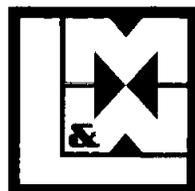


ABBEVILLE GENERAL HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2018, 2017, AND 2016



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

HOSPITAL SERVICE DISTRICT NO. 2
 OF THE PARISH OF VERMILION, STATE OF LOUISIANA
 d/b/a ABBEVILLE GENERAL HOSPITAL
 HOSPITAL ENTERPRISE FUND
 YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

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Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis

Our discussion and analysis of Abbeville General Hospital's (Hospital's) financial performance provides an overview of the Hospital's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the Hospital's financial statements, which begin on page 4.

Financial Highlights

- The Hospital's total assets decreased by approximately \$565,000 or roughly 1.2%. The Hospital's total liabilities decreased by approximately \$2,029,000, or roughly 14.2%.
- During the year, the Hospital's net operating revenue increased by approximately \$401,000 due to an increase in Net Patient Service Revenues and Sales Taxes. Expenses were up 10.4% or approximately \$4,865,000. The Hospital had a net operating loss of \$420,845.

Using This Annual Report

The Hospital's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

Our analysis of the Hospital finances begins on page 4. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received and paid.

These two statements report the Hospital's net position and changes in them. You can think of the Hospital's net position – the difference between assets and liabilities – as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measure of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

The Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheet on page 4. The Hospital's net position increased in 2018 by \$1,464,792 while it increased by \$5,445,893 (19.1% in 2017) and increased by \$1,695,002 (6.3% in 2016), as indicated in **Table 1**.

Table 1: Assets, Liabilities and Net Assets

	December 31			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Current Assets	\$ 16,455,641	\$ 17,448,896	\$ 12,968,634	\$ 11,704,817
Nondepreciable Capital Assets	9,012,163	4,066,818	4,060,118	1,266,278
Depreciable Capital Assets – Net	19,028,331	20,211,086	15,128,186	15,870,287
Other Assets, Including Board - Designated Investments	<u>3,137,613</u>	<u>6,471,565</u>	<u>6,897,534</u>	<u>3,801,510</u>
Total Assets	<u>\$ 47,633,748</u>	<u>\$ 48,198,365</u>	<u>\$ 39,054,472</u>	<u>\$ 32,642,892</u>
Current Liabilities	\$ 5,717,424	\$ 7,033,822	\$ 4,345,079	\$ 3,668,994
Long-term Debt/Liabilities	<u>6,547,481</u>	<u>7,260,492</u>	<u>6,251,235</u>	<u>2,210,742</u>
Total Liabilities	12,264,905	14,294,314	10,596,314	5,879,736
Net Position	<u>35,368,843</u>	<u>33,904,051</u>	<u>28,458,158</u>	<u>26,763,156</u>
Total Liabilities and Net Position	<u>\$ 47,633,748</u>	<u>\$ 48,198,365</u>	<u>\$ 39,054,472</u>	<u>\$ 32,642,892</u>

A significant component of the change in the Hospital's current assets is the increase in cash, accounts receivable and other receivables. During the latter part of fiscal year 2017, the Hospital converted to a new electronic health records system, which delayed the process of claims. In fiscal year 2017, other receivables increased by roughly \$2,105,000, while cash increased by \$1,315,304. In 2018, the Hospital improved its collections of accounts receivable from 2017. This resulted in a decrease in accounts receivable of approximately \$566,000. Cash decreased roughly \$567,000 in 2018 due to funding of construction projects. The decrease in other receivables is related to the timing of a capital grant. In fiscal year 2016, other receivables increased by roughly \$1,970,000 compared to a decrease of roughly \$1,210,000 in 2015.

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Revenues, Expenses and Changes in the Hospital's Net Position

The following table presents a summary of the Hospital's revenues, expenses and changes in net position for the fiscal years ended December 31, 2018, 2017, 2016 and 2015.

Table 2: Revenues, Expenses and Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues:				
Net Patient Svc Revenue	\$ 42,551,877	\$ 42,325,311	\$ 36,556,740	\$ 33,367,904
Other Revenue	8,761,333	8,587,362	8,652,482	10,527,958
Total Revenues	<u>51,313,210</u>	<u>50,912,673</u>	<u>45,209,222</u>	<u>43,895,862</u>
Expenses:				
Salaries & Benefits	29,448,030	27,481,355	25,478,489	23,360,382
Medical Supplies	6,415,644	5,596,863	4,422,285	4,172,456
Professional Fees	3,856,869	2,931,596	3,420,229	3,102,635
Other Operating Expense	9,447,075	8,908,969	8,400,225	7,275,987
Depr & Amort	2,566,437	1,950,116	1,852,127	1,907,073
Total Operating Expense	<u>51,734,055</u>	<u>46,868,899</u>	<u>43,573,355</u>	<u>39,818,533</u>
Net Operating Income	<u>(420,845)</u>	<u>4,043,774</u>	<u>1,635,867</u>	<u>4,077,329</u>
Investment Income	23,268	24,988	26,167	15,901
Interest Expense	(118,923)	(114,947)	(92,807)	(130,572)
Gain (Loss) on Disposal of Assets	(5,014)	-0-	-0-	-0-
Non Operating Income	<u>1,986,306</u>	<u>1,492,078</u>	<u>125,775</u>	<u>188,527</u>
Changes in Net Position	1,464,792	5,445,893	1,695,002	4,151,185
Net Position – Beginning of Year	<u>33,904,051</u>	<u>28,458,158</u>	<u>26,763,156</u>	<u>22,611,971</u>
Net Position – End of Year	<u>\$ 35,368,843</u>	<u>\$ 33,904,051</u>	<u>\$ 28,458,158</u>	<u>\$ 26,763,156</u>

Operating Income

The first component of the overall change in the Hospital's net position is its operating income (loss) – generally, the difference between net patient service revenue and other revenue, and the expenses incurred to perform those services. The Hospital reported a negative operating income for 2018 and a positive operating income in 2017 and 2016. In each of the past three years, operating revenues have increased in large part due to the net patient revenue and grant revenue increases. Operating revenue for 2018 increased by \$400,537 compared to an increase of \$5,703,451 or 12.6% in 2017 and an increase of \$1,313,360 or 3.0% in 2016.

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Operating Income (continued)

The Hospital has experienced a decrease in inpatient services as seen in **Table 5** in 2018. While inpatient services have increased slightly in 2017, 2016 and 2015, the Hospital's outpatient procedures, visits and tests have increased more significantly. Such increases have occurred in the operating room, radiology, laboratory, pharmacy and rural health clinic. Over the past several years the Hospital industry has experienced the trend of inpatient services shifting towards outpatient. This trend is attributed to advances in medicine and the changes in third-party payors requiring more stringent criteria for inpatient admissions and length of stay.

Total salaries and benefits expense increased \$1,966,675 or 7.2% in 2018, \$2,002,866 or 7.9% in 2017, and \$2,118,107 or 9.1% in 2016. Total salaries and benefits increased significantly over the past three years. As a percentage of net patient service revenue, salary and benefit expense was approximately 69.2%, 64.9% and 69.7% for the fiscal years ended December 2018, 2017 and 2016, respectively. The Hospital employs various physicians. The total salaries of physicians are \$2,520,341, \$2,438,489 and \$2,113,166 for 2018, 2017 and 2016, respectively.

The rate of health care inflation has a direct effect on the cost of services provided by the Hospital. A component of the Hospital's costs is expenses for medical and professional services. In 2018, medical and professional services costs totaled \$3.9 million. In 2017, they totaled \$2.9 million or 6.3 percent of total expenses and a decrease of 14.3 percent over 2016.

Source of Revenue

During fiscal year 2018, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes operating grants, sales tax support, cafeteria sales, rental income and other miscellaneous services.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2018, 2017, 2016 and 2015.

Table 3: Payor Mix by Percentage

	Year-end December 31			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	38.2%	38.0%	41.9%	42.1%
Medicaid	35.2%	37.3%	25.4%	21.8%
Blue Cross Blue Shield	10.7%	10.7%	10.7%	11.4%
Commercial Insurance	11.8%	8.2%	11.9%	13.3%
Self-Pay and Other	4.1%	5.8%	10.1%	11.4%
Total Patient Revenues	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Other Revenue

Other revenue includes operating grants, sales tax revenue, cafeteria sales, rental income and other miscellaneous services. Other revenue increased by \$173,971 or 2.0%.

Table 4: Other Revenue

	Year-end December 31			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Other Revenue:				
Sales Tax Revenue	\$ 2,942,513	\$ 2,743,413	\$ 2,634,016	\$ 2,903,237
Cafeteria Sales	304,308	300,233	280,581	256,083
Joint Venture Revenue	(4,911)	-0-	586	38,502
Vending Machine Commission	12,677	12,242	12,774	13,295
Grants	5,279,340	5,336,630	5,528,649	7,198,929
Physician Office Rentals	112,275	85,820	85,501	84,061
Medical Records Abstract Fees	10,167	9,824	11,387	9,881
Other	<u>104,964</u>	<u>99,200</u>	<u>98,988</u>	<u>23,970</u>
 Total Other Revenue	 <u>\$ 8,761,333</u>	 <u>\$ 8,587,362</u>	 <u>\$ 8,652,482</u>	 <u>\$ 10,527,958</u>

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of capital grants and interest income. The capital grant of \$1,986,306 was for the purpose of constructing a dual-purpose safe room. The dual-purpose safe room will become the new inpatient psychiatric facility. However, during a hurricane it will be utilized as a safe shelter for essential Hospital personnel and emergency first responders. Investment income decreased 6.9% to \$23,268 in fiscal year 2018 from \$24,988 in 2017.

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Operating and Financial Performance

The following summarizes the Hospital's statements of changes in net position between 2018, 2017, 2016 and 2015.

Overall, activity at the Hospital, as measured by admissions of adults, pediatrics, and newborns, decreased by 11.5% to 1,467 admissions in 2018 from 1,658 admissions in 2017. Patient days decreased 8.1% from 6,161 in fiscal year 2017 to 5,661 in fiscal year 2018, and increased 2.2% from fiscal year 2016 to 2017. The average length of stay for acute care patients (excluding newborns) increased 6.2% from 2017 to 2018.

Table 5: Patient and Hospital Statistical Data

	Year-end December 31			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Admissions:				
Adult and Pediatric	1,234	1,403	1,261	1,286
Newborn	233	255	250	266
BMC	519	531	561	587
Patient Days:				
Adult and Pediatric	5,309	5,685	5,582	5,893
BMC	5,059	5,101	5,252	4,600
Medicare (Included in Adult & Pediatric)	2,971	3,057	3,283	3,296
Medicaid (Included in Adult & Pediatric)	103	103	118	227
Medicaid Managed Care	1,516	1,556	1,239	1,512
Newborn	352	476	444	469
Operating Room Procedures	1,876	2,028	1,848	1,736
Emergency Room Visits	18,935	20,468	18,280	16,995
Average Daily Census (Excluding Newborn):				
Adult and Pediatric	14.55	15.58	15.25	16.15
BMC	13.86	13.98	14.35	12.60
Average Length of Stay (Excluding Newborn):				
All Acute Care Patients	4.30	4.05	4.43	4.58
Medicare Patients	5.12	5.01	5.38	5.50
Medicaid Patients	5.72	5.15	5.90	5.04
Percentage of Acute-Care Patient Days:				
Medicare	55.96%	53.77%	58.81%	55.93%
Medicaid	30.50%	29.18%	24.31%	29.51%
Full-Time Equivalentents (FTE's)	437	425	397	376

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Operating and Financial Performance (continued)

Allowances increased over prior year as described in the table below:

Table 6: Allowance Summary

	Year-end December 31			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Allowances:				
Medicare Contractual Allowances	\$ 40,943,434	\$ 38,281,367	\$ 36,033,474	\$ 33,433,507
Medicaid Contractual Allowances	34,877,349	30,219,426	20,491,778	14,423,328
Blue Cross, Louisiana State Employees, and other Contractual Allowances	21,814,951	23,265,932	18,318,694	19,450,013
Provision for Bad Debt	4,139,538	5,030,318	5,846,742	6,100,762
Other Adjustments	556,040	804,685	987,456	480,856
Charity Care	<u>648,294</u>	<u>1,363,469</u>	<u>2,680,274</u>	<u>4,074,790</u>
 Total Allowances	 <u>\$ 102,979,606</u>	 <u>\$ 98,965,197</u>	 <u>\$ 84,358,418</u>	 <u>\$ 77,963,256</u>

The Hospital experienced an increase in accounts receivable collection efforts as days of revenue in accounts receivable decreased from 64 days in 2017 to 59 days in 2018. The days of revenue in accounts receivable for 2016 was 58 days. Excluded from net patient service revenue are charges forgone for patient services falling under the Hospital's charity care policy. Based on established rates, gross charges of \$648,294 were forgone during 2018, compared to \$1,363,469 in 2017, and \$2,680,274 in 2016.

Capital Asset and Debt Administration

Capital Assets

At the end of 2018, the Hospital had \$28.0 million invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2018, the Hospital purchased capital assets costing \$6,367,037. Of this, \$5,246,000 (82.4%) was the acquisition of new equipment and building repairs as can be seen in **Table 8**.

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Capital Asset and Debt Administration (continued)

Table 7: Capital Assets

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Nondepreciable Capital Assets				
Land	\$ 875,780	\$ 875,780	\$ 881,280	\$ 881,280
Construction in Progress	8,136,383	3,191,038	3,178,838	384,998
Total Nondepreciable Capital Assets	<u>\$ 9,012,163</u>	<u>\$ 4,066,818</u>	<u>\$ 4,060,118</u>	<u>\$ 1,266,278</u>
Depreciable Capital Assets				
Land Improvements	\$ 1,078,939	\$ 1,070,509	\$ 780,079	\$ 770,579
Building & Equipment	54,987,842	53,902,276	51,441,804	50,735,565
Intangibles	3,213,222	3,203,283	-0-	-0-
Subtotal	59,280,003	58,176,068	52,221,883	51,506,144
Less Accumulated Depr. & Amort.	40,251,672	37,964,982	37,093,697	35,635,857
Total Depreciable Capital Assets, net	<u>\$ 19,028,331</u>	<u>\$ 20,211,086</u>	<u>\$ 15,128,186</u>	<u>\$ 15,870,287</u>

Table 8: Major Purchases over \$100,000

<u>Capital Investment</u>	<u>2018 Cost</u>
Piping project	1,278,000
Echocardiogram unit	116,000
Networking platform	190,000
Safe room/behavioral medicine center (under construction)	3,538,000
Urgent care clinic (under construction)	124,000

Debt

At year-end, the Hospital had \$7,260,492 in short-term and long-term debt. Long-term debt decreased by \$691,000 in 2018 compared to an increase of approximately \$1,176,000 in fiscal year 2017. More detailed information about the Hospital's long-term liabilities is presented in the Note 8 to basic financial statements. Total debt outstanding represents approximately 15.2% of the Hospital's total assets at December 31, 2018 versus prior years of 16.5% and 17.3% respectfully.

Contacting the Hospital's Financial Management

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



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Independent Auditors' Report

To the Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Hospital Service District No. 2, Parish of Vermilion, State of Louisiana, Abbeville General Hospital (the Hospital), a component unit of the Vermilion Parish Police Jury, as of and for the years ended December 31, 2018, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, Louisiana
Page Two

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of December 31, 2018, 2017 and 2016, and the respective 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Vermilion Parish Hospital Service District No. 2 and do not purport to, and do not, present fairly the financial position of Vermilion Parish Police Jury as of December 31, 2018, 2017 and 2016, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "viii" be presented to supplement the 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary information 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.



Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, Louisiana
Page Three

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the 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 June 20, 2019, on our consideration of the Hospital'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 Hospital'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 Hospital's internal control over financial reporting and compliance.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

June 20, 2019



**ABBEVILLE GENERAL HOSPITAL
STATEMENTS OF NET POSITION
DECEMBER 31,**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Current Assets			
Cash and cash equivalents (Note 3)	\$ 1,798,074	\$ 2,365,185	\$ 1,049,881
Short-term investments	464,630	460,018	456,587
Limited use assets (Note 6)	8,583	16,540	2,346
Accounts receivable, net of allowances for uncollectibles (Note 4)	6,862,090	7,428,076	5,750,100
Estimated third-party payor settlements	1,007,728	337,093	1,130,735
Other receivables	5,048,314	5,384,544	3,279,075
Inventories	937,118	977,875	885,333
Prepaid expenses	329,104	479,565	414,577
Total Current Assets	<u>16,455,641</u>	<u>17,448,896</u>	<u>12,968,634</u>
Non-Current Assets			
Nondepreciable capital assets (Note 5)	9,012,163	4,066,818	4,060,118
Depreciable capital assets, net (Note 5)	19,028,331	20,211,086	15,128,186
Limited use assets (Note 6)	2,810,113	6,220,103	6,717,480
Other	327,500	251,462	180,054
Total Assets	<u>\$ 47,633,748</u>	<u>\$ 48,198,365</u>	<u>\$ 39,054,472</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 1,672,693	\$ 3,089,795	\$ 1,260,168
Accrued salary and payroll taxes	571,230	640,449	490,129
Accrued vacation payable (Note 7)	1,230,831	1,200,141	1,117,561
Estimated third-party payor settlements	610,329	576,226	193,240
Accrued retirement	877,708	791,535	726,875
Other liabilities	41,622	44,933	33,499
Current portion of long-term debt (Note 8)	713,011	690,743	523,607
Total Current Liabilities	<u>5,717,424</u>	<u>7,033,822</u>	<u>4,345,079</u>
Long-term Liabilities			
Long-term debt (Note 8)	<u>6,547,481</u>	<u>7,260,492</u>	<u>6,251,235</u>
Total Liabilities	<u>12,264,905</u>	<u>14,294,314</u>	<u>10,596,314</u>
Net Position			
Invested in capital assets, net of related debt	20,780,002	16,326,669	12,413,462
Restricted: sales tax proceeds	865,342	1,159,243	726,002
Restricted: sinking funds	345,724	325,556	242,769
Restricted: bond proceeds	722,946	3,869,343	3,716,967
Unrestricted	12,654,829	12,223,240	11,358,958
Total Net Position	<u>35,368,843</u>	<u>33,904,051</u>	<u>28,458,158</u>
Total Liabilities and Net Position	<u>\$ 47,633,748</u>	<u>\$ 48,198,365</u>	<u>\$ 39,054,472</u>

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues			
Net patient service revenues (Note 9)	\$ 42,551,877	\$ 42,325,311	\$ 36,556,740
Sales taxes	2,942,513	2,743,413	2,634,016
Grants	21,297	72,986	3,668
Intergovernmental transfer grants	5,258,043	5,263,644	5,524,981
Other operating revenues	<u>539,480</u>	<u>507,319</u>	<u>489,817</u>
 Total Revenues	 <u>51,313,210</u>	 <u>50,912,673</u>	 <u>45,209,222</u>
 Expenses			
Salaries	24,629,781	23,399,009	21,157,775
Benefits and payroll taxes	4,818,249	4,082,346	4,320,714
Supplies and drugs	6,415,644	5,596,863	4,422,285
Professional fees	3,856,869	2,931,596	3,420,229
Other expenses	8,474,260	7,875,839	7,397,336
Insurance	972,815	1,033,130	1,002,889
Depreciation and amortization	<u>2,566,437</u>	<u>1,950,116</u>	<u>1,852,127</u>
 Total Expenses	 <u>51,734,055</u>	 <u>46,868,899</u>	 <u>43,573,355</u>
 Operating Income (Loss)	 <u>(420,845)</u>	 <u>4,043,774</u>	 <u>1,635,867</u>
 Nonoperating Revenues (Expenses)			
Interest income	23,268	24,988	26,167
Interest expense	(118,923)	(114,947)	(92,807)
Gain (loss) on disposal of assets	(5,014)	-0-	-0-
Capital grants	<u>1,986,306</u>	<u>1,492,078</u>	<u>125,775</u>
 Changes in Net Position	 1,464,792	 5,445,893	 1,695,002
 Beginning Net Position	 <u>33,904,051</u>	 <u>28,458,158</u>	 <u>26,763,156</u>
 Ending Net Position	 <u>\$ 35,368,843</u>	 <u>\$ 33,904,051</u>	 <u>\$ 28,458,158</u>

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 42,481,331	\$ 41,823,963	\$ 35,732,231
Other receipts from operations	9,097,563	6,481,893	6,682,210
Cash payments to employees and for employee-related cost	(29,400,386)	(27,183,795)	(25,388,623)
Cash payments for other operating expenses	<u>(20,948,783)</u>	<u>(15,753,897)</u>	<u>(15,996,792)</u>
Net cash provided (used) by operating activities	<u>1,229,725</u>	<u>5,368,164</u>	<u>1,029,026</u>
Cash flows from investing activities:			
Cash distributions / (purchases) from investments	3,418,579	479,752	(3,017,172)
Interest income	<u>23,268</u>	<u>24,988</u>	<u>26,167</u>
Net cash provided (used) by investing activities	<u>3,441,847</u>	<u>504,740</u>	<u>(2,991,005)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(6,367,037)	(7,086,716)	(3,903,866)
Principal payments on long-term debt	(690,743)	(523,607)	(507,343)
Interest payments capitalized	(81,282)	(71,408)	(83,931)
Proceeds from disposal of assets	32,996	-0-	-0-
Proceeds from sales tax bonds	-0-	1,700,000	5,000,000
Proceeds from capital grants	1,986,306	1,492,078	125,775
Proceeds from sale of land	-0-	47,000	-0-
Interest expense	<u>(118,923)</u>	<u>(114,947)</u>	<u>(92,807)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (5,238,683)</u>	<u>\$ (4,557,600)</u>	<u>\$ 537,828</u>

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net increase (decrease) in cash and cash equivalents	\$ (567,111)	\$ 1,315,304	\$ (1,424,151)
Beginning cash and cash equivalents	<u>2,365,185</u>	<u>1,049,881</u>	<u>2,474,032</u>
Ending cash and cash equivalents	\$ <u>1,798,074</u>	\$ <u>2,365,185</u>	\$ <u>1,049,881</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>204,641</u>	\$ <u>174,921</u>	\$ <u>148,711</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (420,845)	\$ 4,043,774	\$ 1,635,867
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation and amortization	2,566,437	1,950,116	1,852,127
Changes in current assets (increase) decrease			
Accounts receivable	565,986	(1,677,976)	(181,576)
Estimated third-party payor settlements	(670,635)	793,642	(513,201)
Other receivables	336,230	(2,105,469)	(1,970,272)
Inventories	40,757	(92,542)	38,159
Prepaid expenses	150,461	(64,988)	(55,999)
Changes in current liabilities increase (decrease)			
Accounts payable	(1,417,102)	1,829,627	235,749
Accrued salary and payroll taxes	(69,219)	150,320	(102,805)
Accrued vacation payable	30,690	82,580	121,401
Estimated third-party payor settlements	34,103	382,986	(129,725)
Accrued retirement	86,173	64,660	71,274
Other liabilities	<u>(3,311)</u>	<u>11,434</u>	<u>28,027</u>
Net cash provided (used) by operating activities	\$ <u>1,229,725</u>	\$ <u>5,368,164</u>	\$ <u>1,029,026</u>

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Vermilion Parish Hospital Service District No. 2 (the Hospital or the District) was created by an ordinance of the Vermilion Parish Police Jury on February 6, 1962.

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

Nature of Business

The District provides outpatient, skilled nursing (through "swing-beds"), emergency, inpatient acute hospital services, inpatient and outpatient psychiatric services and three rural health clinics.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

Basis of Accounting

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

Cash and Cash Equivalents

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

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

The District provides medical care primarily to Vermilion Parish residents and grants credit to patients, substantially all of whom are local residents.

The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 9. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

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

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

Patient Accounts Receivable

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

Inventory

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

Income Taxes

The District's income is exempt from taxation.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Debt and Equity Securities

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

Capital Assets

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	5 to 40 years
Fixed Equipment	15 to 20 years
Major Movables	3 to 20 years
Intangibles	3 to 8 years

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

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

Net Position

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

Revenue and Expenses

The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Revenues

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

Grants and Contributions

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

Use of Estimates

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

Reclassifications

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

Risk Management

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

Charity Care

The Hospital 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 Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. As of December 31, 2018, 2017 and 2016, the balances reported by financial institutions were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name.

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

The carrying amounts of deposits and investments are included in the Hospital's balance sheet as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Carrying amount			
Deposits	\$ 4,348,084	\$ 8,336,018	\$ 7,505,959
Investments	<u>733,316</u>	<u>725,828</u>	<u>720,335</u>
	<u>\$ 5,081,400</u>	<u>\$ 9,061,846</u>	<u>\$ 8,226,294</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 1,798,074	\$ 2,365,185	\$ 1,049,881
Short-term investments	464,630	460,018	456,587
Assets whose use is limited - current	8,583	16,540	2,346
Assets whose use is limited - noncurrent	<u>2,810,113</u>	<u>6,220,103</u>	<u>6,717,480</u>
	<u>\$ 5,081,400</u>	<u>\$ 9,061,846</u>	<u>\$ 8,226,294</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Account balances according to banks' records at December 31, for the Hospital are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash in Bank	\$ <u>2,022,098</u>	\$ <u>2,957,339</u>	\$ <u>2,041,955</u>
Insured by FDIC	\$ <u>755,290</u>	\$ <u>515,005</u>	\$ <u>519,146</u>
Collateralization by fair market value	\$ <u>1,266,808</u>	\$ <u>2,442,334</u>	\$ <u>1,522,809</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Patient accounts receivable	\$ 11,048,090	\$ 12,697,076	\$ 10,358,100
Estimated allowances for uncollectibles	<u>(4,186,000)</u>	<u>(5,269,000)</u>	<u>(4,608,000)</u>
Net accounts receivable	\$ <u>6,862,090</u>	\$ <u>7,428,076</u>	\$ <u>5,750,100</u>

The following is a summary of the mix of receivables from patients and third-party payors at December 31:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare	17%	11%	7%
Medicaid and Medicaid managed care plans	15%	22%	24%
Blue Cross	8%	9%	8%
Commercial and other third-party payors	19%	13%	13%
Patients	<u>41%</u>	<u>45%</u>	<u>48%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 5 - CAPITAL ASSETS, NET

The following is a summary of capital assets and related accumulated depreciation at December 31:

	<u>2017</u>		<u>Additions</u>		<u>Disposals</u>		<u>Transfers</u>		<u>2018</u>
Nondepreciable capital assets									
Land	\$ 875,780	\$	-0-	\$	-0-	\$	-0-	\$	875,780
Construction in progress	<u>3,191,038</u>		<u>5,113,013</u>		<u>2,995</u>		<u>(164,673)</u>		<u>8,136,383</u>
Total nondepreciable capital assets	\$ <u>4,066,818</u>	\$	<u>5,113,013</u>	\$	<u>2,995</u>	\$	<u>(164,673)</u>	\$	<u>9,012,163</u>
Depreciable capital assets									
Land improvements	\$ 1,070,509	\$	8,430	\$	-0-	\$	-0-	\$	1,078,939
Buildings	28,881,710		29,021		62,294		-0-		28,848,437
Fixed equipment	6,910,780		107,971		2,782		133,673		7,149,642
Major movables	18,109,786		1,098,663		249,686		31,000		18,989,763
Intangibles	<u>3,203,283</u>		<u>9,939</u>		<u>-0-</u>		<u>-0-</u>		<u>3,213,222</u>
Total depreciable capital assets	58,176,068		1,254,024		314,762		164,673		59,280,003
Accumulated depreciation and amortization	<u>37,964,982</u>		<u>2,566,437</u>		<u>279,747</u>		<u>-0-</u>		<u>40,251,672</u>
Total depreciable capital assets, net	\$ <u>20,211,086</u>	\$	<u>(1,312,413)</u>	\$	<u>35,015</u>	\$	<u>164,673</u>	\$	<u>19,028,331</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 5 - CAPITAL ASSETS, NET (Continued)

	<u>2016</u>		<u>Additions</u>		<u>Disposals</u>		<u>Transfers</u>		<u>2017</u>
Nondepreciable capital assets									
Land	\$ 881,280	\$	41,500	\$	47,000	\$	-0-	\$	875,780
Construction in progress	<u>3,178,838</u>		<u>5,813,451</u>		<u>-0-</u>		<u>(5,801,251)</u>		<u>3,191,038</u>
Total nondepreciable capital assets	\$ <u>4,060,118</u>	\$	<u>5,854,951</u>	\$	<u>47,000</u>	\$	<u>(5,801,251)</u>	\$	<u>4,066,818</u>
Depreciable capital assets									
Land improvements	\$ 780,079	\$	27,296	\$	-0-	\$	263,134	\$	1,070,509
Buildings	27,396,819		101,847		-0-		1,383,044		28,881,710
Fixed equipment	6,719,679		52,145		764,447		903,403		6,910,780
Major movables	17,325,306		1,050,476		314,384		48,388		18,109,786
Intangibles	<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>3,203,283</u>		<u>3,203,283</u>
Total depreciable capital assets	52,221,883		1,231,764		1,078,831		5,801,252		58,176,068
Accumulated depreciation and amortization	<u>37,093,697</u>		<u>1,950,116</u>		<u>1,078,831</u>		<u>-0-</u>		<u>37,964,982</u>
Total depreciable capital assets, net	\$ <u>15,128,186</u>	\$	<u>(718,352)</u>	\$	<u>-0-</u>	\$	<u>5,801,252</u>	\$	<u>20,211,086</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 5 - CAPITAL ASSETS, NET (Continued)

	<u>2015</u>		<u>Additions</u>		<u>Disposals</u>		<u>Transfers</u>		<u>2016</u>
Nondepreciable capital assets									
Land	\$ 881,280	\$	-0-	\$	-0-	\$	-0-	\$	881,280
Construction in progress	<u>384,998</u>		<u>2,879,755</u>		<u>-0-</u>		<u>(85,915)</u>		<u>3,178,838</u>
Total nondepreciable capital assets	\$ <u>1,266,278</u>	\$	<u>2,879,755</u>	\$	<u>-0-</u>	\$	<u>(85,915)</u>	\$	<u>4,060,118</u>
Depreciable capital assets									
Land improvements	\$ 770,579	\$	9,500	\$	-0-	\$	-0-	\$	780,079
Buildings	27,269,632		41,272		-0-		85,915		27,396,819
Fixed equipment	6,623,421		100,998		4,740		-0-		6,719,679
Major movables	16,842,512		872,341		389,547		-0-		17,325,306
Intangibles	<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>
Total depreciable capital assets	51,506,144		1,024,111		394,287		85,915		52,221,883
Accumulated depreciation and amortization	<u>35,635,857</u>		<u>1,852,127</u>		<u>394,287</u>		<u>-0-</u>		<u>37,093,697</u>
Total depreciable capital assets, net	\$ <u>15,870,287</u>	\$	<u>(828,016)</u>	\$	<u>-0-</u>	\$	<u>85,915</u>	\$	<u>15,128,186</u>

In the previously issued financial statements, intangibles were classified under other assets on the statement of net position. Additionally, construction in progress was classified under capital assets. In these financial statements, intangibles are classified as depreciable capital assets and construction in progress is classified as nondepreciable capital assets. The reclassifications impacted the amount considered as invested in capital assets, net of related debt.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 6 - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include certificates of deposit set aside by the Board of Commissioners for the following purposes:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>By Third Parties</u>			
Held by ordinance for use of sales tax	\$ 865,342	\$ 1,159,243	\$ 726,002
Sales tax bond proceeds	722,946	3,869,343	3,716,967
Sinking fund requirements	345,724	325,556	242,769
Employee benefit trust fund	8,583	16,540	2,346
 <u>By Board</u>			
Capital projects	272,914	271,256	1,519,866
Retirement funding	603,187	594,705	511,876
Less limited use assets required for current liabilities	<u>(8,583)</u>	<u>(16,540)</u>	<u>(2,346)</u>
Non-current limited use assets	<u>\$ 2,810,113</u>	<u>\$ 6,220,103</u>	<u>\$ 6,717,480</u>

NOTE 7 - COMPENSATED ABSENCES

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$1,230,831, \$1,200,141, and \$1,117,561, of vacation pay at December 31, 2018, 2017 and 2016. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 8 - LONG-TERM DEBT

A summary of long-term debt, including capital leases, at December 31, follows:

	<u>2017</u>	<u>Additions</u>	<u>Payments</u>	<u>2018</u>	<u>Due Within One Year</u>
Revenue Bond, Series 2009	\$ 2,136,235	\$ -0-	\$ 77,743	\$ 2,058,492	\$ 81,011
Sales Tax Bond, Series 2015	4,115,000	-0-	463,000	3,652,000	477,000
Sales Tax Bond, Series 2017	<u>1,700,000</u>	<u>-0-</u>	<u>150,000</u>	<u>1,550,000</u>	<u>155,000</u>
Total	<u>\$ 7,951,235</u>	<u>\$ -0-</u>	<u>\$ 690,743</u>	<u>\$ 7,260,492</u>	<u>\$ 713,011</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 8 - LONG-TERM DEBT (Continued)

	<u>2016</u>	<u>Additions</u>	<u>Payments</u>	<u>2017</u>	<u>Due Within One Year</u>
Revenue Bond, Series 2009	\$ 2,210,842	\$ -0-	\$ 74,607	\$ 2,136,235	\$ 77,743
Sales Tax Bond, Series 2015	4,564,000	-0-	449,000	4,115,000	463,000
Sales Tax Bond, Series 2017	<u>-0-</u>	<u>1,700,000</u>	<u>-0-</u>	<u>1,700,000</u>	<u>150,000</u>
Total	\$ <u>6,774,842</u>	\$ <u>1,700,000</u>	\$ <u>523,607</u>	\$ <u>7,951,235</u>	\$ <u>690,743</u>

	<u>2015</u>	<u>Additions</u>	<u>Payments</u>	<u>2016</u>	<u>Due Within One Year</u>
Revenue Bond, Series 2009	\$ 2,282,185	\$ -0-	\$ 71,343	\$ 2,210,842	\$ 74,607
2014 Revenue Anticipation Note	<u>-0-</u>	<u>5,000,000</u>	<u>436,000</u>	<u>4,564,000</u>	<u>449,000</u>
Total	\$ <u>2,282,185</u>	\$ <u>5,000,000</u>	\$ <u>507,343</u>	\$ <u>6,774,842</u>	\$ <u>523,607</u>

The following are the terms and due dates of the Hospital's long-term debt at December 31:

- Revenue Bond, Series 2009 at 4.125% collateralized by pledge and dedication of hospital revenue, with principal and interest payable in monthly installments of \$13,700, starting September 9, 2012, through August 9, 2036.
- Sales Tax Bond, Series 2015 at 2.00% collateralized by the proceeds of sales taxes, with principal payable annually and interest semi-annually, starting March 1, 2016 through September 1, 2025.
- Sales Tax Bond, Series 2017 at 2.24% collateralized by the proceeds of sales taxes, with principal payable annually and interest semi-annually, starting March 1, 2018 through September 1, 2027.

The Hospital has covenanted to establish a Reserve Fund and Contingency Fund with required monthly deposits for its Revenue Bond, Series 2009. The required monthly deposits are \$685 to each the Reserve Fund and Contingency Fund. Once the Reserve Fund reaches a balance of \$164,400 the monthly deposits cease and the required monthly deposits for the Contingency Fund will increase to \$1,370.

The Hospital has covenanted to establish a Sinking Fund with required monthly deposits for its Sales Tax Bonds, Series 2015 and 2017. The required monthly deposits are equal to the annual debt service divided by twelve. The debt service is paid through the sinking fund.

ABBEVILLE GENERAL HOSPITAL
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 8 - LONG-TERM DEBT (Continued)

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 713,011	\$ 192,320	\$ 905,331
2020	735,188	178,134	913,322
2021	758,957	162,189	921,146
2022	782,653	145,183	927,836
2023	801,507	126,580	928,087
2024 to 2028	2,391,886	361,603	2,753,489
2029 to 2033	664,821	157,179	822,000
2034 to 2036	412,469	80,731	493,200
Totals	\$ 7,260,492	\$ 1,403,919	\$ 8,664,411

NOTE 9 - NET PATIENT SERVICE REVENUES

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2022, if not extended by Congress. The additional payment received under the Medicare low volume add-on was \$897,304, \$992,061 and \$951,167 for the years ended December 31, 2018, 2017 and 2016. Because the Hospital qualifies as a Medicare Dependent Hospital (MDH), it receives additional reimbursement. The additional payments received under MDH status were \$109,124, \$403,527 and \$303,080 for the years ended December 31, 2018, 2017 and 2016. The benefits related to MDH designation are set to expire on September 30, 2022, if not extended by Congress. Additionally, in order to maintain MDH status the District's inpatient Medicare volume must be 60% or greater based on the last two out of three finalized cost report years. Outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis. Swing bed services are reimbursed based on a prospectively determined rate per patient day. Geriatric psychiatry services are reimbursed based on a prospective method based on length of stay, diagnosis, and other factors.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. Geriatric psychiatry services are reimbursed on a prospectively determined per diem rate.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 9 - NET PATIENT SERVICE REVENUES (Continued)

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates. Blue Cross Blue Shield "BCBS" is the largest commercial provider. BCBS charges were 11%, 11% and 11% of the total gross charges for the years ended December 31, 2018, 2017 and 2016, respectively.

The following is a summary of the Hospital's net patient revenues for the years ended December 31:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Gross charges	\$ 143,007,661	\$ 139,395,351	\$ 118,789,970
Less charges associated with charity patients	<u>648,294</u>	<u>1,363,469</u>	<u>2,680,274</u>
Gross patient service revenue	142,359,367	138,031,882	116,109,696
Less deductions from revenue:			
Contractual adjustments	97,635,734	91,766,725	74,843,946
Policy discounts	556,040	804,685	987,456
Physician supplement revenue	<u>(2,523,822)</u>	<u>(1,895,157)</u>	<u>(2,125,188)</u>
Patient service revenue (net of contractual adjustments)	46,691,415	47,355,629	42,403,482
Less provision for bad debts	<u>4,139,538</u>	<u>5,030,318</u>	<u>5,846,742</u>
Net patient service revenue less provision for bad debts	<u>\$ 42,551,877</u>	<u>\$ 42,325,311</u>	<u>\$ 36,556,740</u>

The Hospital receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended December 31:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare and Medicaid patient charges	\$ 105,067,809	\$ 104,974,501	\$ 79,904,734
Contractual adjustments	<u>(76,058,575)</u>	<u>(70,209,014)</u>	<u>(58,125,445)</u>
Program patient service revenue	<u>\$ 29,009,234</u>	<u>\$ 34,765,487</u>	<u>\$ 21,779,289</u>
Percent of total gross patient charges	<u>73%</u>	<u>75%</u>	<u>67%</u>
Percent of total net patient revenues	<u>68%</u>	<u>82%</u>	<u>60%</u>

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. These adjustments resulted in a decrease in net patient service revenue of \$843,110 in 2018 and \$123,840 in 2016.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 10 - PROFESSIONAL LIABILITY RISK

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

NOTE 11 - CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 9) - The Hospital 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.

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

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 10) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust.

ABBEVILLE GENERAL HOSPITAL
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 12 - PENSION PLAN

The District has a defined contribution pension plan. The Abbeville General Hospital retirement and 403(b) plans are administered by The Standard Insurance Company who holds all plan assets. Any eligible employee who is credited with at least one year of preliminary service, in which the employee has 1,000 hours of service during that time period, will qualify to participate in the plan. The District contributions are five percent of the covered payroll. The District holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in their contributions. The District has a five-year vesting schedule that applies to the employer contributions. Actual contributions made by the District for the years ended December 31, 2018, 2017 and 2016 were \$860,439, \$778,194, and \$718,594. The employees of the District contributed \$622,561, \$728,888 and \$631,111 for the years ended December 31, 2018, 2017 and 2016, respectively.

NOTE 13 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2018, that have initial or remaining lease terms in excess of one year.

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 268,923
2020	113,526
2021	24,424
2022	-0-
2023	-0-
Total minimum lease payments	\$ <u>406,873</u>

NOTE 14 - PURCHASE AGREEMENTS

The Hospital is committed to purchases of laboratory supplies for the next year at the then prevailing market prices. At December 31, 2018, 2017, and 2016, these committed purchases amounted to \$315,673, \$346,935 and \$310,285.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 15 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical coverage for its employees. A third-party administers the group medical coverage for the Hospital. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$75,000 or aggregate claims exceeding \$3,266,576 per year. There were no significant changes in insurance coverage from the prior year. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term. The following is a summary of the changes in the Hospital's claims liability for the years ended December 31:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Beginning of the year	\$ 270,656	\$ 174,686	\$ 174,686
Plus: Claims incurred and changes in estimate	2,139,075	1,598,087	2,055,571
Less: Claims paid	<u>2,294,906</u>	<u>1,502,117</u>	<u>2,055,571</u>
End of the year	\$ <u>114,825</u>	\$ <u>270,656</u>	\$ <u>174,686</u>

NOTE 16 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 200% scale. Accordingly, the Hospital does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The costs of caring for charity care patients were approximately \$228,000, \$444,000 and \$965,000 for the years ended December 31, 2018, 2017 and 2016, respectively. Funds received through grants, which pay part of the cost of charity and uninsured care, were approximately \$451,000, \$938,000 and \$1,394,000 for the years ended December 31, 2018, 2017 and 2016, respectively.

NOTE 17 - SALES TAX REVENUE

On July 19, 2008, the voters of the District passed a half cent sales tax in perpetuity. The terms of the vote stipulated that the sales tax was in lieu of ad valorem taxes; therefore no further ad valorem taxes would be collected by the District. The sales tax collections are restricted to paying the cost of emergency room operations and acquiring, maintaining and improving hospital buildings, equipment and other capital facilities within the Hospital Service District No. 2. Sales tax revenue is approximately 6%, 5% and 6% of the total revenues in 2018, 2017, and 2016, respectively.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

NOTE 18 - GRANT REVENUE

The District recognized capital grant income of approximately \$1,986,000 and \$1,492,000 from the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) for the construction of a dual purpose safe room for the years ended December 31, 2018 and 2017, respectively.

Various other grants were received during the year for other uses.

NOTE 19 - INTERGOVERNMENTAL TRANSFER GRANTS

The Hospital entered into a cooperative endeavor agreement with a regional public hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The IGT grant income is \$5,258,043, \$5,263,644 and \$5,524,981 for the years ended December 31, 2018, 2017 and 2016, respectively.

NOTE 20 - COMMITMENTS

The Hospital entered into various construction contracts, which totaled \$7,252,225, including change orders as of December 31, 2018. The Hospital paid \$6,537,973 towards these commitments as of December 31, 2018. One of the construction contracts is partially funded through a federal grant award. The federal share is \$3,889,457.

The Hospital has also entered into software contracts, which totaled \$7,546,744 as of December 31, 2018. The Hospital paid \$3,005,554 towards these commitments as of December 31, 2018.

NOTE 21 - SUBSEQUENT EVENTS

Events have been evaluated through June 20, 2019 for subsequent event disclosure. This date is the date the financial statements were available to be issued.

Effective May 12, 2019, the Hospital no longer qualifies as a Medicare Dependent Hospital (Note 9).

SUPPLEMENTARY INFORMATION

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF NET PATIENT SERVICE REVENUES
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Routine Services:			
Adults and pediatric	\$ 5,702,620	\$ 5,496,189	\$ 5,078,878
Intensive care unit	2,525,371	3,147,027	2,461,527
Swing bed	-0-	16,347	7,784
Psychiatric	7,072,738	7,019,509	6,936,619
Nursery	<u>333,442</u>	<u>421,966</u>	<u>382,345</u>
 Total	 <u>15,634,171</u>	 <u>16,101,038</u>	 <u>14,867,153</u>
Other Professional Services:			
Operating room			
Inpatient	2,290,817	3,189,853	2,834,861
Outpatient	<u>5,933,323</u>	<u>5,487,224</u>	<u>4,896,890</u>
 Total	 <u>8,224,140</u>	 <u>8,677,077</u>	 <u>7,731,751</u>
Recovery room			
Inpatient	142,276	165,312	124,829
Outpatient	<u>503,877</u>	<u>473,180</u>	<u>413,378</u>
 Total	 <u>646,153</u>	 <u>638,492</u>	 <u>538,207</u>
Anesthesia			
Inpatient	715,281	939,110	818,402
Outpatient	<u>1,453,804</u>	<u>1,949,819</u>	<u>1,842,586</u>
 Total	 <u>2,169,085</u>	 <u>2,888,929</u>	 <u>2,660,988</u>
Diagnostic imaging			
Inpatient	3,589,192	3,348,166	2,565,658
Outpatient	<u>22,032,047</u>	<u>23,703,319</u>	<u>19,794,070</u>
 Total	 <u>25,621,239</u>	 <u>27,051,485</u>	 <u>22,359,728</u>
Laboratory			
Inpatient	5,617,512	5,013,802	4,230,794
Outpatient	<u>24,147,888</u>	<u>25,275,904</u>	<u>22,318,572</u>
 Total	 <u>\$ 29,765,400</u>	 <u>\$ 30,289,706</u>	 <u>\$ 26,549,366</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Blood			
Inpatient	\$ 238,610	\$ 268,762	\$ 228,930
Outpatient	<u>224,629</u>	<u>191,349</u>	<u>183,102</u>
Total	<u>463,239</u>	<u>460,111</u>	<u>412,032</u>
Cardiopulmonary			
Inpatient	3,132,747	3,045,492	2,661,467
Outpatient	<u>1,348,003</u>	<u>984,544</u>	<u>986,605</u>
Total	<u>4,480,750</u>	<u>4,030,036</u>	<u>3,648,072</u>
Physical therapy			
Inpatient	306,210	279,256	309,333
Outpatient	<u>28,763</u>	<u>40,054</u>	<u>36,268</u>
Total	<u>334,973</u>	<u>319,310</u>	<u>345,601</u>
EKG			
Inpatient	604,037	837,950	637,619
Outpatient	<u>1,765,719</u>	<u>2,034,760</u>	<u>1,775,803</u>
Total	<u>2,369,756</u>	<u>2,872,710</u>	<u>2,413,422</u>
Central supply			
Inpatient	648,007	1,186,733	1,006,333
Outpatient	<u>916,426</u>	<u>1,050,063</u>	<u>1,026,933</u>
Total	<u>1,564,433</u>	<u>2,236,796</u>	<u>2,033,266</u>
Pharmacy			
Inpatient	5,209,096	6,071,700	5,507,247
Outpatient	<u>17,674,036</u>	<u>15,051,931</u>	<u>10,557,547</u>
Total	<u>22,883,132</u>	<u>21,123,631</u>	<u>16,064,794</u>
Dialysis			
Inpatient	265,582	233,014	180,568
Outpatient	<u>49,205</u>	<u>72,725</u>	<u>59,040</u>
Total	\$ <u>314,787</u>	\$ <u>305,739</u>	\$ <u>239,608</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Sleep center	\$ <u>1,238,688</u>	\$ <u>1,120,778</u>	\$ <u>1,018,158</u>
Outpatient psychiatric program	<u>1,489,980</u>	<u>1,070,581</u>	<u>1,233,105</u>
Infusion/oncology services			
Inpatient	2,619	7,522	2,842
Outpatient	<u>1,330,539</u>	<u>1,094,570</u>	<u>896,051</u>
Total	<u>1,333,158</u>	<u>1,102,092</u>	<u>898,893</u>
Emergency department			
Inpatient	2,160,617	1,583,148	1,004,448
Outpatient	<u>13,996,064</u>	<u>9,221,304</u>	<u>7,453,870</u>
Total	<u>16,156,681</u>	<u>10,804,452</u>	<u>8,458,318</u>
Observation room			
Inpatient	15,197	539,410	706,056
Outpatient	<u>1,488,178</u>	<u>1,585,818</u>	<u>1,410,548</u>
Total	<u>1,503,375</u>	<u>2,125,228</u>	<u>2,116,604</u>
Rural health clinics	<u>6,814,521</u>	<u>6,177,160</u>	<u>5,200,904</u>
 Total Other Professional Services	 <u>127,373,490</u>	 <u>123,294,313</u>	 <u>103,922,817</u>
Gross Charges	143,007,661	139,395,351	118,789,970
Less charges associated with charity patients	<u>(648,294)</u>	<u>(1,363,469)</u>	<u>(2,680,274)</u>
Gross patient service revenue	\$ <u>142,359,367</u>	\$ <u>138,031,882</u>	\$ <u>116,109,696</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Less deductions from revenue:			
Contractual adjustments	\$ (97,635,734)	\$ (91,766,725)	\$ (74,843,946)
Policy discounts	(556,040)	(804,685)	(987,456)
Physician supplemental revenue	<u>2,523,822</u>	<u>1,895,157</u>	<u>2,125,188</u>
 Patient service revenue	 46,691,415	 47,355,629	 42,403,482
 Less provision for bad debts	 <u>(4,139,538)</u>	 <u>(5,030,318)</u>	 <u>(5,846,742)</u>
 Net Patient Service Revenue	 \$ <u><u>42,551,877</u></u>	 \$ <u><u>42,325,311</u></u>	 \$ <u><u>36,556,740</u></u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF OTHER OPERATING REVENUES
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cafeteria sales	\$ 304,308	\$ 300,233	\$ 280,581
Joint venture revenue	(4,911)	-0-	586
Vending machine commission	12,677	12,242	12,774
Physician office rentals	112,275	85,820	85,501
Medical records abstract fees	10,167	9,824	11,387
340B revenue	52,312	14,363	-0-
Miscellaneous revenue	<u>52,652</u>	<u>84,837</u>	<u>98,988</u>
Total other operating revenue	\$ <u>539,480</u>	\$ <u>507,319</u>	\$ <u>489,817</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Human resources	\$ 123,359	\$ 98,950	\$ 78,909
Administration	3,014,041	2,705,061	2,500,885
Facility maintenance	625,058	522,497	482,690
Laundry and linen	28,728	28,112	29,731
Housekeeping	569,419	556,309	512,276
Food and nutrition	640,888	642,203	616,128
Nursing administration	708,849	627,167	633,072
Materials management	241,787	238,219	167,769
Pharmacy	780,264	711,832	656,265
Health information management	1,609,880	1,529,378	977,889
Social service	-0-	(3,124)	304,278
Nursing services, acute care	1,932,456	1,887,737	1,765,518
Nursing services, intensive care unit	829,174	844,598	753,415
Nursing services, psychiatric unit	1,152,273	1,176,470	1,026,390
Nursing services, nursery	164,674	178,249	162,691
Operating room	1,168,820	1,097,199	1,078,713
Recovery room	393,590	463,668	398,498
Anesthesiology	1,410,797	1,399,247	1,365,711
Diagnostic imaging	1,189,840	1,116,412	1,024,233
Laboratory	1,003,939	1,007,289	894,786
Cardiopulmonary	570,006	569,976	554,152
Dialysis	129,002	130,608	118,861
Outpatient psychiatric program	181,573	155,890	177,814
Infusion/oncology services	335,397	269,107	199,308
Emergency department	1,666,626	1,675,907	1,548,571
Rural health clinics	4,135,653	3,746,124	3,113,682
Specialty clinic	23,688	23,924	15,540
	<u>24,629,781</u>	<u>23,399,009</u>	<u>21,157,775</u>
Total salaries			
Payroll taxes	1,692,994	1,611,000	1,462,194
Health insurance	2,139,075	1,598,087	2,055,571
Pension plan	860,439	778,194	718,594
Other	125,741	95,065	84,355
	<u>4,818,249</u>	<u>4,082,346</u>	<u>4,320,714</u>
Total benefits			
Total salaries and benefits	<u>\$ 29,448,030</u>	<u>\$ 27,481,355</u>	<u>\$ 25,478,489</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Nursing service	\$ 388,413	\$ 231,795	\$ 320,788
Intensive care unit	111,674	101,190	114,134
Psychiatric unit	462,236	155,060	427,403
Nursery	137,557	13,419	41,690
Operating room	262,444	238,921	233,757
Anesthesiology	34,406	39,088	37,885
Diagnostic imaging	185,405	203,693	138,523
Laboratory	379,781	421,479	402,092
Cardiopulmonary	3,091	3,297	68,451
Physical therapy	92,420	76,915	62,493
EKG	131,126	151,821	145,230
Sleep center	240,853	229,113	200,097
Outpatient psychiatric program	40,171	23,680	50,540
Infusion/oncology services	247,627	236,506	171,334
Emergency department	530,615	203,752	358,305
Rural health clinics	609,050	601,867	647,507
	<u> </u>	<u> </u>	<u> </u>
Total professional fees	\$ <u>3,856,869</u>	\$ <u>2,931,596</u>	\$ <u>3,420,229</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Management fees	\$ 115,037	\$ 104,667	\$ 88,148
Miscellaneous service fees	968,826	812,864	887,297
Legal and accounting	143,346	148,691	181,455
Supplies	1,366,710	1,479,530	1,460,796
Repairs and maintenance	2,123,310	1,524,372	1,031,720
Utilities	812,777	743,168	744,472
Telephone	81,750	99,736	102,723
Travel and education	60,848	59,546	86,491
Rentals	531,329	583,223	1,127,035
Dues and subscriptions	-0-	-0-	51,614
Recruitment and advertising	92,871	133,197	174,121
Intergovernmental transfer	1,620,000	1,600,000	973,080
Miscellaneous	<u>557,456</u>	<u>586,845</u>	<u>488,384</u>
 Total other expenses	 \$ <u>8,474,260</u>	 \$ <u>7,875,839</u>	 \$ <u>7,397,336</u>

ABBEVILLE GENERAL HOSPITAL
 SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
 YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Robert Leblanc	\$ 1,900	\$ 950	\$ 1,000
John Boudreaux	2,000	1,100	1,000
Corbett Lebouef, MD	450	1,100	850
Jody Landry	1,900	1,250	900
Oswald Broussard	1,700	1,050	850
John Budden	1,125	-0-	-0-
Anita Levy	2,000	1,100	1,000
Daleon Primeaux	<u>1,575</u>	<u>900</u>	<u>750</u>
 Totals	 \$ <u>12,650</u>	 \$ <u>7,450</u>	 \$ <u>6,350</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2018

Agency Head Name:
Position:

Ray Landry
CEO

<u>Purpose</u>	<u>Amount</u>
Salary	308,021
Health insurance	9,825
Retirement	11,667
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	905
Conference travel	1,333
Continuing professional education fees	716
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	545
Cell phone	766

ABBEVILLE GENERAL HOSPITAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grant Number</u>	<u>Federal Expenditures</u>
United States Department of Homeland Security			
Passed-through the Governor's Office of Homeland Security and Emergency Preparedness		Grant 1786-	
Hazard Mitigation Grant	97.039	113-0006	\$ <u>1,986,306</u>
Total Expenditures of Federal Awards			\$ <u><u>1,986,306</u></u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Abbeville General Hospital under programs of the federal government for the year ended December 31, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Abbeville General Hospital, it is not intended to and does not present the financial position, changes in net position, or cash flows of Abbeville General Hospital.

NOTE B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – Indirect Cost Rate

Abbeville General Hospital has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – Subrecipients

Abbeville General Hospital had no subrecipients in 2018.

ABBEVILLE GENERAL HOSPITAL
SCHEDULE OF INSURANCE POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Risk Covered	Coverage Limits		Beginning	Ending
	Per Occurrence	In Aggregate		
General Liability	\$ 500,000	\$ 2,000,000	11/1/2017	11/1/2018
General Liability	\$ 500,000	\$ 2,000,000	11/1/2018	11/1/2019
Directors and Officers	\$ 250,000	\$ 2,000,000	2/27/2017	2/27/2017
Directors and Officers	\$ 250,000	\$ 2,000,000	2/27/2018	5/30/2020
Professional Liability	\$ 100,000	\$ 2,000,000	11/1/2017	11/1/2018
Professional Liability	\$ 100,000	\$ 2,000,000	11/1/2018	11/1/2019
Patient Compensation Fund	\$ 400,000		8/1/2017	8/1/2018
Patient Compensation Fund	\$ 400,000		8/1/2018	8/1/2019
Cyber Liability	\$ 1,000,000	\$ 1,000,000	11/1/2017	11/1/2018
Cyber Liability	\$ 1,000,000	\$ 1,000,000	11/1/2018	11/1/2019
Property Insurance		\$ 78,842,183	5/30/2017	5/30/2018
Property Insurance		\$ 80,462,669	5/30/2018	5/30/2019
Flood Insurance		\$ 500,000	7/29/2017	7/29/2018
Flood Insurance		\$ 500,000	7/29/2018	7/29/2019
Prof. Liab./PCF Coverage	\$ 100,000	\$ 300,000	8/1/2017	8/1/2018
Prof. Liab./PCF Coverage	\$ 100,000	\$ 300,000	8/1/2018	8/1/2019
Worker's Compensation		\$ 1,000,000	1/1/2018	1/1/2019



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Karlie P. Brister, CPA

Retired 2015
Bobby G. Lester, CPA

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

To the Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, Louisiana

We have audited, 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, the financial statements of Hospital Service District No. 2, Parish of Vermilion ("the District"), a component unit of the Vermilion Parish Police Jury, as of and for the years ended December 31, 2018, 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, and have issued our report thereon dated June 20, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-1 that we consider to be material weaknesses.

Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, Louisiana
Page Two

Compliance and Other Matters

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

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

June 20, 2019





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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Hospital Service District No. 2, Parish of Vermilion's ("the District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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



Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, Louisiana
Page Three

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

June 20, 2019



ABBEVILLE GENERAL HOSPITAL
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – None

Management letter issued – No

Federal Awards

- Material weaknesses identified – No
- Significant deficiencies identified – No
- Type of auditor's report issued on compliance for major program: unmodified
- Any audit findings which are required to be reported under Uniform Guidance – No
- Any instances of material noncompliance in major programs disclosed during the audit – No
- Identification of Major Program:
CFDA# 97.039 United States Department of Homeland Security
- Dollar threshold to distinguish between Type A and Type B Programs - \$750,000
- Auditee qualified as a low-risk auditee - Yes

Section II. Financial Statement Findings

Finding 2018-1 – Medicare and Medicaid Cost Settlements

Finding: An estimate for Medicare and Medicaid cost report settlements did not include all areas of reimbursement. Therefore, patient service revenue was understated by approximately \$1,500,000 and assets were understated by the same amount.

Recommendation: Management should prepare an interim estimate of the Medicare and Medicaid cost report settlements and record periodically.

Response: The District created a new position, Assistant Accounting Director, whereby this additional resource will allow for implementing a cost report estimation process that should allow for more accurate year end cost report settlement values. Implementation date is set for September 30, 2019.

Section III. Federal Awards Findings and Questioned Costs

None Reported

Section IV. Management Letter

Not Applicable



ABBEVILLE GENERAL HOSPITAL
AUDITORS' SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

Section I. Financial Statement Findings

Finding 2017-1 – Medicare and Medicaid Cost Settlements

Fiscal Year Initially Reported: December 31, 2017

Finding: An estimate for Medicare and Medicaid cost report settlements did not include all areas of reimbursement. Therefore, patient service revenue was overstated by approximately \$394,000 and liabilities were understated by the same amount.

Recommendation: Management should prepare an interim estimate of the Medicare and Medicaid cost report settlements and record periodically.

Resolution: Unresolved

Section II. Federal Awards Findings and Questioned Costs

Not Applicable

Section III. Management Letter

Not Applicable





118 North Hospital Drive
P.O. Box 580
Abbeville, Louisiana 70511-0580
Voice: (337) 893-5466
Fax: (337) 893-2801

June 20, 2019

Legislative Audit Advisory Council
PO Box 94397
Baton Rouge, LA 70804-9397

Re: Abbeville General Hospital
FYE 12/31/18 Financial Audit
Management Corrective Action Plan

Dear Council Members,

The hospital has taken the following action in response to the finding of our auditors, Lester, Miller and Wells, CPAs for the fiscal year ending 12/31/18.

Finding 2018-1 – Medicare and Medicaid Cost Settlements: An estimate for Medicare and Medicaid cost report settlements did not include all areas of reimbursement. Therefore, patient service revenue was understated by approximately \$1,500,000 and assets were understated by the same amount.

Position(s) of Agency Personnel taking corrective action:

Chief Financial Officer
Accounting Director
Assistant Accounting Director

Corrective Action:

The Hospital created a new position, an Assistant Accounting Director, whereby this additional Accounting resource will allow for implementing a cost report estimation process that should allow for more accurate year end cost report settlement values.

Date Corrective Action Complete:

9/30/19 GL close

Hopefully, the above provides adequate explanation of the remedial actions taken as a result of the auditor's comments. However, should you require additional information or need further clarification, please do not hesitate to contact me at (337) 898-6377.

Sincerely,

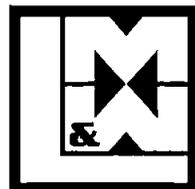
W. Troy Hair
Chief Financial Officer

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ABBEVILLE GENERAL HOSPITAL
INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED UPON
PROCEDURES

FOR THE YEAR ENDED
DECEMBER 31, 2018



LESTER, MILLER & WELLS
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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
of Vermilion Parish Hospital Service District Number Two
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Vermilion Parish Hospital Service District Number Two 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 January 1, 2018 through December 31, 2018. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

To the Board of Commissioners
of Vermilion Parish Hospital Service District Number Two
and the Louisiana Legislative Auditor

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

Exceptions: No exceptions noted in applying the above procedures.

Board or Finance Committee

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

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2018, since fiscal year 2017 did not contain any exceptions.

Bank Reconciliations

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



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- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exceptions: No exceptions noted in applying the above procedures.

Collections

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

Exceptions: No exceptions noted in applying the above procedures.



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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2018, since fiscal year 2017 did not contain any exceptions.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.



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13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Exceptions: No exceptions noted in applying the above procedures.

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

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

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2018, since fiscal year 2017 did not contain any exceptions.

Contracts

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



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Exception: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2018, since fiscal year 2017 did not contain any exceptions.

Payroll and Personnel

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

Exceptions: No exceptions noted in applying the above procedures.

Ethics

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

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2018, since fiscal year 2017 did not contain any exceptions.



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Debt Service

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

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2018, since fiscal year 2017 did not contain any exceptions.

Other

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

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2018, since fiscal year 2017 did not contain any exceptions.

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

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

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

June 3, 2019

