vehicle provided by agency	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	2,568
Conference travel	8,781
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0



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

Board of Commissioners
The Hospital Service District of West Feliciana Parish Louisiana
d/b/a West Feliciana Hospital
St. Francisville, 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 of West Feliciana Parish Louisiana, as of and for the years ended October 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise The Hospital Service District of West Feliciana Parish Louisiana's basic financial statements as listed in the table of contents, and have issued our report thereon dated April 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Hospital Service District of West Feliciana Parish Louisiana'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Hospital Service District of West Feliciana Parish Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of The Hospital Service District of West Feliciana Parish Louisiana'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 Hospital Service District of West Feliciana Parish Louisiana'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.

Hawthorn, Waymouth & Carroll, LLP.

April 24, 2020

The Hospital Service District of West Feliciana Parish Louisiana
Schedule of Findings and Responses
Year Ended October 31, 2019

Part I - Summary of Audit Results

- 1) An unmodified opinion has been expressed on the financial statements of The Hospital Service District of West Feliciana Parish Louisiana, as of and for the year ended October 31, 2019, and the related notes to the financial statements.
- 2) No deficiencies in internal control over financial reporting that we consider to be material weaknesses were identified.
- 3) No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were identified.
- 4) A single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* was not required.
- 5) A management letter was not issued.

Part II – Financial Statement Findings

No findings were noted.

**The Hospital Service District of West Feliciana Parish Louisiana
Summary Schedule of Prior Audit Findings
Year Ended October 31, 2019**

Part I – Financial Statement Findings

No findings were noted.

Part II – Management Letter

A management letter was not issued for the year ended October 31, 2018.

**The Hospital Service District of
West Feliciana Parish Louisiana
Agreed-Upon Procedures Report
October 31, 2019**



Independent Accountant's Report on Applying Agreed-upon Procedures

To the Board of The Hospital Service District of West Feliciana Parish Louisiana and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by The Hospital Service District of West Feliciana Parish Louisiana and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period November 1, 2018 through October 31, 2019. The Entity's management is responsible for those control and compliance areas identified in the SAUPs.

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

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedures presented in italics.

Written Policies and Procedures

1. Obtained and inspected the entity's written policies and procedures and observed that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

No exceptions noted.

Collections

1. Obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly selected 5 deposit sites.

Obtained listing of deposit sites and management's representation that the listing is complete.

2. For each deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for each deposit site, obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at each collection location, and observed that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Individuals responsible for collecting cash may share the same cash register or drawer with another employee.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

No exceptions noted.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions noted.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions noted.

3. Inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions noted.

4. Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Management identified the entity's main operating account. Selected the entity's main operating account and randomly selected 4 additional accounts. Randomly selected two deposit dates for each of the 5 bank accounts selected (selected the next deposit date chronologically if no deposits were made on the dates randomly selected, and randomly selected a deposit if multiple deposits were made on the same day). Obtained supporting documentation for each of the 10 deposits and:

- a) Observed that receipts are sequentially pre-numbered.

No exceptions noted.

- b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Traced the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

No exceptions noted.

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

No exceptions noted.

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

- 1. Obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly selected 5 reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation for each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Meals are reimbursed according to the TIER III rates established by the State of Louisiana; however, the Entity's policy for meal reimbursement is not dependent on the location of travel as outlined in the State of Louisiana Travel Guide.

- b) If reimbursed using actual costs, observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- c) Observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy.

No exceptions noted.

- d) Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

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

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

Hawthorn, Waymouth & Carroll, L.L.P.

April 24, 2020