

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

**Annual Financial Report  
As of and For the Year Ended  
September 30, 2019**



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

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## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), a component unit of the LaSalle Parish Police Jury as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), a component unit of the LaSalle Parish Police Jury, as of September 30, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Supplementary Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
March 31, 2020

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

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

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

**Management's Discussion and Analysis (MD&A)  
September 30, 2019 and 2018**

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As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2019. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

**FINANCIAL HIGHLIGHTS**

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$21,274 (*net position*). The District reported an increase in net position of \$1,322.

The District saw a significant increase in outpatient procedures as well as clinic visits. With an increase in the all-inclusive RHC rate from Medicare/Medicaid. New service lines for mammography and bone density were added.

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

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

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

**Management's Discussion and Analysis (MD&A)  
September 30, 2019 and 2018**

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

**Financial Section**

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

**Basic Financial Statements**

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

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

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

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

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

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

**Management's Discussion and Analysis (MD&A)  
September 30, 2019 and 2018**

**FINANCIAL ANALYSIS** The District's net position was \$21,274 at September 30, 2019. Our analysis below focuses on the net position and the change in net position of the District as a whole.

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

|                                  | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      |
|----------------------------------|------------------|------------------|------------------|
| Other assets                     | \$ 19,693        | \$ 17,362        | \$ 18,099        |
| Capital assets, net              | 12,670           | 7,333            | 6,589            |
| Total assets                     | <u>32,363</u>    | <u>24,695</u>    | <u>24,688</u>    |
| Other liabilities                | 4,266            | 2,471            | 2,284            |
| Long-term liabilities            | 6,823            | 2,272            | 5,091            |
| Total liabilities                | <u>11,089</u>    | <u>4,743</u>     | <u>7,375</u>     |
| Net position                     |                  |                  |                  |
| Net investment in capital assets | 5,368            | 4,733            | 1,107            |
| Restricted                       | 189              | 189              | 729              |
| Unrestricted                     | 15,717           | 15,030           | 15,477           |
| Total net position               | <u>\$ 21,274</u> | <u>\$ 19,952</u> | <u>\$ 17,313</u> |

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

**Management's Discussion and Analysis (MD&A)  
September 30, 2019 and 2018**

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

|   | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      |
|---|------------------|------------------|------------------|
| Revenues:                                     |                  |                  |                  |
| Operating revenues:                           |                  |                  |                  |
| Net patient service revenues                  | \$ 32,288        | \$ 28,256        | \$ 28,352        |
| Contributions from Ambulance Service District | 147              | 127              | 121              |
| Operating Grants                              | 2,295            | 3,415            | 3,379            |
| Property taxes                                | 196              | 186              | 183              |
| Other   | 584              | 325              | 208              |
| Total operating revenues                      | <u>35,510</u>    | <u>32,309</u>    | <u>32,243</u>    |
| Expenses:                                     |                  |                  |                  |
| Operating expenses:                           |                  |                  |                  |
| Daily patient services                        | 3,570            | 2,949            | 2,760            |
| Nursing services                              | 6,610            | 5,358            | 4,869            |
| Other professional services                   | 12,754           | 11,071           | 10,313           |
| General services                              | 2,832            | 2,410            | 2,308            |
| Administrative and fiscal services            | 2,876            | 2,714            | 2,816            |
| Employee benefits                             | 4,919            | 4,182            | 3,532            |
| Depreciation                                  | 1,063            | 951              | 1,015            |
| Total operating expenses                      | <u>34,624</u>    | <u>29,635</u>    | <u>27,613</u>    |
| Operating Income (Loss)                       | <u>886</u>       | <u>2,674</u>     | <u>4,630</u>     |
| Nonoperating Revenues (Expenses)              |                  |                  |                  |
| Grant Revenue                                 | 570              | 102              | 232              |
| Interest Revenue                              | 98               | 63               | 3                |
| Interest Expense                              | (232)            | (200)            | (275)            |
| Total nonoperating revenues (expenses)        | <u>436</u>       | <u>(35)</u>      | <u>(40)</u>      |
| Change in Net position                        | 1,322            | 2,639            | 4,590            |
| Net position, beginning of year               | <u>19,952</u>    | <u>17,313</u>    | <u>12,723</u>    |
| Net position, end of year                     | <u>\$ 21,274</u> | <u>\$ 19,952</u> | <u>\$ 17,313</u> |

Total operating revenues increased by \$3,201 due mainly to an increase in outpatient procedures as well as clinic visits. Also the payments from physician FMP increased.

Total operating expenses increased \$4,989 due mainly to an increase in the number of new employees and employee benefits through pay increases as well as increased employee retirement contributions. IGT contributions increased for physician FMP.

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

**Management's Discussion and Analysis (MD&A)  
September 30, 2019 and 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

At September 30, 2019, the District had \$12,670 invested in capital assets, including land, buildings, site improvements, furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$5,337 or 73% from last year due mainly to construction of a new rural health clinic, Hardtner Family Clinic, and a new maintenance building.

See Note 6 for further details on capital assets.

|                                   | <u>2019</u>      | <u>2018</u>     | <u>2017</u>     |
|-----------------------------------|------------------|-----------------|-----------------|
| Land                              | \$ 109           | \$ 109          | \$ 109          |
| Construction In Progress          | 5,741            | 1,032           | 9               |
| Land improvements                 | 1,076            | 1,076           | 1,076           |
| Building                          | 9,230            | 8,769           | 8,732           |
| Equipment, furniture and fixtures | 10,035           | 8,805           | 8,170           |
| Less accumulated depreciation     | <u>(13,521)</u>  | <u>(12,458)</u> | <u>(11,507)</u> |
| Totals                            | <u>\$ 12,670</u> | <u>\$ 7,333</u> | <u>\$ 6,589</u> |

*Debt*

At September 30, 2019, the District has \$7,301 in outstanding long-term debt, which includes certificate of indebtedness, revenue bonds, and capital leases. See Note 7 and Note 8 for further details on debt.

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

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

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

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

**BASIC FINANCIAL STATEMENTS**

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

**ENTERPRISE FUND  
STATEMENT OF NET POSITION  
September 30, 2019 and 2018**

|  | <b>General Fund</b>  |                      |
|--|----------------------|----------------------|
|  | <b>2019</b>          | <b>2018</b>          |
| <b>ASSETS</b>  |                      |                      |
| Current Assets:  |                      |                      |
| Cash and cash equivalents  |                      |                      |
| Cash, checking   | \$ 2,426,973         | \$ 7,079,761         |
| Restricted cash  | 188,793              | 188,793              |
| Investments  | 6,157,585            | -                    |
| Receivables  |                      |                      |
| Patient services, net of allowances of \$2,404,259 and \$2,719,798 | 4,365,268            | 4,365,895            |
| Estimated third-party payor settlements                            | 4,447,498            | 2,988,405            |
| Other  | 1,293,516            | 2,196,644            |
| Supplies   | 509,185              | 471,986              |
| Prepaid expenses   | 304,801              | 70,550               |
|  | <b>19,693,619</b>    | <b>17,362,034</b>    |
| <b>CAPITAL ASSETS:</b>   |                      |                      |
| Land   | 108,680              | 108,680              |
| Land improvements  | 1,076,108            | 1,076,108            |
| Construction in progress   | 5,741,162            | 1,032,181            |
| Buildings  | 9,230,099            | 8,769,155            |
| Equipment, furniture and fixtures                                  | 10,035,048           | 8,805,148            |
| Less accumulated depreciation                                      | (13,521,470)         | (12,458,314)         |
|  | <b>12,669,627</b>    | <b>7,332,958</b>     |
| <b>TOTAL ASSETS</b>  | <b>\$ 32,363,246</b> | <b>\$ 24,694,992</b> |

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

**Statement A**

|  | <u>General Fund</u>  |                      |
|--|----------------------|----------------------|
|  | <u>2019</u>          | <u>2018</u>          |
| <b>LIABILITIES</b>                     |                      |                      |
| Current liabilities:                   |                      |                      |
| Accounts payable                       | \$ 2,164,885         | \$ 835,548           |
| Salaries payable                       | 561,160              | 479,746              |
| Group insurance payable                | 259,863              | 259,863              |
| Current portion of capital leases      | 92,452               | 63,633               |
| Certificates and revenue bonds payable | 386,000              | 264,000              |
| Accrued vacation payable               | 683,903              | 515,754              |
| Accrued bond interest payable          | 117,768              | 52,074               |
|  | <u>4,266,031</u>     | <u>2,470,618</u>     |
| <b>NONCURRENT LIABILITIES</b>          |                      |                      |
| Certificates and revenue bonds payable | 6,477,103            | 2,246,103            |
| Capital leases                         | 345,905              | 26,175               |
|  | <u>6,823,008</u>     | <u>2,272,278</u>     |
| <b>TOTAL LIABILITIES</b>               | <u>11,089,039</u>    | <u>4,742,896</u>     |
| <b>NET POSITION</b>                    |                      |                      |
| Investment in capital assets           | 5,368,167            | 4,733,047            |
| Restricted for debt service            | 188,793              | 188,793              |
| Unrestricted                           | 15,717,247           | 15,030,256           |
|  | <u>11,274,207</u>    | <u>9,952,096</u>     |
| <b>TOTAL NET POSITION</b>              | <u>\$ 21,274,207</u> | <u>\$ 19,952,096</u> |

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

**ENTERPRISE FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Years Ended September 30, 2019 and 2018**

**Statement B**

|   | <u>General Fund</u> |               |
|---|---------------------|---------------|
|   | <u>2019</u>         | <u>2018</u>   |
| OPERATING REVENUES                            |                     |               |
| Net patient service revenues                  | \$ 32,288,194       | \$ 28,255,585 |
| Contributions from Ambulance Service District | 147,456             | 126,772       |
| Operating grants                              | 2,294,692           | 3,414,665     |
| Cafeteria sales                               | 210,687             | 3,990         |
| Property taxes                                | 195,922             | 185,730       |
| Other   | 373,262             | 322,390       |
|   | <hr/>               | <hr/>         |
| TOTAL OPERATING REVENUES                      | 35,510,213          | 32,309,132    |
|   | <hr/>               | <hr/>         |
| OPERATING EXPENSES                            |                     |               |
| Daily patient services                        | 3,570,035           | 2,949,302     |
| Nursing services                              | 6,610,375           | 5,357,819     |
| Other professional services                   | 12,753,705          | 11,071,078    |
| General services                              | 2,832,381           | 2,410,327     |
| Administrative and fiscal services            | 2,876,326           | 2,714,260     |
| Employee benefits                             | 4,918,560           | 4,181,781     |
| Depreciation                                  | 1,063,158           | 950,599       |
|   | <hr/>               | <hr/>         |
| TOTAL OPERATING EXPENSES                      | 34,624,540          | 29,635,166    |
|   | <hr/>               | <hr/>         |
| OPERATING INCOME (LOSS)                       | 885,673             | 2,673,966     |
|   | <hr/>               | <hr/>         |
| NONOPERATING REVENUES (EXPENSES)              |                     |               |
| Grant revenue                                 | 570,214             | 101,606       |
| Interest revenue                              | 98,536              | 63,574        |
| Interest expense                              | (232,310)           | (200,143)     |
|   | <hr/>               | <hr/>         |
| TOTAL NONOPERATING REVENUES (EXPENSES)        | 436,440             | (34,963)      |
|   | <hr/>               | <hr/>         |
| Change in net position                        | 1,322,113           | 2,639,003     |
|   | <hr/>               | <hr/>         |
| NET POSITION, BEGINNING OF YEAR               | 19,952,094          | 17,313,093    |
|   | <hr/>               | <hr/>         |
| NET POSITION, END OF YEAR                     | \$ 21,274,207       | \$ 19,952,096 |
|   | <hr/> <hr/>         | <hr/> <hr/>   |

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

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

**ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS  
For the Years Ended September 30, 2019 and 2018**

**Statement C**

|   | <b>General Fund</b> |                |
|---|---------------------|----------------|
|   | <b>2019</b>         | <b>2018</b>    |
| CASH FLOWS FROM OPERATING ACTIVITIES                                    |                     |                |
| Net receipts from patient services                                      | \$ 30,829,728       | \$ 29,339,467  |
| Operating grants  | 3,197,820           | 4,207,884      |
| Other receipts  | 927,327             | 638,882        |
| Payments to vendors   | (17,013,395)        | (15,021,172)   |
| Payments to employees   | (15,240,537)        | (13,332,736)   |
|   |                     |                |
| NET CASH PROVIDED (USED) BY<br>OPERATING ACTIVITIES                     | 2,700,943           | 5,832,325      |
| CASH FLOWS (USED) FROM NONCAPITAL<br>FINANCING ACTIVITIES               |                     |                |
| Grants  | 570,214             | 101,606        |
|   |                     |                |
| NET CASH PROVIDED (USED) BY NONCAPITAL<br>FINANCING ACTIVITIES          | 570,214             | 101,606        |
| CASH FLOWS (USED) FROM CAPITAL AND RELATED<br>FINANCING ACTIVITIES      |                     |                |
| Purchase of property, plant and equipment                               | (6,399,829)         | (1,694,954)    |
| Certificate of indebtedness and revenue bonds:                          |                     |                |
| Proceeds  | 4,617,000           | 577,103        |
| Principal   | (264,000)           | (3,366,796)    |
| Capital lease obligations:  |                     |                |
| Proceeds  | 435,475             | -              |
| Principal   | (86,926)            | (92,350)       |
| Interest paid   | (166,616)           | (174,063)      |
|   |                     |                |
| NET CASH PROVIDED (USED) BY CAPITAL<br>AND RELATED FINANCING ACTIVITIES | \$ (1,864,896)      | \$ (4,751,060) |

(Continued)

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

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

**ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS  
For the Years Ended September 30, 2019 and 2018**

**Statement C**

|  | <u>General Fund</u>        |                            |
|--|----------------------------|----------------------------|
|  | <u>2019</u>                | <u>2018</u>                |
| CASH FLOW FROM INVESTING ACTIVITIES  |                            |                            |
| Interest received  | \$ 98,536                  | \$ 63,574                  |
| NET CASH PROVIDED (USED) BY<br>INVESTING ACTIVITIES  | <u>98,536</u>              | <u>63,574</u>              |
| NET INCREASE (DECREASE) IN CASH AND<br>CASH EQUIVALENTS  | 1,504,797                  | 1,246,445                  |
| CASH AND CASH EQUIVALENTS - BEGINNING  | <u>7,268,554</u>           | <u>6,022,109</u>           |
| CASH AND CASH EQUIVALENTS - ENDING   | <u><u>8,773,351</u></u>    | <u><u>7,268,554</u></u>    |
| RECONCILIATION TO THE BALANCE SHEET  |                            |                            |
| Cash and cash equivalents  | 2,426,973                  | 7,079,761                  |
| Restricted cash  | 188,793                    | 188,793                    |
| Investments  | <u>6,157,585</u>           | <u>-</u>                   |
|  | <u><u>8,773,351</u></u>    | <u><u>7,268,554</u></u>    |
| RECONCILIATION OF OPERATING INCOME<br>(LOSS) TO NET CASH PROVIDED (USED)<br>BY OPERATING ACTIVITIES      |                            |                            |
| Operating income (loss)  | 885,673                    | 2,673,966                  |
| Adjustments to reconcile operating income (loss)<br>to net cash provided (used) by operating activities: |                            |                            |
| Depreciation expense   | 1,063,158                  | 950,599                    |
| (Increase) decrease in:  |                            |                            |
| Accounts receivable: Patient services, net   | 627                        | 949,370                    |
| Accounts receivable: Estimated third-party payor settlements   | (1,459,093)                | 134,512                    |
| Accounts receivable: Other   | 903,128                    | 793,219                    |
| Supplies   | (37,199)                   | (37,532)                   |
| Prepaid expenses   | (234,251)                  | 144,246                    |
| (Increase) decrease in:  |                            |                            |
| Accounts payable, trade  | 1,326,634                  | 78,510                     |
| Salaries payable   | 84,117                     | 71,402                     |
| Group insurance payable  | -                          | 49,350                     |
| Accrued vacation payable   | <u>168,149</u>             | <u>24,683</u>              |
| TOTAL ADJUSTMENTS  | <u>1,815,270</u>           | <u>3,158,359</u>           |
| NET CASH PROVIDED (USED) BY<br>OPERATING ACTIVITIES  | <u><u>\$ 2,700,943</u></u> | <u><u>\$ 5,832,325</u></u> |
|  |                            | (concluded)                |

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), was created by the LaSalle Parish Police Jury, and operates Hardtner Medical Center through its Board of Commissioners. Hardtner Medical Center is a 35-bed hospital located in Olla, Louisiana, providing health care services to residents of Olla and the surrounding communities.

The District is governed by a Board of Commissioners composed of five members. The Chief Executive Officer serves as secretary and treasurer of the Board.

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

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

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

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

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

**Net Patient Service Revenue** Net patient service revenue is patient revenue reported at Hardtner Medical Center's established rates less contractual adjustments, bad debt expense and policy discounts. Retroactive adjustments arising under reimbursement agreements with third-party payers are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Bad debt allowance is determined as a percentage of gross revenue.

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

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

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost reports have been settled by the Medicare fiscal intermediary through September 30, 2012.

**Medicaid** Inpatient services rendered to Medicaid program beneficiaries are reimbursed on prospectively determined rates. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodology. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2012.

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

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

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

|                               | <u>2019</u>          | <u>2018</u>          |
|-------------------------------|----------------------|----------------------|
| Gross patient service revenue | \$ 86,072,373        | \$ 78,912,503        |
| Less bad debt expense         | (2,922,338)          | (2,566,485)          |
| Less contractual adjustments: |                      |                      |
| Medicare                      | (19,062,075)         | (19,533,044)         |
| Medicaid                      | (20,050,520)         | (18,132,108)         |
| Other third parties           | (11,749,246)         | (10,425,281)         |
| Total contractual adjustments | <u>(50,861,841)</u>  | <u>(48,090,433)</u>  |
| Net patient service revenue   | <u>\$ 32,288,194</u> | <u>\$ 28,255,585</u> |

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

**Ad Valorem Taxes** are susceptible to accrual.

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

**Operating Grants** The District (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer grant (ITG) to be used solely to provide adequate and essential medically necessary and available healthcare services to Grantee's service population subject to the availability of such grant funds. The aggregate ITG grant income is \$2,294,692 and \$3,414,665 for fiscal years 2019 and 2018, respectively.

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

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

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

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

The District participates in the Louisiana Asset Management Pool, Inc. (LAMP) which is an external investment pool that is not SEC-registered. Because the LAMP is an arrangement sponsored by a type of governmental entity, it is exempt by statute from regulation by the SEC.

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LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955.

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

LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

- Credit risk: Lamp is rated AAAM by Standard & Poor's
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investment is 37 days as of September 30, 2019.
- Foreign currency risk: Not applicable.

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

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

LAMP issues financial reports. These financial reports can be obtained by writing: LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, LA 70130.

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

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

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

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

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

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

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

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

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

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

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

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

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**NOTE 2 - DEPOSITS** At September 30, 2019, the District has cash and cash equivalents of \$2,615,766 as follows:

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

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

**Custodial credit risk:** At year end, the District's carrying amount of deposits was \$5,739,516 which includes \$188,793 of restricted cash and \$3,123,750 of certificates of deposit classified as investments and the bank balance was \$6,382,953. Of the bank balance, \$500,000 was covered by federal depository insurance. For the remaining bank balance, the District had securities held by the pledging financial institution's trust department or agent but not in the District's name. The District's policy does not address custodial credit risk.

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

Estimated third-party payor settlements are amounts due for cost reports filed with Medicare and Medicaid for the periods 2013 through 2019.

Other accounts receivable as of September 30, 2019 of \$1,218,448 is for operating grants received through a cooperative endeavor agreement with a regional hospital, \$24,651 is due from 340B, and \$50,417 is miscellaneous accounts receivable. Other accounts receivable as of September 30, 2018 of \$2,145,055 was for operating grants received through a cooperative endeavor agreement with a regional hospital, \$49,089 was due for 340B, and \$2,500 was miscellaneous accounts receivable.

**NOTE 4 - CONTINGENCIES** The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

**Third-Party Government-Based Revenues** Cost reimbursements are subject to examination by agencies administering the programs. The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

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

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believes that the District is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**Risk Management** The District is exposed to various risks of loss related to professional and general liability, director’s and officer’s liability, property damage, equipment breakdown, auto liability, employee theft, and worker’s compensation. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District became partially self-insured for employees' group and health insurance coverage on June 1, 2002. Claims are funded through employee contributions and operating funds of the District. The District maintains stop-loss coverage with an insurance company for claims in excess of \$50,000 per claim for each participant. All known claims filed and an estimate of incurred but not reported claims based on experience of the District are made and accrued as necessary in the financial statements. The estimate of incurred but not reported claims at September 30, 2019 was \$259,863 which is reported on Statement A. This estimate is based on claims filed in the month following the fiscal year end which includes other incremental costs.

The following is a summary of the self-insurance transactions for the year ended September 30, 2019:

| <u>Fiscal Year</u> | <u>Balance<br/>Beginning</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance<br/>Ending</u> |
|--------------------|------------------------------|------------------|-----------------|---------------------------|
| 2016-2017          | 210,513                      | 2,384,094        | 2,384,094       | 210,513                   |
| 2017-2018          | 210,513                      | 2,626,328        | 2,576,978       | 259,863                   |
| 2018-2019          | 259,863                      | 3,281,794        | 3,281,794       | 259,863                   |

**Litigation** At September 30, 2019, the District was involved in one litigation. Although the actual outcome of this lawsuit is hard to predict, management feels that the maximum possible financial effect would be \$23,966. No liability has been recorded in the financial statements for this claim.

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

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

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

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**Construction Projects** The District had one construction project in progress at September 30, 2019. The contract for the Family Clinic is \$1,681,000 for the site work and \$4,344,000 for the building. At September 30, 2019, \$5,741,162 had been spent.

**NOTE 5 - PENSION PLAN** The District implemented a retirement plan for employees during 2008 consisting of a 401(a) plan and 457 plan. The District contributes 3% to the 401(a) plan and a 50% matching contribution (up to 4%) is made to the 457 plan. The defined contributions plan is administered by Principal Life.

Employees covered by the plan are eligible to participate after 1 year of service. Employees must be 21 to participate. Contribution rates are determined and may be changed by the employer. Participants are fully vested after 5 years of service. Forfeitures may first be used to pay administrative expenses. Any forfeitures that have not been used to pay administrative expenses shall be applied to reduce employer contributions made after the forfeitures are determined. The amount of forfeitures in the fiscal year 2019 was \$3,758 of which \$2,531 was used to reduce employer contributions and \$1,227 was used for administrative expense. The amount recognized as pension expense was \$468,765 in the 2019 fiscal year and \$398,545 for the 2018 fiscal year.

The District's contributions to the plans for 2019 as follows:

|          | 401 A Plan | 457 Plan   |
|----------|------------|------------|
| Employer | \$ 307,949 | \$ 158,128 |
| Employee | -          | 494,054    |

The District's contributions to the plans for 2018 as follows:

|          | 401 A Plan | 457 Plan   |
|----------|------------|------------|
| Employer | \$ 256,428 | \$ 139,803 |
| Employee | -          | 424,179    |

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**NOTE 6 - PROPERTY PLANT AND EQUIPMENT** The balances and changes in property, plant and equipment as of and for the year ended September 30, 2019 are as follows:

|  | Balance<br>Beginning | Additions           | Deletions         | Balance<br>Ending   |
|--|----------------------|---------------------|-------------------|---------------------|
| Nondepreciable assets:                     |                      |                     |                   |                     |
| Land                                       | \$ 108,680           | \$ -                | \$ -              | \$ 108,680          |
| Construction in progress                   | 1,032,181            | 5,164,387           | 455,406           | 5,741,162           |
|  | <u>1,140,861</u>     | <u>5,164,387</u>    | <u>455,406</u>    | <u>5,849,842</u>    |
| Depreciable assets:                        |                      |                     |                   |                     |
| Land improvements                          | 1,076,108            | -                   | -                 | 1,076,108           |
| Buildings                                  | 8,769,155            | 460,944             | -                 | 9,230,099           |
| Fixed equipment                            | 826,623              | 289,427             | -                 | 1,116,050           |
| Electronic health record equipment         | 1,997,477            | 77,755              | -                 | 2,075,232           |
| Moveable equipment, furniture and fixtures | 5,981,048            | 862,718             | -                 | 6,843,766           |
| Total depreciable assets                   | <u>18,650,411</u>    | <u>1,690,844</u>    | <u>-</u>          | <u>20,341,255</u>   |
| Total                                      | <u>19,791,272</u>    | <u>6,855,231</u>    | <u>455,406</u>    | <u>26,191,097</u>   |
| Less accumulated depreciation:             |                      |                     |                   |                     |
| Land improvements                          | 518,599              | 63,475              | -                 | 582,074             |
| Buildings                                  | 5,375,756            | 430,450             | -                 | 5,806,206           |
| Fixed equipment                            | 757,818              | 19,100              | -                 | 776,918             |
| Electronic health record equipment         | 1,654,834            | 160,108             | -                 | 1,814,942           |
| Moveable equipment, furniture and fixtures | 4,151,307            | 390,023             | -                 | 4,541,330           |
| Total accumulated depreciation             | <u>12,458,314</u>    | <u>1,063,156</u>    | <u>-</u>          | <u>13,521,470</u>   |
| Property, plant and equipment, net         | <u>\$ 7,332,958</u>  | <u>\$ 5,792,075</u> | <u>\$ 455,406</u> | <u>\$12,669,627</u> |

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The balances and changes in property, plant, and equipment as of and for the year ended September 30, 2018 are as follows:

|  | Balance<br>Beginning | Additions         | Deletions   | Balance<br>Ending   |
|--|----------------------|-------------------|-------------|---------------------|
| Nondepreciable assets:                     |                      |                   |             |                     |
| Land                                       | \$ 108,680           | \$ -              | \$ -        | \$ 108,680          |
| Construction in progress                   | 9,456                | 1,022,725         | -           | 1,032,181           |
|  | <u>118,136</u>       | <u>1,022,725</u>  | <u>-</u>    | <u>1,140,861</u>    |
| Depreciable assets:                        |                      |                   |             |                     |
| Land improvements                          | 1,076,108            | -                 | -           | 1,076,108           |
| Buildings                                  | 8,732,475            | 36,680            | -           | 8,769,155           |
| Fixed equipment                            | 759,642              | 66,981            | -           | 826,623             |
| Electronic health record equipment         | 1,795,575            | 201,902           | -           | 1,997,477           |
| Moveable equipment, furniture and fixtures | 5,614,383            | 366,665           | -           | 5,981,048           |
| Total depreciable assets                   | <u>17,978,183</u>    | <u>672,228</u>    | <u>-</u>    | <u>18,650,411</u>   |
| Total                                      | <u>18,096,319</u>    | <u>1,694,953</u>  | <u>-</u>    | <u>19,791,272</u>   |
| Less accumulated depreciation:             |                      |                   |             |                     |
| Land improvements                          | 453,677              | 64,922            | -           | 518,599             |
| Buildings                                  | 4,990,996            | 384,760           | -           | 5,375,756           |
| Fixed equipment                            | 741,026              | 16,792            | -           | 757,818             |
| Electronic health record equipment         | 1,457,761            | 197,073           | -           | 1,654,834           |
| Moveable equipment, furniture and fixtures | 3,864,256            | 287,051           | -           | 4,151,307           |
| Total accumulated depreciation             | <u>11,507,716</u>    | <u>950,598</u>    | <u>-</u>    | <u>12,458,314</u>   |
| Property, plant and equipment, net         | <u>\$ 6,588,603</u>  | <u>\$ 744,355</u> | <u>\$ -</u> | <u>\$ 7,332,958</u> |

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

**Notes to the Basic Financial Statements  
As of and for the Years Ended September 30, 2019 and 2018**

**NOTE 7 - LONG-TERM DEBT**

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

| <u>Year Ending September 30.</u> | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>        |
|----------------------------------|-------------------|-------------------|---------------------|
| 2020                             | \$ 117,000        | \$ 47,236         | \$ 164,236          |
| 2021                             | 128,000           | 40,193            | 168,193             |
| 2022                             | 139,000           | 32,516            | 171,516             |
| 2023                             | 152,000           | 24,150            | 176,150             |
| 2024                             | 165,000           | 15,036            | 180,036             |
| 2025                             | 179,000           | 5,146             | 184,146             |
| Total                            | <u>\$ 880,000</u> | <u>\$ 164,277</u> | <u>\$ 1,044,277</u> |

In 2013, the District issued Hospital Revenue Bonds, Series 2012, in the amount of \$1,285,000 with a stated interest rate of 4.50% with a maturity date of October 1, 2027. These bonds are related to the renovation of patient rooms in the hospital and are repaid with service revenues of the District. The District issued Hospital Revenue Bonds, Series 2018 dated October 1, 2018 for \$6,000,000 with a stated interest rate of 4.95% with a maturity date of October 1, 2039 for construction of a family clinic. The money is drawn down as needed for the construction. As of September 30, 2019, \$5,194,103 had been drawn down. The annual debt service requirements below include the full \$6,000,000.

In the event that the District defaults in the payment of interest or principal, the owner of the bonds shall be entitled to appoint a receiver of the District in an appropriate judicial proceeding in a court of competent jurisdiction.

The annual debt service requirements are as follows:

| <u>Year Ending September 30.</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|----------------------------------|---------------------|---------------------|---------------------|
| 2020                             | \$ 269,000          | \$ 429,190          | \$ 698,190          |
| 2021                             | 278,000             | 319,567             | 597,567             |
| 2022                             | 292,000             | 306,203             | 598,203             |
| 2023                             | 306,000             | 292,163             | 598,163             |
| 2024                             | 320,000             | 277,447             | 597,447             |
| 2025-2029                        | 1,614,000           | 1,144,754           | 2,758,754           |
| 2030-2034                        | 1,630,000           | 764,776             | 2,394,776           |
| 2035-2039                        | 2,080,000           | 319,276             | 2,399,276           |
| Total                            | <u>\$ 6,789,000</u> | <u>\$ 3,853,376</u> | <u>\$ 5,848,324</u> |

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**Notes to the Basic Financial Statements  
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Following is a schedule of changes in long term debt for the year ended September 30, 2019:

|   | Balance<br>Beginning of<br>Year | Additions           | Deductions          | Balance End<br>of Year | Due in One<br>Year  |
|---|---------------------------------|---------------------|---------------------|------------------------|---------------------|
| Direct Borrowings:                        |                                 |                     |                     |                        |                     |
| Certificates of indebtedness, Series 2006 | \$ 987,000                      | \$ -                | \$ 107,000          | \$ 880,000             | \$ 117,000          |
| Revenue Bonds Payable                     | 1,523,103                       | 4,617,000           | 157,000             | 5,983,103              | 269,000             |
| Capital leases                            | 89,808                          | 435,475             | 86,926              | 438,357                | 92,452              |
| Compensated absences                      | 515,754                         | 1,651,230           | 1,483,081           | 683,903                | 683,903             |
|   | <u>\$ 3,115,665</u>             | <u>\$ 6,703,705</u> | <u>\$ 1,834,007</u> | <u>\$ 7,985,363</u>    | <u>\$ 1,162,355</u> |

Following is a schedule of changes in long term debt for the year ended September 30, 2018:

|   | Balance<br>Beginning of<br>Year | Additions           | Deductions          | Balance End<br>of Year | Due in One<br>Year |
|---|---------------------------------|---------------------|---------------------|------------------------|--------------------|
| Direct Borrowings:                        |                                 |                     |                     |                        |                    |
| Certificates of indebtedness, Series 2006 | \$ 1,085,000                    | \$ -                | \$ 98,000           | \$ 987,000             | \$ 107,000         |
| Revenue Bonds Payable                     | 4,214,796                       | 577,103             | 3,268,796           | 1,523,103              | 157,000            |
| Capital leases                            | 182,158                         | -                   | 92,350              | 89,808                 | 63,633             |
| Compensated absences                      | 491,071                         | 1,459,930           | 1,435,247           | 515,754                | 515,754            |
|   | <u>\$ 5,973,025</u>             | <u>\$ 2,037,033</u> | <u>\$ 4,894,393</u> | <u>\$ 3,115,665</u>    | <u>\$ 843,387</u>  |

**Bond Sinking Fund Requirements:**

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

Sinking Fund-A monthly payment of 1/12 of the current year principal and interest installment must be made into the Sinking Fund account which will be used to make the payments on the bonds. The amount on deposit in the Sinking Fund account at September 30, 2019 was \$119,571.

Reserve Fund-The Reserve Fund is required to be funded to an amount equal to the highest scheduled principal and interest falling due in any year on all bonds payable from the Sinking Fund. Pursuant to the Bond Resolution, the District is to deposit monthly or before the 20<sup>th</sup> of each month a sum at least equal to 5% of the amount to be paid into the Sinking Fund, to continue until such time there has been accumulated therein a sum equal to the Reserve Fund requirement. The amount required to be on deposit at September 30, 2019 was \$5,975 and the amount on deposit in the Reserve Fund account was \$34,611.

Depreciation and Contingency Fund-A Depreciation and Contingency Fund is required to be created for extensions, renewals and replacements. The District is required to deposit monthly in this fund an amount equal to 5% of the amount to be paid into the Sinking Fund. The payments are to continue until an amount equal to the Reserve Fund requirement is on deposit in the Reserve Fund, then each month a sum equal to 10% of the Sinking Fund payment is to be made into the Contingency Fund. These deposits are to be made before the 20<sup>th</sup> of each month. The amount required to be on deposit at September 30, 2019 was \$5,975 and the amount on deposit in the Depreciation and Contingency Fund account was \$34,611.

Restricted cash of \$188,793 is the total of these three funds.

**Hospital Service District Number One  
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Olla, Louisiana**

**Notes to the Basic Financial Statements  
As of and for the Years Ended September 30, 2019 and 2018**

**NOTE 8 - CAPITAL LEASE OBLIGATIONS** The District records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of equipment under capital leases at September 30, 2019:

| <u>Type</u>             | <u>Cost</u>       | <u>Accumulated<br/>Depreciation</u> | <u>Net Book<br/>Value</u> |
|-------------------------|-------------------|-------------------------------------|---------------------------|
| US Bank Physio Life Pak | \$ 56,338         | \$ 38,513                           | \$ 17,825                 |
| Mammogram & CT          | 645,690           | 49,728                              | 595,962                   |
| Total                   | <u>\$ 702,028</u> | <u>\$ 88,241</u>                    | <u>\$ 613,787</u>         |

The following is an analysis of equipment under capital leases at September 30, 2018:

| <u>Type</u>                  | <u>Cost</u>       | <u>Accumulated<br/>Depreciation</u> | <u>Net Book<br/>Value</u> |
|------------------------------|-------------------|-------------------------------------|---------------------------|
| GE Anesthesia Unit           | \$ 36,799         | \$ 23,664                           | \$ 13,135                 |
| US Bank Physio Life Pak      | 56,338            | 27,245                              | 29,093                    |
| Business Office              | 216,313           | 41,544                              | 174,769                   |
| Restech from Hewlett Packard | 199,960           | 199,960                             | -                         |
| Total                        | <u>\$ 509,410</u> | <u>\$ 292,413</u>                   | <u>\$ 216,997</u>         |

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of September 30, 2019:

| Years ending September 30,                  | Mammogram<br>& CT | US Bank<br>Physio Life<br>Pak | Total             |
|---|-------------------|-------------------------------|-------------------|
| 2020  | \$ 108,935        | \$ 11,804                     | \$ 120,739        |
| 2021  | 108,935           | 10,820                        | 119,755           |
| 2022  | 108,935           | -                             | 108,935           |
| 2023  | 108,935           | -                             | 108,935           |
| 2024  | 54,510            | -                             | 54,510            |
| Total minimum lease payments                | <u>490,250</u>    | <u>22,624</u>                 | <u>512,874</u>    |
| Less amounts representing interest          | <u>(74,104)</u>   | <u>(413)</u>                  | <u>(74,517)</u>   |
| Present value of net minimum lease payments | <u>\$ 416,146</u> | <u>\$ 22,211</u>              | <u>\$ 438,357</u> |

**Hospital Service District Number One  
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The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of September 30, 2018:

| Years ending September 30,                  | Business<br>Office | Anesthesia<br>Unit | US Bank<br>Physio Life<br>Pak | Total            |
|---|--------------------|--------------------|-------------------------------|------------------|
| 2019  | \$ 47,952          | \$ 6,206           | \$ 11,804                     | \$ 65,962        |
| 2020  | 3,996              | -                  | 11,804                        | 15,800           |
| 2021  | -                  | -                  | 10,820                        | 10,820           |
| Total minimum lease payments                | 51,948             | 6,206              | 34,428                        | 92,582           |
| Less amounts representing interest          | (1,716)            | (121)              | (937)                         | (2,774)          |
| Present value of net minimum lease payments | <u>\$ 50,232</u>   | <u>\$ 6,085</u>    | <u>\$ 33,491</u>              | <u>\$ 89,808</u> |

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

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

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

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

Property Tax Calendar

|                                     |                   |
|-------------------------------------|-------------------|
| Millage rates adopted               | May 22, 2018      |
| Levy date                           | January 1, 2018   |
| Tax bills mailed                    | October 15, 2018  |
| Total taxes are due                 | December 31, 2018 |
| Lien date                           | January 1, 2019   |
| Tax sale - 2018 delinquent property | May, 2019         |

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

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

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2016. Total gross assessed value was \$26,981,818 in calendar year 2018. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was \$5,084,610 of the assessed value in calendar year 2018.

**Hospital Service District Number One  
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As of and for the Years Ended September 30, 2019 and 2018**

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

All property taxes are recorded in the enterprise fund on the basis explained in Note 1. Revenues in this fund are recognized in the accounting period in which they become measurable and when there exists an enforceable legal claim. The District considers January 1 the lien date, as the date that an enforceable legal claim exists. Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll.

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

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

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

**NOTE 12 - OPERATING LEASES** Rental expense for medical equipment was \$95,697 for the year ended September 30, 2019 and \$179,303 for the year ended September 30, 2018. The expense in 2019 was the last year of the operating leases.

**NOTE 13 - CHARITY CARE** The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The District determines the cost associated with providing charity care by aggregating the applicable direct and indirect costs, including wage and related benefits, supplies, and other operating expenses. The District had \$57,170 in charity care write offs for the year ended September 30, 2019 and \$75,688 for the year ended September 30, 2018.

**NOTE 14 - NEW GASB STANDARD:** For fiscal year ended September 30, 2019, the District adopted:

*Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement*, issued by the Government Accounting Standards Board. This Statement defines debt for purposes of disclosure in notes to the financial statements; clarifies which liabilities governments should include when disclosing information related to debt; and requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The Statement also requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant termination events with finance-related consequences and significant subjective acceleration clauses.

The adoption of this standard had no impact on the District’s financial statements.

**Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
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**Notes to the Basic Financial Statements  
As of and for the Years Ended September 30, 2019 and 2018**

**NOTE 15 – SUBSEQUENT EVENTS** The World Health Organization has declared the outbreak of a novel strain of coronavirus as a public health emergency of international concern. The extent of the impact of the COVID-19 outbreak on our operational and financial performance will depend on certain developments, including duration and spread of the outbreak and impact on outpatient visits and procedures all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial results of operations is uncertain.

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

**SUPPLEMENTARY INFORMATION**

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

**Schedule of Compensation Paid Board Members  
For the Year Ended September 30, 2019**

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

|                          |                    |
|--------------------------|--------------------|
| Lee Richardel, Chairman  | \$560              |
| Steve Tannehill          | 560                |
| Rick Smotherman          | 560                |
| Joe Wilson               | 560                |
| Mike Duke, Vice Chairman | <u>560</u>         |
| <br>Total                | <br><u>\$2,800</u> |

**Hospital Service District Number One  
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**Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer  
For the Year Ended September 30, 2019**

**Agency Head: Paul Mathews, Chief Executive Officer**

| <u>Purpose</u>  | <u>Amount</u> |
|---|---------------|
| Salary  | \$341,684     |
| Benefits-insurance  | 5,220         |
| Benefits-retirement   | 20,501        |
| Cell phone/Internet   | 3,870         |
| Reimbursements/Mileage  | 16,180        |
| Dues (not paid directly to agency head)                           | 360           |
| Registration & conference fees (not paid directly to agency head) | 2,600         |
| Conference travel (not paid directly to agency head)              | 10,362        |



# ALLEN, GREEN & WILLIAMSON, LLP

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Crystal Patterson, CPA  
Mallory Stone, CPA

Audit Manager: Margie Williamson, CPA

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

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

### **Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District) a component unit of the LaSalle Parish Police Jury as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 31, 2020.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

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

*Allen, Green + Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
March 31, 2020