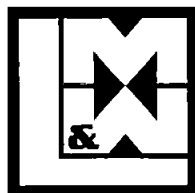


HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A  
LASALLE GENERAL HOSPITAL  
AND  
LASALLE NURSING HOME  
  
FINANCIAL STATEMENTS  
  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2019, 2018, AND 2017



**LESTER, MILLER & WELLS**  
*A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Financial Statements  
And  
Independent Auditors' Report  
Years Ended September 30, 2019, 2018, and 2017

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Hospital Service District No. 2 of LaSalle Parish, State of Louisiana  
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)  
Management's Discussion and Analysis

This section of the Hospital Service District's (the District) annual financial report presents background information and management's analysis of the Hospital Service District's financial performance during the fiscal year that ended on September 30, 2019. Please read it in conjunction with the financial statements in this report.

### **Financial Highlights**

- The District's total assets decreased by \$1,806,477 during fiscal year 2019, compared to increases of \$3,125,482 and \$1,047,531 during fiscal years (FY) 2018 and 2017, respectively. Accounts receivable, net, decreased by \$414,330 in fiscal year 2019, compared to increases of \$760,748 and \$1,181,008 in fiscal years 2018 and 2017, respectively. This is due to "catch-up" on write offs for non-authorized days from 2019, 2018, and 2017 with the new Behavioral Health Unit and prior year bad debts. Total assets decreased due to unpaid days in accounts receivable and use of additional money from the limited use asset of \$822,000 for the escrow account related to the Siemens lease purchase project.
- During the year, the District's total operating revenues decreased by \$1,161,980. The adjustment to contractuals at year end of approximately \$700,000 contributed to this loss. Contractual allowance calculation at year end did not include \$900,000 of unbilled claims and the percentages used have not been updated. In 2018 and 2017 there were increases of \$1,906,414 and \$4,171,719, respectively. Increases in patient volume as well as increases in intergovernmental transfer grants contributed to the increase in operating revenues in prior years.
- Total expenses increased by \$1,483,392 or 5% and \$2,266,919 or 9%, in fiscal years 2019 and 2018, respectively, compared to a FY 2017 increase of \$1,595,453 or 7%. Increases in salaries and benefits of \$432,757 and \$405,974 in FY 2019 and 2018, respectively, are higher than the FY 2017 increase of \$246,608 or 2%. Other expenses (including BHU consultants) caused the overall increase. They increased due to the Behavioral Health Unit with higher consultant fees of \$594,370 and \$567,611 due to higher volume in FY 2019 and 2018 and over all consultant expense, including New Vision. This increase in expenses coupled with the write-offs of unpaid days explains the large loss in FY 2019.
- The District had a loss from operations of \$1,613,092 in fiscal year 2019, compared to a gain from operations of \$1,032,280 in fiscal year 2018. An increase in net patient service revenue of \$2,585,857 explains most of the 2018. The District also received an Office of Inspector General (OIG) settlement of previously denied and recouped claims in the amount of \$1,343,029 in fiscal year 2018.

### **Required Financial Statements**

The Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources



Hospital Service District No. 2 of LaSalle Parish, State of Louisiana  
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)  
Management's Discussion and Analysis (Continued)

**Required Financial Statements (Continued)**

(assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures improvements in the District's operations over the past two years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources.

The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?" and "What was the change in cash balance during the reporting period"?

**Financial Analysis of the Hospital Service District**

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

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana  
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)  
Management's Discussion and Analysis (Continued)

**Net Position**

Table 1 presents a condensed Statements of Net Position for the Hospital Service District.

**TABLE 1**  
**Condensed Statements of Net Position**

	September 30,			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total current assets	\$ 6,165,366	\$ 7,054,610	\$ 6,109,264	\$ 4,580,288
Nondepreciable capital assets	321,203	1,719,333	278,893	278,893
Depreciable capital assets - net	11,135,152	9,338,337	9,427,125	9,715,303
Assets limited to use	1,022,176	2,335,817	1,505,055	1,718,822
Other assets	<u>15,970</u>	<u>18,247</u>	<u>20,525</u>	<u>25</u>
 Total Assets	 \$ <u>18,659,867</u>	 \$ <u>20,466,344</u>	 \$ <u>17,340,862</u>	 \$ <u>16,293,331</u>
 Current liabilities	 \$ 3,992,617	 \$ 3,833,623	 \$ 4,871,630	 \$ 3,851,284
Long-term debt	3,141,610	3,331,124	99,285	1,425,761
Invested in capital assets, net of related debt	7,902,041	7,292,196	8,141,851	8,250,885
Restricted: debt reserve fund	1,022,176	2,335,817	1,505,055	1,718,822
Unrestricted	<u>2,601,423</u>	<u>3,673,584</u>	<u>2,723,041</u>	<u>1,046,579</u>
 Total Liabilities and Net Position	 \$ <u>18,659,867</u>	 \$ <u>20,466,344</u>	 \$ <u>17,340,862</u>	 \$ <u>16,293,331</u>

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana  
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)  
Management's Discussion and Analysis (Continued)

**Summary of Revenues, Expenses, and Changes in Net Position**

Table 2 presents a summary of the District's historical revenues and expenses.

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

		September 30,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues				
Net patient service revenue	\$ 24,284,999	\$ 26,137,694	\$ 23,551,837	\$ 19,615,136
Operating grants	1,489,350	768,390	1,342,687	1,155,729
Other operating revenue	<u>553,740</u>	<u>583,985</u>	<u>689,131</u>	<u>641,071</u>
Total Revenues	<u>26,328,089</u>	<u>27,490,069</u>	<u>25,583,655</u>	<u>21,411,936</u>
Expenses				
Salaries and benefits	14,245,147	13,812,390	13,406,416	13,159,808
Medical supplies and drugs	1,579,221	1,529,704	1,541,483	1,339,370
Professional fees	2,470,708	2,162,039	2,256,579	2,533,072
Other expenses	8,576,056	7,996,534	6,037,803	4,573,700
Depreciation and amortization	<u>1,070,049</u>	<u>957,122</u>	<u>948,589</u>	<u>989,467</u>
Total Expenses	<u>27,941,181</u>	<u>26,457,789</u>	<u>24,190,870</u>	<u>22,595,417</u>
Operating Income (Loss)	<u>(1,613,092)</u>	<u>1,032,280</u>	<u>1,392,785</u>	<u>(1,183,481)</u>
Nonoperating Revenues (Expenses)				
Interest income	12,740	10,939	11,196	9,954
Interest expense	(175,918)	(31,730)	(46,031)	(51,480)
Gain on disposal of assets	<u>313</u>	<u>(79,839)</u>	<u>(8,140)</u>	<u>8,661</u>
Changes in Net Position				
before Capital Grants	(1,775,957)	931,650	1,349,810	(1,216,346)
Capital grants	<u>-0-</u>	<u>-0-</u>	<u>3,867</u>	<u>1,941</u>
Increase (Decrease) in Net Position	(1,775,957)	931,650	1,353,677	(1,214,405)
Net Position at Beginning of Year	<u>13,301,597</u>	<u>12,369,947</u>	<u>11,016,270</u>	<u>12,230,675</u>
Net Position at End of Year	\$ <u>11,525,640</u>	\$ <u>13,301,597</u>	\$ <u>12,369,947</u>	\$ <u>11,016,270</u>

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana  
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)  
Management's Discussion and Analysis (Continued)

**Sources of Revenue**

**Operating Revenue**

During fiscal year 2019, the District derived the majority of its total revenue from patient services. Patient service revenue includes revenue from the Medicare and Medicaid programs, commercial insurance, other various third-party payors, and patients who receive care in the District's facilities. Reimbursement for the Medicare and Medicaid programs, commercial insurance, and other third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance.

Table 3 presents the percentages by payor. The Hospital's is a percentage of gross charges billed for patient services. The Nursing Home's is based on the census.

**TABLE 3**  
**Payor Mix by Percentage**

LaSalle General Hospital September 30,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare	44%	45%	46%	43%
Medicaid	25%	28%	23%	16%
Commercial Insurance	29%	25%	27%	36%
Self Pay	2%	2%	4%	5%
LaSalle Nursing Home September 30,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare	26%	12%	13%	11%
Medicaid	59%	80%	75%	78%
Commercial Insurance	N/A	N/A	N/A	N/A
Self Pay	15%	8%	12%	11%

**Non-operating Income**

The District has funds invested primarily in a Certificate of Deposit (CD) held during FY 2019 with Sabine State Bank which has a security interest in the CD which is collateral for a loan of \$973,709. The difference is secured by pledged securities and FDIC insurance. Limited use assets at year-end include a restricted CD of approximately \$961,520.

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana  
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)  
Management's Discussion and Analysis (Continued)

**Operating and Financial Performance**

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between 2019, 2018, and 2017:

Overall activity at the Hospital, as measured by acute (including new unit) patient discharges, was 943, 971, and 649 in 2019, 2018, and 2017, respectively. Acute patient days were 6,812 in 2019, compared to 6,185 in 2018, and 4,025 in 2017. The new Behavioral Health Unit and new detox services offered in 2019, 2018, and 2017 led to the increase in inpatient volume. The overall operating loss of \$1,613,092 was partially the result of 1,000 unpaid days, write-offs from 2018 and 2017 and changes in the percentages used in calculating allowances. The Office of Inspector General's repayment of \$1,343,029 in FY 2018 contributed to the operating gain in FY 2018. The increase in volume contributed to the overall operating gain for the District in 2017. Average length of stay was 7.22 for 2019, compared to 6.37 in 2018, and 6.20 in 2017. These increases are largely from the Behavioral Health Unit and resulted in non-payment of non-authorized days which contributed to the loss in FY 2019.

For Swing Bed activity at the Hospital during 2019, discharges were 13, 16, and 18 for 2019, 2018, and 2017, respectively. Swing Bed patient days were 129, 144, and 154 in 2019, 2018 and 2017, respectively.

The Nursing Home average census decreased from 78 to 74 residents compared to 90 residents in fiscal year 2017. This decrease in census contributed to the \$93,000 loss for the nursing home in fiscal year 2019.

Net Patient Service Revenue (NPSR) for the District decreased by \$1,852,695 or 7% in fiscal year 2019. In fiscal year 2018, NPSR increased by \$2,585,857 or 11% compared to fiscal year 2017's increase of \$3,936,701 or 20%. In the current year, large "catch-up" write-offs and 1,000 unpaid days contributed to the decrease as well as updating the allowance percentages based on current reimbursement rates. The Jonesville clinic was closed in fiscal year 2016 as well as the Operating Room department. These two closures were due to low volume for both departments. The District is actively recruiting additional physicians for the Jena rural health clinic. A Behavioral Health unit was opened in October 2016 and detox inpatient services were also offered in fiscal year 2017 in an effort to increase services at the Hospital.

With continued efforts to expand our market through both new patient services and new infrastructure, the District is positioned to move forward. The District will continue to aggressively develop, sustain and enhance access to high quality, affordable healthcare.

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana  
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)  
Management's Discussion and Analysis (Continued)

**Capital Assets**

Table 4 presents a condensed schedule of capital assets.

**TABLE 4**  
**Capital Assets**

	<u>2019</u>	<u>2018</u>	<u>September 30,</u> <u>2017</u>	<u>2016</u>
Nondepreciable capital assets				
Land	\$ 278,893	\$ 278,893	\$ 278,893	\$ 278,893
Construction in progress	<u>42,310</u>	<u>1,440,440</u>	<u>-0-</u>	<u>386,053</u>
Total nondepreciable capital assets	321,203	1,719,333	278,893	664,946
Depreciable capital assets				
Land improvements	326,878	305,258	299,446	299,446
Buildings and fixed equipment	18,389,253	18,069,986	17,971,668	17,243,391
Moveable equipment	<u>10,030,685</u>	<u>7,508,293</u>	<u>8,495,628</u>	<u>8,357,625</u>
Total depreciable capital assets	28,746,816	25,883,537	26,766,742	25,900,462
Less: accumulated depreciation	<u>17,611,664</u>	<u>16,545,200</u>	<u>17,339,617</u>	<u>16,571,212</u>
Total depreciable capital assets, net	\$ <u>11,135,152</u>	\$ <u>9,338,337</u>	\$ <u>9,427,125</u>	\$ <u>9,329,250</u>

The District's net capital assets increased in 2019 by \$1,796,815, decreased in 2018 by \$88,788, and increased in 2017 by \$97,875. The District completed projects in FY 2019 and reclassified projects from construction in process to Buildings and Equipment. The largest was the lease purchase from Siemen's which was an Energy Savings HVAC system replacement at \$2,086,329.

**Long-term Debt**

At year-end, the District had \$3,554,314 in long-term debt. The District took out a \$2,500,000 loan in 2009 for construction of the Physician Office Building, which opened September 1, 2009. This loan was refinanced in fiscal year 2018 at Sabine State Bank with a balloon payment due March 23, 2023. The balance at year end is \$973,709. Capital leases totaling \$272,194 were entered into in fiscal year 2019. A lease purchase agreement with Siemen's was added to the capital leases total in FY 2018. More detailed information about the District's long-term debt is presented in Note 11 to the combined financial statements.

In July 2017, it became apparent that some major renovations were necessary to the heating/cooling system in the hospital building. Part of the equipment was installed in the original building of the hospital in 1969-1970 and the other part was installed when the second floor was added in 1979-1980. When we

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana  
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)  
Management's Discussion and Analysis (Continued)

**Long-term Debt (Continued)**

started determining what would have to be replaced, we were told of the guaranteed energy savings contract.

In a performance-based, guaranteed energy savings contract, the Energy Services Company (ESCO) guarantees a specific reduction in energy use if required operations and maintenance procedures are followed and contractually specified operating schedules and control set points are adhered to, not necessarily tied to cost savings as utility rates and building operations may change over a defined length of time. If the guarantee is not met due to the failure of ESCO specified and installed equipment and software to reduce consumption, then the ESCO pays the owner the difference based upon agreed-upon contractual utility rates for the annual performance period. Normally the ESCO will investigate the reason for the performance failure and take steps to reduce or eliminate the consumption savings shortfall so that it does not reoccur in future years.

The Siemens Company came in and did a free in-depth study and review of all of our energy consumption (nursing home too). This included a review of the existing equipment, water bills, electricity bills, and gas bills. Siemens determined that we would qualify for an emergency savings contract. During this time, we contacted Foley and Judell, Attorneys, to determine what was needed to seek Bond Commission approval. After review, it was determined that Bond Commission approval was not needed for this lease agreement since it met certain requirements. The Board gave permission to proceed with the project, hire an independent engineer to develop project specification and then advertise for Requests for Proposals. The Siemens proposal was the only one that was submitted; therefore, the job was awarded to Siemens. Phase I was completed in FY 2019 and Phase II is planned to be completed in FY 2020.

**Contacting the Hospital Service District's Financial Manager**

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



## **LESTER, MILLER & WELLS**

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### INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Hospital Service District No. 2,  
Parish of LaSalle, State of Louisiana  
Jena, Louisiana

#### **Report on Financial Statements**

We have audited the accompanying combined financial statements of Hospital Service District No. 2, Parish of LaSalle, State of Louisiana (the "District"), a component unit of the LaSalle Parish Police Jury, Jena, Louisiana, as of and for the years ended September 30, 2019, 2018, and 2017, and the related notes to the financial statements, which collectively comprise the District's combined financial statements as listed in the table of contents.

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

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

#### **Auditors' Responsibility**

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



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

### **Opinions**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 2, Parish of LaSalle as of September 30, 2019, 2018, and 2017, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the combined financial statements present only the financial information of Hospital Service District No. 2 and do not purport to, and do not, present fairly the financial position of the LaSalle Parish Police Jury as of September 30, 2019, 2018, and 2017, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "viii" be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the



Board of Commissioners  
Hospital Service District No. 2  
Parish of LaSalle, State of Louisiana  
Jena, Louisiana  
Page Three

combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Leslie M. Miller & Wallace*

Certified Public Accountants  
Alexandria, Louisiana

March 12, 2020



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Combined Statements of Net Position  
September 30,

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current Assets			
Cash and cash equivalents (Note 3)	\$ 710,880	\$ 938,974	\$ 950,336
Limited use assets - required for current liabilities (Note 4)	12,571	13,496	22,482
Investments (Note 3)	21,113	5,739	12,411
Accounts receivable, net (Note 5)	3,784,160	4,198,490	3,437,742
Estimated third-party payor settlements	974,670	1,378,983	1,177,798
Other receivables	289,323	213,523	203,575
Inventory	238,717	214,000	216,920
Prepaid expenses	133,932	91,405	88,000
Total Current Assets	<u>6,165,366</u>	<u>7,054,610</u>	<u>6,109,264</u>
Non-Current Assets			
Nondepreciable capital assets (Note 6)	321,203	1,719,333	278,893
Depreciable capital assets, net (Note 6)	11,135,152	9,338,337	9,427,125
Limited use assets (Note 4)	1,022,176	2,335,817	1,505,055
Other assets (Note 7)	<u>15,970</u>	<u>18,247</u>	<u>20,525</u>
Total Assets	<u>\$ 18,659,867</u>	<u>\$ 20,466,344</u>	<u>\$ 17,340,862</u>
 <u>LIABILITIES AND NET POSITION</u>			
Current Liabilities			
Accounts payable	\$ 1,531,547	\$ 1,190,472	\$ 1,176,046
Cash overdraft	68,602	-0-	6,678
Accrued expenses and withholdings (Note 8)	1,190,210	1,130,783	1,175,823
Estimated third-party payor settlements	394,367	349,362	342,286
Limited use assets	12,571	13,496	22,482
Retirement plan payable	382,616	715,160	683,433
Current portion of long-term debt (Note 11)	<u>412,704</u>	<u>434,350</u>	<u>1,464,882</u>
Total Current Liabilities	<u>3,992,617</u>	<u>3,833,623</u>	<u>4,871,630</u>
Long-term debt, net of current maturities (Note 11)	<u>3,141,610</u>	<u>3,331,124</u>	<u>99,285</u>
Total Liabilities	<u>\$ 7,134,227</u>	<u>\$ 7,164,747</u>	<u>\$ 4,970,915</u>

See accompanying notes to financial statements.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Combined Statements of Net Position (Continued)  
September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Position			
Invested in capital assets, net of related debt	\$ 7,902,041	\$ 7,292,196	\$ 8,141,851
Restricted (Note 4)	1,022,176	2,335,817	1,505,055
Unrestricted	<u>2,601,423</u>	<u>3,673,584</u>	<u>2,723,041</u>
 Total Net Position	 <u>11,525,640</u>	 <u>13,301,597</u>	 <u>12,369,947</u>
 Total Liabilities and Net Position	 \$ <u>18,659,867</u>	 \$ <u>20,466,344</u>	 \$ <u>17,340,862</u>

See accompanying notes to financial statements.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Combined Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues			
Net patient service revenue (Note 12)	\$ 24,284,999	\$ 26,137,694	\$ 23,551,837
Operating grants	1,489,350	768,390	1,342,687
Ad valorem taxes	266,969	255,800	245,149
Other operating revenue	<u>286,771</u>	<u>328,185</u>	<u>443,982</u>
Total Revenues	<u>26,328,089</u>	<u>27,490,069</u>	<u>25,583,655</u>
Expenses			
Salaries and benefits	14,245,147	13,812,390	13,406,416
Medical supplies and drugs	1,579,221	1,529,704	1,541,483
Insurance	328,479	303,202	307,674
Professional fees	2,470,708	2,162,039	2,256,579
Other expenses	8,247,577	7,693,332	5,730,129
Depreciation and amortization	<u>1,070,049</u>	<u>957,122</u>	<u>948,589</u>
Total Expenses	<u>27,941,181</u>	<u>26,457,789</u>	<u>24,190,870</u>
Operating Income (Loss)	<u>(1,613,092)</u>	<u>1,032,280</u>	<u>1,392,785</u>
Nonoperating Revenues (Expenses)			
Interest income	12,740	10,939	11,196
Interest expense	(175,918)	(31,730)	(46,031)
Gain (loss) on disposal of assets	<u>313</u>	<u>(79,839)</u>	<u>(8,140)</u>
Changes in Net Position before Capital Grants	(1,775,957)	931,650	1,349,810
Capital grants	<u>-0-</u>	<u>-0-</u>	<u>3,867</u>
Increase (Decrease) in Net Position	(1,775,957)	931,650	1,353,677
Net Position at Beginning of Year	<u>13,301,597</u>	<u>12,369,947</u>	<u>11,016,270</u>
Net Position at End of Year	\$ <u>11,525,640</u>	\$ <u>13,301,597</u>	\$ <u>12,369,947</u>

See accompanying notes to financial statements.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Combined Statements of Cash Flows  
Years Ended September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 25,148,647	\$ 25,182,837	\$ 21,939,622
Other receipts from operations	1,967,270	1,342,427	1,973,640
Cash payments to employees and for employee-related cost	(14,518,264)	(13,825,703)	(13,695,157)
Cash payments for other operating expenses	<u>(12,281,251)</u>	<u>(11,681,014)</u>	<u>(9,555,280)</u>
Net cash provided (used) by operating activities	<u>316,402</u>	<u>1,018,547</u>	<u>662,825</u>
Cash flows from investing activities:			
Proceeds from investing activities	-0-	15,658	(852)
Proceeds from limited use assets	(15,374)	(8,986)	213,711
Interest income	<u>12,740</u>	<u>10,939</u>	<u>11,196</u>
Net cash provided (used) by investing activities	<u>(2,634)</u>	<u>17,611</u>	<u>224,055</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,196,540)	221,660	(530,934)
Proceeds from long-term debt	-0-	1,252,517	-0-
Principal payments on long-term debt	(483,354)	(1,579,366)	(329,121)
Interest expense on long-term debt	(175,918)	(31,730)	(46,031)
Proceeds from limited use assets	491,169	(2,094,623)	-0-
Escrow withdrawals for lease purchase	822,468	1,263,861	-0-
Proceeds from capital grants	-0-	-0-	3,867
Proceeds from disposal of capital assets	<u>313</u>	<u>(79,839)</u>	<u>(8,100)</u>
Net cash provided (used) by capital and related financing activities	<u>(541,862)</u>	<u>(1,047,520)</u>	<u>(910,319)</u>
Net increase (decrease) in cash and cash equivalents	(228,094)	(11,362)	(23,439)
Beginning cash and cash equivalents	<u>938,974</u>	<u>950,336</u>	<u>973,775</u>
Ending cash and cash equivalents	\$ <u><u>710,880</u></u>	\$ <u><u>938,974</u></u>	\$ <u><u>950,336</u></u>

See accompanying notes to financial statements.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Combined Statements of Cash Flows (Continued)  
Years Ended September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>175,918</u>	\$ <u>31,730</u>	\$ <u>46,031</u>
Equipment acquired under capital lease	\$ <u>272,194</u>	\$ <u>2,528,156</u>	\$ <u>149,977</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (1,613,092)	\$ 1,032,280	\$ 1,392,785
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,070,049	957,122	948,589
Change in current assets (increase) decrease:			
Net patient accounts receivable	414,330	(760,748)	(1,181,008)
Other receivables	(75,800)	(9,948)	(58,178)
Estimated third-party payor settlements	449,318	(194,109)	(431,207)
Inventory	(24,717)	2,920	35,331
Prepaid expenses	(42,487)	(3,405)	55,652
Change in current liabilities (increase) decrease:			
Accounts payable	343,316	14,426	182,924
Cash overdraft	68,602	(6,678)	6,678
Accrued expenses and withholdings payable	59,427	(45,040)	21,376
Retirement plan payable	<u>(332,544)</u>	<u>31,727</u>	<u>(310,117)</u>
Net cash provided (used) by operating activities	\$ <u>316,402</u>	\$ <u>1,018,547</u>	\$ <u>662,825</u>

See accompanying notes to financial statements.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Notes to Combined Financial Statements  
Years Ended September 30, 2019, 2018, and 2017

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Hospital Service District No. 2, of the Parish of LaSalle, State of Louisiana (referred to as "the District") was created in 1968 by the LaSalle Parish Police Jury.

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

On April 18, 2001, the District resumed control of LaSalle Nursing Home. LaSalle General Hospital and LaSalle Nursing Home are both enterprise funds within the District.

Nature of Business

The District provides acute inpatient services, behavioral health inpatient services, skilled nursing (through "Swing Beds"), emergency, home health, and outpatient services, including rural health clinics and private physician offices. Long-term intermediate care is also provided.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

Basis of Accounting

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



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Notes to Combined Financial Statements  
Years Ended September 30, 2019, 2018, and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The entity is a political subdivision and is exempt from taxation.

Principles of Combination

The accompanying combined financial statements include the accounts of the Hospital Service District No. 2 of the Parish of LaSalle including LaSalle General Hospital and LaSalle Nursing Home. These are two separate enterprise funds. The District has one board. All intercompany transactions and balances have been eliminated.

Cash and Cash Equivalents

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

Credit Risk

The District provides medical care primarily to LaSalle Parish residents and grants credit to patients, substantially all of whom are local residents. The District's estimate of collectability is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

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

Inventory

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market value.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Notes to Combined Financial Statements  
Years Ended September 30, 2019, 2018, and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue

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

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

Patient Accounts Receivable

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

Capital Assets

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

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

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

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

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Notes to Combined Financial Statements  
Years Ended September 30, 2019, 2018, and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

Revenues and Expenses

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

Grants and Contributions

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

Restricted Revenues

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

Advertising

The District expenses advertising cost as incurred. Advertising expense for the years ended September 30, 2019, 2018, and 2017 totaled \$138,623, \$101,957, and \$89,906, respectively.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Notes to Combined Financial Statements  
Years Ended September 30, 2019, 2018, and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the District. At September 30, 2019, 2018, and 2017, management is not aware of any liability resulting from environmental matters.

Use of Estimates

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

Reclassifications

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

Resident Deposits

The Nursing Home manages residents' personal funds that are shown on the financial statements as "Limited use assets" with a related liability, "Limited use assets".

Charity Care

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

Risk Management

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

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Notes to Combined Financial Statements  
Years Ended September 30, 2019, 2018, and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87 (GASB 87). The objective of GASB Statement No. 87, Leases, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Account balances according to bank's records at September 30, 2019, for the District are as follows:

	<u>Catahoula</u> <u>LaSalle Bank</u>	<u>Sabine State</u> <u>Bank</u>
Cash in banks	\$ <u>1,135,744</u>	\$ <u>961,552</u>
Insured by FDIC	\$ <u>500,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>635,744</u>	\$ <u>-0-</u>
Collateralized by note payable	\$ <u>-0-</u>	\$ <u>957,566</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
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Years Ended September 30, 2019, 2018, and 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured, entirely collateralized by securities held by the pledging bank's trust department in the District's name, or collateralized by the note payable, at September 30, 2019 and 2018. At September 30, 2017 the District's deposits were under collateralized by \$3,734.

Concentration of Credit Risks - The District has 54% of its cash and cash equivalents at Catahoula LaSalle Bank in checking accounts. The District has 46% of its cash and cash equivalents at Sabine State Bank in a certificate of deposit.

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

The carrying amounts of deposits and investments are included in the District's statements of net position as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Carrying amounts			
Deposits	\$ 710,880	\$ 938,974	\$ 950,336
Limited use escrow	-0-	822,468	-0-
Limited use cash	1,022,176	-0-	-0-
Investments	<u>33,684</u>	<u>1,532,584</u>	<u>1,539,948</u>
Total	\$ <u>1,766,740</u>	\$ <u>3,294,026</u>	\$ <u>2,490,284</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 710,880	\$ 938,974	\$ 950,336
Limited use assets - required for current liabilities	12,571	13,496	22,482
Investments	21,113	5,739	12,411
Limited use assets	<u>1,022,176</u>	<u>2,335,817</u>	<u>1,505,055</u>
Total	\$ <u>1,766,740</u>	\$ <u>3,294,026</u>	\$ <u>2,490,284</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Notes to Combined Financial Statements  
Years Ended September 30, 2019, 2018, and 2017

**NOTE 4 - LIMITED USE ASSETS**

Limited use assets consist of the following items at September 30:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt reserve fund	\$ 961,520	\$ 1,513,349	\$ 1,505,055
Restricted cash	60,656	-0-	-0-
Escrow for lease purchase	-0-	822,468	-0-
Residents' deposits	12,571	13,496	22,482
Required for current liabilities	<u>(12,571)</u>	<u>(13,496)</u>	<u>(22,482)</u>
Limited use assets	\$ <u>1,022,176</u>	\$ <u>2,335,817</u>	\$ <u>1,505,055</u>

A certificate of deposit is being used to collateralize the refinancing of the Medical Office Building debt. It is included as part of the debt reserve fund. According to debt covenants, this amount must remain on deposit to fully collateralize the amount borrowed until the loan is paid in full. The escrow account was set up to pay the amounts due during the construction phase of the lease purchase energy saving project. Both of these assets are restricted as to use.

**NOTE 5 - ACCOUNTS RECEIVABLE**

A summary of accounts receivable as of September 30, is presented below:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Patient accounts receivable	\$ 4,755,291	\$ 5,410,169	\$ 4,543,686
Estimated uncollectibles	<u>(971,131)</u>	<u>(1,211,679)</u>	<u>(1,105,944)</u>
Net accounts receivable	\$ <u>3,784,160</u>	\$ <u>4,198,490</u>	\$ <u>3,437,742</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Notes to Combined Financial Statements  
Years Ended September 30, 2019, 2018, and 2017

NOTE 5 - ACCOUNTS RECEIVABLE (Continued)

The following is a summary of the mix of accounts receivable from patients and third-party payors at September 30:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Medicare	32%	27%	27%
Medicaid	28%	37%	29%
Blue Cross	6%	6%	8%
Commercial and other third-party payors	24%	19%	23%
Patients	<u>10%</u>	<u>11%</u>	<u>13%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Medicare, Medicaid, and third-party payors are shown net of contractual allowances.

NOTE 6 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation for the year ended September 30:

	<u>2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2019</u>
Nondepreciable capital assets					
Land	\$ 278,893	\$ -0-	\$ -0-	\$ -0-	\$ 278,893
Construction in progress	<u>1,440,440</u>	<u>437,460</u>	<u>-0-</u>	<u>(1,835,590)</u>	<u>42,310</u>
Total nondepreciable capital assets	<u>\$ 1,719,333</u>	<u>\$ 437,460</u>	<u>\$ -0-</u>	<u>\$ (1,835,590)</u>	<u>\$ 321,203</u>
Depreciable capital assets					
Land improvements	\$ 305,258	\$ 21,620	\$ -0-	\$ -0-	\$ 326,878
Buildings and fixed equipment	18,069,986	164,664	-0-	154,603	18,389,253
Moveable equipment	<u>7,508,293</u>	<u>841,405</u>	<u>-0-</u>	<u>1,680,987</u>	<u>10,030,685</u>
Total depreciable capital assets	25,883,537	1,027,689	-0-	1,835,590	28,746,816
Accumulated depreciation	<u>16,545,200</u>	<u>1,070,049</u>	<u>3,585</u>	<u>-0-</u>	<u>17,611,664</u>
Total depreciable capital assets, net	<u>\$ 9,338,337</u>	<u>\$ (42,360)</u>	<u>\$ (3,585)</u>	<u>\$ 1,835,590</u>	<u>\$ 11,135,152</u>



Hospital Service District No. 2  
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Notes to Combined Financial Statements  
Years Ended September 30, 2019, 2018, and 2017

NOTE 6 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets and related accumulated depreciation for the year ended September 30:

	<u>2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2018</u>
Nondepreciable capital assets					
Land	\$ 278,893	\$ -0-	\$ -0-	\$ -0-	\$ 278,893
Construction in progress	<u>-0-</u>	<u>1,643,541</u>	<u>-0-</u>	<u>(203,101)</u>	<u>1,440,440</u>
Total nondepreciable capital assets	\$ <u>278,893</u>	\$ <u>1,643,541</u>	\$ <u>-0-</u>	\$ <u>(203,101)</u>	\$ <u>1,719,333</u>
Depreciable capital assets					
Land improvements	\$ 299,446	\$ 5,812	\$ -0-	\$ -0-	\$ 305,258
Buildings and fixed equipment	17,971,668	-0-	51,598	149,916	18,069,986
Moveable equipment	<u>8,495,628</u>	<u>772,788</u>	<u>1,813,308</u>	<u>53,185</u>	<u>7,508,293</u>
Total depreciable capital assets	26,766,742	778,600	1,864,906	203,101	25,883,537
Accumulated depreciation	<u>17,339,617</u>	<u>955,077</u>	<u>1,749,494</u>	<u>-0-</u>	<u>16,545,200</u>
Total depreciable capital assets, net	\$ <u>9,427,125</u>	\$ <u>(176,477)</u>	\$ <u>115,412</u>	\$ <u>203,101</u>	\$ <u>9,338,337</u>

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NOTE 6 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets and related accumulated depreciation for the year ended September 30:

	<u>2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2017</u>
Nondepreciable capital assets					
Land	\$ 278,893	\$ -0-	\$ -0-	\$ -0-	\$ 278,893
Construction in progress	<u>386,053</u>	<u>354,176</u>	<u>-0-</u>	<u>(740,229)</u>	<u>-0-</u>
Total nondepreciable capital assets	\$ <u>664,946</u>	\$ <u>354,176</u>	\$ <u>-0-</u>	\$ <u>(740,229)</u>	\$ <u>278,893</u>
Depreciable capital assets					
Land improvements	\$ 299,446	\$ -0-	\$ -0-	\$ -0-	\$ 299,446
Buildings and fixed equipment	17,243,391	66,626	78,578	740,229	17,971,668
Moveable equipment	<u>8,357,625</u>	<u>327,898</u>	<u>189,895</u>	<u>-0-</u>	<u>8,495,628</u>
Total depreciable capital assets	25,900,462	394,524	268,473	740,229	26,766,742
Accumulated depreciation	<u>16,571,212</u>	<u>946,310</u>	<u>177,905</u>	<u>-0-</u>	<u>17,339,617</u>
Total depreciable capital assets, net	\$ <u>9,329,250</u>	\$ <u>(551,786)</u>	\$ <u>90,568</u>	\$ <u>740,229</u>	\$ <u>9,427,125</u>

NOTE 7 - OTHER ASSETS

Other assets at September 30, consists of the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Start up costs for Behavioral Health Unit, net of straight-line amortization over 120 months	\$ 15,945	\$ 18,222	\$ 20,500
Deposits	<u>25</u>	<u>25</u>	<u>25</u>
Total	\$ <u>15,970</u>	\$ <u>18,247</u>	\$ <u>20,525</u>

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**NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE**

Accrued expenses and withholdings payable at September 30 consist of the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Accrued employee insurance payable (net of accrued stop loss receivable)	\$ 261,754	\$ 304,370	\$ 350,018
Accrued interest payable	256,601	222,841	189,081
Accrued salaries and fees payable	225,968	157,764	118,916
Accrued compensated absences	404,316	393,589	410,488
Payroll withholdings	19,714	27,777	76,932
Provider tax payable	<u>21,857</u>	<u>24,442</u>	<u>30,388</u>
 Total	 \$ <u>1,190,210</u>	 \$ <u>1,130,783</u>	 \$ <u>1,175,823</u>

**NOTE 9 - COMPENSATED ABSENCES**

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to the employee. However, vested vacation, sick, and paid days off have been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

**NOTE 10 - RETIREMENT PLAN**

The Hospital has a qualified contributory defined contribution plan "LaSalle General Hospital Money Purchase Pension Plan" under Internal Revenue code of 1986, including any later amendments to the code providing retirement benefits for substantially all of its employees. The plan was restated August 15, 2013. The Plan administrator is the Hospital. The Hospital expects to continue the plan indefinitely but reserves the right to terminate the plan in whole or in part at any time upon giving written notice to all parties concerned. Annually, the Hospital contributes 5.1 percent of the aggregate compensation of eligible employees to the Plan. The liability recorded as "Retirement Plan Payable" on the Combined Statements of Net Position includes employer matching contributions for fiscal year 2019. Mandatory contributions by the employee consist of 6.2 percent of their compensation. An employee must be age 18 or older to participate in the plan. An employee is 100 percent vested upon entry to the plan with normal retirement age being 65 years of age. The Principal is the plan trustee.

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NOTE 10 - RETIREMENT PLAN (Continued)

The Hospital also has a deferred compensation plan "LaSalle General Hospital Deferred Compensation Plan". The plan was intended to meet the requirements of Section 457 of the Internal Revenue Code of 1986, including any later amendments. The plan was restated, effective August 15, 2013. The Plan administrator is the Hospital. Employee voluntary salary contributions have a discretionary match of up to 2.5 percent by the employer. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 ½ years of age. The employer discretionary match is determined by the employer and can be amended by the employer at their discretion. The Principal is the plan trustee.

Employee and employer contributions were as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employee	\$ <u>719,726</u>	\$ <u>687,845</u>	\$ <u>695,320</u>
Employer	\$ <u>526,546</u>	\$ <u>509,326</u>	\$ <u>513,785</u>

The Nursing Home sponsors a tax-deferred annuity arrangement "Security Benefits 457 Deferred Compensation Plan", exempt under Section 457 of the Internal Revenue Code that covers all employees who have completed at least 1,000 hours of service per year. The employees must be 21 years of age or older to participate. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 1/2 years of age. Employees may elect to make contributions of up to \$10,000 to the annuity through a salary reduction agreement. The Nursing Home pays participating employees 50% of their contributions currently. This percentage is at the Board's discretion and is reviewed each year. For the years ended September 30, 2019, 2018, and 2017, the amount of pension expense was \$38,725, \$31,718, and \$30,426, respectively. Security Benefits administers the above plan.

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NOTE 11 - LONG-TERM DEBT

A summary of long-term debt at September 30 follows:

	<u>2018</u>	<u>Additions</u>	<u>Payments</u>	<u>2019</u>	<u>Due Within One Year</u>
Lease Purchase	\$ 2,086,329	\$ -0-	\$ 90,429	\$ 1,995,900	\$ 79,427
Note Payable - SSB	1,160,176	-0-	186,467	973,709	189,423
Capital Leases	<u>518,969</u>	<u>272,194</u>	<u>206,458</u>	<u>584,705</u>	<u>143,854</u>
Total	\$ <u>3,765,474</u>	\$ <u>272,194</u>	\$ <u>483,354</u>	\$ <u>3,554,314</u>	\$ <u>412,704</u>

	<u>2017</u>	<u>Additions</u>	<u>Payments</u>	<u>2018</u>	<u>Due Within One Year</u>
Lease Purchase	\$ -0-	\$ 2,086,329	\$ -0-	\$ 2,086,329	\$ 90,429
Note Payable - SSB	1,344,181	1,252,517	1,436,522	1,160,176	186,869
Capital Leases	<u>219,986</u>	<u>441,827</u>	<u>142,844</u>	<u>518,969</u>	<u>157,052</u>
Total	\$ <u>1,564,167</u>	\$ <u>3,780,673</u>	\$ <u>1,579,366</u>	\$ <u>3,765,474</u>	\$ <u>434,350</u>

	<u>2016</u>	<u>Additions</u>	<u>Payments</u>	<u>2017</u>	<u>Due Within One Year</u>
Note Payable - SSB	\$ 1,510,716	\$ -0-	\$ 166,535	\$ 1,344,181	\$ 1,329,018
Capital Leases	<u>232,595</u>	<u>149,977</u>	<u>162,586</u>	<u>219,986</u>	<u>135,864</u>
Total	\$ <u>1,743,311</u>	\$ <u>149,977</u>	\$ <u>329,121</u>	\$ <u>1,564,167</u>	\$ <u>1,464,882</u>

The following are the terms and due dates of the District's long-term debt at September 30:

- Capital lease with GE at 1.04% due in monthly payments of \$4,058 until September 15, 2019, secured with Mammography machine.
- Capital lease with GE at 1.04%, due in monthly payments of \$8,319 until July 25, 2017, secured by Cat Scan equipment.
- Capital lease with GE Capital at 1.825%, due in monthly payments of \$700 until July 1, 2022, secured by Bone Density equipment.
- Capital lease with GE at 6.25%, due in monthly payments of \$6,964 until June 1, 2023, secured by Cat Scan equipment.

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NOTE 11 - LONG-TERM DEBT (Continued)

- Capital lease with Stryker Flex Financial at imputed interest rate of 5.8%, due in annual payments of \$20,153 until May 1, 2019, secured by two LifePak defibrillators.
- Secured Note Payable at Sabine State Bank (SSB) at 1.4%, secured by certificate of deposit of \$1,505,054, due in monthly payments of \$16,807 until March 2018, when a balloon payment of \$1,251,363 is due.
- Secured Note Payable (MOB) at 1.4%, secured by certificate of deposit of \$961,520, due in monthly payments of \$16,807 until March 23, 2023, when a balloon payment of \$298,169 is due. This note was refinanced with the Secured Note Payable at Sabine State Bank.
- Lease Purchase Energy Savings agreement with Siemens at 4.6%, entered into May 24, 2018, due in variable quarterly payments until May 24, 2033, secured by various equipment. Energy savings should be available to pay lease payments.
- Capital lease with Siemens at interest rate of 7.8%, due in monthly payments of \$3,500 until September of 2023, secured by laboratory equipment.
- Capital lease with Bancorp South at interest rate of 3.8%, due in monthly payments of \$1,810 until August 2023, secured by radiology equipment.

Scheduled principal and interest repayments on the long-term debt follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Long-Term Debt</u>		<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 189,423	\$ 12,176	\$ 223,281	\$ 119,695
2021	192,172	9,506	244,626	107,714
2022	194,880	6,799	259,836	94,689
2023	397,234	2,372	234,820	80,983
2024 - 2028	-0-	-0-	689,206	300,840
2029 and thereafter	-0-	-0-	924,849	11,667
Totals	\$ <u>973,709</u>	\$ <u>30,853</u>	\$ <u>2,576,618</u>	\$ <u>715,588</u>

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$268,033 is included in the depreciation expense. Net book value of capital leases is \$2,634,494 in 2019.

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NOTE 12 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2022, as extended by Congress. The additional payments received under the Medicare low volume add-on were approximately \$434,024, \$399,462, and \$325,625 for the years ended September 30, 2019, 2018, and 2017. The District qualifies as a Medicare Dependent Hospital. This designation provides for enhanced Medicare reimbursement rates, including increased reimbursement for decreases in volume greater than 5%. The District received \$608,225 during FY 2017 related to the FY 2013 volume adjustment. This designation was extended by Congress to September 30, 2022. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors. Inpatient behavioral health services are reimbursed based upon a prospective methodology based upon length of stay, diagnosis, and other factors. Home health services are paid by Medicare under a per episode prospective payment system (PPS). 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 Medicare fiscal intermediary.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid based on a prospectively determined fee schedule. The District is reimbursed at a tentative rate for cost-based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. Home health services are paid by Medicaid under a PPS per visit method.

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates. Blue Cross is the largest commercial provider. Blue Cross charges were 9%, 10%, and 11% of total charges for the years ended September 30, 2019, 2018, and 2017, respectively.

The Hospital experienced no material differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts for fiscal years 2019, 2018, and 2017.

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

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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

The District d/b/a LaSalle Nursing Home entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of the "Non State Governmental Organization Nursing Facilities Medicaid Upper Payment Limit Program (SPA)". This Medicaid supplemental payment is to be used as a match within the Medicaid program. In fiscal year 2019 the District received a total of \$1,217,265 of which \$521,901 was submitted to LDH as an IGT. In fiscal year 2018 the District received a total of \$1,448,147 of which \$648,633 was submitted to LDH as an IGT. In fiscal year 2017 the District received a total of \$737,737 of which \$334,133 was submitted to LDH as an IGT.

The District d/b/a LaSalle General Hospital entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of Louisiana Physician IPA, Inc. which is a physician supplemental program. In fiscal year 2019 the District received a total of \$1,215,343 of which \$477,846 was submitted to LDH as an IGT. In fiscal year 2018 the District received a total of \$515,812 of which \$229,432 was submitted to LDH as an IGT. In fiscal year 2017 the District received a total of \$187,000 of which \$85,215 was submitted to LDH as an IGT.

The following is a summary of the District's net patient service revenue for the years ended September 30:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Gross charges	\$ 56,978,062	\$ 53,759,155	\$ 49,284,704
Less charges associated with charity patients	<u>(36,024)</u>	<u>(23,398)</u>	<u>(10,391)</u>
Gross patient service revenue	56,942,038	53,735,757	49,274,313
Less deductions from revenue:			
Contractual adjustments	(30,868,466)	(25,423,115)	(23,770,182)
Nursing Home Intergovernmental Transfer	1,217,265	1,448,147	737,737
Physician supplemental revenue	1,215,343	515,812	187,000
Uncompensated cost reimbursement	-0-	-0-	257,940
Medicare volume adjustment	-0-	-0-	608,225
OIG settlement	-0-	(1,343,029)	-0-
Policy and other discounts	<u>(2,438,961)</u>	<u>(1,409,690)</u>	<u>(1,102,884)</u>
Patient service revenue (net of contractual adjustments and discounts)	26,067,219	27,523,882	26,192,149
Less provision for bad debts	<u>(1,782,220)</u>	<u>(1,386,188)</u>	<u>(2,640,312)</u>
Net patient service revenue less provision for bad debts	\$ <u>24,284,999</u>	\$ <u>26,137,694</u>	\$ <u>23,551,837</u>



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**NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)**

The District receives a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. The following is a summary of gross Medicare and Medicaid patient revenues for the years ended September 30:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Medicare and Medicaid gross patient charges	\$ 40,078,522	\$ 40,291,905	\$ 35,430,430
Contractual adjustments	<u>(20,618,927)</u>	<u>(18,741,719)</u>	<u>(17,140,750)</u>
Program patient service revenues	\$ <u>19,459,595</u>	\$ <u>21,550,186</u>	\$ <u>18,289,680</u>
Percent of total gross patient charges	<u>70%</u>	<u>75%</u>	<u>72%</u>
Percent of total net patient revenue	<u>80%</u>	<u>82%</u>	<u>78%</u>

**NOTE 13 - PROFESSIONAL LIABILITY RISK**

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

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

**NOTE 14 - WORKMEN'S COMPENSATION RISK**

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

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NOTE 14 - WORKMEN'S COMPENSATION RISK (Continued)

and expenses are prorated to member hospitals. The District has included these allocations or equity amounts assigned to the District by the trust fund in its financial statements.

NOTE 15 - EMPLOYEE MEDICAL BENEFIT PLAN

The District is self-insured to provide group medical and drug coverage for its employees. The District entered into an agreement on November 1, 1997, with a third-party administrator to administer the plan. The third-party administrator is Insurance Management Services (IMS). The plan year runs from December 1 through November 30. The District funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier provides for payment of 100% of claims in excess of \$75,000 per covered individual. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the District's estimate will change by a material amount in the near term.

The following is a summary of changes in the Hospital's claims liability for the year ended September 30:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning of the year	\$ 304,370	\$ 350,018	\$ 394,339
Plus: Claims incurred and changes in estimate, net of reinsurance	784,701	928,271	907,718
Less: Claims paid	<u>827,317</u>	<u>973,919</u>	<u>952,039</u>
End of the year	\$ <u>261,754</u>	\$ <u>304,370</u>	\$ <u>350,018</u>

NOTE 16 - 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.

The principal contingencies are described below:

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

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NOTE 16 - CONTINGENCIES (Continued)

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

The District received an Office of Inspector General (OIG) settlement in the amount of \$1,343,029 during fiscal year 2018, related to claims that were originally denied and recouped by the Medicare intermediary during fiscal year 2013.

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

Professional Liability Risk (Note 13) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk (Note 14) - The district is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Self-Funded Health Insurance Risk (Note 15) - The Hospital has a self-funded health insurance plan administered by Insurance Management Services. Provision has been made for incurred but non-reported claims in the amount of \$300,000. Accordingly, the Hospital is contingently liable for claims that may be reported subsequent to the balance sheet date. The Hospital has acquired stop-loss insurance to cover individual claims exceeding \$75,000.

NOTE 17 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a per-diem based on the patient's level of income. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the

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NOTE 17 - CHARITY CARE (Continued)

cost associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The cost of caring for charity care patients was approximately \$18,000, \$11,000, and \$5,000 in 2019, 2018, and 2017, respectively. The amount of charges foregone for services and supplies furnished under the District's charity care policy aggregated approximately \$36,000, \$23,000, and \$10,000 in 2019, 2018, and 2017, respectively.

NOTE 18 - OPERATING LEASES

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

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2019, that have initial or remaining lease terms in excess of one year.

Year Ending September 30,	<u>Amount</u>
2020	\$ 10,842
2021	10,842
2022	<u>2,718</u>
Total minimum future lease payments	\$ <u>24,402</u>

NOTE 19 - AD VALOREM TAXES

The District levies a property tax on all property subject to taxation in the service district. A 10 year 10.45 mill tax was effective thru 2012, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. This tax was renewed for a maximum of 5.0 mills for 10 years in October 2012 and will be effective until the year 2022. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15 each year, are due by December 31, and become delinquent on January 31.

NOTE 20 - INTERGOVERNMENTAL TRANSFER GRANTS

The District entered into a cooperative endeavor agreement with a regional hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant ("IGT") to be used solely to provide adequate and essential medically necessary and available healthcare services to the District's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$1,483,188, \$761,962, and \$1,322,161 for the fiscal years 2019, 2018, and 2017, respectively.

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NOTE 21 - SUBSEQUENT EVENTS

Events have been evaluated through March 12, 2020 for subsequent event disclosure. This date is the date the financial statements were available to be issued.

## SUPPLEMENTARY INFORMATION

Hospital Service District No. 2  
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Schedules of Net Patient Service Revenue  
Years Ended September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Routine services:			
Adult and pediatric	\$ 6,529,397	\$ 5,622,315	\$ 3,877,976
Swing bed	264,600	288,000	310,649
Behavioral health unit	7,903,741	6,793,160	4,267,974
Nursing home services	<u>5,644,910</u>	<u>6,488,551</u>	<u>7,051,071</u>
 Total routine services	 <u>20,342,648</u>	 <u>19,192,026</u>	 <u>15,507,670</u>
Other professional services:			
Operating room	-0-	-0-	26,563
Radiology	5,871,558	5,793,182	5,864,364
Laboratory and blood	9,862,820	9,038,102	8,758,958
IV therapy	975,547	931,381	886,534
Respiratory therapy, EEG, & EKG	2,702,708	2,735,697	2,463,502
Physical therapy	839,714	764,788	732,967
Occupational therapy	447,364	331,166	347,805
Speech therapy	440,295	402,637	268,866
Medical supply	464,531	612,791	486,559
Pharmacy	2,125,761	2,112,761	1,832,201
Wellness center	14,754	10,519	27,494
Emergency service	4,871,418	4,823,633	4,946,285
Observation room	832,125	172,757	286,809
Ambulance service	2,696,542	2,487,248	2,609,518
Home health services	650,960	552,013	531,612
Jena Rural Health Clinic	3,838,147	3,798,454	3,706,997
Industrial medicine	<u>1,170</u>	<u>-0-</u>	<u>-0-</u>
 Total other professional services	 <u>36,635,414</u>	 <u>34,567,129</u>	 <u>33,777,034</u>
 Gross charges	 \$ <u>56,978,062</u>	 \$ <u>53,759,155</u>	 \$ <u>49,284,704</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedules of Net Patient Service Revenue (Continued)  
Years Ended September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Less charges associated with charity patients	\$ <u>(36,024)</u>	\$ <u>(23,398)</u>	\$ <u>(10,391)</u>
Gross patient service revenue	56,942,038	53,735,757	49,274,313
Less deductions from revenue:			
Medicare and Medicaid contractual adjustments	(23,051,535)	(19,362,649)	(18,931,652)
Nursing Home Intergovernmental Transfer	1,217,265	1,448,147	737,737
Physician supplemental revenue	1,215,343	515,812	187,000
Uncompensated cost reimbursement	-0-	-0-	257,940
Medicare volume adjustment	-0-	-0-	608,225
OIG settlement	-0-	(1,343,029)	-0-
Other contractual adjustments	(7,816,931)	(6,060,466)	(4,838,530)
Policy and other discounts	<u>(2,438,961)</u>	<u>(1,409,690)</u>	<u>(1,102,884)</u>
Patient service revenue (net of contractual adjustments and discounts)	26,067,219	27,523,882	26,192,149
Less provision for bad debts	<u>(1,782,220)</u>	<u>(1,386,188)</u>	<u>(2,640,312)</u>
Net patient service revenue	\$ <u><u>24,284,999</u></u>	\$ <u><u>26,137,694</u></u>	\$ <u><u>23,551,837</u></u>



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedules of Other Operating Revenue  
Years Ended September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Purchase discounts taken	\$ 143	\$ -0-	\$ 20,162
Cafeteria	126,579	119,103	88,085
Medical record abstracts	1,239	1,848	2,601
Vending	2,519	2,271	2,085
Ambulance reimbursement	82,053	101,008	62,266
Medical office rent	13,955	18,230	13,087
Pharmacy 340B	-0-	62,164	229,314
Miscellaneous revenue	<u>60,283</u>	<u>23,561</u>	<u>26,382</u>
 Total other operating revenue	 \$ <u>286,771</u>	 \$ <u>328,185</u>	 \$ <u>443,982</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedules of Expenses - Salaries and Benefits  
Years Ended September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Salaries:			
Administration	\$ 1,165,943	\$ 1,145,356	\$ 1,120,927
Plant operations and maintenance	219,696	201,264	191,056
Laundry	19,528	10,146	19,911
Housekeeping	399,372	420,381	371,891
Dietary and cafeteria	430,661	422,798	416,492
Nursing administration	369,211	417,384	381,490
Medical records	304,265	264,331	244,726
Social services	112,805	123,985	104,212
Nursing services - acute	1,180,480	1,030,706	875,481
Nursing services - long-term care	1,973,708	2,237,600	2,173,884
Behavioral health	63,022	40,763	58,563
Wellness center	16,441	-0-	31,577
Operating room	-0-	-0-	10,748
Radiology	522,453	531,963	523,771
Laboratory	338,418	300,461	285,901
Respiratory therapy	249,617	219,795	223,174
Physical therapy	234,490	194,487	198,740
Occupational therapy	106,196	105,246	97,737
Speech therapy	87,574	82,671	84,598
Central supply	142,068	144,068	129,951
Pharmacy	238,829	242,314	242,185
Emergency room	1,084,971	1,024,726	925,712
Ambulance	739,934	541,412	532,484
Home health	351,093	318,807	298,966
Jena Rural Health Clinic	1,651,283	1,459,156	1,552,790
Industrial medicine	<u>37,106</u>	<u>-0-</u>	<u>-0-</u>
Total salaries	<u>12,039,164</u>	<u>11,479,820</u>	<u>11,096,967</u>
Benefits:			
Payroll taxes	443,866	436,120	426,628
Health insurance	1,038,026	1,185,318	1,186,379
Other	<u>724,091</u>	<u>711,132</u>	<u>696,442</u>
Total benefits	<u>2,205,983</u>	<u>2,332,570</u>	<u>2,309,449</u>
Total salaries and benefits	<u>\$ 14,245,147</u>	<u>\$ 13,812,390</u>	<u>\$ 13,406,416</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedules of Expenses - Medical Supplies and Drugs  
Years Ended September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Nursing services	\$ 71,150	\$ 41,636	\$ 37,167
Behavioral health	8,404	6,976	8,081
Wellness center	1,502	509	1,049
Radiology	85,853	83,569	41,859
Laboratory and blood	400,509	351,283	289,270
IV therapy	-0-	252	-0-
Respiratory therapy	40,547	35,234	33,923
Physical therapy	7,831	11,641	5,236
Occupational therapy	2,229	2,143	1,969
Central supply	3,010	3,843	6,996
Pharmacy	293,389	398,846	345,281
Pharmacy 340B	-0-	-0-	82,024
Emergency room	80,309	62,407	63,304
Ambulance	33,710	36,479	22,230
Home health	11,945	13,599	7,618
Jena Rural Health Clinic	210,583	134,918	172,383
Industrial medicine	2,355	-0-	-0-
Nursing home supplies	<u>325,895</u>	<u>346,369</u>	<u>423,093</u>
 Total medical supplies and drugs	 \$ <u><u>1,579,221</u></u>	 \$ <u><u>1,529,704</u></u>	 \$ <u><u>1,541,483</u></u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedules of Expenses - Professional Fees  
Years Ended September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Radiology	\$ 213,965	\$ 190,146	\$ 223,156
Laboratory	187,415	158,402	109,893
Physical therapy	521,547	570,697	737,581
EKG, EEG	355	500	515
Emergency room	909,375	605,046	581,160
Pharmacy	6,900	6,875	7,500
Jena Rural Health Clinic	<u>631,151</u>	<u>630,373</u>	<u>596,774</u>
 Total professional fees	 \$ <u>2,470,708</u>	 \$ <u>2,162,039</u>	 \$ <u>2,256,579</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedules of Expenses - Other Expenses  
Years Ended September 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contract services	\$ 145,444	\$ 166,273	\$ 149,816
Consultants	1,630,502	1,283,273	643,508
Behavioral health unit consultants	2,313,490	1,719,120	1,151,509
Legal and accounting	87,591	95,887	135,319
Supplies	729,342	794,276	701,566
Laundry contract services	149,608	138,568	115,772
Repairs and maintenance	649,712	645,790	648,238
Utilities	402,998	564,608	593,085
Telephone	88,063	48,789	37,712
Travel	148,116	112,861	103,345
Rentals	114,481	186,872	162,733
Advertising	138,623	101,957	89,906
Recruitment	6,057	54,206	18,719
Dues and subscriptions	196,824	423,284	262,839
Inter-governmental transfer expense	1,045,214	878,064	419,348
Miscellaneous	91,406	102,342	89,797
Provider tax	<u>310,106</u>	<u>377,162</u>	<u>406,917</u>
 Total other expenses	 \$ <u>8,247,577</u>	 \$ <u>7,693,332</u>	 \$ <u>5,730,129</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Combining Statement of Net Position  
September 30, 2019

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 69,278	\$ 641,602	\$ -0-	\$ 710,880
Assets whose use is limited - required for current liabilities	-0-	12,571	-0-	12,571
Investments	21,113	-0-	-0-	21,113
Accounts receivable, net of estimated uncollectibles	3,004,937	779,223	-0-	3,784,160
Estimated third-party payor settlements	980,856	(6,186)	-0-	974,670
Other receivables	38,941	5,522,947	(5,272,565)	289,323
Inventory	238,717	-0-	-0-	238,717
Prepaid expenses	80,268	53,664	-0-	133,932
Total Current Assets	<u>4,434,110</u>	<u>7,003,821</u>	<u>(5,272,565)</u>	<u>6,165,366</u>
Non-Current Assets				
Nondepreciable capital assets (Note 5)	292,638	28,565	-0-	321,203
Depreciable capital assets (Note 5)	9,761,826	1,373,326	-0-	11,135,152
Assets limited as to use	1,022,176	-0-	-0-	1,022,176
Other assets	15,945	25	-0-	15,970
Total Assets	<u>\$ 15,526,695</u>	<u>\$ 8,405,737</u>	<u>\$ (5,272,565)</u>	<u>\$ 18,659,867</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 1,384,127	\$ 147,420	\$ -0-	\$ 1,531,547
Cash overdraft	68,602	-0-	-0-	68,602
Accrued expenses and withholdings payable	1,068,987	154,983	(33,760)	1,190,210
Estimated third-party payable	394,367	-0-	-0-	394,367
Liabilities of limited use assets	-0-	12,571	-0-	12,571
Retirement plan payable	382,616	-0-	-0-	382,616
Current maturities of long-term debt	412,704	-0-	-0-	412,704
Total Current Liabilities	<u>3,711,403</u>	<u>314,974</u>	<u>(33,760)</u>	<u>3,992,617</u>
Long-term debt, net of current maturities	<u>8,380,415</u>	<u>-0-</u>	<u>(5,238,805)</u>	<u>3,141,610</u>
Total Liabilities	<u>12,091,818</u>	<u>314,974</u>	<u>(5,272,565)</u>	<u>7,134,227</u>
Net Position				
Invested in capital assets, net of related debt	1,261,345	1,401,891	5,238,805	7,902,041
Restricted	1,022,176	-0-	-0-	1,022,176
Unrestricted	1,151,356	6,688,872	(5,238,805)	2,601,423
Total Net Position	<u>3,434,877</u>	<u>8,090,763</u>	<u>-0-</u>	<u>11,525,640</u>
Total Liabilities and Net Position	<u>\$ 15,526,695</u>	<u>\$ 8,405,737</u>	<u>\$ (5,272,565)</u>	<u>\$ 18,659,867</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Combining Statement of Net Position  
September 30, 2018

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 71,710	\$ 867,264	\$ -0-	\$ 938,974
Assets whose use is limited - required for current liabilities	-0-	13,496	-0-	13,496
Investments	5,739	-0-	-0-	5,739
Accounts receivable, net of estimated uncollectibles	3,599,981	598,509	-0-	4,198,490
Estimated third-party payor settlements	1,264,174	114,809	-0-	1,378,983
Other receivables	74	5,486,014	(5,272,565)	213,523
Inventory	214,000	-0-	-0-	214,000
Prepaid expenses	41,686	49,719	-0-	91,405
Total Current Assets	<u>5,197,364</u>	<u>7,129,811</u>	<u>(5,272,565)</u>	<u>7,054,610</u>
Non-Current Assets				
Nondepreciable capital assets (Note 5)	1,690,768	28,565	-0-	1,719,333
Depreciable capital assets (Note 5)	7,986,615	1,351,722	-0-	9,338,337
Assets limited as to use	2,335,817	-0-	-0-	2,335,817
Other assets	<u>18,222</u>	<u>25</u>	<u>-0-</u>	<u>18,247</u>
Total Assets	\$ <u>17,228,786</u>	\$ <u>8,510,123</u>	\$ <u>(5,272,565)</u>	\$ <u>20,466,344</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 1,041,783	\$ 148,689	\$ -0-	\$ 1,190,472
Accrued expenses and withholdings payable	1,000,676	163,867	(33,760)	1,130,783
Cash overdraft	-0-	-0-	-0-	-0-
Estimated third-party payable	349,362	-0-	-0-	349,362
Liabilities of limited use assets	-0-	13,496	-0-	13,496
Retirement plan payable	715,160	-0-	-0-	715,160
Current maturities of long-term debt	434,350	-0-	-0-	434,350
Total Current Liabilities	<u>3,541,331</u>	<u>326,052</u>	<u>(33,760)</u>	<u>3,833,623</u>
Long-term debt, net of current maturities	<u>8,569,929</u>	<u>-0-</u>	<u>(5,238,805)</u>	<u>3,331,124</u>
Total Liabilities	<u>12,111,260</u>	<u>326,052</u>	<u>(5,272,565)</u>	<u>7,164,747</u>
Net Position				
Invested in capital assets, net of related debt	673,104	1,380,287	5,238,805	7,292,196
Restricted	2,335,817	-0-	-0-	2,335,817
Unrestricted	2,108,605	6,803,784	(5,238,805)	3,673,584
Total Net Position	<u>5,117,526</u>	<u>8,184,071</u>	<u>-0-</u>	<u>13,301,597</u>
Total Liabilities and Net Position	\$ <u>17,228,786</u>	\$ <u>8,510,123</u>	\$ <u>(5,272,565)</u>	\$ <u>20,466,344</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Combining Statement of Net Position  
September 30, 2017

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 132,870	\$ 817,466	\$ -0-	\$ 950,336
Assets whose use is limited - required for current liabilities	-0-	22,482	-0-	22,482
Investments	12,411	-0-	-0-	12,411
Accounts receivable, net of estimated uncollectibles	2,792,210	645,532	-0-	3,437,742
Estimated third-party payor settlements	1,016,314	161,484	-0-	1,177,798
Other receivables	26,699	5,449,441	(5,272,565)	203,575
Inventory	216,920	-0-	-0-	216,920
Prepaid expenses	43,522	44,478	-0-	88,000
Total Current Assets	<u>4,240,946</u>	<u>7,140,883</u>	<u>(5,272,565)</u>	<u>6,109,264</u>
Non-Current Assets				
Nondepreciable capital assets (Note 5)	250,328	28,565	-0-	278,893
Depreciable capital assets (Note 5)	8,082,719	1,344,406	-0-	9,427,125
Assets limited as to use	1,505,055	-0-	-0-	1,505,055
Other assets	<u>20,500</u>	<u>25</u>	<u>-0-</u>	<u>20,525</u>
Total Assets	\$ <u>14,099,548</u>	\$ <u>8,513,879</u>	\$ <u>(5,272,565)</u>	\$ <u>17,340,862</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts payable	\$ 999,359	\$ 176,687	\$ -0-	\$ 1,176,046
Accrued expenses and withholding payable	1,031,958	177,625	(33,760)	1,175,823
Cash overdraft	6,678	-0-	-0-	6,678
Estimated third-party payables	342,286	-0-	-0-	342,286
Liabilities of limited use assets	-0-	22,482	-0-	22,482
Retirement plan payable	683,433	-0-	-0-	683,433
Current maturities of long-term debt	<u>1,464,882</u>	<u>-0-</u>	<u>-0-</u>	<u>1,464,882</u>
Total Current Liabilities	<u>4,528,596</u>	<u>376,794</u>	<u>(33,760)</u>	<u>4,871,630</u>
Long-term debt, net of current maturities	<u>5,338,090</u>	<u>-0-</u>	<u>(5,238,805)</u>	<u>99,285</u>
Total Liabilities	<u>9,866,686</u>	<u>376,794</u>	<u>(5,272,565)</u>	<u>4,970,915</u>
Net Position				
Invested in capital assets, net of related debt	1,530,075	1,372,971	5,238,805	8,141,851
Restricted	1,505,055	-0-	-0-	1,505,055
Unrestricted	<u>1,197,732</u>	<u>6,764,114</u>	<u>(5,238,805)</u>	<u>2,723,041</u>
Total Net Position	<u>4,232,862</u>	<u>8,137,085</u>	<u>-0-</u>	<u>12,369,947</u>
Total Liabilities and Net Assets	\$ <u>14,099,548</u>	\$ <u>8,513,879</u>	\$ <u>(5,272,565)</u>	\$ <u>17,340,862</u>



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended September 30, 2019

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
<b>Revenues</b>				
Net patient service revenue	\$ 18,679,313	\$ 5,605,686	\$ -0-	\$ 24,284,999
Operating grants	1,489,350	-0-	-0-	1,489,350
Ad valorem taxes	266,969	-0-	-0-	266,969
Other operating revenue	<u>854,924</u>	<u>507</u>	<u>(568,660)</u>	<u>286,771</u>
 Total Revenues	 <u>21,290,556</u>	 <u>5,606,193</u>	 <u>(568,660)</u>	 <u>26,328,089</u>
<b>Expenses</b>				
Salaries and benefits	11,025,136	3,220,011	-0-	14,245,147
Medical supplies and drugs	1,253,326	325,895	-0-	1,579,221
Insurance	255,316	73,163	-0-	328,479
Professional fees	1,942,276	528,432	-0-	2,470,708
Other expenses	7,355,824	1,460,413	(568,660)	8,247,577
Depreciation and amortization	<u>943,107</u>	<u>126,942</u>	<u>-0-</u>	<u>1,070,049</u>
 Total Expenses	 <u>22,774,985</u>	 <u>5,734,856</u>	 <u>(568,660)</u>	 <u>27,941,181</u>
 Operating Income (Loss)	 <u>(1,484,429)</u>	 <u>(128,663)</u>	 <u>-0-</u>	 <u>(1,613,092)</u>
<b>Nonoperating Revenues</b>				
Interest income	12,740	35,059	(35,059)	12,740
Interest expense	(210,977)	-0-	35,059	(175,918)
Gain (loss) on disposal of assets	<u>20</u>	<u>293</u>	<u>-0-</u>	<u>313</u>
 Changes in Net Position before Capital Grants	 <u>(1,682,646)</u>	 <u>(93,311)</u>	 <u>-0-</u>	 <u>(1,775,957)</u>
Capital grants	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Changes in Net Position	 <u>(1,682,646)</u>	 <u>(93,311)</u>	 <u>-0-</u>	 <u>(1,775,957)</u>
 Beginning Net Position	 <u>5,117,523</u>	 <u>8,184,074</u>	 <u>-0-</u>	 <u>13,301,597</u>
 Ending Net Position	 <u>\$ 3,434,877</u>	 <u>\$ 8,090,763</u>	 <u>\$ -0-</u>	 <u>\$ 11,525,640</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended September 30, 2018

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
<b>Revenues</b>				
Net patient service revenue	\$ 19,729,288	\$ 6,408,406	\$ -0-	\$ 26,137,694
Operating grants	768,390	-0-	-0-	768,390
Ad valorem taxes	255,800	-0-	-0-	255,800
Other operating revenue	<u>986,683</u>	<u>581</u>	<u>(659,079)</u>	<u>328,185</u>
 Total Revenues	 <u>21,740,161</u>	 <u>6,408,987</u>	 <u>(659,079)</u>	 <u>27,490,069</u>
<b>Expenses</b>				
Salaries and benefits	10,225,328	3,587,062	-0-	13,812,390
Medical supplies and drugs	1,183,335	346,369	-0-	1,529,704
Insurance	231,129	72,073	-0-	303,202
Professional fees	1,584,497	577,542	-0-	2,162,039
Other expenses	6,671,962	1,680,449	(659,079)	7,693,332
Depreciation and amortization	<u>823,481</u>	<u>133,641</u>	<u>-0-</u>	<u>957,122</u>
 Total Expenses	 <u>20,719,732</u>	 <u>6,397,136</u>	 <u>(659,079)</u>	 <u>26,457,789</u>
 Operating Income (Loss)	 <u>1,020,429</u>	 <u>11,851</u>	 <u>-0-</u>	 <u>1,032,280</u>
<b>Nonoperating Revenues</b>				
Interest income	10,939	35,097	(35,097)	10,939
Interest expense	(66,827)	-0-	35,097	(31,730)
Gain (loss) on disposal of assets	<u>(79,839)</u>	<u>-0-</u>	<u>-0-</u>	<u>(79,839)</u>
 Changes in Net Position before Capital Grants	 884,702	 46,948	 -0-	 931,650
Capital grants	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Changes in Net Position	 <u>884,702</u>	 <u>46,948</u>	 <u>-0-</u>	 <u>931,650</u>
 Beginning Net Position	 <u>4,232,821</u>	 <u>8,137,126</u>	 <u>-0-</u>	 <u>12,369,947</u>
 Ending Net Position	 <u>\$ 5,117,523</u>	 <u>\$ 8,184,074</u>	 <u>\$ -0-</u>	 <u>\$ 13,301,597</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended September 30, 2017

	LaSalle General <u>Hospital</u>	LaSalle Nursing <u>Home</u>	Eliminating <u>Entries</u>	<u>Combined</u>
<b>Revenues</b>				
Net patient service revenue	\$ 16,586,614	\$ 6,965,223	\$ -0-	\$ 23,551,837
Operating grants	1,342,687	-0-	-0-	1,342,687
Ad valorem taxes	245,149	-0-	-0-	245,149
Other operating revenue	<u>1,101,816</u>	<u>491</u>	<u>(658,325)</u>	<u>443,982</u>
 Total Revenues	 <u>19,276,266</u>	 <u>6,965,714</u>	 <u>(658,325)</u>	 <u>25,583,655</u>
<b>Expenses</b>				
Salaries and benefits	9,920,916	3,485,500	-0-	13,406,416
Medical supplies and drugs	1,118,390	423,093	-0-	1,541,483
Insurance	238,515	69,159	-0-	307,674
Professional fees	1,511,573	745,006	-0-	2,256,579
Other expenses	4,669,481	1,718,973	(658,325)	5,730,129
Depreciation and amortization	<u>806,682</u>	<u>141,907</u>	<u>-0-</u>	<u>948,589</u>
 Total Expenses	 <u>18,265,557</u>	 <u>6,583,638</u>	 <u>(658,325)</u>	 <u>24,190,870</u>
 Operating Income (Loss)	 <u>1,010,709</u>	 <u>382,076</u>	 <u>-0-</u>	 <u>1,392,785</u>
<b>Nonoperating Revenues</b>				
Interest income	11,196	34,894	(34,894)	11,196
Interest expense	(80,925)	-0-	34,894	(46,031)
Gain (loss) on disposal of assets	<u>(8,140)</u>	<u>-0-</u>	<u>-0-</u>	<u>(8,140)</u>
 Changes in Net Position before Capital Grants	 932,840	 416,970	 -0-	 1,349,810
Capital grants	<u>3,867</u>	<u>-0-</u>	<u>-0-</u>	<u>3,867</u>
 Changes in Net Position	 <u>936,707</u>	 <u>416,970</u>	 <u>-0-</u>	 <u>1,353,677</u>
 Beginning Net Position	 <u>3,296,114</u>	 <u>7,720,156</u>	 <u>-0-</u>	 <u>11,016,270</u>
 Ending Net Position	 <u>\$ 4,232,821</u>	 <u>\$ 8,137,126</u>	 <u>\$ -0-</u>	 <u>\$ 12,369,947</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedules of Per Diem and  
Other Compensation Paid to Board Members  
Years Ended September 30, 2019, 2018, and 2017

	<u>TERM</u> <u>EXPIRES</u>	<u>2019</u>	-Compensation- <u>2018</u>	<u>2017</u>
Board Members				
I.C. Turnley, Jr., M.D.	April 2024	NONE	NONE	NONE
Charles O. Williams, C.P.A.	April 2024	NONE	NONE	NONE
Janice Doshier	April 2020	NONE	NONE	NONE
Steve Crooks	April 2022	NONE	NONE	NONE
Sandra Webster	April 2022	NONE	NONE	NONE

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedule of Compensation, Benefits, and Other Payments  
to Chief Executive Officers  
Year Ended September 30, 2019

Agency Head Name: Lana Francis  
Position: Chief Executive Officer  
Time Period: October 1, 2018 to September 30, 2019

<u>Purpose</u>	<u>Amount</u>
Salary	114,847
Health insurance	11,316
Retirement (FICA replacement plan)	2,871
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	-0-
Conference travel	1,886
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-

Agency Head Name: Phyllis Bryan  
Position: Administrator  
Time Period: October 1, 2018 to September 30, 2019

<u>Purpose</u>	<u>Amount</u>
Salary	106,177
Health insurance	15,409
Retirement (FICA replacement plan)	2,600
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	52
Registration fees	645
Conference travel	556
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	99



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

To the Board of Commissioners  
Hospital Service District No. 2  
Parish of LaSalle, State of Louisiana  
Jena, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Hospital Service District No. 2, Parish of LaSalle, the ("District"), a component unit of the LaSalle Parish Police Jury, as of and for the years ended September 30, 2019, 2018, and 2017, and the related notes to the financial statements, which collectively comprise the District's combined financial statements as listed in the table of contents, and have issued our report thereon dated March 12, 2020.

#### 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 opinion 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies: 2019-001, 2019-002, 2019-003, and 2019-004.

### **Compliance and Other Matters**

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

### **The District's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. The 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.

This report is intended solely for the information and use of the Board of Commissioners, management and others within the organization and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants  
Alexandria, Louisiana

March 12, 2020



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedule of Current Year Findings and Responses  
Year Ended September 30, 2019

**Section I. Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Compliance

- Noncompliance issues noted - No

Management letter issued - No

Federal Awards - Not applicable

**Section II. Financial Statement Findings**

**FINDING 2019-001 - Draft of Financial Statements**

**Fiscal Year Initially Reported:** September 30, 2007

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

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

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

**FINDING 2019-002 - Segregation of Duties**

**Fiscal Year Initially Reported:** September 30, 2007

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





Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedule of Current Year Findings and Responses  
Year Ended September 30, 2019

**Section II. Financial Statement Findings (Continued)**

**FINDING 2019-002 - Segregation of Duties (Continued)**

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

**Response:** Due to the size of our organization, and the abilities of current staff, we will continue to closely supervise and review the accounting, recording, and custody functions.

**FINDING 2019-003 - Third-party Payor Settlements**

**Fiscal Year Initially Reported:** September 30, 2015

**Finding:** Management is responsible for calculating and recording estimates of interim (Medicare and Medicaid) cost settlements. After preparation of the current year cost report, year-end receivables increased by \$344,000 and contractual adjustments decreased by \$344,000. Various third-party receivables/payables were found to be inaccurately recorded on the general ledger during fiscal year 2019.

**Recommendation:** Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefits. Establishing separate general ledger accounts for each cost report settlement year should be helpful in managing the settlements.

**Response:** Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end. Management will record differences between interim payments and actual cost report settlements. These differences will be charged against income in future periods when determinable. Contract Chief Financial Officer will review interim adjustments on a monthly basis. District staff will ensure during each month that all third-party payor settlements are recorded to correct general ledger accounts.

**FINDING 2019-004 - Contractual Allowances**

**Finding:** The allowances for accounts receivable were understated by approximately \$700,000, which overstated net income by the same amount. The model utilized was based on prior year percentages, was not updated for current reimbursement percentages, and excluded the in-house claims at year-end.

**Recommendation:** We recommend reviewing the calculation and making the necessary adjustments to provide an accurate estimate of the allowances for accounts receivable. Also, all claims pertinent to the allowances at year-end should be included in the calculation.



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedule of Current Year Findings and Responses  
Year Ended September 30, 2019

**Section II. Financial Statement Findings (Continued)**

**FINDING 2019-004 - Contractual Allowances (Continued)**

**Response:** Management has updated the method used for calculating Medicare and Medicaid contractals. This method includes utilizing twelve (12) months of payment data for Medicare, Medicaid, and Commercial payors. Utilizing the new model, which updates monthly, we can be sure that the reimbursement percentages are current and accurate, providing for a more accurate estimate of allowances for accounts receivable.

**Section III. Federal Awards Findings and Questioned Costs**

Not applicable

**Section IV. Management Letter**

Not applicable



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedule of Current Year Findings and Responses  
Year Ended September 30, 2019

**Section I. Financial Statement Findings**

**FINDING 2018-001 - Draft of Financial Statements**

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

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

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

**Resolution:** Not resolved - See Finding 2019-001

**FINDING 2018-002 - Segregation of Duties**

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

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

**Response:** Due to the size of our organization, and the abilities of current staff, we will continue to closely supervise and review the accounting, recording, and custody functions.

**Resolution:** Not resolved - See Finding 2019-002

**FINDING 2018-003 - Third-party Payor Settlements**

**Finding:** Various third-party receivables/payables were found to be inaccurately recorded on the general ledger during fiscal year 2018. Misclassified recoupments and payments from third-party payors were found to be the primary cause of these inaccuracies.



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedule of Current Year Findings and Responses  
Year Ended September 30, 2019

**Section I. Financial Statement Findings (Continued)**

**FINDING 2018-003 - Third-party Payor Settlements (Continued)**

**Recommendation:** Third-party payor documentation should be obtained from intermediaries for each payment and/or recoupment and the resulting amounts reconciled to general ledger postings. Establishing separate general ledger accounts for each cost report settlement year should be helpful in managing these intermediary activities.

**Response:** Contract Chief Financial Officer will review on a monthly basis. District staff will ensure during each month that all third-party payor settlements are recorded to correct general ledger accounts. Documentation will be obtained from third parties for Contract Chief Financial Officer to review.

**Resolution:** Partially resolved - See Finding 2019-003

**FINDING 2018-004 - Pension Plan**

**Finding:** Management did not submit employer matching contributions for fiscal year 2017 in a timely manner in accordance with plan documents.

**Recommendation:** Employer contributions should be remitted to the plan in accordance with plan documents.

**Response:** Management plans to submit the fiscal year 2017 employer contributions in fiscal year 2019.

**Resolution:** Resolved.

**FINDING 2018-005 - Leases**

**Finding:** Management did not record a capital lease and a lease purchase during fiscal year 2018.

**Recommendation:** Management should refer to generally accepted accounting standards to determine correct method of recording leases when incurred.

**Response:** Management will refer to generally accepted accounting standards and follow them in the future.

**Resolution:** Resolved.

**Section II. Federal Awards Findings and Questioned Costs**

Not applicable



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedule of Current Year Findings and Responses  
Year Ended September 30, 2019

**Section III. Management Letter**

Not applicable

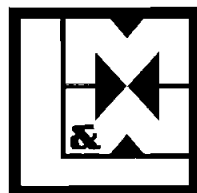




HOSPITAL SERVICE DISTRICT NO. 2  
PARISH OF LASALLE

INDEPENDENT AUDITORS' REPORT  
ON APPLYING AGREED UPON  
PROCEDURES

FOR THE YEAR ENDED  
SEPTEMBER 30, 2019



**LESTER, MILLER & WELLS**  
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Retired 2015  
Bobby G. Lester, CPA

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

To the Board of Commissioners  
of Hospital Service District No. 2  
Parish of LaSalle, State of Louisiana  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Hospital Service District No. 2 and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

#### ***Written Policies and Procedures***

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing, and approving
  - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
  - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of

To the Board of Commissioners  
of Hospital Service District No. 2  
Parish of LaSalle, State of Louisiana  
and the Louisiana Legislative Auditor

statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **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.

**Exceptions:** Out of nineteen (19) policies tested, one (1) policy was not provided. The Disaster Recovery policy was not provided by the nursing home.

**Management's Response:** The nursing home's management will use the hospital's policy and procedures with changes as needed to encompass the nursing home's operations.

#### **Board or Finance Committee**

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

**Exceptions:** In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.



### ***Bank Reconciliations***

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3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

**Exceptions:** In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

### ***Collections (excluding EFTs)***

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4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.



To the Board of Commissioners  
of Hospital Service District No. 2  
Parish of LaSalle, State of Louisiana  
and the Louisiana Legislative Auditor

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- Observe that receipts are sequentially pre-numbered.
  - Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - Trace the deposit slip total to the actual deposit per the bank statement.
  - Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
  - Trace the actual deposit per the bank statement to the general ledger.

**Exceptions:** Employees responsible for collecting cash share a cash drawer. Employees responsible for collecting cash are responsible for preparing deposits and posting deposits to the general ledger accounts.

**Management's Response:** Management has enacted policies and procedures to address control and compliance areas identified. The process for the receipt of payments in the Admitting Department will be revised so that only one person per shift serves as the cashier and accesses the cash drawer. Employees will be educated on the change. Due to small staff the nursing home will always have segregation of duties issues.

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

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- Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - At least two employees are involved in processing and approving payments to vendors.
  - The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]]
- For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:





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- a) Observe that the disbursement matched the related original invoice/billing statement.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

**Exceptions:** The employee involved in initiating purchase request also approves all purchases.

**Management's Response:** Management has enacted policies and procedures to address the control and compliance areas identified. However, due to small staff there will always be segregation of duties issues at the District.

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
  - b) Observe that finance charges and late fees were not assessed on the selected statements.
- 13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management has a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

**Exceptions:** Out of the thirty (30) transactions tested, ten (10) transactions did not document the business purpose and one (1) transaction did not have an itemized receipt.

**Management's Response:** Employees will be educated on the requirement that whoever makes purchases with credit cards are required to state the business purpose of the purchase on the original receipt. Credit card purchases made by the administrator will require a secondary approval.



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

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14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Exceptions:** Out of the three (3) statements reviewed, one (1) transaction did not state the business/public purpose, one (1) transaction was not approved in writing by the proper supervisor according to Hospital policy.

**Management's Response:** Management will educate employees on required elements for reimbursement of travel expenses. Appropriate approval will be obtained prior to payment.

#### ***Contracts***

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

**Exceptions:** In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.



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### ***Payroll and Personnel***

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

**Exceptions:** In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

### ***Ethics***

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

**Exceptions:** In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.



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### ***Debt Service***

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

**Exceptions:** In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

### ***Other***

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Exceptions:** In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

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

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



Certified Public Accountants  
Alexandria, Louisiana

March 12, 2020





