

**HOSPITAL SERVICE DISTRICT NO. 1**  
Parish of Vermilion, State of Louisiana  
Kaplan, Louisiana

Financial Report

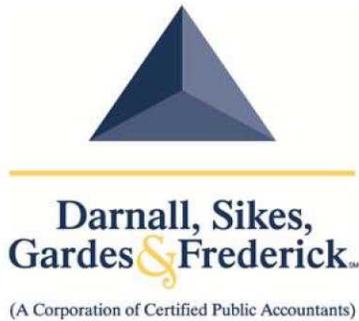
Years Ended September 30, 2017 and 2016

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
 Hospital Service District No. 1  
 Parish of Vermilion, State of Louisiana  
 Kaplan, Louisiana

We have audited the accompanying financial statements of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, (the District), as a component unit of the Vermilion Parish Police Jury, as of and for the years ended September 30, 2017 and 2016, 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.

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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 financial position of Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, as of September 30, 2017 and 2016, 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 the 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 Hospital Service District No. 1, Parish of Vermilion, State of Louisiana's financial statements as a whole. The accompanying information on pages 17 through 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 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.

*Dannall, Sikes, Gaudes & Frederick*

A Corporation of Certified Public Accountants

Eunice, Louisiana  
February 15, 2018

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Statements of Net Position  
September 30, 2017 and 2016

ASSETS

	2017	2016
<b>CURRENT ASSETS</b>		
Cash	\$ 6,462,557	\$ 4,748,111
Certificates of deposit	11,444,017	11,073,017
Investment securities, at market	4,853,410	4,916,131
Sales tax receivable	185,791	187,243
Accrued interest receivable	85,551	72,022
Note receivable, current portion	326,700	326,700
Estimated third-party payor settlements	221,832	221,832
Prepaid expenses	36,543	38,152
Total current assets	23,616,401	21,583,208
<b>NONCURRENT ASSETS</b>		
Note receivable, net of current portion	1,964,554	2,291,254
<b>ASSETS WHOSE USE IS LIMITED BY THE BOARD FOR CAPITAL IMPROVEMENTS</b>		
Cash	123	1,262,766
Certificates of deposit	2,413,387	2,413,187
Investment securities, at market	198,148	195,548
	2,611,658	3,871,501
<b>PROPERTY, PLANT, AND EQUIPMENT, net</b>		
Land	58,893	58,893
Depreciable assets, net accumulated depreciation	3,037,140	3,073,418
Construction in progress	-	262,384
Total capital assets, net of accumulated depreciation	3,096,033	3,394,695
<b>TOTAL ASSETS</b>	<b>\$31,288,646</b>	<b>\$31,140,658</b>

LIABILITIES AND NET POSITION

	2017	2016
CURRENT LIABILITIES		
Accounts payable	\$ 188,574	\$ 187,243
Other payables	1,111	1,516
Total current liabilities	189,685	188,759
NET ASSETS		
Invested in capital assets, net of related debt	3,096,033	3,394,695
Unrestricted	28,002,928	27,557,204
Total net position	31,098,961	30,951,899
TOTAL LIABILITIES AND NET POSITION	\$31,288,646	\$31,140,658

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended September 30, 2017 and 2016

	2017	2016
<b>OPERATING REVENUES</b>		
Sales tax revenue	\$ 1,170,549	\$ 1,138,361
Millage revenue	448,324	470,889
Rental revenue	355,220	299,369
Other revenue	223,071	147,922
Total operating revenues	2,197,164	2,056,541
<b>OPERATING EXPENSES</b>		
Salaries	33,988	20,862
Contract fees	25,899	155,647
Professional fees	14,061	26,491
Management fees	24,000	24,000
Contract services	1,621,535	1,608,154
Insurance	75,824	98,343
Board fees	21,400	21,000
Dues and subscriptions	-	6,389
Miscellaneous	7,067	19,901
Depreciation	419,513	423,770
Total operating expenses	2,243,287	2,404,557
<b>OPERATING LOSS</b>	(46,123)	(348,016)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	249,306	242,485
Gain on sale of fixed assets	4,000	(988)
Unrealized loss on investment securities	(60,121)	99,836
Total non-operating revenues	193,185	341,333
<b>INCREASE IN NET POSITION</b>	147,062	(6,683)
<b>NET POSITION</b>		
Balance, beginning of year	30,951,899	30,958,582
Balance, end of year	\$31,098,961	\$30,951,899

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Statements of Cash Flows  
Years Ended September 30, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net position	\$ 147,062	\$ (6,683)
Adjustments to reconcile increase in net position to net cash provided by operating activities		
Unrealized loss on investment securities	60,121	(99,836)
Gain on sale of fixed assets	(4,000)	988
Depreciation	419,513	423,770
(Increase) decrease in assets -		
Receivables	314,623	1,503,965
Prepaid expenses	1,609	69,608
Increase (decrease) in liabilities -		
Accounts payable	1,331	(421,821)
Other payables	(405)	(24,351)
Net cash provided by operating activities	939,854	1,445,640
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemption (purchase) of certificates of deposit, net	(371,200)	80,000
Redemption (purchase) of investment securities, net	-	(77,005)
Purchase of property, plant, and equipment	(116,851)	(654,992)
Net cash used by investing activities	(488,051)	(651,997)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	451,803	793,643
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	6,010,877	5,217,234
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 6,462,680	\$ 6,010,877

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 1 PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Hospital Service District No. 1 (referred to as the "District") is a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the government body with oversight authority.

Nature of Business

The District leases its facility and equipment to Kaplan General Hospital, a subsidiary of Lafayette General Medical Center, Inc., to provide healthcare services.

Basis of Accounting

The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual method. The District 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 standards established by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Method of Accounting

GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures* which establish financial reporting standards for state and local governments. These statements establish that the financial statements should consist of management's discussion and analysis (MD&A) to provide an analytical overview of the entity's financial activities, basic financial statements, and required supplementary information (RSI) as required by other GASB statements.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which include a statement of net position, a statement of revenue, expenses, and changes in net position; and a direct method statement of cash flows. It requires the classification of net position into three components – invested in capital assets, net of related debt, restricted, and unrestricted.

These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 1 PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There were no restricted assets for year ended September 30, 2017.
- Unrestricted – This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. The caption “cash and cash equivalents” does not include amounts whose use is limited.

Income Taxes

The District is a political subdivision and has been ruled exempt from federal and state income taxes; therefore, no provision for income taxes is necessary.

Property, Plant, and Equipment

Purchased fixed assets are stated at cost and donated fixed assets are stated at fair market value at the time of donation. Depreciation is computed on the double declining balance method for assets purchased prior to January 1, 1970, and on the straight-line method for assets purchased after January 1, 1970. The estimated useful lives, as recommended by the American Hospital Association, are as follows:

Buildings and Land Improvements	10-50 years
Equipment	5-25 years

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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 1 PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

We have evaluated events subsequent to the balance sheet through February 15, 2018, the date the financial statements were available to be issued.

NOTE 2 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consists of funds designated by the Board of Directors to be used for capital asset acquisitions and improvements.

NOTE 3 CASH AND INTEREST-BEARING DEPOSITS

Under state laws, the District may deposit funds within 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 District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2017 and 2016, the District has cash and interest-bearing deposits, including certificates of deposit, (book balances) totaling \$20,320,084 and \$19,497,081, respectively.

These deposits are stated at cost, which approximates market. Under state laws, the 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 pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at September 30, 2017, are as follows:

	Kaplan State Bank	Vermilion Bank	Iberia Bank	Edward Jones
Bank balances	<u>\$ 10,586,454</u>	<u>\$ 5,168,052</u>	<u>\$ 300,000</u>	<u>\$ 4,242,000</u>
Federal deposit insurance	\$ 250,000	\$ 250,000	\$ 250,000	\$ 4,242,000
Pledged securities (category 3)	<u>11,678,674</u>	<u>5,234,038</u>	<u>175,817</u>	<u>-</u>
Total	<u>11,928,674</u>	<u>5,484,038</u>	<u>425,817</u>	<u>4,242,000</u>
Excess of coverage	<u>\$ 1,342,220</u>	<u>\$ 315,986</u>	<u>\$ 125,817</u>	<u>\$ -</u>

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 4 CERTIFICATES OF DEPOSIT

The District held the following certificates of deposit at September 30, 2017:

<u>Current Assets:</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
Edward Jones			
Ally Bank	\$ 170,000	1.40%	12/03/18
Ally Bank	70,000	1.30%	05/14/18
American Express Bank	170,000	1.65%	05/31/19
American Express Centurian	100,000	1.95%	08/31/20
American Express Centurian	144,000	1.45%	11/14/17
Asheville Savings Bank	50,000	1.00%	08/13/18
Bank of Baroda	144,000	2.05%	11/13/18
Bank of North America	100,000	1.30%	11/30/18
Caldwell Bank & Trust Company	248,000	1.00%	08/19/19
Capital One	197,000	1.70%	10/05/21
Capital One Bank USA	125,000	1.60%	08/03/21
Capital One Bank USA	70,000	1.60%	09/17/18
Capital One Bank USA	50,000	0.75%	11/06/17
Discover Bank	175,000	2.25%	02/03/23
Discover Bank	70,000	2.00%	05/20/20
First Merchants Bank	76,000	2.15%	08/13/20
GE Capital Retail Bank	87,000	3.30%	02/14/24
GS Bank	174,000	2.25%	02/07/20
GS Bank	70,000	3.00%	08/08/23
Goldman Sachs Bank	247,000	2.25%	05/02/19
Keybank	248,000	1.00%	05/11/18
Morgan Stanley Private Bank	246,000	1.50%	08/03/18
Northstar Bank	124,000	1.35%	08/12/21
Peoples National Bank	249,000	0.90%	05/18/18
Southwest National Bank	19,000	0.75%	03/06/18
State Bank of India	120,000	1.75%	07/01/19
State Bank of India	100,000	1.20%	06/05/18
Wells Fargo Bank	249,000	1.05%	05/18/18
	<u>3,892,000</u>		
Iberia Bank	\$ 300,000	0.65%	06/03/18
	<u>300,000</u>		
Kaplan State Bank	\$ 1,452,787	0.25%	09/27/18
	774,615	0.25%	10/31/17
	750,000	0.25%	10/31/17
	400,000	0.25%	08/02/18
	300,000	0.25%	12/01/17
	<u>275,000</u>	0.25%	11/28/17
	<u>3,952,402</u>		

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 4 CERTIFICATES OF DEPOSIT (Continued)

Vermilion Bank & Trust Co.	\$ 750,000	0.65%	10/24/17
	774,615	0.65%	10/27/17
	275,000	0.45%	11/12/17
	600,000	0.45%	11/28/17
	200,000	0.65%	03/08/18
	200,000	0.65%	03/19/18
	200,000	0.65%	04/21/18
	200,000	0.65%	04/30/18
	<u>100,000</u>	0.75%	09/20/18
	<u>3,299,615</u>		
	<u>\$ 11,444,017</u>		

Assets whose use is limited:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
Kaplan State Bank	\$ 200,000	0.25%	10/05/16
	<u>200,000</u>		
Vermilion Bank & Trust Co.	\$ 10,600	0.65%	04/24/18
	1,452,787	0.65%	08/17/18
	<u>400,000</u>	0.65%	04/22/18
	<u>1,863,387</u>		
Edward Jones			
Investors Bank	\$ 248,000	1.00%	05/04/18
First National Bank	<u>102,000</u>	0.90%	05/11/18
	<u>350,000</u>		
	<u>\$ 2,413,387</u>		

NOTE 5 INVESTMENT SECURITIES

Investments are reported at their fair values in the statement of net position. Unrealized gains and losses are included in the change in net position in the statement of revenues, expenses, and changes in net position.

Investments consisted of the following as of September 30, 2017:

	<u>Cost</u>	<u>Market Value</u>
Government Bonds	\$ 2,481,914	\$ 2,506,698
Municipal Bonds	<u>2,319,812</u>	<u>2,346,712</u>
Total	<u>\$ 4,801,726</u>	<u>\$ 4,853,410</u>
<u>Assets whose use is limited:</u>		
Municipal Bonds	<u>\$ 195,862</u>	<u>\$ 198,148</u>
Total	<u>\$ 195,862</u>	<u>\$ 198,148</u>

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 5 INVESTMENT SECURITIES (Continued)

Fair Values of Financial Instruments

FASB Accounting Standards Codification Topic 820, "Fair Value Measurements (Topic 820) requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements.

These levels are:

- Level 1 - inputs are based upon adjusted quoted prices for identical instruments traded in active markets.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Fair Value of Assets Measured on a Recurring Basis

The District's investments in securities with readily determinable fair values are recorded at fair value based on quoted market prices. For those investments, where quoted prices are unavailable, management estimates fair value based on quoted prices for similar instruments with consideration of actively quoted interest rates, credit ratings and spreads, prepayment models, and collateral data.

The District relies on the valuation procedures and methodologies of the external managers hired specifically to invest in such securities or in strategies which employ such securities. The following table presents the fair value at September 30, 2017, for each of the fair value hierarchy levels:

	Level 1	Level 2	Level 3
Government/Agency Obligations	\$ -	\$ 2,506,698	\$ -
Municipal Bonds	-	2,544,860	-
Total	\$ -	\$ 5,051,558	\$ -

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 6 NOTE RECEIVABLE

The amount reported as Note Receivable on the Statement of Net Position represents the balance due from Kaplan General Hospital (KGH) for financial assets transferred under the lease agreement. The balance due from KGH as of September 30, 2017 and 2016 is \$2,291,254 and \$2,617,954, respectively, and is payable in monthly installments of \$27,225.

NOTE 7 PROPERTY, PLANT, AND EQUIPMENT

The following is a summary of property, plant, and equipment and related accumulated depreciation for the year ended September 30, 2017:

	September 30, 2016	Additions	Deletions	September 30, 2017
Land	\$ 58,893	\$ -	\$ -	\$ 58,893
Land improvements	132,841	-	-	132,841
Buildings	1,909,486	-	-	1,909,486
Building Improvements	1,041,839	-	-	1,041,839
Fixed equipment	2,149,925	383,235	-	2,533,160
Major moveable equipment	3,791,549	-	-	3,791,549
Other moveable equipment	205,664	-	-	205,664
Construction in progress	<u>262,384</u>	<u>-</u>	<u>262,384</u>	<u>-</u>
Total	9,552,581	383,235	262,384	9,673,432
Accumulated depreciation	<u>6,157,886</u>	<u>419,513</u>	<u>-</u>	<u>6,577,399</u>
Net	<u>\$ 3,394,695</u>	<u>\$ (36,278)</u>	<u>\$ 262,384</u>	<u>\$ 3,096,033</u>

NOTE 8 REVENUE RECOGNITION - PROPERTY TAX

The District receives funds from a property tax which was adopted by the voters of Vermilion Parish. The parish tax is levied each year by the Vermilion Parish Tax Assessor on November 15 based upon the assessed value on the previous January 1 of all real and business personal property within the Parish. The assessed value of the property on the tax rolls as of January 1, 2016 was approximately \$67 million.

The tax becomes due on November 15 and is considered delinquent if not paid by December 31. Most of the property tax revenues are collected during the months of December, January, and February. During May of the subsequent year, properties with delinquent taxes are advertised for auction by the Parish Sheriff. The auction is normally scheduled for June or July. It is at this time a lien is placed on the property. Properties not sold at the auction are adjudicated to the State of Louisiana.

After considering tax exemptions, the net amount of property taxes received by the District was \$448,324 and \$470,889 for the year ended September 30, 2017 and 2016, respectively.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 9 SALES TAX REVENUE

A one percent sales tax proposition was approved by voters for a 10-year period effective April 1, 2011. Proceeds of this sales tax are dedicated towards the costs associated with operating, maintaining, and improving the facilities of the District related to providing emergency medical service. Revenue for the years ended September 30, 2017 and 2016 totaled \$1,170,549 and \$1,138,361, respectively.

NOTE 10 RENTAL INCOME FROM OPERATING LEASE

The District began leasing property and equipment to Kaplan General Hospital (KGH) under an operating lease effective June 1, 2015. Under the lease, KGH will make 120 monthly payments of \$22,775.

Effective April 1, 2016, the District began leasing equipment to KGH under an operating lease. The lease requires 60 monthly payments of \$5,330.

The following is a schedule by year of minimum future rentals to be received on non-cancelable operating leases as of September 30, 2017:

2017	\$	337,260
2018		337,260
2019		337,260
2020		337,260
2021		305,280
Thereafter		<u>1,002,100</u>
Total minimum future rentals	\$	<u>2,656,420</u>

Rental income for the fiscal year ended September 30, 2017 and 2016 totaled \$355,220 and \$299,277, respectively.

**ADDITIONAL INFORMATION**

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Commissioners, Meetings Attended and Compensation  
Year Ended September 30, 2017

<u>Name of Commissioner</u>	<u>Meetings Attended</u>	<u>Compensation</u>
Ronald Menard	18	\$ 3,600
Del Dean David	13	2,600
Winnie Broussard	13	2,600
John Francis	12	2,400
Mona Hebert	12	2,400
Paul D. Marceaux	10	2,000
Charles Bourque	12	2,400
Scott Bergeaux	17	3,400

See independent auditor's report.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Compensation, Benefits, and Other Payments to Chairperson  
Year Ended September 30, 2017

<b>Del Dean David</b>	
<b>Purpose</b>	<b>Amount</b>
Board Fees	\$ 2,600

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE**

E. Larry Sikes, CPA/PFS, CVA, CFP®  
 Danny P. Frederick, CPA  
 Clayton E. Darnall, CPA, CVA  
 Eugene H. Darnall, III, CPA  
 Stephanie M. Higginbotham, CPA  
 John P. Armato, CPA/PFS  
 J. Stephen Gardes, CPA  
 Jennifer S. Ziegler, CPA/PFS, CFP®  
 Chris A. Miller, CPA, CVA  
 Steven G. Moosa, CPA  
 M. Rebecca Gardes, CPA  
 Joan B. Moody, CPA  
 Lauren V. Hebert, CPA/PFS  
 Erich G. Loewer, III, CPA, M.S. Tax  
 Jeremy C. Meaux, CPA  
 Stephen R. Dischler, CPA, MBA  
 Pamela Mayeux Bonin, CPA, CVA  
 Craig C. Babineaux, CPA/PFS, CFP®  
 Adam J. Curry, CPA, CFP®  
 Kyle P. Saltzman, CPA, CFE  
 Jacob C. Roberie, CPA

Kevin S. Young, CPA  
 Christy S. Dew, CPA, MPA  
 Rachel W. Ashford, CPA  
 Veronica L. LeBleu, CPA, MBA  
 Christine Guidry Berwick, CPA, MBA  
 Brandon L. Porter, CPA  
 Brandon R. Dunphy, CPA  
 Robert C. Darnall, CPA, CVA, M.S.  
 Ben Baudoin, CPA



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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***

The Board of Commissioners  
 Hospital Service District No. 1  
 Parish of Vermilion, State of Louisiana  
 Kaplan, 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 Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 15, 2018.

**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.

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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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Dannall, Sikes, Gaudes & Frederick*

A Corporation of Certified Public Accountants

Eunice, Louisiana

February 15, 2018

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Prior Year Findings  
Year Ended September 30, 2017

This section is not applicable.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2017

Part I: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unmodified opinion has been issued on the District's financial statements as of and for the year ended September 30, 2017.

Deficiencies and Material Weaknesses in Internal Control - Financial Reporting

No deficiencies or material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements.

Material Noncompliance - Financial reporting

There were no instances of noncompliance material to the financial statements disclosed during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended September 30, 2017.

Part II: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

This section is not applicable.

Part III: Findings and Questioned Costs Relating to Federal Programs

This section is not applicable.

Part IV: Management Letter

The auditor did not issue a management letter this year.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Management Corrective Action Plan  
Year Ended September 30, 2017

This section is not applicable.

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**Darnall, Sikes,  
Gardes & Frederick**

(A Corporation of Certified Public Accountants)

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Board of Commissioners  
Hospital Service District No. 1  
Parish of Vermilion, State of Louisiana  
Kaplan, Louisiana

We have performed the procedures enumerated below, which were agreed to by Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, (the 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 October 1, 2016 through September 30, 2017. 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. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget:

There are no written policies and procedures that address the functions noted above.

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**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:

Written policies and procedures were obtained and address functions (1) and (3) noted above. The written policies and procedures do not reference the function of how vendors are added to the vendor list noted above as (2), controls to ensure compliance with the public bid law noted as (4), and documentation required to be maintained for all bids and price quotes noted as (5).

- b) **Disbursements**, including processing, reviewing, and approving:

Written policies and procedures were obtained and address the functions noted above.

- c) **Receipts**, including receiving, recording, and preparing deposits:

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

- e) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process:

There are no written policies and procedures that address the functions noted above.

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, and (5) monitoring card usage:

There are no written policies and procedures that address the functions noted above; however, the District does not utilize credit cards.

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

There are no written policies and procedures that address the functions noted above; however, the District does not reimburse for travel and related expenses.

- g) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits:

There are no written policies and procedures that address the functions noted above.

- h) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements:

There are no written policies and procedures that address the functions noted above; however, the District does not have any debt service.

2. Obtain and review the board/committee minutes for the fiscal period, and:
- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document:  
Obtained and reviewed minutes of the board meetings for the fiscal period noting that the board met monthly in accordance with the District's policy.
  - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis):  
Minutes did not include monthly budget-to-actual comparisons for the General Fund and major funds identified as such.
    - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan:  
This section is not applicable.
  - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.):  
The minutes do reference non-budgetary financial information for at least one meeting during the fiscal period.

### ***Bank Reconciliations***

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3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete:  
Obtained a listing of client bank accounts from management and management provided representation that the listing is complete.
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
- a) Bank reconciliations have been prepared:  
Bank reconciliations have been prepared for all months during the fiscal period.
  - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and:  
Bank reconciliations do not include evidence of management/board member's review of the bank reconciliations.
  - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period:

Bank reconciliations for the Millage Fund include items that have been outstanding for more than 6 months and did not have any documentation by management noting these items were researched. Outstanding items included two checks totaling \$1,476.82 and two deposits totaling \$569.82.

### Collections

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5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete:

Obtained listing of cash collection locations and management provided representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee:

Documentation was obtained verifying each person responsible for handling cash is bonded. Written policies and procedures were obtained and it was noted that the person responsible for deposits of cash in the bank also records the related transactions, and reconciles the bank account. Item (3) noted above is not applicable.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected:

Written policies and procedures were obtained and do not address the functions noted above.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location:

Collection documentation was obtained for the selected week of cash collections and we noted that the three collections selected were not deposited within one day. The number of days from receipt to deposit totaled 7 days. It is the District's policy to make deposits once a week.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions:

Daily cash collections for the week selected are completely supported by documentation.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections:

Written policies and procedures were obtained and do not address the functions noted above.

**Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)**

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete:

Obtained listing of disbursements and management provided representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system:

Examined supporting documentation for each disbursement selected and noted purchases were initiated using a generated payables report which is provided to the board for approval prior to making disbursements.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase:

Examined supporting documentation for each disbursement selected and noted appropriate approval of payables report by a person who did not initiate the transaction for all disbursements.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice:

Examined supporting documentation for each disbursement selected and noted appropriate purchase order, receiving report, and approved invoice.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system:

Written policies and procedures provided do not address the function of adding vendors to the entity's purchasing/disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases:

Written policies and procedures were obtained and it was noted that the person with signatory authority also initiates and records purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks:

Supply of unused checks are maintained in a locked location, with restricted access from those persons with signatory authority.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions:

The Entity does not utilize a signature stamp or signature machine.

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

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14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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:

The District does not utilize credit cards; therefore, this item is not applicable.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner:

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]:

The District does not utilize credit cards; therefore, this item is not applicable.

- b) Report whether finance charges and/or late fees were assessed on the selected statements:

The District does not utilize credit cards; therefore, this item is not applicable.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the cards selected (i.e. each of the cards should have one month of transactions subject to testing):

- a) For each transaction, report whether the transaction is supported by:
- An original itemized receipt (i.e., identifies precisely what was purchased):  
The District does not utilize credit cards; therefore, this item is not applicable.
  - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating:  
The District does not utilize credit cards; therefore, this item is not applicable.
  - Other documentation that may be required by written policy (e.g., purchase order, written authorization.):  
The District does not utilize credit cards; therefore, this item is not applicable.
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions:  
The District does not utilize credit cards; therefore, this item is not applicable.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception:  
The District does not utilize credit cards; therefore, this item is not applicable.

### Travel and Expense Reimbursement

---

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete:  
The District does not reimburse travel and related expenses; therefore, this item is not applicable.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates:  
The District does not reimburse travel and related expenses; therefore, this item is not applicable.
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates:  
The District does not reimburse travel and related expenses; therefore, this item is not applicable.

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]:  
The District does not reimburse travel and related expenses; therefore, this item is not applicable.
  - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating):  
The District does not reimburse travel and related expenses; therefore, this item is not applicable.
  - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance):  
The District does not reimburse travel and related expenses; therefore, this item is not applicable.
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception:  
The District does not reimburse travel and related expenses; therefore, this item is not applicable.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement:  
The District does not reimburse travel and related expenses; therefore, this item is not applicable.

### Contracts

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20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete:  
Obtained listing of all contracts in effect and management provided representation that the listing is complete.
21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid:  
A formal/written contract supporting the service arrangements was noted for the vendor selected.
  - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
    - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder):

The contract selected was not subject to the Louisiana Public Bid Law or Procurement Code.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice:

The Entity did not solicit quotes as a best practice.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment:

Contract selected was not amended.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract:

The invoices and related payments selected complied with the terms and conditions of the contract.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter):

Obtained documentation of board approval for selected contract as required by policy.

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

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- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Obtained listing of employees with their related salaries and management's representation that the listing is complete.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure:

Each employee selected was paid in accordance with the terms and conditions of the employment contract or pay rate structure.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy:

There was no changes to pay rates during the fiscal period for selected employee.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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.):

The District does not have a leave policy; therefore, this item is not applicable.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials:

The District does not have a leave policy; therefore, this item is not applicable.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave:

The District does not have a leave policy; therefore, this item is not applicable.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management:

There were no employees terminated during the fiscal period.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines:

Obtained supporting documentation relating to payroll taxes during the fiscal period noting that related payments and required reporting forms were submitted to the applicable agencies by the required deadlines.

### ***Ethics (excluding nonprofits)***

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26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed:

Obtained ethics compliance documentation from management which demonstrated that required ethics training was completed.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy:

There was no alleged ethics violations reported to the district during the fiscal period.

### ***Debt Service (excluding nonprofits)***

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained:

The District does not have any debt service; therefore, this item is not applicable.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants:

The District does not have any debt service; therefore, this item is not applicable.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off:

The District does not have any debt service; therefore, this item is not applicable.

### *Other*

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled:

Management has asserted that the District did not have any misappropriations of public funds or assets during the reporting period.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds:

Required notices are posted on the District's premises and website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception:

No exceptions noted.

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

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

*Danall, Sikes, Gaudes & Frederick*

A Corporation of Certified Public Accountants

Eunice, Louisiana

February 21, 2018



HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF VERMILION, STATE OF LOUISIANA d/b/a  
**ABROM KAPLAN MEMORIAL HOSPITAL**

1310 W. 7<sup>TH</sup> STREET • KAPLAN, LOUISIANA 70548  
337.643.5236 • 337.643.8300 • 337 643.5309 (FAX)

February 21, 2018

Darnall, Sikes, Gardes & Frederick  
A Corporation of Certified Public Accountants  
Eunice, Louisiana

The following is management's response to the 2016-17 AUP report submitted for Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, (the District).

Written Policies and Procedures

1.a. Budgeting

Response:

Hospital Service District #1 will include a policy & procedure to prepare, adopt, monitor, and amend Budget. (Note: Budget process is done for every fiscal year end, process is not recorded in policies & procedures.

1.b. Purchasing

Response:

Hospital Service District #1 will include in policy & procedure manual the process to add vendors and process to comply with bid laws and documentation required.

1.f. Contracting

Response:

Hospital Service District #1 will include in policy & procedure manual to include the process and monitoring of contracts.

1.h. Ethics

Response:

Hospital Service District #1 will include in policy & procedure manual to include ethics policy and monitoring.

Board

2.b. Board meetings with no budget-to-actual comparisons

Response:

Hospital Service District will add budget-to-actual comparisons to Financial Statement reviewed by the Board at monthly meetings.

## Bank Reconciliations

- 4.b. Bank reconciliations not reviewed by board members

Response:

Hospital Service District #1 will add review of bank reconciliation at regular monthly Board meeting.

- 4.c. Bank reconciliations with old outstanding items

Response:

Hospital Service District #1 review of bank reconciliation will include outstanding items.

## Collections

- 6.a. Person responsible for collecting cash also deposits the cash in back, records related transactions, and reconciles the bank account.

Response:

Hospital Service District #1 employs one person to serve as Secretary/Treasurer. Due to cost benefits, the District has determined it is not feasible to hire additional personnel.

- 6.b. No formal process to reconcile cash collections to the general ledger by a person who is not responsible for cash collections.

Response:

Hospital Service District #1 employs one person to serve as Secretary/Treasurer. Due to cost benefits, the District has determined it is not feasible to hire additional personnel.

- 6.c. Cash collections to be deposited within one day

Response:

Hospital Service District #1 Secretary/Treasurer works part time so deposits are made weekly.

7. No process specifically defined to determine completeness of all collections.

Response:

Hospital Service District #1 employs one person to serve as Secretary/Treasurer. Due to cost benefits, the District has determined it is not feasible to hire additional personnel.

## Disbursements

10. Adding vendors to vendor list

Response:

Hospital Service District will add to policy & procedure manual process to add vendors.

11. Persons with signatory authority also initiates and records purchase

Response:

Hospital Service District #1 employs one person to serve as Secretary/Treasurer. Due to cost benefits, the District has determined it is not feasible to hire additional personnel.