

ACADIA-ST. LANDRY HOSPITAL
SERVICE DISTRICT

FINANCIAL REPORT

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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Board of Commissioners
Acadia-St. Landry Hospital Service District
Church Point, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Acadia-St. Landry Hospital Service District (District), a component unit of the Acadia Parish Police Jury, as of June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information on pages 26 through 35 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
December 26, 2018

BASIC FINANCIAL STATEMENTS

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Statements of Net Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$1,676,709	\$ 716,071
Investments	836,065	1,150,726
Patient accounts receivable, net of allowance for bad debt \$1,534,149 and \$1,585,207 for 2018 and 2017, respectively	1,399,746	1,235,814
Inventories	380,342	334,143
Prepaid expenses	110,052	64,595
Estimated third-party payor settlements	1,555,734	1,976,756
Other receivables	12,578	4,895
Total current assets	5,971,226	5,483,000
CAPITAL ASSETS		
Property, plant and equipment, at cost, less accumulation depreciation of \$4,970,104 and \$4,817,743 for 2018 and 2017, respectively	1,317,876	1,202,364
Total assets	\$7,289,102	\$6,685,364
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 733,720	\$ 498,025
Accrued expenses	328,455	382,996
Capital lease payable	15,759	-
Other payables	41,291	47,856
Total current liabilities	1,119,225	928,877
NONCURRENT LIABILITIES		
Capital lease payable	49,900	-
Total liabilities	1,169,125	928,877
NET POSITION		
Net investment in capital assets	1,252,217	1,202,364
Unrestricted	4,867,760	4,554,123
Total net position	6,119,977	5,756,487
Total liabilities and net position	\$7,289,102	\$6,685,364

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

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	2018	2017
Operating revenues:		
Net patient service revenues (net of provision for bad debts of \$916,251 in 2018 and \$847,482 in 2017)	\$12,381,016	\$12,454,463
Other operating revenues	<u>24,791,140</u>	<u>20,652,358</u>
Total operating revenues	<u>37,172,156</u>	<u>33,106,821</u>
Operating expenses:		
Salaries and wages	4,219,351	4,361,890
Professional services	1,226,232	1,240,668
Other departmental expenses	8,578,462	7,926,800
Depreciation and amortization	152,361	147,319
Intergovernmental transfers - access grants	<u>23,021,698</u>	<u>19,729,456</u>
Total operating expenses	<u>37,198,104</u>	<u>33,406,133</u>
Operating loss	<u>(25,948)</u>	<u>(299,312)</u>
Non-operating revenues (expenses):		
Ad valorem taxes	329,181	318,513
Realized and unrealized gain (loss) on investments	44,868	47,802
Investment income	17,380	14,684
Interest expense	<u>(1,991)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>389,438</u>	<u>380,999</u>
Increase in net position	363,490	81,687
Net position, beginning	<u>5,756,487</u>	<u>5,674,800</u>
Net position, ending	<u>\$ 6,119,977</u>	<u>\$ 5,756,487</u>

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

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of patients	\$ 12,679,397	\$ 13,250,596
Payments to suppliers and contractors	(9,568,999)	(10,023,600)
Payments to employees	(4,273,892)	(4,288,499)
Other receipts and payments, net	<u>1,670,980</u>	<u>917,784</u>
Net cash provided (used) in operating activities	<u>507,486</u>	<u>(143,719)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	<u>327,618</u>	<u>320,465</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for the purchase of property and equipment	(220,583)	(71,047)
Payments for capital lease	<u>(15,341)</u>	<u>-</u>
Net cash used in financing activities	<u>(235,924)</u>	<u>(71,047)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	17,245	14,510
Sales of investments	1,414,788	460,560
Purchases of investments	<u>(1,070,575)</u>	<u>(835,573)</u>
Net cash provided (used) by investing activities	<u>361,458</u>	<u>(360,503)</u>
 Net increase (decrease) in cash and cash equivalents	960,638	(254,804)
 Cash and cash equivalents, beginning of year	<u>716,071</u>	<u>970,875</u>
 Cash and cash equivalents, end of year	<u>\$ 1,676,709</u>	<u>\$ 716,071</u>

(Continued)

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Statements of Cash Flows (Continued)
For the Years Ended June 30, 2018 and 2017

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET		
CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (25,948)	\$(299,312)
Adjustments to reconcile operating loss to net cash flows used by operating activities:		
Depreciation and amortization	152,361	147,319
Provision for bad debts	916,251	847,482
(Increase) decrease in assets-		
Patient accounts receivable	(1,031,450)	(794,293)
Inventories	(46,199)	11,953
Prepaid expenses	(45,457)	(18,516)
Estimated third-party payor settlements	421,022	695,088
Other receivables	(7,683)	1,445
Increase (decrease) in liabilities-		
Accounts payable	235,695	(856,132)
Accrued expenses	(54,541)	73,391
Due to other governmental agencies	(6,565)	47,856
Net cash provided (used) in operating activities	\$ 507,486	\$(143,719)
Noncash investing activities:		
Increase (decrease) in fair value of investments	\$ (26,381)	\$ 51,187

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

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements

(1) Organization and Significant Accounting Policies

Acadia-St. Landry Hospital Service District (the "Hospital Service District") was established in 1967, by the Acadia and St. Landry Parish Police Juries, 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 Acadia and St. Landry parishes. The Board of Commissioners is appointed by the Acadia and St. Landry Parish Police Juries.

On November 1, 2004, the Hospital Service District converted from an Acute Inpatient Prospective Payment System (IPPS) Hospital to a Critical Access Hospital (CAH). This conversion significantly changed the way the Hospital Service District was being reimbursed for Medicare patients. Under the previous Medicare payment methodology, the Hospital Service District was being paid on a Prospective Payment System (PPS). Under the CAH Medicare payment methodology, the Hospital Service District is paid 101% of its reasonable costs for Medicare purposes, except for Inpatient Psychiatric services which were paid based on a blend of reasonable cost and PPS, subject to various limits and rules up to June 30, 2008. As of June 30, 2009, the Hospital Service District was fully PPS for Inpatient Psychiatric services.

A. Reporting Entity

As the governing authority of the Parish, for reporting purposes, the Acadia Parish Police Jury is the financial reporting entity for the Hospital Service District. Accordingly, the Hospital Service District was determined to be a component unit of the Acadia Parish Police Jury. The accompanying financial statements present only the Hospital Service District.

B. Basis of Accounting

The accompanying basic financial statements of the Hospital Service District have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital Service District are described below.

The Hospital Service District utilizes the proprietary fund method of accounting whereby all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses, gains, and losses are measured and reported using the economic resources measurement focus and the accrual basis of accounting. The Hospital Service District's accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and the *AICPA Audits of Providers of Health Care Services* published by the American Institute of Certified Public Accountants.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

In some instances, the GASB requires an entity to delay recognition of decreases in net position as expenditures until a future period. In other instances, entities are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively. There were no deferred outflows of resources and deferred inflows of resources as of June 30, 2018 and 2017.

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Authority reports three components as follows:

- (1) Net investment in capital assets - This component consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- (2) Restricted net position - This component is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Hospital Service District's bonds. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.
- (3) Unrestricted net position - This component of net position consists of net position that does not meet the definition of the above two components and is available for general use.

C. 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 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.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits and on hand. For purposes of the statement of cash flows, highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

E. Trade Receivables and Allowance for Uncollectible Accounts

Trade receivables are carried at the original billed amount 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.

F. Investments

In accordance with professional standards, investments meeting the criteria specified in the standards are stated at fair value, which is either quoted market prices or the best estimate available. Investments which do not meet the requirements are stated at cost. Interest, dividends, and gains and losses, both realized and unrealized, are included in non-operating revenue. The unrealized gain on investments held at June 30, 2018 and 2017 was \$55,008 and \$81,389, respectively.

G. Inventories

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

H. Net Patient Service Revenues

The Hospital Service District has agreements with third-party payors, which includes government programs which the Hospital Service District is paid based upon established charges, the cost of providing services, predetermined diagnosis rates, fixed per diem rates or discounts from established charges. Revenues are recorded at established charges. Revenues are recorded at estimated amounts due from patients and third-party payors for the services provided.

Net patient service revenues are reported at the estimated amounts realizable from patients, the third-party payer, 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. The Hospital Service District provides care to patients even though they are covered by contractual payment arrangements that do not pay full charges or may lack adequate insurance. As a result, the Hospital Service District is exposed to credit risks. The Hospital Service District manages such risks by providing appropriate allowances. The allowances are evaluated on a regular basis and are based upon management's periodic review of the collectability of the accounts considering historical experience, the nature and volume of the accounts and the agreement with the prospective third-party payer.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

I. Property, Plant and Equipment

The Hospital Service District records all property, plant and equipment acquisitions at historical cost, except for assets donated to the Hospital Service District. Donated assets are recorded at fair market value at the date of donation.

The Hospital Service District 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 is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation expense in the financial statements. The following estimated useful lives are generally used:

Building and improvements	15-20 years
Equipment	3-20 years

J. 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 for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as other operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expense.

K. Operating Revenues and Expenses

The Hospital Service District's statements of revenues, expenses and changes in net assets distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital Service District'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.

L. Income Taxes

The Hospital Service District is a political subdivision and exempt from taxes.

M. Advertising

The Hospital Service District expenses advertising cost as incurred. Advertising expense for the years ended June 30, 2018 and 2017 totaled \$8,355 and \$8,391, respectively.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

N. Risk Management

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

O. Restricted Resources

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

P. Environmental Matters

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

(2) Deposits and Investments

Under state law the Hospital Service District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Hospital Service District may invest in direct obligations of the United States government, bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and/or the United States government, and time certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2018, the Hospital Service District had demand deposits (book balances) totaling \$1,676,709.

Custodial credit risk is the risk that in the event of a bank failure of a depository financial institution, the Hospital Service District's deposits may not be recovered or the collateral securities that are in the possession of the outside party will not be recovered. These deposits are stated at cost, which approximates fair value. Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Hospital Service District or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

Deposit balances (bank balances) at June 30, 2018, are secured as follows:

Bank balances	<u>\$ 1,949,018</u>
Federal deposit insurance	\$ 289,394
Pledged securities	<u>1,659,624</u>
Total federal deposit insurance and pledged securities	<u>\$ 1,949,018</u>

Deposits in the amount of \$1,659,624 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Hospital Service District's name. The Hospital Service District does not have a policy for custodial credit risk.

The Hospital Service District's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in time deposits, money market investment accounts or certificates of deposit with financial institutions insured by FDIC; direct obligations of the United States Government and its agencies; investment grade (A-1/P-1) commercial paper of domestic United States corporations; one of the two highest short-term rating categories of either Standards & Poor's Corporation or Moody's Investors Service; government backed mutual trust funds; and mutual funds which invest in equities and fixed income securities.

Effective July 1, 2012, R.S. 33:2957 was enacted by the Legislature of Louisiana relative to the investments of hospital service districts, stating that any hospital service district may invest its funds as provided by R.S. 46:1073.1, except as provided therein. R.S. 46:1073.1 allows hospital service districts to invest funds as provided by law for investment of funds of the Louisiana State Employee Retirement System (LASERS), including but not limited to R.S. 11:263; however, any such investment may be made only in compliance with rules and regulations established by the hospital service district commission and in compliance with the provisions of R.S. 11:263 and any other law which provides for investments in which funds of LASERS may be invested.

The Hospital Service District's investments generally are reported at fair value, as discussed in Note 1. At June 30, 2018 and 2017, the Hospital Service District had the following investments, all of which were held in the Hospital Service District's name by a custodial bank that is an agent of the Hospital Service District.

Investment Type	June 30, 2018	
	% of Portfolio	Fair Value
Mutual funds:		
Equities	65%	\$ 540,177
Fixed income	<u>35%</u>	<u>295,888</u>
Total	<u>100%</u>	<u>\$ 836,065</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

Investment Type	June 30, 2017	
	% of Portfolio	Fair Value
Mutual funds:		
Equities	77%	\$ 884,185
Fixed income	<u>23%</u>	<u>266,541</u>
Total	<u>100%</u>	<u>\$ 1,150,726</u>

Interest Rate Risk – The state law does not address specific policies for managing interest rate risk. The Hospital Service District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk – Statutes authorize the Hospital Service District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, equities and fixed income mutual funds. At June 30, 2018 and 2017, the Hospital Service District did not have any rated investments.

Concentration of Credit Risk – In compliance with State statutes, the Hospital Service District “may invest more than 55% of the total portfolio in equities, so long as not more than 65% of the total portfolio is invested in equities and at least 10% of the total equity portfolio is invested in one or more index funds which seek to replicate the performance of the chosen index or indices.” The Hospital Service District may place no more than 5% of the market value of the fixed income portion of the portfolio in any one issuer at the time of purchase. However, there is no limit on the holdings of the direct obligations issued or guaranteed by the United States Government or its agencies.

(3) Patient Accounts Receivable

Patient accounts receivable at June 30, 2018 and 2017 consisted of the following:

	2018	2017
Medicare	\$ 1,895,076	\$ 1,823,453
Medicaid	413,997	318,745
Other third-party payors	316,570	395,276
Patients	<u>308,252</u>	<u>283,547</u>
Total patient accounts receivable	2,933,895	2,821,021
Less allowance for uncollectible amounts	<u>(1,534,149)</u>	<u>(1,585,207)</u>
Patient accounts receivable, net	<u>\$ 1,399,746</u>	<u>\$ 1,235,814</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

(4) Estimated Third-Party Settlements

The estimated third-party payors settlements receivable consisted of the following:

June 30, 2018:				
<u>Cost Report Year</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>UCC</u>	<u>Total</u>
2014	\$ -	\$ 152,361	\$ -	\$ 152,361
2015	-	85,725	-	85,725
2016	-	160,976	-	160,976
2017	-	305,846	-	305,846
2018	172,514	410,116	268,196	850,826
Totals	<u>\$ 172,514</u>	<u>\$ 1,115,024</u>	<u>\$ 268,196</u>	<u>\$ 1,555,734</u>
June 30, 2017:				
<u>Cost Report Year</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>UCC</u>	<u>Total</u>
2013	\$ -	\$ 20,783	\$ -	\$ 20,783
2014	-	179,855	-	179,855
2015	-	85,725	-	85,725
2016	-	214,718	-	214,718
2017	1,041,384	305,848	128,443	1,475,675
Totals	<u>\$ 1,041,384</u>	<u>\$ 806,929</u>	<u>\$ 128,443</u>	<u>\$ 1,976,756</u>

(5) Capital Assets

Capital asset activity for the years ended June 30, 2018 and 2017 were as follows:

	<u>7/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/2018</u>
Capital assets not being depreciated:				
Land	\$ 120,025	\$ -	\$ -	\$ 120,025
Construction in progress	3,210	33,691	16,855	20,046
Other capital assets:				
Land improvements	51,882	-	-	51,882
Buildings and improvements	3,141,681	117,548	-	3,259,229
Equipment	2,703,309	133,489	-	2,836,798
Total	<u>6,020,107</u>	<u>284,728</u>	<u>16,855</u>	<u>6,287,980</u>
Less accumulated depreciation:				
Land improvements	43,271	1,683	-	44,954
Buildings and improvements	2,368,805	82,503	-	2,451,308
Equipment	2,405,667	68,175	-	2,473,842
Total depreciation	<u>4,817,743</u>	<u>152,361</u>	<u>-</u>	<u>4,970,104</u>
Capital assets, net	<u>\$ 1,202,364</u>	<u>\$ 132,367</u>	<u>\$ 16,855</u>	<u>\$ 1,317,876</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

	<u>7/1/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/2017</u>
Capital assets not being depreciated:				
Land	\$ 120,025	\$ -	\$ -	\$ 120,025
Construction in progress	-	3,210	-	3,210
Other capital assets:				
Land improvements	49,082	2,800	-	51,882
Buildings and improvements	3,096,813	44,868	-	3,141,681
Equipment	2,683,140	20,169	-	2,703,309
Total	<u>5,949,060</u>	<u>71,047</u>	<u>-</u>	<u>6,020,107</u>
Less accumulated depreciation:				
Land improvements	42,113	1,158	-	43,271
Buildings and improvements	2,280,604	88,201	-	2,368,805
Equipment	2,347,707	57,960	-	2,405,667
Total depreciation	<u>4,670,424</u>	<u>147,319</u>	<u>-</u>	<u>4,817,743</u>
Capital assets, net	<u>\$ 1,278,636</u>	<u>\$ (76,272)</u>	<u>\$ -</u>	<u>\$ 1,202,364</u>

Depreciation expense for the years ended June 30, 2018 and 2017 amounted to \$152,361 and \$147,319, respectively.

(6) Compensated Absences

Effective February 2002, full-time employees accrued four (4) hours of paid time off (PTO) per pay period, while part-time employees accrued PTO at a rate of four (4) percent of total hours worked per pay period until April of 2006. On that date, full-time employees with years of service of one (1) to five (5) years began accruing 5.23 hours of PTO per pay period, while full-time employees with years of service of five (5) or more years began accruing 6.77 hours of PTO per pay period. Part-time employees accrue PTO at a rate of four (4) percent of total hours worked per pay period and may accumulate up to a maximum of 300 PTO hours. Full-time employees may accumulate PTO hours to a maximum of 350 hours. When the employee reaches the maximum, further accumulation is ceased until PTO time is used; there is no cash option associated with this maximum bank. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital Service District's policy is to recognize the cost of unvested sick pay when actually paid to employees. At June 30, 2018 and 2017, accrued compensated absences, which are included in accrued expenses, totaled \$188,419 and \$202,038, respectively.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

(7) Changes in Noncurrent Liabilities

The following is a summary of noncurrent liabilities transactions for the year ended June 30, 2018:

	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2018</u>	<u>Due Within One Year</u>
Capital lease payable	\$ -	\$81,000	\$ 15,341	\$65,659	\$15,759

Capital lease-

\$81,000 capital lease payable to BancorpSouth Equipment Finance, dated June 19, 2017, due in monthly installments of \$1,444 through June 27, 2022, interest at 2.69%, secured by equipment with a carrying value of \$64,800. \$65,659

Leased assets under a capital lease are included in capital assets, net in the statement of net position at June 30, 2018. The leased asset consists of equipment with a cost of \$81,000 and accumulated depreciation of \$16,200 for a net book value of \$64,800. Depreciation of the leased assets in the amount of \$16,200 for the year ended June 30, 2018 is included in depreciation expense.

Schedule maturities of noncurrent liabilities as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 15,759	\$ 1,573
2020	16,192	1,144
2021	16,629	703
2022	<u>17,079</u>	<u>250</u>
	<u>\$ 65,659</u>	<u>\$ 3,670</u>

(8) Net Patient Service Revenues

The Hospital Service District 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 – On November 1, 2004, the Hospital Service District converted to a Critical Access Hospital (CAH) with a Distinct Part Psychiatric Unit. Inpatient acute care services and swing bed services rendered to Medicare program beneficiaries are reimbursed at cost plus 1%. Outpatient services are reimbursed at cost plus 1% (subject to limits and rules), while other outpatient laboratory services are reimbursed on a fee schedule. Inpatient Psychiatric services are reimbursed on a blended cost and PPS reimbursement methodology subject to certain limitations.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

The Hospital Service District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital Service District and audits thereof by the Medicare fiscal intermediary. The Hospital Service District's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2013.

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 Service District is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital Service District and audits thereof by the Medicaid fiscal intermediary. The Hospital Service District's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through June 30, 2011.

During the years ended June 30, 2018 and 2017, approximately 88.8% and 89.3%, respectively, of the Hospital Service District'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. As a result of retroactive adjustments of certain prior year cost reports, the Hospital Service District recorded changes in estimates resulting in a decrease in net patient service revenues of approximately \$49,099 and \$56,794 for the years ending June 30, 2018 and 2017, respectively.

Current regulations limit uncompensated care cost incurred by the Hospital Service District in each fiscal year. These amounts are subject to audit by Medicaid and any overpayments will be recouped. Management has not estimated a reserve liability for the possible recoupment of these uncompensated care cost payments for June 30, 2018 and 2017, respectively. To the extent management's estimate differs from actual results, the differences will be used to adjust income in the period when such differences arise.

Future uncompensated cost payments are dependent upon state appropriations, which require approval by the state legislature. If the state should not fund or substantially change this program, it could have a significant impact on the Hospital Service District's revenue.

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

(9) Ad Valorem Taxes

The Hospital Service District's property tax is levied by the parish on the taxable real property in the district in late October of each year. Bills are sent out in November of each year, at which time the Hospital Service District records the tax revenue, and become a lien in the following March. The taxes are based on assessed values determined by the Tax Assessor and are collected by the Sheriff. The Hospital Service District levied 7.64 mills for the fiscal years ended 2018 and 2017, respectively. For the years ended June 30, 2018 and 2017, property tax revenues, net of pension deductions, totaled \$329,181 and \$318,513, respectively.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

(10) Concentration of Credit Risks

The Hospital Service District grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2018 and 2017 was as follows:

	2018	2017
Medicare	64.6%	64.6%
Medicaid	14.1%	11.3%
Other third-party payors	10.8%	14.0%
Patients	<u>10.5%</u>	<u>10.1%</u>
	<u>100.0%</u>	<u>100.0%</u>

(11) Operating Leases

The Hospital Service District leases various equipment under operating leases expiring at various dates through 2021. Total rental expense for the years ended June 30, 2018 and 2017 for all operating leases was approximately \$441,381 and \$439,839, respectively.

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

Years Ending June 30,	Amount
2019	\$ 78,982
2020	90,972
2021	47,962
2022	44,502
2023	<u>29,187</u>
Total	<u>\$291,605</u>

(12) Deferred Compensation

The Hospital Service District offers employees a deferred compensation plan (Plan), which all employees are eligible to participate. The Plan was adopted under the provisions of Internal Revenue Code Section 457, and is administered by Security Benefit. The Hospital Service District does not have managerial or financial responsibility for plan assets. The Hospital Service District will match half (50%) of the employees' contributions to the plan up to a maximum of 5% of the employees gross income per pay period. The Hospital Service District contributed \$45,034 and \$37,992 as of June 30, 2018 and 2017, respectively.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

(13) Professional and General Liability Risk

The Hospital Service District participates 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 \$400,000 in coverage per occurrence above the first \$100,000 for which the Hospital Service District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provided settlement for professional liability to \$100,000 per occurrence and limiting the Patient's Compensation Fund's exposure to \$400,000 per occurrence.

The Hospital Service District 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 Hospital Service District's best estimates of the ultimate costs of reported and unreported claims, using the Hospital Service District's past experience, industry experience and identified asserted claims and reported incidents. No provision for losses on medical malpractice and general liability claims are recorded based on management's estimates that these matters will be resolved without material adverse effect on the Hospital Service District's future financial position or results from operations.

(14) Contingencies

The Hospital Service District evaluates contingencies based upon the best available evidence. The Hospital Service District believes that no loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital Service District's estimates, future earning will be charged or credited.

The principle contingencies are described below:

Third-party Government Revenues (Note 7) – Cost reimbursements are subject to examination by agencies administering the programs. The Hospital Service District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statues, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

The healthcare industry is subject 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 statues 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.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

Management believes that the Hospital Service District is 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.

The Patient Protection and Affordable Healthcare Act (PPACA) was signed into law on March 23, 2010. In addition, the Health Care and Education Affordability Reconciliation Act (Reconciliation Act), which contains a number of amendments to the PPACA, was signed into law on March 30, 2010. These healthcare bills (collectively, the "Reform Legislation") seek to increase the number of persons with access to health insurance coverage. The reform legislation makes a number of other changes to Medicare and Medicaid, such as reductions to the annual market basket update for federal fiscal years 2010 through 2019, a productivity offset to the market basket update beginning October 1, 2011, and a reduction to disproportionate share payments. The various provisions in the Reform Legislation that directly or indirectly affect reimbursement are scheduled to take effect over a number of years.

Also included in the Reform Legislation are provisions aimed at reducing fraud, waste and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Reform Legislation amends several existing federal laws, including the Medicare Anti-Kickback Statute and the False Claims Act, making it easier for government agencies and private plaintiffs to prevail in lawsuits brought against healthcare providers. These amendments also make it easier for potentially severe fines and penalties to be imposed on healthcare providers accused of violating applicable laws and regulations.

Management cannot predict the impact that Reform Legislation may have on the Hospital's financial position, results of operations or changes in net assets or cash flows.

Litigation and Other Matters – the Hospital Service District is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital Service District's future financial position or results from operations.

(15) Grant Revenue

The Hospital Service District collaborated with the Rural Hospital Coalition, a nonprofit organization, to design and implement a grant program funded by various sources to ensure that adequate and essential medically necessary healthcare services are accessible and available to the service population subject to the availability of such grant funds. On February 3, 2015, the Hospital Service District entered into a cooperative endeavor agreement (CEA) with other public Louisiana hospital service districts whereby the Hospital Service District receives grant funding and awards intergovernmental transfer grants (IGT) to be used in accordance with the grant program. As of June 30, 2018 and 2017, the District received \$24,576,177 and \$20,563,718 of grant program funding and provided intergovernmental transfer grants to other hospital service districts in the amount of \$23,021,698 and \$19,729,456, respectively.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

(16) Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. In subsequent years, providers must demonstrate meaningful use of such technology to qualify for additional Medicaid incentive payments. Hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in federal fiscal year 2015.

The EHR incentive payment revenue is recognized when the Hospital Service District is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the grant revenue will be received. EHR incentive payment revenue totaling \$128,622 was received from Medicare for the year ended June 30, 2018. Income from incentive payments is subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated. The Hospital Service District's attestation compliance with the meaningful use criteria is subject to audit by the federal government.

(17) Fair Value Measurements

Professional standards require the disclosure for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of inputs used to measure fair value are as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b. Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- c. Level 3 inputs are unobservable inputs for the asset or liability.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

The following methods and assumptions were used by the District in estimating fair values of financial instruments:

- a. The carrying amount reported in the statement of net position for the following approximates fair value due to the short maturities of these instruments: cash, accounts receivable, and accounts payable.
- b. The fair value for investment securities are based on quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2018 and 2017:

Description	June 30, 2018			
	Total	(Level 1)	(Level 2)	(Level 3)
Equities	\$ 540,177	\$ -	\$ 540,177	\$ -
Fixed income	295,888	-	295,888	-
	<u>\$ 836,065</u>	<u>\$ -</u>	<u>\$ 836,065</u>	<u>\$ -</u>

Description	June 30, 2017			
	Total	(Level 1)	(Level 2)	(Level 3)
Equities	\$ 884,185	\$ -	\$ 884,185	\$ -
Fixed income	266,541	-	266,541	-
	<u>\$ 1,150,726</u>	<u>\$ -</u>	<u>\$ 1,150,726</u>	<u>\$ -</u>

(18) Tax Abatement

Louisiana's State Constitution Chapter VII Section 21 authorizes the State Board of Commerce and Industry to create a ten (10) year ad valorem tax abatement program for new manufacturing establishments in the State. Under the terms of this program, qualified businesses may apply for an exemption of local ad valorem taxes on capital improvements and equipment related to manufacturing for the first ten years of its operation; after which the property will be added to the local tax roll and taxed at the value and millage in force at that time. The future value to this exempt property could be subject to significant fluctuations from today's value; however, the District could receive a substantial increase in ad valorem tax revenues once the exemption on this property expires. Because these taxes are not assessed, no adjustments have been made to the District's financial statements to record the exempt amounts. At June 30, 2018 and 2017, the District's ad valorem revenues were reduced by \$149,035 and \$218,787, respectively, as a result of these abatements.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Notes to Financial Statements (Continued)

(19) Schedule of Compensation, Benefits, and Other Payments to Agency Head

The schedule of compensation and benefits paid to Cindy Walters, Chief Executive Officer, for the year ended June 30, 2018 follows:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 95,701
Benefits - insurance	21,365
Benefits - retirement	386
Benefits - disability insurance	1,484
Reimbursements	1,856
Travel	1,297
Continuing professional education fees	1,120

SUPPLEMENTARY INFORMATION

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Schedules of Net Patient Service Revenues
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Gross patient direct services	\$ 14,024,779	\$ 12,925,420
Less:		
Contractual allowances	(326,164)	795,150
Uncollectible accounts	(916,251)	(847,482)
Discounts	<u>(401,348)</u>	<u>(418,625)</u>
Total contractual allowances, discounts and uncollectible accounts	<u>(1,643,763)</u>	<u>(470,957)</u>
Net patient service revenues	<u>\$ 12,381,016</u>	<u>\$ 12,454,463</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Schedules of Other Operating Revenues
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cafeteria	\$ 25,635	\$ 11,841
Vending machine commissions	193	1,322
Rent income	28,214	27,414
Medical record income	5,277	4,423
Intergovernmental transfers - access grants	24,576,177	20,563,718
Electronic health records incentive payment	128,622	-
Miscellaneous	<u>27,022</u>	<u>43,640</u>
Total other operating revenues	<u>\$ 24,791,140</u>	<u>\$ 20,652,358</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Schedules of Other Operating Revenues and Expenses
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Direct operating revenues	\$ 14,024,779	\$ 12,925,420
Direct operating expenses	<u>9,204,305</u>	<u>8,610,069</u>
Excess of direct operating revenues over direct operating expenses	4,820,474	4,315,351
Contractual allowances, discounts and uncollectible accounts	<u>1,643,763</u>	<u>470,957</u>
Net excess of direct operating revenues over direct operating expenses	<u>3,176,711</u>	<u>3,844,394</u>
General operating expenses:		
General services	1,294,422	1,348,383
Financial and administrative services	<u>3,525,318</u>	<u>3,570,906</u>
Total general operating expenses	<u>4,819,740</u>	<u>4,919,289</u>
Other operating revenues	<u>24,791,140</u>	<u>20,652,358</u>
Other operating expenses:		
Depreciation and amortization	152,361	147,319
Intergovernmental transfers - access grants	<u>23,021,698</u>	<u>19,729,456</u>
	<u>23,174,059</u>	<u>19,876,775</u>
Deficiency of operating revenues over operating expenses	<u>\$ (25,948)</u>	<u>\$ (299,312)</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Schedules of Departmental Direct
Operating Revenues and Expenses
For the Years Ended June 30, 2018 and 2017

	Inpatient Revenues		Outpatient Revenues	
	2018	2017	2018	2017
Direct services:				
Central Supply	\$ 791,107	\$ 805,159	\$ 146,246	\$ 130,675
CT Scan	12,894	17,465	640,591	467,736
Daily patient services	677,670	709,800	-	-
Electrocardiology	2,240	3,228	44,940	35,770
Emergency room	8,310	4,115	351,469	447,139
Emergency room physician	-	-	390,050	230,575
Hyperbaric	46,119	-	-	-
Laboratory	340,335	312,003	1,654,334	1,411,512
MRI	-	-	92,011	99,249
Nuclear medicine	-	-	-	-
Occupational therapy	254,161	276,279	38,846	39,326
Operating room and Gastro	23,950	88,350	7,500	35,870
Other	225	530	2,430	1,929
Pharmacy	964,409	1,091,476	236,860	271,019
Physical therapy	193,636	191,261	276,310	253,849
Psychiatric therapy group	31,370	31,370	3,836,865	2,809,800
Psychiatric unit	1,441,278	1,443,835	-	46,050
Radiology	14,068	17,445	248,530	246,480
Respiratory therapy	838,328	1,056,253	81,707	87,673
Speech therapy	44,364	62,014	33,764	25,482
Ultrasound	39,907	25,077	217,955	149,626
Total direct services	<u>\$ 5,724,371</u>	<u>\$ 6,135,660</u>	<u>\$ 8,300,408</u>	<u>\$ 6,789,760</u>

Total Direct Revenues		Direct Operating Expenses		Excess (Deficiency) of Direct Revenues Over Direct Operating Expenses	
2018	2017	2018	2017	2018	2017
\$ 937,353	\$ 935,834	\$ 94,971	\$ 149,805	\$ 842,382	\$ 786,029
653,485	485,201	160,502	164,940	492,983	320,261
677,670	709,800	2,503,142	2,459,026	(1,825,472)	(1,749,226)
47,180	38,998	-	1,799	47,180	37,199
359,779	451,254	95,318	100,901	264,461	350,353
390,050	230,575	1,008,671	1,020,215	(618,621)	(789,640)
46,119	-	66,318	-	(20,199)	-
1,994,669	1,723,515	753,228	812,485	1,241,441	911,030
92,011	99,249	41,540	49,060	50,471	50,189
-	-	-	677	-	(677)
293,007	315,605	138,313	133,726	154,694	181,879
31,450	124,220	1,981	5,543	29,469	118,677
2,655	2,459	-	-	2,655	2,459
1,201,269	1,362,495	685,056	709,638	516,213	652,857
469,946	445,110	244,017	223,396	225,929	221,714
3,868,235	2,841,170	1,761,680	1,287,859	2,106,555	1,553,311
1,441,278	1,489,885	945,189	783,262	496,089	706,623
262,598	263,925	294,705	322,862	(32,107)	(58,937)
920,035	1,143,926	262,460	260,903	657,575	883,023
78,128	87,496	68,997	68,631	9,131	18,865
257,862	174,703	78,217	55,341	179,645	119,362
<u>\$ 14,024,779</u>	<u>\$ 12,925,420</u>	<u>\$ 9,204,305</u>	<u>\$ 8,610,069</u>	<u>\$ 4,820,474</u>	<u>\$ 4,315,351</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Schedules of Departmental Direct
and General Operating Expenses
For the Years Ended June 30, 2018 and 2017

	Salaries		Professional Fees	
	2018	2017	2018	2017
Direct services:				
Central Supply	\$ 36,514	\$ 38,419	\$ -	\$ -
CT Scan	-	-	-	-
Daily patient services	1,915,631	1,968,130	78,068	72,380
Electrocardiology	-	-	-	-
Emergency room	-	-	-	-
Emergency room physician	-	-	1,008,671	1,020,215
Hyperbaric	-	-	-	-
Laboratory	400,284	446,703	22,876	22,565
MRI	-	-	41,540	49,060
Nuclear medicine	-	-	-	-
Occupational therapy	-	-	-	-
Operating room and Gastro	-	-	-	-
Pharmacy	25,614	25,476	-	-
Physical therapy	-	-	-	-
Psychiatric therapy group	-	-	-	-
Psychiatric unit	-	-	-	-
Radiology	289,217	288,042	-	-
Respiratory therapy	207,144	201,702	6,000	6,000
Speech therapy	-	-	68,970	68,571
Ultrasound	-	-	-	-
Total direct services	<u>2,874,404</u>	<u>2,968,472</u>	<u>1,226,125</u>	<u>1,238,791</u>
General services:				
Dietary	205,695	242,432	-	-
Housekeeping	125,970	128,439	-	-
Laundry and linen	-	-	-	-
Plant engineering	<u>241,703</u>	<u>254,345</u>	<u>-</u>	<u>-</u>
Total general services	<u>573,368</u>	<u>625,216</u>	<u>-</u>	<u>-</u>
Subtotals forward	<u>\$3,447,772</u>	<u>\$3,593,688</u>	<u>\$ 1,226,125</u>	<u>\$ 1,238,791</u>

Other Expenses		Total	
2018	2017	2018	2017
\$ 58,457	\$ 111,386	\$ 94,971	\$ 149,805
160,502	164,940	160,502	164,940
509,443	418,516	2,503,142	2,459,026
-	1,799	-	1,799
95,318	100,901	95,318	100,901
-	-	1,008,671	1,020,215
66,318	-	66,318	-
330,068	343,217	753,228	812,485
-	-	41,540	49,060
-	677	-	677
138,313	133,726	138,313	133,726
1,981	5,543	1,981	5,543
659,442	684,162	685,056	709,638
244,017	223,396	244,017	223,396
1,761,680	1,287,859	1,761,680	1,287,859
945,189	783,262	945,189	783,262
5,488	34,820	294,705	322,862
49,316	53,201	262,460	260,903
27	60	68,997	68,631
78,217	55,341	78,217	55,341
<u>5,103,776</u>	<u>4,402,806</u>	<u>9,204,305</u>	<u>8,610,069</u>
228,384	206,913	434,079	449,345
25,510	25,734	151,480	154,173
33,143	40,736	33,143	40,736
<u>434,017</u>	<u>449,784</u>	<u>675,720</u>	<u>704,129</u>
<u>721,054</u>	<u>723,167</u>	<u>1,294,422</u>	<u>1,348,383</u>
<u>\$5,824,830</u>	<u>\$5,125,973</u>	<u>\$10,498,727</u>	<u>\$9,958,452</u>

(continued)

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Schedules of Departmental Direct
and General Operating Expenses (Continued)
For the Years Ended June 30, 2018 and 2017

	Salaries		Professional Fees	
	2018	2017	2018	2017
Subtotals forwarded	<u>\$3,447,772</u>	<u>\$3,593,688</u>	<u>\$1,226,125</u>	<u>\$1,238,791</u>
Financial and administrative services				
Accounting	117,781	137,051	-	-
Administration	180,222	196,268	107	1,877
Business office	206,638	208,353	-	-
Medical records	155,683	112,400	-	-
Risk management	111,255	114,130	-	-
Payroll taxes	-	-	-	-
Employee benefits	-	-	-	-
Other general and administrative expenses	-	-	-	-
Total financial and administrative expenses	<u>771,579</u>	<u>768,202</u>	<u>107</u>	<u>1,877</u>
Total direct operating expenses	<u>\$4,219,351</u>	<u>\$4,361,890</u>	<u>\$1,226,232</u>	<u>\$1,240,668</u>

Other Expenses		Total	
2018	2017	2018	2017
<u>\$5,824,830</u>	<u>\$5,125,973</u>	<u>\$10,498,727</u>	<u>\$ 9,958,452</u>
37,921	135,770	155,702	272,821
111,819	81,965	292,148	280,110
734,987	794,645	941,625	1,002,998
54,621	75,350	210,304	187,750
3,541	4,814	114,796	118,944
305,283	326,380	305,283	326,380
960,768	905,872	960,768	905,872
<u>544,692</u>	<u>476,031</u>	<u>544,692</u>	<u>476,031</u>
<u>2,753,632</u>	<u>2,800,827</u>	<u>3,525,318</u>	<u>3,570,906</u>
<u>\$ 8,578,462</u>	<u>\$ 7,926,800</u>	<u>\$ 14,024,045</u>	<u>\$ 13,529,358</u>

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Schedules of Board Fees
For the Years Ended June 30, 2018 and 2017

<u>Board Members</u>	<u>2018</u>	<u>2017</u>
Benjamin Bellard	\$ 400	\$ 480
Myra Lewis	320	240
Nicholas Bellard	80	120
Claire Jackson	400	400
Roger Boudreaux	440	440
Michael Williams, M.D.	440	480

The schedule of compensation paid to the Board of Commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Legislature. In accordance with Louisiana Revised Statute 46:1053(C)(2)(a), the Hospital Service District's board members receive \$40 for each day of attendance at meetings of the commission, not to exceed 12 meetings per year.

**INTERNAL CONTROL,
COMPLIANCE
AND OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

WWW.KCSRCPAS.COM

* A Professional Accounting Corporation

Board of Commissioners
Acadia-St. Landry Hospital Service District
Church Point, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Acadia-St. Landry Hospital Service District, a component unit of the Acadia Parish Police Jury, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Acadia-St. Landry Hospital Service District's basic financial statements, and have issued our report thereon dated December 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Acadia-St. Landry Hospital Service District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Acadia-St. Landry Hospital Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Acadia-St. Landry Hospital Service District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as item 2018-001 to be a material weakness.

Compliance and Other Matters

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

The District's response to Finding

The District's response to the findings identified in our audit is described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
December 26, 2018

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT
Church Point, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2018

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Completion Date
CURRENT YEAR (6/30/2018) --						
<u>Internal Control:</u>						
2018-001	2018	Due to the small number of employees, the District did not have adequate segregation of functions within the accounting system.	N/A	Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	N/A	N/A

Compliance:

There were no compliance findings.

PRIOR YEAR (6/30/2017) --

Internal Control:

There were no internal control findings.

Compliance:

There were no compliance findings.

ACADIA-ST. LANDRY HOSPITAL SERVICE DISTRICT

Church Point, Louisiana

Agreed-Upon Procedures Report

Year Ended June 30, 2018

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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Members of the Board of Commissioners
of Acadia-St. Landry Hospital Service District
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Acadia-St. Landry Hospital Service District (District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the District's ethics policy.
- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board or Finance Committee

(The following procedures were not performed since there were no exceptions in the prior year.)

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) 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.
 - c) 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.

Bank Reconciliations

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

Collections

(With the exception of bond coverage/insurance policy for theft, the following procedures were not performed since there were no exceptions in the prior year.)

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. We randomly selected 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly selected 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, inquired of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. We inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts select for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly select 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:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

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

(With the exception of the procedures for the job duties, the following procedures were not performed since there were no exceptions in the prior year)

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).

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.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - 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.
 - 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.
10. For each location selected under #8 above, obtain the District'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.
 - b) Observe that the disbursement documentation includes evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

(The following procedures were not performed since there were no exceptions in the prior year.)

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly selected 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.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

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

(The following procedures were not performed since there were no exceptions in the prior year.)

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, obtained 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, we agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, we observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) We observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, we observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

(The following procedures were not performed since there were no exceptions in the prior year.)

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

Payroll and Personnel

16. We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. We randomly selected 5 employees/officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.
17. We randomly selected one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, we obtained attendance records and leave documentation for the pay period, and:
 - a) We observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) We observed that supervisors approved the attendance and leave of the selected employees/officials.

- c) We observed that any leave accrued or taken during the pay period is reflected in the District's cumulative leave records.
- 18. We obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. We randomly selected two employees/officials, obtained related documentation of the hours and pay rates used in management's termination payment calculations, agreed the hours to the employee/officials' cumulative leave records, and agreed the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
- 19. We obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums were paid, and associated forms were filed, by required deadlines.

Ethics

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

Debt Service

- 21. We obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. We selected all bonds/notes on the listing, obtained supporting documentation, and observed that State Bond Commission approval was obtained for each bond/note issued.
- 22. We obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. We randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants.

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 District reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the District is domiciled.
- 24. We observed that the District has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exceptions:

No exceptions were found as a result of applying the procedures listed above except:

Written Policies and Procedures

- 1. The District does not have written policies and procedures addressing how vendors are added to the vendor list.

Management's response: The District has a procedure for how vendors are added to a vendor list, but it is not documented. The District will add the procedure to its written policy.

2. The District does not have written policies regarding receiving, recording and preparing deposits for receipts.

Management's response: The District has a procedure for receiving, recording and preparing deposits, but it is not listed in a formal policy. The District will document the procedure.

3. The District does not have written policies and procedures regarding the standard terms and conditions of contracts and how they are monitored.

Management's response: The District will review the process in place for monitoring contracts and adopt a formal policy.

4. The District does not have written policies and procedures regarding the dollar thresholds by category of expense for travel and expense reimbursements.

Management's response: The District will review the process in place for dollar thresholds by category of expense and adopt a formal policy.

5. The District does not have written policies and procedures regarding ethics.

Management's response: The District will review procedures for ethics administration and formally document. The District has always used the LA Board of Ethics website for its policy.

6. The District does not have written policies and procedures regarding debt service.

Management's response: The District will review procedures for debt service and adopt a formal policy.

Collections

7. The persons responsible for collecting cash are not bonded.

Management's response: The District will inquire with their insurance carrier regarding bonding employees that collect money, despite the low dollar amount collected.

Non-Payroll Disbursements

8. The person responsible for processing payments is not prohibited from adding/modifying vendor files and the employee responsible for processing payments mails the payments.

Management's response: The District will review their policies and procedures to determine any necessary changes to their processes.

Ethics

9. Of the five employees tested, none signed that they have read the District's ethics policy during the fiscal year.

Management's response: The District will have employees read and sign its ethics policy.

Other

10. The District does not have the required notice posted on its website.

Management's response: The District will add the notice to its website.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the District and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
December 26, 2018