

**HOSPITAL SERVICE DISTRICT NO. 2  
OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY**

**FINANCIAL REPORT**

**JUNE 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Hospital Service District No. 2  
and Board of Trustees  
Opelousas General Hospital Authority  
St. Landry Parish, Louisiana

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Hospital Service District No. 2 of St. Landry Parish, Louisiana (the "District"), a component unit of the St. Landry Parish Government and Opelousas General Hospital Authority (the "Hospital"), a public instrumentality of the State of Louisiana and a component unit of the District, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the District and Hospital's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District and the Hospital, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other information*

Our audit was conducted for the purpose of forming an opinion on the financial statements, that collectively comprise the District and Hospital's financial statements. The accompanying supplementary information on pages 40 through 51 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information on pages 40 through 51 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, on our consideration of the District and Hospital's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District and Hospital's internal control over financial reporting and compliance.



Lafayette, Louisiana  
December 5, 2019

HOSPITAL SERVICE DISTRICT #2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In Thousands)

This section of Opelousas General Health System's (the "Hospital") annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal year that ended June 30, 2019. Please read it in conjunction with the financial statements in this report.

**Financial Highlights**

The Hospital showed an increase in earnings in excess of expenses of approximately \$3,895 from the prior year. Total increase in net position for 2019 amounted to \$3,192 as compared to a decrease of \$703 for 2018. The increase was due to the following:

- During 2019, the Hospital has experienced an increase in total operating revenues of \$19,749 or 13.77% partially offset by an increase in operating expenses of \$16,734 or 11.61%. The Hospital experienced a net income from operations of \$3,192 in 2019 versus operating loss of \$703 in 2018. During 2018, operating revenues increased \$6,409 or 4.68% offset by an increase in operating expenses of \$8,760 or 6.47%.
- During the year, the increase in income from operations of \$3,015 was related to an increase in overall operating revenues partially offset by the increase in total operating expense. In addition, non-operating income (expenses) increased by a net of \$880 in 2019 primarily due to an increase of investment income during the year.

During the fiscal year, the Hospital made capital investments for a total of approximately \$5,421 in 2019 and \$3,819 in 2018. The following is a list of significant items for 2019 followed by a list of significant items for 2018:

Mako Surgical Robot	\$ 1,250
Centrella Smart Beds	<u>1,332</u>
	<u>\$ 2,582</u>

The sources of the funding for these projects were derived from the operations of the Hospital, and approximately \$2,582 in new financing.

List of significant capital investments for 2018 are as follows:

Cerner Project	\$1,594
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The source of the funding for these projects were derived primarily from the operations of the Hospital.

**Required Financial Statements**

The basic financial statements report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The statements of net position include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Hospital. All of the current year's revenues and expenses are accounted for in the statement of revenue, expenses, and changes in net position. This statement measures improvements in the Hospital's operations over the past years and can be used to determine whether the Hospital 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 statement of cash flows. The primary purpose of this statement is to provide information about the Hospital'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

The statement of net position and the statement of revenue, expenses, and changes in net position report information about the Hospital's activities. These two statements report the net positions of the Hospital and changes in them. Increases or decreases in the Hospital'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.

### Net Position

A summary of the Hospital's statement of net position is presented in Table 1 below:

**TABLE 1**  
**Condensed Statements of Net Position**  
**(In Thousands)**

ASSETS	<u>2019</u>	<u>2018</u>	2018 to 2019 Dollar Change
Total current assets	\$ 73,168	\$ 67,426	\$ 5,742
Property, plant and equipment (less accumulated depreciation)	55,414	57,579	(2,165)
Other assets – including board designated funds	24,913	25,002	(89)
Deferred outflows of resources	<u>690</u>	<u>737</u>	<u>(47)</u>
Total assets and deferred outflows	<u>\$ 154,185</u>	<u>\$ 150,744</u>	<u>\$ 3,441</u>
 <b>LIABILITIES</b>			
Current liabilities	\$ 26,986	\$ 24,448	\$ 2,538
Long-term debt outstanding	<u>18,665</u>	<u>20,954</u>	<u>(2,289)</u>
Total liabilities	<u>\$ 45,651</u>	<u>\$ 45,402</u>	<u>\$ 249</u>
 <b>NET POSITION</b>			
Net investment in capital assets	\$ 32,164	\$ 32,681	\$ (517)
Restricted assets	4,752	4,669	83
Unrestricted assets	<u>71,618</u>	<u>67,992</u>	<u>3,626</u>
Total net position	<u>\$ 108,534</u>	<u>\$ 105,342</u>	<u>\$ 3,192</u>
Total liabilities and net position	<u>\$ 154,185</u>	<u>\$ 150,744</u>	<u>\$ 3,441</u>

As shown in Table 1, total assets and deferred outflows increased by \$3,441 to \$154,185 in fiscal year 2019, up from \$150,744 in fiscal year 2018. Total liabilities decreased by \$249 to \$45,651 in fiscal year 2019, up from \$45,402 in fiscal year 2018.

## Summary of Revenue, Expenses, and Changes in Net Position

A summary of the Hospital's historical revenues and expenses for the fiscal years ended June 30, 2019 and 2018 is presented in Table 2 below:

**TABLE 2**  
**Condensed Statements of Revenue, Expenses, and**  
**Changes in Net Position**  
**(In Thousands)**

	2019	2018	2018 to 2019 Dollar Change
Revenue:			
Net patient service revenue	\$ 131,606	\$ 118,029	\$ 13,577
Other operating income	<u>31,547</u>	<u>25,375</u>	<u>6,172</u>
Total operating revenue	<u>\$ 163,153</u>	<u>\$ 143,404</u>	<u>\$ 19,749</u>
Expenses:			
Routine services	\$ 17,633	\$ 16,753	\$ 880
Ancillary services	83,591	72,702	10,889
General services	11,755	11,116	639
Fiscal and administrative services	30,904	29,336	1,568
Intergovernmental transfer	9,413	6,760	2,653
Depreciation	<u>7,603</u>	<u>7,498</u>	<u>105</u>
Total operating expenses	<u>\$ 160,899</u>	<u>\$ 144,165</u>	<u>\$ 16,734</u>
Operating income	\$ 2,254	\$ (761)	\$ 3,015
Non-operating income (expense)	<u>938</u>	<u>58</u>	<u>880</u>
Increase in net position	\$ 3,192	\$ (703)	\$ 3,895
Net position, beginning of year	<u>105,342</u>	<u>106,045</u>	<u>(703)</u>
Net position, end of year	<u>\$ 108,534</u>	<u>\$ 105,342</u>	<u>\$ 3,192</u>

### Sources of Revenue

#### *Operating Revenue*

The Hospital derived the majority of its revenues from inpatient and outpatient services, which translated to approximately 81% of total revenues in 2019 and 82% of total revenues in 2018. Patient service revenues include monies from the Medicare, Medicaid and commercial third-party payors. Reimbursement for Medicare and Medicaid programs and commercial third-party payors is based upon established contracts. The difference between the covered charges or gross revenue and reimbursement or net revenue is referred to as contractual allowance. Other revenue includes cafeteria sales, gift shop sales, rental income and other miscellaneous services. In 2019 and 2018, other revenue also included hospital physician UPL and service district hospital UPL payments.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30, 2019 and 2018.

**TABLE 3**  
**Payor Mix by Percentage**  
**June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Medicare	42.03%	43.85%
Medicaid	24.91%	25.22%
Medicare HMO	8.85%	7.29%
Commercial/PPO	21.11%	20.77%
Workers Comp	1.26%	1.17%
Self Pay	1.78%	1.64%
Other	<u>0.06%</u>	<u>0.06%</u>
	<u>100.00%</u>	<u>100.00%</u>

*Other Revenue*

Other revenue includes cafeteria sales, rental income, UPL payments and other miscellaneous services.

**TABLE 4**  
**Other Revenue**  
**June 30, 2019 and 2018**  
**(In Thousands)**

	<u>2019</u>	<u>2018</u>
Other revenue:		
Cafeteria	\$ 1,235	\$ 1,154
Gift shop	270	258
Rental income	1,219	1,223
Outside housekeeping and laundry services	239	214
Reimbursement – pain management	336	254
Miscellaneous	306	622
Hospital physician based UPL payment	19,842	15,117
Grant – Service District Hospital UPL	<u>8,100</u>	<u>6,533</u>
	<u>\$ 31,547</u>	<u>\$ 25,375</u>

*Investment Revenue*

The Hospital holds designated and restricted funds in its statements of net position that are invested primarily in money market funds and securities issued by the U.S. Treasury and other federal agencies. These investments earned \$1,206 in 2019 and \$255 in 2018.

## Operating and Financial Performance

The following summarizes the Hospital's operating and financial performance.

Overall activity at the Hospital, as measured by patient discharge, decreased by 5.35 % to 8,626 in 2019. The total patient days in 2019 were 32,181, as compared to 32,351 in 2018, for a difference of 170 (a decrease of 0.53%). The average length of stay for acute care patients, based on an admit basis (excluding newborn, psychiatric and rehabilitation) was 2.9 days in 2019 and 2.8 days in 2018.

**Note:** Discharges and patient days include Acute, Psychiatric, Rehabilitation and Newborn days.

**TABLE 5**  
**Patient and Hospital Statistical Data**  
**June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Discharges:		
Acute care	6,625	7,000
Psychiatric	858	981
Rehabilitation	236	237
Newborn	907	896
Patient days:		
Acute care	19,369	19,301
Psychiatric	8,122	8,373
Rehabilitation	2,692	2,830
Newborn	1,998	1,847
Operating room I/P visits	2,112	2,210
Outpatient surgeries	5,214	4,246
Emergency room visits	53,201	54,434
Outpatient registrations (including ER)	159,354	142,465
Deliveries	966	984
Procedures:		
Lab	542,588	532,547
Radiology	54,043	52,846
CT scan	14,199	12,861
Nuclear medicine	971	1,053
MRI	2,451	2,201
Radiation therapy	13,237	12,702
Heart Cath unit cases	1,831	1,865
Hyperbaric oxygen	13,217	13,272
Physical therapy	129,649	98,454
Average daily census:		
Acute care	53	53
Psychiatric	22	23
Rehabilitation	7	8
Newborn	5	6
Average length of stay (excluding newborns):		
Acute care	3.50	3.30
Psychiatric	9.50	8.40
Rehabilitation	11.20	11.80

Total net patient service revenue increased \$13,577 or 11.50% from 2018 to 2019 as compared to a increase of \$5,381 or 4.78% from 2017 to 2018.

Gross patient revenue increased by \$56,809 or 10.61% as compared to 2018 primarily related to the changes in the mix of services provided. In 2018, gross patient revenue increased from 2017 by \$74,409 or 16.13%.

Contractual allowances, discounts, and uncollectible accounts increased over prior year as described in Table 6 below:

**TABLE 6**  
**Allowance Summary**  
**June 30, 2019 and 2018**  
**(In Thousands)**

	<u>2019</u>	<u>2018</u>
Allowances:		
Administrative allowances	\$ 91	\$ 50
Blue Cross discounts	47,159	43,491
Charity allowances	23	46
Contractual adjustments – Medicare and Medicaid	352,587	324,183
Managed care allowances	33,175	26,831
Physician discounts	9,483	5,389
Provision for uncollectible accounts	<u>18,331</u>	<u>17,627</u>
Total contractual allowances, discounts, and uncollectible accounts	<u>\$ 460,849</u>	<u>\$ 417,617</u>

Salary expenses increased by \$3,543 or 7.08% from 2018 to 2019 and increased by \$3,032 or 6.40% from 2017 to 2018. Total salaries were \$53,589 in 2019 and \$50,406 in 2018. As a percentage of net patient service revenue, salary expense was approximately 45.40% in 2019 and 44.75% in 2018.

Employee benefit expense decreased in 2019 by \$78 or 0.85% from 2018 and decreased in 2018 by \$773 or 7.75% from 2017. Employee benefit expense represented 17.03% of salary expense in 2019 and 18.26% of salary expenses in 2018.

Provision for bad debts increased in 2019 by \$704 or 3.99% from 2018 and decreased in 2018 by \$8,465 or 32.44% from 2017.

Depreciation expense increased by \$105 or 1.4% from 2018 to 2019 and increased by \$995 or 15.3% from 2017 to 2018.

Interest expense decreased by \$84 or 7% from 2018 to 2019 and decreased by \$144 or 10.7% from 2017 to 2018.

Total operating expenses increased by \$16,734 or 11.6% from 2018 to 2019 and increased by \$8,760 or 6.5% from 2017 to 2018.

Investment income consists of interest earnings on funds designated by the board of commissioners and funds held by trustee under bond resolutions. Investment income increased from the prior year due to fluctuations in the market value of investments held.

## Capital Assets

During fiscal year 2019, the Hospital invested \$5,421 in the implementation of a broad range of capital assets as compared to \$3,821 in 2018. This information is included in Table 7 below.

**TABLE 7**  
**Capital Assets**  
**(In Thousands)**

	<u>2019</u>	<u>2018</u>	<u>2018 to 2019 Dollar Change</u>
Non-depreciable capital assets:			
Land	\$ 6,021	\$ 6,021	\$ -
Construction in progress	<u>837</u>	<u>309</u>	<u>528</u>
Total non-depreciable capital assets	<u>\$ 6,858</u>	<u>\$ 6,330</u>	<u>\$ 528</u>
Depreciable assets:			
Land improvements	\$ 1,593	\$ 1,593	\$ -
Automobiles	159	159	-
Buildings	89,928	89,579	349
Equipment	<u>98,797</u>	<u>94,652</u>	<u>4,145</u>
Total depreciable capital assets	\$ 190,477	\$ 185,983	\$ 4,494
Less: accumulated depreciation	<u>(141,921)</u>	<u>(134,734)</u>	<u>(7,187)</u>
Total depreciable capital assets	<u>\$ 48,556</u>	<u>\$ 51,249</u>	<u>\$ (2,693)</u>

Net property, plant, and equipment increased over the prior year, which is due to purchases in 2019 partially offset by the recognition of depreciation expense during the year.

## Long-Term Debt

At year-end for 2019, the Hospital had \$16,758 (net of unamortized bond discounts) in short-term and long-term bond payable, as compared to \$18,636 in 2018. The bond payable amount is shown net, in the statements of net position, of the unamortized bond discount of \$52 in 2019 and of \$64 in 2018. Notes payable at the end of 2019 totaled \$772 and \$1,109 in 2018, which are included in current and long-term liabilities. Capital leases at the end of 2019 totaled \$5,720 and in 2018 totaled \$5,154, which were included in current and long-term liabilities. More detailed information about the Hospital's long-term liabilities is presented in the notes to financial statements. Total debt outstanding, excluding other long-term liabilities, represented approximately 15.08% in 2019 and 16.51% in 2018 of total assets.

## Contacting the Hospital's Financial Manager

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

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**BASIC FINANCIAL STATEMENTS**

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

STATEMENTS OF NET POSITION

June 30, 2019

(In Thousands)

ASSETS	<u>Hospital and District</u>	<u>OGH Foundation</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 8,971	\$ 1,513
Short-term investments	6,041	-
Patient accounts receivable, net of estimated uncollectible accounts of \$20,310	39,100	-
Other receivables	10,951	85
Inventories	6,190	-
Prepaid expenses	1,780	9
Other current assets	<u>135</u>	<u>-</u>
Total current assets	<u>\$ 73,168</u>	<u>\$ 1,607</u>
<b>OTHER ASSETS</b>		
Held by trustee for debt service:		
Cash and cash equivalents	\$ 4,514	\$ -
Investments	238	-
Other long-term receivables	829	-
Other long-term investments	16,962	-
Joint venture investments	2,263	-
Deposits	<u>107</u>	<u>-</u>
Total other assets	<u>\$ 24,913</u>	<u>\$ -</u>
<b>CAPITAL ASSETS</b>		
Non-depreciable capital assets	\$ 6,858	\$ -
Depreciable capital assets, net of accumulated depreciation	<u>48,556</u>	<u>-</u>
Total capital assets, net of accumulated depreciation	<u>\$ 55,414</u>	<u>\$ -</u>
<b>DEFERRED OUTFLOWS</b>		
Excess acquisition price over net assets acquired	<u>\$ 690</u>	<u>\$ -</u>
Total assets and deferred outflows	<u>\$ 154,185</u>	<u>\$ 1,607</u>

See Notes to Financial Statements.

LIABILITIES AND NET POSITION	<u>Hospital and District</u>	<u>OGH Foundation</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10,146	\$ -
Current maturities of note payable	347	-
Current maturities of bonds payable	1,948	-
Current maturities of capital leases	2,290	-
Estimated third party payor settlements	1,279	-
Accrued payroll and benefits	1,945	-
Due to other governmental agencies	1,590	-
Grant payable – current	-	42
Other accrued expenses	<u>7,441</u>	<u>-</u>
Total current liabilities	<u>\$ 26,986</u>	<u>\$ 42</u>
<b>LONG-TERM LIABILITIES</b>		
Note payable, net of current maturities	\$ 425	\$ -
Bonds payable, net of current maturities	14,810	-
Capital lease, net of current maturities	<u>3,430</u>	<u>-</u>
Total long-term liabilities	<u>\$ 18,665</u>	<u>\$ -</u>
Total liabilities	<u>\$ 45,651</u>	<u>\$ 42</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 32,164	\$ -
Restricted:		
For debt service	4,752	-
For donor restrictions	-	592
Unrestricted	<u>71,618</u>	<u>973</u>
Total net position	<u>\$ 108,534</u>	<u>\$ 1,565</u>
Total liabilities and net position	<u>\$ 154,185</u>	<u>\$ 1,607</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Year Ended June 30, 2019  
(In Thousands)

	<u>Hospital and District</u>	<u>OGH Foundation</u>
Operating revenues:		
Net patient service revenues (net of provision for bad debts of \$18,331)	\$ 131,606	\$ -
Gifts and contributions	-	570
Other operating revenues	<u>31,547</u>	<u>-</u>
Total operating revenues	<u>\$ 163,153</u>	<u>\$ 570</u>
Operating expenses:		
Routine services	\$ 17,633	\$ -
Ancillary services	83,591	-
General services	11,755	-
Fiscal and administrative services	30,904	116
Intergovernmental transfer – physicians’ UPL	9,413	-
Scholarships, affiliate payments and other	-	317
Depreciation and amortization	<u>7,603</u>	<u>-</u>
Total operating expenses	<u>\$ 160,899</u>	<u>\$ 433</u>
Operating income	<u>\$ 2,254</u>	<u>\$ 137</u>
Non-operating revenues (expenses):		
Loss on disposal of capital assets	\$ (8)	\$ -
Investment income, realized and unrealized gains and losses	1,206	-
Non-capital grants and donations	14	-
Interest expense	(1,113)	-
Income from joint ventures	<u>839</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>\$ 938</u>	<u>\$ -</u>
Increase in net position	\$ 3,192	\$ 137
Net position, beginning	<u>\$ 105,342</u>	<u>\$ 1,428</u>
Net position, ending	<u>\$ 108,534</u>	<u>\$ 1,565</u>

See Notes to Financial Statements.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2019

(In Thousands)

	<u>Hospital and District</u>	<u>OGH Foundation</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from and on behalf of patients and donors	\$ 161,633	\$ 540
Payments to suppliers and contractors	(102,279)	-
Payments for grants and program expenses	-	(387)
Payments to employees	<u>(53,313)</u>	<u>(87)</u>
Net cash provided by operating activities	<u>\$ 6,041</u>	<u>\$ 66</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Non-capital donations and grants	<u>\$ 14</u>	<u>\$ -</u>
Net cash provided by non-capital financing activities	<u>\$ 14</u>	<u>\$ -</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for the purchase of capital assets	\$ (2,839)	\$ -
Proceeds from sales of capital assets	21	-
Principal payments on long-term debt	(337)	-
Principal payments on bonds payable	(1,878)	-
Interest paid on debt	(1,113)	-
Principal payments on capital leases	<u>(2,016)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>\$ (8,162)</u>	<u>\$ -</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income received	\$ 659	\$ -
Joint venture income	674	-
Purchase of investments	(5,287)	-
Maturities of investments	<u>4,624</u>	<u>-</u>
Net cash provided by investing activities	<u>\$ 670</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,437)	\$ 66
Cash and cash equivalents at beginning of year	<u>14,922</u>	<u>1,447</u>
Cash and cash equivalents at end of year	<u>\$ 13,485</u>	<u>\$ 1,513</u>
<b>Reconciliation of cash and cash equivalents to the balance sheets:</b>		
Cash and cash equivalents in current assets	\$ 8,971	\$ 1,513
Restricted cash and cash equivalents –		
Held by trustee for debt service	<u>4,514</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 13,485</u>	<u>\$ 1,513</u>

(continued)

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

STATEMENTS OF CASH FLOWS (CONTINUED)

Year Ended June 30, 2019

(In Thousands)

	<u>Hospital and District</u>	<u>OGH Foundation</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 2,254	\$ 137
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Depreciation and amortization	7,604	-
Provision for bad debts	18,331	-
(Increase) decrease in assets –		
Patient accounts receivable	(20,697)	-
Inventories	(1,666)	-
Prepaid expenses	(596)	-
Estimated third-party settlements	846	-
Other receivables	(1,363)	(30)
Other current assets	276	-
Increase (decrease) in liabilities –		
Accounts payable	1,331	-
Accrued expenses	413	-
Grant payable	-	(41)
Due to other governmental agencies	(968)	-
Accrued payroll and benefits	<u>276</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 6,041</u>	<u>\$ 66</u>

See Notes to Financial Statements.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

Note 1. Organization and Significant Accounting Policies

Reporting entity:

Hospital Service District No. 2 of St. Landry Parish, Louisiana (the "District") is a political subdivision of the St. Landry Parish Government, created by an ordinance adopted in 1953 by virtue of the authority of Louisiana Revised Statutes (R.S.) 46:1051 et seq. The purpose of the Hospital Service District is to provide health services to St. Landry Parish. The St. Landry Parish Government appoints the Board of Commissioners. As the governing authority of the Parish, for reporting purposes, the St. Landry Parish Government is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the St. Landry Parish Government. The accompanying basic financial statements present only the Hospital Service District No. 2 and its component units. The component units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

On May 21, 2002, the Hospital, by a vote of its board, changed the name of its operating entity from "Opelousas General Hospital" to "Opelousas General Health System."

*Blended Component Units:* The Opelousas General Hospital Authority (the "Hospital") was created under the laws of the State of Louisiana pursuant to a Trust Indenture executed on April 6, 1971 for the benefit of the District and is a public instrumentality of the State of Louisiana. The stated purpose of the Hospital is to acquire hospital facilities by lease, purchase, and gift or otherwise and to plan, establish, develop, construct and administer hospital properties for the use and benefit of the residents of the District. The Hospital is reported as a blended component unit because the District's Board of Commissioners also serve on the Board of Trustees of the Hospital.

The Opelousas General Health System Physician Practices, Inc. (the "Physician Practices") is a nonprofit corporation organized to operate the employed physician offices of the Hospital. Although it is legally separate from the Hospital, the Physician Practices is reported as a blended component unit because the Hospital's board also serves as the Physician Practices board.

*Discretely Presented Component Unit:* The Opelousas General Hospital Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the Hospital. The purpose of the Foundation is to develop and cultivate philanthropy and collaborative relationships within the community to support and enhance the programs and services offered through the Hospital to improve the health of the communities it serves. Members of the Foundation are those individuals who serve on the Board of Trustees of the Hospital and any appointments to the Foundation Board must be ratified by the Hospital's Trustees. Although the Hospital does not control the timing or amount of receipts from the Foundation, the resources of the Foundation are for the benefit of, to perform the functions of, or to carry out the purposes of the Hospital and to make allocations for charitable, scientific, or educational purposes to tax-exempt organizations provided the activities benefit the Hospital. Because these resources held by the Foundation are to be used by or for the benefit of the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements.

Complete financial statements for the Foundation can be obtained from the administrative office at 539 East Prudhomme, Opelousas, Louisiana 70570.

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

Basis of accounting:

The accompanying basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which include a statement of net position; a statement of revenue and expenses and changes in net position; and a direct method statement of cash flows. It requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted.

These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net position consists of constraints creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Other significant accounting policies:

Enterprise fund accounting -

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

Use of estimates -

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

Cash and cash equivalents -

For purposes of the statements of cash flows, the District and Hospital considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

Fair value measurement -

Investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 – investments reflect prices quoted in active markets
- Level 2 – investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active
- Level 3 – investments reflect prices based upon unobservable sources

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt securities classified as Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Investments classified in Level 3 are valued based upon unobservable sources.

Trade receivables and allowance for uncollectible accounts -

Trade receivables are carried at the original billed amount, net of contractual adjustments, less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written-off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Inventories -

Inventories are valued at the latest invoice price, which approximates the lower of cost (first-in, first-out method) or market.

Net patient service revenues -

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Income taxes -

The District and Hospital are political subdivisions and exempt from taxes.

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

Capital assets -

The District and Hospital records all capital assets at historical cost, except for capital assets donated to the District or Hospital. Donated capital assets are recorded at fair market value at the date of donation.

The District and Hospital provides for depreciation of its plant and equipment using the straight-line method over the estimated useful lives of each class of depreciable assets. Equipment under capital lease obligations are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. The following estimated useful lives are generally used:

	<u>Years</u>
Land improvements	2 – 25
Automobiles	3 – 10
Buildings	10 – 40
Equipment	3 – 25

Investments -

Investments are reported at fair value with adjustments to fair value recognized in current year earnings. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue.

Investments include certificates of deposit, municipals, obligations of the U.S. Government, U.S. Government Agencies bonds, mortgage pools and domestic commercial paper with at least A-1 (Moody's) rating or equivalent. It is the District and Hospital's intention to hold debt investments to maturity.

Classification of revenues and expenses -

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

Grants and donations -

Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and donations may be restricted either for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expense.

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

Restricted resources -

When the District and Hospital has both restricted and unrestricted resources available to finance a particular program, it is the policy to use restricted resources before unrestricted resources.

Compensated absences -

The Hospital's employees earn paid time off (PTO) hours at varying rates depending on years of service and employment status. Employees may accumulate PTO hours to a maximum of 400 hours. When this is reached, further accumulation is ceased until PTO time is used. There is no cash option associated with this maximum bank. Bonus PTO is earned every fifth year beginning with the completion of the tenth year of full-time employment and this bonus amount will be pro-rated for part-time status. Employees with PTO hours remaining upon separation are paid in full.

The estimated amounts of the compensated absences payable is included in other accrued expenses within the financial statements.

Environmental matters -

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

Deferred outflows of resources -

The District reports consumption of net assets that are applicable to future periods as deferred outflows of resources in a separate section on the statement of net position. Deferred outflows reported in this year's financial statements relate to the excess purchase price over the net assets acquired in an acquisition of another hospital in prior years.

Risk management -

The District and Hospital are exposed to various risks of loss from tort; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health. Commercial insurance coverage is purchased for claims arising from such matters.

Charity care -

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

Adopted accounting pronouncements -

During March of 2018, the Governmental Accounting Standards Board (GASB) issued *GASB Statement No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The District adopted the provisions of this Statement as of June 30, 2019. The provisions of this Statement made certain debt disclosure requirements mandatory. Adoption of these provisions only impacted certain debt disclosures.

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

Recent accounting pronouncements -

In August of 2018, the Governmental Accounting Standards Board (GASB) issued *GASB Statement No. 90 – Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The objective of this statement is to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The statement requires that a government holding a majority of the equity interest in a legally separate entity should report that holding, if it meets the definition of an investment, as an investment and measured using the equity method. If the investment criteria is not met it should be reported as a component unit. Any changes related to the adoption of this statement should be applied retroactively by restating any prior periods presented unless not practicable in which case a cumulative effect of application should be reported as a restatement of beginning net position for the earliest period restated. The District is currently assessing the impact adoption of this Statement will have on the financial statements going forward.

Note 2. Net Patient Service Revenues

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

- Medicare – Inpatient acute care services (and related capital costs) rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Acute care service rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are reimbursed either on a prospective determined rate or a fee schedule. The Hospital is reimbursed for cost reimbursable items and Medicare bad debts at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2016.
- Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2014.

The Hospital has also entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined rates, and fee schedules.

During the year ended June 30, 2019, approximately 76% of the Hospital's gross patient service revenues were furnished to Medicare and Medicaid beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The Hospital is not aware of any

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

allegations of noncompliance that could have a material adverse effect on the financial statements and believes that it is in compliance with all applicable laws and regulations.

Note 3. Deposits and Investments

The District investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit and certificates of deposit accounts which are secured by Federal Deposit Insurance Corporation (FDIC) or a pledge of securities. At June 30, 2019, all of the District's demand deposits or certificates of deposit were secured by FDIC coverage.

The Hospital's (a blended component unit) investing is performed in accordance with its investment policy. Funds may be invested in money market investment accounts; certificates of deposits with financial institutions insured by the FDIC; direct obligations of the United States Government and its agencies; domestic commercial paper with at least A-1 (Moody's) rating or equivalent and the Louisiana Hospital Investment Pool. All of the securities have fixed maturities and it is the Hospital's intention to hold them until maturity. The Hospital, which is a public trust, is not required to comply with the collateralization requirements of the local depository law (per La. Atty. Gen. Op. No. 89-549).

Investments are reported at fair value, as discussed in Note 1. At June 30, 2019, the District, Hospital and the Foundation's investments consisted of the following, all of which were held in the District, Hospital, and Foundation's name by a custodial agent of the District, Hospital and Foundation:

	<u>Hospital and District</u>	<u>OGH Foundation</u>
Certificates of deposit	\$ 1,220	\$ -
U.S. Treasury and U.S. Government Agency	9,491	-
Municipal bonds	<u>12,530</u>	<u>-</u>
	<u>\$ 23,241</u>	<u>\$ -</u>

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

	<u>Hospital and District</u>	<u>OGH Foundation</u>
Carrying amount:		
Deposits	\$ 13,485	\$ 1,513
Investments	<u>23,241</u>	<u>-</u>
	<u>\$ 36,726</u>	<u>\$ 1,513</u>

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

	<u>Hospital and District</u>	<u>OGH Foundation</u>
Included in the following balance sheets captions:		
Cash and cash equivalents	\$ 8,971	\$ 1,513
Short-term investments	6,041	-
Held by trustee for debt service –		
Cash and cash equivalents	4,514	-
Investments	238	-
Other long-term investments	<u>16,962</u>	<u>-</u>
	<u>\$ 36,726</u>	<u>\$ 1,513</u>

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits or investments may not be returned to it. The Hospital's investment policy limits the maximum funds invested with respect to time deposits in any one financial institution to 33-1/3% of total funds available for investment, except for the Hospital's lead bank, which cannot exceed the greater of \$2 million, or 50% of total invested funds. The remaining Hospital investments consist of municipal securities, mortgage pools, and direct obligations of the U.S. Government or its agencies. All of these investments are held by one broker.

*Interest Rate Risk.* The Hospital's investment policy limits its exposure to fair value losses arising from rising interest rates by placing limits on investment maturities and investing in securities with varying maturities. The policy requires the Hospital to structure the investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities on the open market prior to maturity. Operating funds are placed in short-term investments including money market funds or similar investment pools as well as limiting the average maturity of the overall portfolio. Municipal securities mature between 0 to 7 years. U.S. Treasury and Government Obligations mature over varying maturities up to January of 2048, however the vast majority of these investments are mortgage pools which pay down on a monthly basis.

Note 4. Accounts Receivable

Patient accounts receivable reported as current assets by the Hospital at June 30, 2019 consisted of these amounts:

Receivable from patients and their insurance carriers	\$ 41,514
Receivable from Medicare	13,386
Receivable from Medicaid	<u>4,510</u>
Total patient accounts receivable	\$ 59,410
Less: allowance for uncollectible accounts	<u>(20,310)</u>
Patient accounts receivable, net	<u>\$ 39,100</u>

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

Note 5. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2019 was as follows:

Medicare	23%
Medicaid	8%
Other third-party payers	23%
Patients	<u>46%</u>
	<u>100%</u>

Note 6. Capital Assets

Capital assets, additions, retirements, and balances for the year ended June 30, 2019 was as follows:

	Balance 6/30/2018	Additions	Reductions	Transfers	Balance 6/30/2019
Non-depreciable capital assets:					
Land	\$ 6,021	\$ -	\$ -	\$ -	\$ 6,021
Construction in progress	<u>309</u>	<u>992</u>	<u>-</u>	<u>(464)</u>	<u>837</u>
Total non-depreciable capital assets	<u>\$ 6,330</u>	<u>\$ 992</u>	<u>\$ -</u>	<u>\$ (464)</u>	<u>\$ 6,858</u>
Depreciable assets:					
Land improvements	\$ 1,593	\$ -	\$ -	\$ -	\$ 1,593
Automobiles	159	-	-	-	159
Buildings	89,579	66	-	283	89,928
Equipment	<u>94,652</u>	<u>4,363</u>	<u>(399)</u>	<u>181</u>	<u>98,797</u>
Total depreciable capital assets	<u>\$ 185,983</u>	<u>\$ 4,429</u>	<u>\$ (399)</u>	<u>\$ 464</u>	<u>\$ 190,477</u>
Less accumulated depreciation for depreciable assets	<u>\$(134,734)</u>	<u>\$ (7,557)</u>	<u>\$ 370</u>	<u>\$ -</u>	<u>\$(141,921)</u>
Total depreciable capital assets, net	<u>\$ 51,249</u>	<u>\$ (3,128)</u>	<u>\$ (29)</u>	<u>\$ 464</u>	<u>\$ 48,556</u>

Depreciation expense for the year ended June 30, 2019 amounted to \$7,557.

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

Note 7. Long-Term Debt

A schedule of changes in the Hospital's long-term debt for 2019 are as follows:

	Balance 6/30/2018	Additions	Reductions	Balance 6/30/2019	Amount Due Within One Year
<b>Bonds payable:</b>					
Revenue bonds series – 2003	\$ 9,180	\$ -	\$ (1,330)	\$ 7,850	\$ 1,400
Revenue bonds series – 2009	9,520	-	(560)	8,960	560
Unamortized bond discounts	(64)	-	12	(52)	(12)
<b>Total bonds payable</b>	<b>\$ 18,636</b>	<b>\$ -</b>	<b>\$ (1,878)</b>	<b>\$ 16,758</b>	<b>\$ 1,948</b>
<b>Notes payable:</b>					
St. Landry Bank Note	\$ 1,109	\$ -	\$ (337)	\$ 772	\$ 347
<b>Capital lease payable:</b>					
Wells Fargo	\$ 2,635	\$ -	\$ (915)	\$ 1,720	\$ 932
Cerner Corporation	2,519	-	(840)	1,679	815
GE HFS, LLC	-	1,332	(119)	1,213	248
Stryker	-	1,250	(142)	1,108	295
<b>Total capital lease payable</b>	<b>\$ 5,154</b>	<b>\$ 2,582</b>	<b>\$ (2,016)</b>	<b>\$ 5,720</b>	<b>\$ 2,290</b>
<b>Total long-term debt</b>	<b>\$ 24,899</b>	<b>\$ 2,582</b>	<b>\$ (4,231)</b>	<b>\$ 23,250</b>	<b>\$ 4,585</b>

The terms and due dates of the Hospital's long-term debt, including capital lease obligations, at June 30 are as follows:

Hospital revenue bonds – Series 2003

During 2004, the Hospital issued \$22,500 of hospital revenue bonds for purposes of capital additions to the hospital facility. Bonds Series 2003 has an interest rate from 2.15% to 5.75%, collateralized by a first mortgage on the leasehold interest of the facilities and pledge of hospital revenues, due serially to 2023.

Under the terms of the revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included as restricted cash and investments in the statements of net position. The revenue bond indenture also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the bonds are outstanding.

Hospital revenue bonds – Series 2009

During July 2009, the Hospital issued \$14,000 of hospital revenue bonds for the purpose of refinancing the LifePoint note to purchase a local hospital as explained in Note 15 and to finance cash outlays of the Hospital associated with the acquisition of Doctor's Hospital in April 2009. Bonds Series 2009 has an interest rate of 4.50%, collateralized by a first mortgage on the South Campus buildings and a pledge of Hospital revenues, due serially to 2034.

**NOTES TO FINANCIAL STATEMENTS**  
(In Thousands)

Under the terms of the revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included as restricted cash and investments in the statements of net position. The revenue bond indenture also places certain requirements regarding cash balances and liquidity of the Hospital and requires that the Hospital satisfy certain measures of financial performance as long as the bonds are outstanding. Collateral for these bonds include the hospital and medical office buildings, equipment and inventory.

**Note payable obligation**

During August 2016, the Hospital obtained a note payable for the purchase of medical equipment. The note was issued in the amount of \$1,700. Monthly payments are due in the amount of \$30, including interest at a fixed rate of 3%. The note will mature on August 1, 2021. Collateral for this note includes certain medical equipment.

**Capital lease obligations**

During 2016, the Hospital entered into a lease agreement for the purchase of an upgrade to the electronic health records system. In 2017, the Hospital completed the upgrade with a total costs amounting to \$4,862, which is included in capital assets. The entire amount of the lease, which was \$4,563, was advanced to the Hospital and placed in escrow at inception. These funds were used to complete the project over 2016 and 2017. Total monthly payments for this obligation are \$80, with an interest rate of 1.81%, and a final installment due April 2021.

During 2017, the Hospital entered into a lease agreement for the implementation of a new billing system. Total costs associated with this upgrade was \$4,933, which is included in the capital assets. The new billing system was operational prior to June 30, 2017. Total quarterly payments for this obligation are \$220, with an imputed interest rate of 3%, and a final installment due April 15, 2021.

During 2018, the Hospital entered into a lease agreement for the purchase of Cantrella Smart Beds. Total costs associated with this purchase was \$1,332, which is included in the capital assets. Total monthly payments for this obligation are \$25, with an interest rate of 4.75%, with a final installment due December 1, 2023.

During 2018, the Hospital entered into a lease agreement for the purchase of a Stryker Robotic Arm System. Total costs associated with this purchase was \$1,250, which is included in the capital assets. Total monthly payments for this obligation are \$29, with an interest rate of 5.35%, with a final installment due December 13, 2022.

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

<u>Years Ending</u> <u>June 30,</u>	<u>Bonds payable</u>			<u>Direct Borrowings</u>		<u>Capital Lease Obligation</u>	
	<u>Principal</u>	<u>Discount</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,960	\$ (12)	\$ 802	\$ 347	\$ 19	\$ 2,290	\$ 169
2021	2,040	(12)	694	358	8	2,226	99
2022	2,125	(12)	581	67	-	601	46
2023	2,215	(12)	463	-	-	457	17
2024	2,310	(4)	340	-	-	146	2
2025 – 2029	2,800	-	1,071	-	-	-	-
2030 – 2034	2,800	-	441	-	-	-	-
2035 – 2038	<u>560</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 16,810</u></b>	<b><u>\$ (52)</u></b>	<b><u>\$ 4,405</u></b>	<b><u>\$ 772</u></b>	<b><u>\$ 27</u></b>	<b><u>\$ 5,720</u></b>	<b><u>\$ 333</u></b>

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

Note 8. Employee Retirement Plan

The Hospital maintains a Social Security Replacement Plan and a 401(a) Money Purchase Plan (defined contribution plans) for which employees become immediately eligible to participate. Employees are required to make non-elective contributions in the amount of 7.65% of compensation to the Social Security Replacement Plan, of which the employees are 100% vested. The 401(a) Money Purchase Plan requires the Hospital to make employer contributions ranging from 5 to 13% of the employee's compensation based on credited years of service. The Hospital's contributions vest with employees based on years of service with employees becoming 100% vested after six years of service. Forfeitures are used to reduce future employer contributions under the 401(a) Money Purchase Plan. The Hospital's contributions to the plan for the year ended June 30, 2019 was \$3,527, net of forfeitures in the amount of \$169.

The Hospital also offers its employees the option of participating in a 457(b) Retirement Savings Plan (defined contribution plan). The Hospital does not contribute to the 457(b) Retirement Savings Plan on behalf of its employees. Eligible employees may choose to contribute any amount of compensation to the plan, up to the maximum amount allowed by law. Employees are 100% vested in these contributions.

Note 9. Operating Leases

Hospital as Lessee

On December 20, 2018, the Hospital entered into an operating lease with General Electric Capital Corporation for the lease of 13 Alsys CS2 Open Arch with Echo FLOW and unity Network. The lease is for a period of 60 months with the first monthly payment of \$132 and 59 monthly payments of \$12.

On January 15, 2018, the Hospital entered into an operating lease with Philips Medical Capital, LLC for the lease of a Philips Allura Clarity FD20. The lease is for a period of 60 months with a monthly payment of \$13.

On December 12, 2017, the Hospital entered into an operating lease with General Electric Capital Corporation for the lease of a GE Revolution EVO CT Scanner. The lease is for a period of 60 months with the first monthly payment of \$16 and 59 monthly payments of \$12.

On May 11, 2018, the Hospital entered into an operating lease agreement with Leasing Associates of Barrington, Inc. for lab equipment. The lease is for a period of 36 months with a monthly payment of \$3.

On June 26, 2017, the Hospital entered into an operating lease agreement with General Electric Capital Corporation for the lease of a cath lab. The lease is for a period of 60 months with a monthly payment of \$14.

On January 16, 2017, the Hospital entered into an operating lease agreement with Philips Medical Capital, LLC for the lease of equipment. The lease is for a period of 64 months with a monthly payment of \$28 starting on the fourth month.

On January 16, 2017, the Hospital entered into an operating lease agreement with Philips Medical Capital, LLC for the lease of equipment. The lease is for a period of 64 months with a monthly payment of \$11, starting on the fourth month.

On September 1, 2016, the Hospital entered into an operating lease agreement with Radiometer America Inc. for the lease of a Flex Series Analyzer. The lease is for a period of 60 months with a monthly payment of \$5.

On June 9, 2015, the Hospital entered into an operating lease agreement with Everbank for the lease of equipment. The lease is for a period of 60 months with a monthly payment of \$29.

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

On August 1, 2015, the Hospital entered into an operating lease with GeriMedical, Inc. for the lease of equipment. The lease is for a period of 36 months with a monthly payment of \$2.

On May 1, 2013, the Hospital entered into an operating lease with Knott's Sunrise, LLC for the lease of Collins Group Office. The lease is for a period of 36 months, which automatically renews for an additional 12 months until the lease is terminated. This lease was renewed in April 2019. The renewed lease is for 12 months with a monthly payment of \$3.

On February 13, 2012, the Hospital entered into an operating lease agreement with Baxter Healthcare Corporation for 448 infusion pumps. This lease was renewed in December 2016. The renewed lease is for a period of 36 months with a monthly payment of \$13.

On December 5, 2011, the Hospital entered into an operating lease agreement with General Electric Capital Corporation for the lease of a MRI machine. This lease was renewed in December of 2016. The renewed lease is for a period of 36 months with a monthly payment of \$22.

Expected minimum lease payments associated with these operating leases over the next five years are as follows:

2020	\$ 1,714
2021	1,173
2022	1,097
2023	290
2024	<u>75</u>
	<u>\$ 4,349</u>

Total rental expense associated with these leases and paid for the year ended June 30, 2019 was \$2,150. In addition, the Hospital has various office facility leases with doctors for various rental amounts.

Note 10. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than their established rates. The Hospital does not pursue collection of amounts determined to qualify as charity care so they are not reported as net patient service revenue. In accordance with the ASU "Measuring Charity Care for Disclosure" which requires all entities to disclose the amount of charity care provided using a cost-based measurement basis; the amounts of direct and indirect costs foregone for services and supplies furnished under the Hospital's charity care policy totaled approximately \$6 for the year ended June 30, 2019. The estimated costs of providing charity care are based on a calculation, which applies a ratio of costs to charges to the gross amount of charges foregone for charity patients. The ratio of costs to charges is calculated based on the Hospital's total expense (excluding provisions for bad debts) divided by gross patient service revenue. The Hospital did not receive any reimbursement for support of charity care in 2019.

Note 11. Joint Ventures

The Hospital is a participant in a joint venture with Acadian Homecare, L.L.C., d/b/a St. Landry Home Care, in order to provide home health services to the patients of the Hospital service area. The Hospital has a 33% participation in the

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

joint venture. The Hospital's equity interest in the joint venture was \$9 at June 30, 2019. The Hospital recognized revenue related to the joint venture in the amount of \$74 in 2019, all of which was distributed by the joint venture to the Hospital. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in St. Landry Sleep Medicine Real Estate Venture, L.L.C. The Hospital has a 36% participation in the joint venture. The Hospital's equity interest in the joint venture was \$252 at June 30, 2019. The Hospital recognized income related to the joint venture of \$21 in 2019. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in Sunset Healthcare Realty, L.L.C., in order to own and lease a building for an outpatient imaging center in Sunset, Louisiana. The Hospital invested \$382 for 51 units of the 100 units available in the joint venture. Sunset Healthcare Realty, L.L.C. leases land from the Hospital, on which a building was constructed, for \$2 per month. The total lease income reported was \$23 in 2019. The building is leased to OGH Imaging, L.L.C., a joint venture in which the Hospital also participates. As of June 30, 2019, the Hospital has recorded other receivables on the statements of net position of \$933, which represents construction costs paid on behalf of the joint venture. The Hospital's equity interest in the joint venture was \$483 at June 30, 2019. The Hospital recognized revenue related to the joint venture of \$88 in 2019. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in OGH Imaging, L.L.C., in order to operate an outpatient-imaging center in Sunset, Louisiana to provide imaging services to the patients of the Hospital service area. The Hospital invested \$494 for 52 units of the 100 units available in the joint venture. OGH Imaging, L.L.C. is leasing a building from Sunset Healthcare Realty, L.L.C., a joint venture in which the Hospital also participates. The Hospital's equity interest in the joint venture was \$565 at June 30, 2019. The Hospital recognized income related to the joint venture of \$265 in 2019. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in SharePort Sub I, L.L.C., in order to obtain local area medical waste services. The Hospital invested \$99 for 13 units of the 400 units available in the joint venture. The Hospital's equity interest in the joint venture was \$87 at June 30, 2019. The Hospital recognized a loss related to the joint venture of \$ 11 in 2019. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in Opelousas Radiation Therapy, LLC. The Hospital also has a service agreement with Opelousas Radiation Therapy to provide certain administrative and support services to the Cancer Center. The Hospital invested \$50 for 50% share in the joint venture. The Hospital's equity interest in the joint venture was \$375 at June 30, 2019. The Hospital recognized a loss related to the joint venture of \$313 in 2019. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in Louisiana Hospice Group, LLC, in order to provide hospice services to patients of the Hospital service area. The Hospital has a 25% membership interest in the joint venture. The Hospital's equity interest in the joint venture was \$492 at June 30, 2019. The Hospital recognized income related to the joint venture of \$90 in 2019. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

Note 12. Self Funded Insurance

Health Insurance

The Hospital provides health insurance coverage to its employees under a self-funded plan. The Hospital pays the health insurance claims as they are incurred by the employee. The Hospital records a liability for claims incurred but not reported or paid, which is included in other accrued expenses on the statements of net position. Stop-loss insurance is retained to limit the Hospital's liability to \$225 in 2019, of paid claims per individual on an annual basis. The Hospital purchases commercial insurance for claims in excess of the coverage provided by the Hospital. At June 30, 2019, included in other receivables on the statements of net position is \$171 of settled claims that exceeded the stop-loss insurance limit. Included in accrued expenses is \$354 for claims estimates related to charges incurred before year end but not yet paid.

Worker's Compensation

The Hospital is also self-insured for worker's compensation. The Hospital pays worker's compensation claims as they are incurred. Estimates for claims payable, which includes both reported and unreported claims, are recorded in other accrued expenses, at which time claim expense is also recorded. Stop-loss insurance is retained to limit the Hospital's liability to \$500 per claim for 2019. The Hospital purchases commercial insurance for claims in excess of the coverage provided by the Hospital. Settled claims have not exceeded this commercial coverage in the past year. Included in accrued expenses is \$594 for claims estimates related to cases incurred before year end but not yet paid.

Changes in the Hospital's claim liabilities for these coverages for the year ending June 30, 2019 were as follows:

<u>Liability</u> <u>July 1,</u>	<u>Changes in</u> <u>Estimates</u>	<u>Claims</u> <u>Accrued/</u> <u>Claim</u> <u>Payments</u>	<u>Liability</u> <u>June 30,</u>
\$ <u>1,071</u>	\$ <u>6,632</u>	\$ <u>6,754</u>	\$ <u>949</u>

Note 13. Professional and General Liability Risk

The District and Hospital participate in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional coverage to healthcare providers. The fund provides for \$400 in coverage per occurrence above the first \$100 for which the District and Hospital are 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 per occurrence and limiting the Patient's Compensation Fund's exposure to \$400 per occurrence.

The District and Hospital has acquired additional coverage for professional medical malpractice and general liability through the Louisiana Hospital Association Trust Fund by purchasing a claims-made policy. Losses on medical malpractice and general liability claims are estimated based on deductibles and claims in excess of per-claim or aggregate coverage and incurred but not reported during the claim year. These estimates reflect the District and Hospital's best estimates of the ultimate costs of reported and unreported claims, using the District and Hospital's past experience, industry experience and identified asserted claims and reported incidents. No provision for losses in excess of the deductible amount of the insurance policy has been recorded in the accompanying basic financial statements.

**NOTES TO FINANCIAL STATEMENTS**  
(In Thousands)

Estimated provision for losses on medical malpractice and general liability claims recorded in other accrued expenses amounted to \$1,448 at June 30,2019.

**Note 14. Contingencies**

The District and Hospital evaluates contingencies based upon the best available evidence. The District and Hospital believes that no additional allowances other than those previously stated, for loss contingencies, are considered necessary. To the extent that resolution of contingencies results in amounts that vary from the District and Hospital's estimates, future earnings will be charged or credited.

The principle contingencies are described below:

Third-Party Government Revenues (Note 2) – Cost reimbursements are subject to examination by agencies administering the programs. The District and Hospital are 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.

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, government 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 and Hospital are in compliance with fraud and abuse statutes as well as other applicable governmental 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.

Litigation and Other Matters - The District and Hospital are involved as defendant in several lawsuits in the ordinary course of business. In the opinion of management and legal counsel, insurance and provision for losses is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

**Note 15. Deferred Outflows of Resources**

In April 2009, the Hospital purchased a 171 bed acute care facility located in Opelousas, Louisiana (Doctor's Hospital) for a total of \$15,090. As a result total purchase price paid exceeded net assets acquired by \$1,153 at acquisition. This excess (net of amortization) is reflected in the statement of net position as a deferred outflow and is being taken as an expense systematically over 25 years. Total deferred outflow remaining at June 30, 2019 was \$690, expense in 2019 amounted to \$47.

**Note 16. Affiliation Agreements**

In late 2011, the Hospital entered into a clinical affiliation agreement with a local hospital to provide enhanced quality of care to the surrounding community. It is anticipated that this affiliation will initially focus on cardiology and neurosciences services with both hospitals working cooperatively.

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

Note 17. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements

The Hospital routinely provides a substantial amount of uncompensated care to patients in its service area. To help improve or expand allowable healthcare services for Medicaid beneficiaries or low-income, uninsured patients, the Hospital entered into a series of collaborative agreements and cooperative endeavors designed to allow additional Medicaid funds for providing these services in the community. These agreements are detailed below:

East Jefferson General Hospital Cooperative Endeavor Agreement – On January 12, 2016, the Hospital entered into a cooperative endeavor agreement with East Jefferson General Hospital (EJGH), a Louisiana hospital service district, and 11 other participating Louisiana hospital service districts. The Centers for Medicare and Medicaid Services (CMS) has previously approved the Medicaid State Plan Amendments (SPA), submitted by the Louisiana Department of Health and Hospitals (DHH), which provides for reimbursement to non-rural, non-state public hospitals up to the Medicare inpatient upper payment limits.

Under this agreement, EJGH has agreed to cooperate in the establishment of a funding program by contributing a portion of the Upper Payment Limit (UPL) payments that result from SPAs to the other hospital service districts, including the Hospital. The purpose of the UPL payments is to help ensure adequate and essential healthcare services are accessible and available to low-income and/or indigent citizens as well as medically underserved non-rural populations in Louisiana, in a manner defined in the agreement. Funding for each participating hospital service district is based on a formula utilizing each district's reported Medicaid patient days. The term of this agreement is one year with automatic renewals for additional terms of one year unless terminated earlier.

The Hospital received from EJGH a grant of \$8,100 in 2019, which was recognized in other operating revenues in the accompanying statements of revenues, expenses and changes in net position. As a condition of the agreement, the Hospital, along with the other participating hospital service districts, has agreed to indemnify EJGH for claims that may arise out of the cooperative endeavor agreement.

Low Income and Needy Care Collaboration Agreement – Under the terms of this agreement with a private health care provider dated March 15, 2011, the Hospital agreed to use public funds for purposes of funding Medicaid supplemental payments authorized under Medicaid State Plan Amendments LA 09-55 and LA 09-56 ("Hospital UPL Program"). In exchange, the private healthcare provider agrees to work cooperatively with the Hospital to improve access to health care for low income and needy persons. The agreement may be terminated by either party with 30 days written notice.

The Hospital made payments to DHH in conjunction with this agreement in the amount of \$2,675 in 2019 of which \$1,175 was accrued in 2018. In addition, the Hospital accrued payments of \$350 as of June 30, 2019. These amounts are being amortized monthly over the effective term of the agreement. A total of \$1,150 was recognized as operating expenses in 2019.

Physicians' UPL Agreement with the Louisiana Department of Health and Hospitals (DHH) – In 2011, the Hospital entered into an agreement with DHH, which was approved by CMS. Under the program, DHH began making payments under the Physician's Supplemental Payment Program for non-state owned public hospitals (hospital service districts) for dates of service effective July 1, 2010. The purpose of this program is to enhance payments to physicians employed or contracted by public hospitals. The Hospital agreed to transfer funds to DHH to be used as Medicaid matching funds for the purpose of making physician supplemental payments and providing the State additional resources to assist in the medical cost to the State.

These matching funds are comprised of (1) an amount to be utilized as the "non-federal share" of the supplemental payments for services provided by the identified physician; and other healthcare professionals, and (2) the "state

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

retention amount," which is 15% of the "non-federal share," for the State to utilize in delivering healthcare services. In turn, DHH agrees to make supplemental Medicaid payments to the Hospital. The supplemental payments include the "non-federal share" and the "federal funds" generated by the "non-federal share" payments. The total amount of the supplemental payment is intended to represent the difference between the Medicaid payments made to these qualifying providers and the Average Community Rate for these services.

The Hospital made payments to DHH in conjunction with this agreement in the amount of \$199 in 2019 of which was accrued in 2018. The Hospital received DHH supplemental payments totaling \$431 in 2019 of which was accrued in 2018. This program ended in 2016 and the Hospital wrote off the remaining net receivable in the amount of \$852, which was recognized as an offset to these program payments in the statements of revenues, expenses and changes in net position.

Physician Rate Enhancement Program – On June 1, 2016, the Hospital entered into an agreement with Amerigroup Community Care and Louisiana Medicaid Physician IPA, Inc. DHH has contracted with prepaid organizational model Medicaid Managed Care Organizations, including Amerigroup, (collectively, "MCOs"), to provide core benefits and services that include inpatient and outpatient physician services for individuals enrolled in Bayou Health Program that are compensated by specified monthly capitation rates on a per member per month basis ("PMPM").

To ensure uniform reimbursement in the Medicaid Program for physician services, provide greater opportunity and incentives for MCOs to improve recipient health outcomes, add benefits for Medicaid Enrollees, and support the health care safety-net for low income and needy patients, DHH increased Amerigroup's PMPM rate for reimbursement of physician services to include the Full Medicaid Payment component of the Mercer Rate Methodology for safety-net physicians to receive rates more consistent with their fee-for-service payments.

The Hospital is the Safety Net Hospital for various Physician Groups and each such Physician Group has a contract to provide inpatient and/or outpatient physician services for or at the Safety-Net Hospital, which includes an assignment provision appointing the Hospital as the sole and exclusive agent and assign of Physician Group(s) for all purposes under the Physician Rate Enhancement Program, including contracting with MCOs for, and billing and collection of, Physician Rate Enhancement Payments.

IPA contracts with one or more hospitals, including the Hospital, whereby the Hospital appoints IPA to serve as the exclusive agent for the Hospital to take all appropriate action to collect Physician Rate Enhancement Payments, including negotiating and contracting with MCOs.

In order to efficiently effectuate distribution of Physician Rate Enhancement Payments, the parties agree to establish a method of distribution of Physician Rate Enhancement Funds in an amount and manner consistent with Amerigroup's contract with DHH to ensure the provider's financial viability so that Amerigroup's Medicaid Enrollees have access to physician services.

The Hospital made payments in conjunction with this agreement totaling \$9,906 in 2019 of which \$2,083 was accrued in 2018. In addition, the Hospital accrued payments of \$1,590 as of June 30, 2019. A total of \$9,413 is recognized as an operating expense in the statements of revenues, expenses and changes in net position. The Hospital has accrued a receivable for expected amounts due under this program totaling \$6,700 in 2019, which is recognized as other operating revenue in the statements of revenues, expenses and changes in net position. Total revenue recognized under this program during 2019 amounted to \$20,694.

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

Note 18. Fair Value Measurement

The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Hospital has the following fair value measurements as of June 30, 2019:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices In Active Market for Identical Assets/ Liabilities Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Certificates of deposit	\$ 1,220	\$ -	\$ -	\$ 1,220
U.S. Treasury and U.S. Government Agency	9,491	8,669	822	-
Municipal bonds	12,530	-	12,530	-
Investments	\$ 23,241	\$ 8,669	\$ 13,352	\$ 1,220

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

Note 19. Condensed Combining Information

The following is the condensed combining information for blended component units as of June 30, 2019 and for the year then ended:

Condensed Statements of Net Position  
June 30, 2018  
(In Thousands)

ASSETS	<u>District</u>	<u>Hospital</u>	<u>Physician Practices</u>	<u>Total</u>
Current assets	\$ 316	\$ 70,743	\$ 2,109	\$ 73,168
Other assets	-	24,913	-	24,913
Capital assets	-	55,248	166	55,414
Deferred outflows	<u>-</u>	<u>690</u>	<u>-</u>	<u>690</u>
 Total assets	 <u>\$ 316</u>	 <u>\$151,594</u>	 <u>\$ 2,275</u>	 <u>\$154,185</u>
 LIABILITIES AND NET POSITION				
Current liabilities	\$ -	\$ 26,691	\$ 295	\$ 26,986
Long-term liabilities	<u>-</u>	<u>18,665</u>	<u>-</u>	<u>18,665</u>
 Total liabilities	 <u>\$ -</u>	 <u>\$ 45,356</u>	 <u>\$ 295</u>	 <u>\$ 45,651</u>
Net investment in capital assets	\$ -	\$ 31,998	\$ 166	\$ 32,164
Restricted for debt service	-	4,752	-	4,752
Unrestricted	<u>316</u>	<u>69,488</u>	<u>1,814</u>	<u>71,618</u>
 Total net position	 <u>\$ 316</u>	 <u>\$106,238</u>	 <u>\$ 1,980</u>	 <u>\$108,534</u>
 Total liabilities and net position	 <u>\$ 316</u>	 <u>\$151,594</u>	 <u>\$ 2,275</u>	 <u>\$154,185</u>

NOTES TO FINANCIAL STATEMENTS  
(In Thousands)

Condensed Statements of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2018  
(In Thousands)

	<u>District</u>	<u>Hospital</u>	<u>Physician Practices</u>	<u>Total</u>
Net patient service revenues	\$ -	\$ 125,727	\$ 5,879	\$131,606
Other operating revenues	<u>-</u>	<u>31,547</u>	<u>-</u>	<u>31,547</u>
Total operating revenues	<u>\$ -</u>	<u>\$ 157,274</u>	<u>\$ 5,879</u>	<u>\$163,153</u>
Depreciation and amortization	\$ -	\$ 7,575	\$ 28	\$ 7,603
Other operating expenses	<u>-</u>	<u>145,068</u>	<u>8,228</u>	<u>153,296</u>
Total operating expense	<u>\$ -</u>	<u>\$ 152,643</u>	<u>\$ 8,256</u>	<u>\$160,899</u>
Operating income (loss)	\$ -	\$ 4,631	\$ (2,377)	\$ 2,254
Non-operating revenues (expenses)	<u>2</u>	<u>936</u>	<u>-</u>	<u>938</u>
Increase (decrease) in net position	\$ 2	\$ 5,567	\$ (2,377)	\$ 3,192
Net position, beginning	314	103,855	1,173	105,342
Contributions (distributions)	<u>-</u>	<u>(3,184)</u>	<u>3,184</u>	<u>-</u>
Net position, ending	<u>\$ 316</u>	<u>\$ 106,238</u>	<u>\$ 1,980</u>	<u>\$108,534</u>

Condensed Statements of Cash Flows  
Year Ended June 30, 2018  
(In Thousands)

	<u>District</u>	<u>Hospital</u>	<u>Physician Practices</u>	<u>Total</u>
Net cash provided by (used in) operating activities	\$ -	\$ 9,148	\$ (3,107)	\$ 6,041
Net cash provided (used) by non-capital financing activities	-	(3,170)	3,184	14
Net cash provided (used) by capital and related financing activities	-	(8,008)	(154)	(8,162)
Net cash provided by investing activities	<u>2</u>	<u>668</u>	<u>-</u>	<u>670</u>
Net increase in cash and cash equivalents	\$ 2	\$ (1,362)	\$ (77)	\$ (1,437)
Cash and cash equivalents at beginning of year	<u>13</u>	<u>13,993</u>	<u>916</u>	<u>14,922</u>
Cash and cash equivalents at end of year	<u>\$ 15</u>	<u>\$ 12,631</u>	<u>\$ 839</u>	<u>\$ 13,485</u>

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**SUPPLEMENTARY INFORMATION**

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF GROSS PATIENT SERVICE REVENUES

Year Ended June 30, 2019

(In Thousands)

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Totals</u>
Routine services:			
Medical and surgical	\$ 6,840	\$ 3,884	\$ 10,724
Intensive care unit	3,203	266	3,469
Nursery	516	1	517
CV short stay	43	242	285
Psychiatric unit	9,107	-	9,107
Rehab unit	<u>1,547</u>	<u>-</u>	<u>1,547</u>
Total routine services	<u>\$ 21,256</u>	<u>\$ 4,393</u>	<u>\$ 25,649</u>
Ancillary services:			
Anesthesiology	\$ 3,211	\$ 4,895	\$ 8,106
Cancer treatment center	87	17,400	17,487
Cardiac catheterization	21,195	59,625	80,820
Cardiopulmonary diagnostic lab and rehab	4,495	8,962	13,457
Central supply	3,733	2,313	6,046
Communication disorders	225	744	969
Contract dialysis	591	232	823
CT scan	5,169	22,634	27,803
Delivery room	1,127	466	1,593
Emergency room	6,242	49,371	55,613
Hyperbaric medicine	1,552	5,319	6,871
Inhalation therapy	11,909	5,368	17,277
Intravenous therapy	259	395	654
Laboratory	19,056	51,762	70,818
Medical imaging	2,411	11,717	14,128
Medical home	-	36	36
MRI	1,044	5,076	6,120
Nuclear CT	-	463	463
Nuclear medicine	315	1,456	1,771
Outpatient clinic	-	61,982	61,982
Outpatient psychiatric unit	70	11,736	11,806
Operating room	47,727	36,200	83,927
PICC line	11	5	16
Pharmacy	26,442	11,434	37,876
Physical therapy	2,037	10,977	13,014
Physician practices	-	17,279	17,279
Pulmonary function	3	483	486
Recovery room	1,963	3,281	5,244
Sleep lab	<u>154</u>	<u>4,167</u>	<u>4,321</u>
Total ancillary services	<u>\$ 161,028</u>	<u>\$ 405,778</u>	<u>\$566,806</u>
 Total gross patient service revenue	 <u>\$ 182,284</u>	 <u>\$ 410,171</u>	 <u>\$592,455</u>

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HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL DIRECT OPERATING REVENUES AND EXPENSES

Year Ended June 30, 2019

(In Thousands)

	<u>Gross Revenues</u>	<u>Direct Operating Expenses</u>	Revenue Over (Under) Direct Operating Expenses
Routine services:			
Medical and surgical	\$ 10,724	\$ 8,715	\$ 2,009
Intensive care unit	3,469	2,598	871
Nursery	517	673	(156)
CV short stay	285	426	(141)
Psychiatric unit	9,107	3,262	5,845
Rehab unit	<u>1,547</u>	<u>1,959</u>	<u>(412)</u>
Total routine services	<u>\$ 25,649</u>	<u>\$ 17,633</u>	<u>\$ 8,016</u>
Ancillary services:			
Anesthesiology	\$ 8,106	\$ 2,194	\$ 5,912
Cancer treatment center	17,487	2,289	15,198
Cardiac catheterization	80,820	7,946	72,874
Cardiopulmonary diagnostic lab and rehab	13,457	653	12,804
Central supply	6,046	1,185	4,861
Communication disorders	969	212	757
Contract dialysis	823	375	448
CT scan	27,803	1,000	26,803
Delivery room	1,593	2,014	(421)
Emergency room	55,613	6,000	49,613
Hyperbaric medicine	6,871	2,017	4,854
Inhalation therapy	17,277	1,929	15,348
Intravenous therapy	654	-	654
Laboratory	70,818	6,393	64,425
Lactation	-	72	(72)
Medical imaging	14,128	1,937	12,191
Medical home	36	178	(142)
MRI	6,120	596	5,524
Nuclear CT	463	51	412
Nuclear medicine	1,771	537	1,234
Outpatient clinic	61,982	6,871	55,111
Outpatient psychiatric unit	11,806	1,798	10,008
Operating room	83,927	14,935	68,992
PICC line	16	-	16

(continued)

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL DIRECT OPERATING REVENUES AND EXPENSES (CONTINUED)

Year Ended June 30, 2019

(In Thousands)

	<u>Gross Revenues</u>	<u>Direct Operating Expenses</u>	<u>Revenue Over (Under) Direct Operating Expenses</u>
Ancillary services (continued):			
Pharmacy	37,876	6,475	31,401
Physical therapy	13,014	2,870	10,144
Physician clinics	-	251	(251)
Physician services	-	1,071	(1,071)
Physician practices	17,279	10,020	7,259
Pulmonary function	486	257	229
Recovery room	5,244	508	4,736
Vein clinic	-	14	(14)
Sleep lab	4,321	812	3,509
Social service	-	111	(111)
Telehealth clinic	-	20	(20)
Total ancillary services	<u>\$ 566,806</u>	<u>\$ 83,591</u>	<u>\$ 483,215</u>
Revenue over direct operating expenses	<u>\$ 592,455</u>	<u>\$ 101,224</u>	<u>\$ 491,231</u>
Contractual allowances, discounts, and uncollectible accounts			(460,849)
Other operating revenues			<u>31,547</u>
			<u>\$ 61,929</u>
Operating expenses:			
General services			\$ 11,755
Fiscal and administrative services			30,904
Intergovernmental transfer – physicians' UPL			9,413
Depreciation and amortization			7,603
			<u>\$ 59,675</u>
Excess of hospital operating expenses over operating revenues			<u>\$ 2,254</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF NET PATIENT SERVICE REVENUES

Year Ended June 30, 2019

(In Thousands)

Gross patient service revenues	\$ <u>592,455</u>
Less:	
Administrative allowances	\$ 91
Blue Cross discounts	47,159
Charity allowances	23
Contractual adjustments – Medicare and Medicaid	352,587
Managed care allowances	33,175
Physician discounts	9,483
Provision for uncollectible accounts	<u>18,331</u>
Total contractual allowances, discounts, and uncollectible accounts	\$ <u>460,849</u>
Net patient service revenues	\$ <u>131,606</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF OTHER OPERATING REVENUES

Year Ended June 30, 2019

(In Thousands)

Other operating revenues:

Cafeteria	\$ 1,235
Gift shop	270
Rental income	1,219
Outside housekeeping and laundry services	239
Allen Parish Collaborative/Telecardiology	336
Miscellaneous	306
UPL supplemental payments	19,842
Service Direct Hospital UPL	<u>8,100</u>
Total other operating revenues	<u>\$ 31,547</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL OPERATING EXPENSES

Year Ended June 30, 2019

(In Thousands)

	<u>Salaries</u>	<u>Professional Fees</u>	<u>Employee Benefits</u>	<u>Other Expenses</u>	<u>Totals</u>
<b>Routine services:</b>					
Medical and surgical	\$ 8,072	\$ -	\$ 39	\$ 604	\$ 8,715
Intensive care unit	1,923	20	18	637	2,598
Nursery	639	-	2	32	673
CV short stay	387	-	-	39	426
Psychiatric unit	-	-	-	3,262	3,262
Rehab unit	867	-	2	1,090	1,959
Total routine services	<u>\$ 11,888</u>	<u>\$ 20</u>	<u>\$ 61</u>	<u>\$ 5,664</u>	<u>\$ 17,633</u>
<b>Ancillary services:</b>					
Anesthesiology	\$ 1,777	\$ 60	\$ 4	\$ 353	\$ 2,194
Cancer treatment center	169	121	-	1,999	2,289
Cardiac catheterization	656	75	10	7,205	7,946
Cardiopulmonary diagnostic lab and rehab	524	118	-	11	653
Central supply	442	-	-	743	1,185
Communication disorders	200	-	-	12	212
Contract dialysis	-	36	-	339	375
CT scan	577	4	-	419	1,000
Delivery room	1,872	-	5	137	2,014
Emergency room	4,606	934	25	435	6,000
Hyperbaric medicine	-	-	-	2,017	2,017
Inhalation therapy	1,691	45	3	190	1,929
Laboratory	1,964	175	14	4,240	6,393
Lactation	72	-	-	-	72
Medical imaging	1,248	7	28	654	1,937
Medical home	158	6	2	12	178
MRI	170	-	-	426	596
Nuclear CT	27	3	-	21	51
Nuclear medicine	145	3	-	389	537
Outpatient clinic	474	-	2	6,395	6,871
Outpatient psychiatric unit	-	-	-	1,798	1,798
Operating room	2,129	-	12	12,794	14,935
Pharmacy	2,017	19	6	4,433	6,475
Physical therapy	-	-	-	2,870	2,870
Physician clinics	-	251	-	-	251
Physician services	-	1,070	-	1	1,071
Physician practices	6,293	557	18	3,152	10,020
Pulmonary function	238	1	-	18	257

(continued)

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL OPERATING EXPENSES (CONTINUED)

Year Ended June 30, 2019

(In Thousands)

	<u>Salaries</u>	<u>Professional Fees</u>	<u>Employee Benefits</u>	<u>Other Expenses</u>	<u>Totals</u>
Ancillary services (continued):					
Recovery room	\$ 466	\$ -	\$ 1	\$ 41	\$ 508
Vein Clinic	8	6	-	-	14
Sleep lab	614	5	11	182	812
Social services	109	-	1	1	111
Telehealth Clinic	12	-	-	8	20
Total ancillary services	<u>\$ 28,658</u>	<u>\$ 3,496</u>	<u>\$ 142</u>	<u>\$ 51,295</u>	<u>\$ 83,591</u>
General services:					
Biomedical services	\$ 365	\$ -	\$ -	\$ 36	\$ 401
Dietary	1,252	-	7	1,491	2,750
Housekeeping	1,662	-	24	658	2,344
Laundry and linen	-	-	-	508	508
Performance improvement	253	-	5	49	307
Plant engineering	630	-	6	3,988	4,624
Security	800	-	-	21	821
Total general services	<u>\$ 4,962</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 6,751</u>	<u>\$ 11,755</u>
Fiscal and administrative services:					
Accounting	\$ 339	\$ -	\$ -	\$ 139	\$ 478
Administration	1,921	-	8,821	3,505	14,247
Admitting	1,048	-	12	68	1,128
Business office	605	-	3	649	1,257
Centralized scheduling	110	-	2	1	113
Clinic documents	300	12	-	21	333
Communications	119	-	1	180	300
Courier	105	-	1	18	124
Gift shop	78	-	-	136	214
Health information services	895	-	14	858	1,767
Human resources	260	-	-	593	853
Industrial medicine	63	-	-	197	260
Infection control	113	3	-	158	274
Information technology	1,427	-	14	5,081	6,522
Insurance	-	-	-	1,426	1,426
J2E functions	33	-	-	32	65
Marketing/public relations	357	-	13	634	1,004
Medical and staff relations	231	12	-	184	427
Pain management	17	-	-	2	19
Volunteer/nurse interns	7	-	-	-	7
Health and wellness	1	-	-	9	10
OGH Foundation	52	-	-	24	76
Total fiscal and administrative services	<u>\$ 8,081</u>	<u>\$ 27</u>	<u>\$ 8,881</u>	<u>\$ 13,915</u>	<u>\$ 30,904</u>
Total departmental operating expenses	<u>\$ 53,589</u>	<u>\$ 3,543</u>	<u>\$ 9,126</u>	<u>\$ 77,625</u>	<u>\$ 143,883</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL STATISTICS  
Year Ended June 30, 2019

Beds licensed:	
Acute care	151
Psychiatric	30
Rehabilitation facility	<u>16</u>
Total	<u>197</u>
Percentage of occupancy for staff beds in service:	
Acute care	57.00%
Psychiatric	74.20%
Rehabilitation facility	46.10%
Percentage of gross patient service revenues:	
Medicare	51%
Medicaid	25%
All other	<u>24%</u>
Total	<u>100%</u>
Discharges:	
Acute care	6,438
Psychiatric	858
Rehabilitation facility	<u>236</u>
Total	<u>7,532</u>
Patient days in care:	
Medical and surgical	17,267
Intensive care	<u>2,102</u>
Acute care subtotal	19,369
Nursery	1,998
Psychiatric	8,122
Rehabilitation facility	<u>2,692</u>
Total	<u>32,181</u>
Surgeries:	
Inpatient	2,112
Outpatient	<u>5,214</u>
Total surgeries	<u>7,326</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL STATISTICS (CONTINUED)  
Year Ended June 30, 2019

Deliveries	966
Procedures:	
Laboratory	542,588
Radiology	54,043
CT scan	14,199
Nuclear medicine	971
MRI	2,451
Cancer treatments	13,237
Heart catheterization unit cases	1,831
Hyperbaric oxygen	13,217
Physical therapy	129,649
Emergency room visits	53,201
Outpatient registrations (including emergency room visits)	159,354

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS  
Year Ended June 30, 2019

Opelousas General Hospital Authority:

Gregory Bordelon	\$ 12,000
Alton Broussard	12,000
Albert Simien	12,000
Richard Tate	12,000
Gina Tuttle	12,000
Patrick Morrow	12,000
John Kempf	12,000
Morris Weinstein	12,000
Mary Doucet	12,000
Charles Going	<u>1,000</u>
	<u>\$ 109,000</u>

Hospital Service District No. 2 of St. Landry Parish:

Gregory Bordelon	\$ 80
Alton Broussard	80
Albert Simien	80
Patrick Morrow	80
Morris Weinstein	80
Garett Duplechain	<u>200</u>
	<u>\$ 600</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENTS TO AGENCY HEAD

Year Ended June 30, 2019

Agency Head: Kenneth Cochran

<u>Purpose</u>	<u>Amount</u>
Salary/Severance/PTO	\$ 454,209
Benefits:	
Insurance	4,855
Retirement	34,747
Car allowance	8,050
Conference travel	15,597
HSA Savings	450
VALIC – employer contribution	<u>22,710</u>
	<u>\$ 540,618</u>

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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  
and Board of Trustees  
Opelousas General Hospital Authority  
St. Landry Parish, 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 business-type activities and discretely presented component unit of the Hospital Service District No. 2 of St. Landry Parish, Louisiana (the "District") and Opelousas General Hospital Authority (the "Hospital"), as of and for the year ended June 30, 2019 and the related notes to financial statements, which collectively comprise the District and Hospital's basic financial statements, and have issued our report thereon dated December 5, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital and 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority's basic 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as 2019-001.

### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. This report is intended for the information and use of management, the Board of Commissioners, Board of Trustees, others within the entity and federal awarding agencies and pass-through entities and the Legislative Auditor, is not intended to be, and should not be used by anyone other than those specified parties. Accordingly, this communication is not suitable for any other purpose; however, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Bernard L. L. L." with a stylized flourish at the end.

Lafayette, Louisiana  
December 5, 2019

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2019

We have audited the basic financial statements of Hospital Service District No 2 of St. Landry Parish, in the State of Louisiana, and Opelousas General Hospital Authority, as of and for the year ended June 30, 2019, and have issued our report thereon dated December 5, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the basic financial statements as of and for the year ended June 30, 2019 resulted in an unmodified opinion.

Section I. Summary of Auditors' Results

Internal control over financial reporting:

- Material weakness identified?  Yes  No
- Significant deficiency identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

Was a management letter issued?  Yes  No

Section II. Financial Statement Findings

**2019-001 Compliance - State Bond Commission Approval**

Condition: During a previous year, the Hospital incurred a bank loan for the purchase of equipment without Bond Commission approval. This finding was not properly resolved.

Criteria: In accordance, with RS 39:1410.60, no public entity, created under or by the constitution and laws of the state shall have the authority to borrow money or incur debt without the consent of the State Bond Commission.

Cause: The Hospital did not properly resolve the non-compliance with RS 39:1410.60 regarding the bank loan.

Effect: Not in compliance with RS 39:1410.60.

Recommendation: We would recommend that the Hospital contact the State Bond Commission and inquire as to what action if any should be taken to resolve this matter.

Response: The Hospital has been in contact with the State Bond Commission and is in the process of submitting an application for retroactive approval of the debt.

Section III. Federal Award Finding and Questioned Costs

Not applicable

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND  
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2019

Section I. Internal Control and Compliance Material to the Financial Statements

**2018-001 Compliance – State Bond Commission Approval**

Recommendation: We would recommend that the Hospital contact the State Bond Commission and inquire as to what action if any should be taken to resolve this matter.

Current Status: Unresolved: The Hospital has been in contact with the State Bond Commission and is in the process of submitting an application for retroactive approval of debt. See finding 2019-001.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended June 30, 2018.

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners  
Hospital Service District No. 2  
and Board of Trustees  
Opelousas General Hospital Authority  
St. Landry Parish, Louisiana

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

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

The procedures 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.

*We obtained a copy of their budgeting policy effective for the fiscal year ended June 30, 2019. The policy addresses the procedures to prepare and adopt the budget. The policy does not address monitoring or amending the budget.*

**Management Response:** Though the policy does not specifically address monitoring or amending the budget, once the fiscal year budget has been approved by the Board of Directors, no changes are made going forward. Monthly, the HBI financials are reviewed by the CFO and department managers – comments are made on variances in comparison to budget. Financial information is presented to the Finance Committee and Board of Directors which compares actual to budget to prior year information.

- 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.

*We obtained a copy of their purchasing policy effective for the fiscal year ended June 30, 2019. Items noted above are addressed by the policy.*

- c. Disbursements, including processing, reviewing, and approving

*We obtained a copy of their disbursement policy effective for the fiscal year ended June 30, 2019. Items noted above are addressed by the policy.*

- 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).

*We obtained a copy of their receipts policy effective for the fiscal year ended June 30, 2019. Items noted above are addressed by the policy.*

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

*We obtained a copy of their payroll/personnel policy effective for the fiscal year ended June 30, 2019. Items noted above are addressed by the policy.*

- 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.

*We obtained a copy of their contracting policy effective for the fiscal year ended June 30, 2019. Items noted above are addressed by the policy.*

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

*We obtained a copy of their credit card policy effective for the fiscal year ended June 30, 2019. Items noted above are addressed in the policy.*

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

*We obtained a copy of their travel and expense reimbursement policy effective for the fiscal year ended June 30, 2019. The dollar thresholds by category of expense were only addressed for some of the categories. All other travel and expense reimbursement items listed above were addressed in the policy.*

**Management Response:** Dollar thresholds are not specifically stated in the policy for Commercial Aircraft and Hotel Accommodations due to the ever-changing rates. The hospital reimburses using actual costs that are supported by itemized receipts.

- i. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:111-1121, (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.

*We obtained a copy of their ethics policy effective for the fiscal year ended June 30, 2019. Prohibitions as defined in RS 42:1111-1121 are not specifically listed. The policy addresses the actions to be taken if an ethics violation takes place and the system to monitor possible ethics violations. The policy does not address the requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.*

**Management Response:** Though not specifically addressed in the policy, employees and Board Members have annual training on Compliance through the Relias Education System. The HR Employee Orientation P&P addresses mandatory in-services annually of which Code of Ethics/Legal Compliance/HIPAA is covered.

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

*We obtained a copy of their debt service policy effective for the fiscal year ended June 30, 2019. Items noted above are addressed by the policy.*

- 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.

*We obtained a copy of their disaster recovery/business continuity policy effective for the fiscal year ended June 30, 2019. The policy addresses all items noted above except for periodic testing/verification that backups can be restored.*

**Management Response:** There is no regular restore process and the plan is to implement a daily restore environment by the end of 2019.

**Board (or Finance Committee, if applicable)**

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.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

- 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.*

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

- c. For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

### **Bank Reconciliations**

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
  - a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

- 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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

- 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.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

### Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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:

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

- a. Observe that receipts are sequentially pre-numbered.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

- c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

- d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a. Observe that the disbursement matched the related original invoice/billing statement.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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.]]

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

- b. Observe that finance charges and late fees were not assessed on the selected statements.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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).

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

**Travel and Travel-Related Expense Reimbursement (excluding card transactions)**

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

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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

- 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).

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

**Contracts**

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

- 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).

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

- c. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

- 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.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

### **Payroll and Personnel**

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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.)

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

- b. Observe that supervisors approved the attendance and leave of the selected employees/officials.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

- c. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3*

#### Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
  - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3*

- 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.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3*

#### Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

Other

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

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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.

*No exceptions noted in Year 1 or Year 2 testing therefore testing excluded in Year 3.*

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

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



Lafayette, Louisiana  
December 5, 2019