

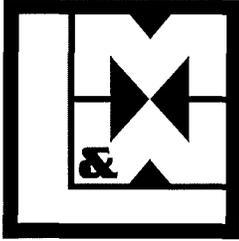
**HOSPITAL SERVICE DISTRICT NO. 3  
PARISH OF VERMILION, STATE OF LOUISIANA  
D/B/A GUEYDAN MEMORIAL GUEST HOME**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED  
MARCH 31, 2019 AND 2018**

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## **LESTER, MILLER & WELLS**

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### INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Hospital Service District No. 3  
Parish of Vermilion, State of Louisiana  
d/b/a Gueydan Memorial Guest Home  
Gueydan, Louisiana

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

We have audited the accompanying statements of net position of Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home, a component unit of the Vermilion Parish Police Jury, as of March 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Commissioners  
Hospital Service District No. 3  
Parish of Vermilion, State of Louisiana  
d/b/a Gueydan Memorial Guest Home  
Gueydan, 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 Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home as of March 31, 2019 and 2018 and the respective changes in financial position and cash flows thereof for the year 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 Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home and do not purport to, and do not, present fairly the financial position of the Vermilion Parish Police Jury as of March 31, 2019 and 2018, 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*

The Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home's basic financial statements. The accompanying schedules of net patient service revenues, schedules of operating expenses and schedule of compensation, benefits, and other payments to agency head or chief executive officer are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of net patient service revenues, schedules of operating expenses, and schedule of compensation, benefits, and other payments to agency head or chief executive officer 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of net patient service revenues, schedules of operating expenses, and schedule of compensation, benefits, and other payments to agency head or chief executive officer 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 September 27, 2019, on our consideration of the Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home's internal control over financial reporting and compliance.



Certified Public Accountants  
Lafayette, Louisiana

September 27, 2019

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 STATEMENTS OF NET POSITION  
 MARCH 31,

ASSETS	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 724,929	\$ 660,521
Certificate of deposits	1,005,930	451,469
Patient accounts receivable, net of allowance for doubtful accounts of \$141,756 in 2019 and \$111,820 in 2018 (Note 4)	439,946	756,356
Estimated third-party payor settlements	-0-	23,019
Accrued interest receivable	1,325	708
Other receivables	2,500	103,469
Inventory	28,173	33,926
Prepaid expenses	48,730	12,736
Total current assets	<u>2,251,533</u>	<u>2,042,204</u>
<b>RESTRICTED ASSETS (Note 1)</b>		
Cash and cash equivalents	3,426	246,324
Certificate of deposits	332,800	330,904
Ad valorem tax receivable	8,299	9,259
Total restricted assets	<u>344,525</u>	<u>586,487</u>
<b>CAPITAL ASSETS</b>		
Nondepreciable assets (Note 9)	320,475	35,000
Depreciable assets, at cost, less accumulated depreciation of \$3,935,855 in 2019 and \$3,710,034 in 2018 (Note 9)	<u>1,028,388</u>	<u>1,165,682</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,944,921</u>	<u>\$ 3,829,373</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 STATEMENTS OF NET POSITION (CONTINUED)  
 MARCH 31,

	<u>2019</u>	<u>2018</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 161,797	\$ 178,933
Estimated third-party payor settlements	532,595	-0-
Accrued salaries and wages	110,930	106,526
Other payable	<u>44,526</u>	<u>28,857</u>
Total current liabilities	<u>849,848</u>	<u>314,316</u>
<b>NET POSITION</b>		
Net investment in capital assets, net of related debt	1,028,388	1,165,682
Restricted for debt services and capital facilities	344,525	586,487
Unrestricted	<u>1,722,160</u>	<u>1,762,888</u>
Total net position	<u>3,095,073</u>	<u>3,515,057</u>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	 <b>\$ <u>3,944,921</u></b>	 <b>\$ <u>3,829,373</u></b>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Net patient service revenues (net of provision for bad debts of \$40,639 and \$18,414 for 2019 and 2018, respectively)	\$ 4,240,438	\$ 4,905,159
UPL supplemental payments	<u>468,448</u>	<u>489,375</u>
Total operating revenues	<u>4,708,886</u>	<u>5,394,534</u>
Operating expenses:		
General and administrative	1,373,506	1,334,352
Nursing services	1,597,626	1,407,320
Housekeeping	213,610	212,517
Dietary	440,994	443,309
Plant operations	250,795	258,828
Laundry	102,055	99,728
Patient activity	39,862	38,270
Consultants	48,235	47,860
Clinic	276,103	263,388
Medicare SNF and outpatient	579,831	814,521
Intergovernmental transfer - public nursing home UPL	204,433	222,639
Depreciation	<u>225,821</u>	<u>222,840</u>
Total operating expenses	<u>5,352,871</u>	<u>5,365,572</u>
Operating income (loss)	<u>(643,985)</u>	<u>28,962</u>
Non-operating revenues (expenses):		
Ad valorem tax	196,196	210,803
Interest revenue	7,787	4,905
Miscellaneous income	<u>20,018</u>	<u>19,593</u>
Total non-operating revenues, net	<u>224,001</u>	<u>235,301</u>
Changes in net position	(419,984)	264,263
Net position, beginning of year	<u>3,515,057</u>	<u>3,250,794</u>
Net position, end of year	\$ <u>3,095,073</u>	\$ <u>3,515,057</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 STATEMENTS OF CASH FLOWS  
 YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from and on behalf of patients	\$ 5,112,462	\$ 4,700,437
Payments to employees	(2,386,130)	(2,237,006)
Payments to suppliers and contractors	(2,768,224)	(2,919,085)
Other receipts and payments, net	<u>569,417</u>	<u>386,578</u>
Net cash provided by (used in) operating activities	<u>527,525</u>	<u>(69,076)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Ad valorem taxes	197,156	218,852
Other	<u>20,018</u>	<u>19,593</u>
Net cash provided by (used in) non-capital financing activities	<u>217,174</u>	<u>238,445</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	<u>(374,002)</u>	<u>(69,466)</u>
Net cash provided by (used in) capital and related financing activities	<u>(374,002)</u>	<u>(69,466)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	7,170	4,434
Purchase of certificates of deposit, net of renewals	<u>(556,357)</u>	<u>(22,978)</u>
Net cash provided by (used in) investing activities	<u>(549,187)</u>	<u>(18,544)</u>
Net increase (decrease) in cash and cash equivalents	(178,490)	81,359
Cash and cash equivalents, beginning	<u>906,845</u>	<u>825,486</u>
Cash and cash equivalents, ending	\$ <u><u>728,355</u></u>	\$ <u><u>906,845</u></u>

(continued)

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 STATEMENTS OF CASH FLOWS (CONTINUED)  
 YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ (643,985)	\$ 28,962
Adjustment to reconcile operating income to net cash flows provided by (used in) operating activities:		
Depreciation	225,821	222,840
Provision for bad debts	40,639	18,414
(Increase) decrease in assets -		
Patient accounts receivable	275,771	(273,063)
Prepaid expense	(35,994)	844
Inventories	5,753	37
Third-party payor settlements	23,019	49,927
Other receivables	100,969	(102,797)
Increase (decrease) in liabilities -		
Accounts payable	(17,136)	(2,933)
Third-party payor settlements	532,595	-0-
Accrued expenses	4,404	(15,465)
Other payable	<u>15,669</u>	<u>4,158</u>
Net cash provided by (used in) operating activities	\$ <u>527,525</u>	\$ <u>(69,076)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 724,929	\$ 660,521
Cash and cash equivalents in restricted assets	<u>3,426</u>	<u>246,324</u>
Total cash and cash equivalents	\$ <u>728,355</u>	\$ <u>906,845</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3  
PARISH OF VERMILION, STATE OF LOUISIANA  
D/B/A GUEYDAN MEMORIAL GUEST HOME  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2019 AND 2018

Note 1. Description of Organization and Summary of Significant Accounting Policies

Organization

The Hospital Service District No. 3, Parish of Vermilion, State of Louisiana (the "Hospital District") is a political subdivision of the state created by an ordinance adopted by the Vermilion Parish Police Jury on November 19, 1988. The geographical limits of the Hospital District coincide with those of Ward No. 8 of Vermilion Parish. Members of the Board of Commissioners are appointed by the Vermilion Parish Police Jury. The Hospital District is operating under the name Gueydan Memorial Guest Home. It operates a 66-bed nursing home that cares mainly for the elderly located in Southwest Louisiana and it also operates a rural health clinic. Both of which are located in Gueydan, Louisiana.

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

Reporting Entity

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

Method of Accounting

The Hospital District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. The Hospital District's accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and the *Audit and Accounting Guide – Health Care Organizations*, published by the American Institute of Certified Public Accountants, and standards established by the GASB.

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.

Inventory

Inventories are valued at lower of cost or market, with cost as determined by the first-in, first-out, (FIFO) method.

HOSPITAL SERVICE DISTRICT NO. 3  
PARISH OF VERMILION, STATE OF LOUISIANA  
D/B/A GUEYDAN MEMORIAL GUEST HOME  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2019 AND 2018

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Hospital District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Under state law, the Hospital District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana Law or any other state of the United States, or under the laws of the United States.

Patient Accounts Receivable and Allowance for Uncollectible Accounts

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

Capital Assets

The Hospital District's capital assets are stated at historical cost. Contributed capital assets are reported at their estimated fair value at the time of donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these assets lives:

Building	20 – 30 years
Furniture and fixtures	3 – 20 years
Building improvements	10 – 15 years
Capitalized interest	30 years

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

Net Patient Service Revenues

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

HOSPITAL SERVICE DISTRICT NO. 3  
PARISH OF VERMILION, STATE OF LOUISIANA  
D/B/A GUEYDAN MEMORIAL GUEST HOME  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2019 AND 2018

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenues (Continued)

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

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

Grants and Donations

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

Net Position Flow Assumption

Sometimes a government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Hospital District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Operating Revenues and Expenses

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

Income Taxes

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

HOSPITAL SERVICE DISTRICT NO. 3  
PARISH OF VERMILION, STATE OF LOUISIANA  
D/B/A GUEYDAN MEMORIAL GUEST HOME  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2019 AND 2018

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Advertisement

The Hospital District expenses advertising cost as incurred. Advertising expense for the years ended March 31, 2019 and 2018 totaled \$1,588 and \$1,092, respectively.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then. The Hospital District does not currently have any items that qualify for reporting in this category.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Hospital District does not currently have any items that qualify for reporting in this category.

Risk Management

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

Environmental Matters

The Hospital District is subject to laws and regulations relating to the protection of the environment. The Hospital District's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital District's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital District. At March 31, 2019 and 2018, management is not aware of any liability resulting from environmental matters.

Reclassifications

To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net position.

HOSPITAL SERVICE DISTRICT NO. 3  
PARISH OF VERMILION, STATE OF LOUISIANA  
D/B/A GUEYDAN MEMORIAL GUEST HOME  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2019 AND 2018

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Compensated Absences

All full-time employees with one full year of continuous employment with the Hospital District earn up to a maximum of 10 days of paid time off. A maximum of 20 days may be carried forward to the succeeding fiscal year.

Restricted Assets

In 2006 a ten-year tax, 7 Mill property tax was passed by the District of the Hospital for improving and maintaining the building and capital facilities of the District and also acquiring furnishings and equipment. The tax was renewed in 2016 for the same purpose. The statement of net position shows cash and cash equivalents, certificates of deposits and ad valorem tax receivables as restricted because they were monies collected from the tax.

Note 2. Bank Deposits and Certificates of Deposit

The Hospital District's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in time deposits, money market investment accounts, or certificates of deposit with financial institutions insured by Federal Depository Insurance Coverage (FDIC); direct obligations of the United States Government and its agencies; commercial paper issued by United States Corporations with a rating of A-1 (Moody's) and P-1 (Standard and Poor's) or higher; and government backed mutual trust funds. At March 31, 2019 and 2018, the Hospital District's funds consisted solely of demand deposits and certificates of deposits. These deposits are stated at cost, which approximates market.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Hospital District's deposits may not be returned to it. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital District's policy requires that all bank balances be insured or collateralized by the financial institution to pledge their own securities to cover any amount in excess of FDIC. These securities must be pledged in the Hospital District's name. As of March 31, 2019, \$957,371 of the Hospital District's deposits were secured from risk by FDIC coverage and \$586,339 were collateralized by securities pledged by the financial institutions. As of March 31, 2018, \$725,000 of the Hospital District's deposits were secured from risk by FDIC coverage and \$964,106 were collateralized by securities pledged by the financial institutions. Accordingly, the Hospital District had no custodial credit risk related to its deposits at March 31, 2019 and 2018.

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED MARCH 31, 2019 AND 2018

Note 3. Net Patient Service Revenues

The Hospital 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** – Covered skilled nursing services are paid on a resource utilization group (RUG) rate fee schedule per day, a fee schedule amount for outpatient services and a per visit basis for rural health clinic services.
- **Medicaid** – Covered nursing home services are paid based on a per diem rate per day and a per visit basis for rural health clinic services.

During the years ended March 31, 2019 and 2018, approximately 85% and 86%, respectively, of the Hospital District's gross patient services were furnished to Medicare and Medicaid beneficiaries. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Hospital District believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations are subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Note 4. Accounts Receivables

Patient accounts receivable reported as current assets by the Hospital District at March 31, 2019 and 2018 consisted of these amounts:

	<u>2019</u>	<u>2018</u>
Receivables from patients and insurance carriers	\$ 159,668	\$ 124,512
Receivables from Medicare	152,755	177,336
Receivables from Medicaid	<u>269,279</u>	<u>566,328</u>
Total patient accounts receivable	581,702	868,176
Allowance for doubtful accounts	<u>(141,756)</u>	<u>(111,820)</u>
Patient accounts receivable, net	<u>\$ 439,946</u>	<u>\$ 756,356</u>

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED MARCH 31, 2019 AND 2018

Note 5. Concentration of Credit Risk

The Hospital District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at March 31, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Medicare	27%	21%
Medicaid	46%	65%
Other third-party payors	27%	14%
	100%	100%

Note 6. Commitments and Contingencies

Operating Leases. The Hospital has two copiers under operating lease expiring on July 1, 2021. Total rental expense for the years ended March 31, 2019 and 2018 for all operating leases was \$2,695 and \$2,225, respectively.

The following is a schedule by year of the future minimum lease payments under the operating lease described above as of March 31, 2019.

<u>Year Ending</u> <u>March 31,</u>	<u>Amount</u>
2020	\$ 2,100
2021	700
	\$ 2,800

Note 7. Ad Valorem Taxes

Ad valorem taxes are attached as an enforceable lien on property as of January 1 of each year. Taxes are levied on November 15 and are actually billed to the taxpayers in December. Billed taxes due by December 31 become delinquent on January 1 of the following year.

Tax revenues are recognized in the year billed.

The Hospital District received approximately 9.95% and 9.07% in 2019 and 2018, respectively, of its financial support from ad valorem taxes. These funds are restricted for the retirement of bonds and maintaining the building and capital facilities of the Hospital District and acquiring furnishings and equipment.

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED MARCH 31, 2019 AND 2018

Note 7. Ad Valorem Taxes (Continued)

The taxes are based on assessed values determined by the Tax Assessor of Vermilion Parish and are collected by the Sheriff. The taxes are remitted to the Hospital District net of deductions for the pension fund contributions. For the years ended March 31 2019 and 2018, taxes of 8.29 mills were levied amounting to total taxes of \$196,196 and \$210,803, respectively.

Note 8. Custodial Asset and Liability

The Hospital District maintains a bank account for their residents as a service to them. The related asset and liability of \$16,367 at March 31, 2019 and \$21,025 at March 31, 2018 is not included in this report due to its custodial nature.

Note 9. Capital Assets

Capital assets additions, retirements, and balances for the years ended March 31, 2019 and 2018 were as follows:

	Balance			Balance
	<u>March 31, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2019</u>
Nondepreciable capital assets				
Land	\$ 35,000	\$ -0-	\$ -0-	\$ 35,000
Construction in progress	-0-	285,475	-0-	285,475
Total nondepreciable assets	<u>\$ 35,000</u>	<u>\$ 285,475</u>	<u>\$ -0-</u>	<u>\$ 320,475</u>
Depreciable capital assets				
Building	2,448,110	16,214	-0-	2,464,324
Furniture and equipment	1,322,417	41,884	-0-	1,364,301
Capitalized interest	73,839	-0-	-0-	73,839
Land and building improvements	<u>1,031,350</u>	<u>30,429</u>	<u>-0-</u>	<u>1,061,779</u>
Total historic cost	<u>4,875,716</u>	<u>88,527</u>	<u>-0-</u>	<u>4,964,243</u>
Less accumulated depreciation for:				
Building	(2,089,418)	(85,078)	-0-	(2,174,496)
Furniture and equipment	(971,872)	(87,242)	-0-	(1,059,114)
Capitalized interest	(67,069)	-0-	-0-	(67,069)
Land and building improvements	<u>(581,675)</u>	<u>(53,501)</u>	<u>-0-</u>	<u>(635,176)</u>
Total accumulated depreciation	<u>(3,710,034)</u>	<u>(225,821)</u>	<u>-0-</u>	<u>(3,935,855)</u>
Capital assets, net	<u>\$ 1,165,682</u>	<u>\$ (137,294)</u>	<u>\$ -0-</u>	<u>\$ 1,028,388</u>

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED MARCH 31, 2019 AND 2018

Note 9. Capital Assets (Continued)

	Balance			Balance
	<u>March 31, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2018</u>
Nondepreciable capital assets				
Land	\$ 35,000	\$ -0-	\$ -0-	\$ 35,000
Construction in progress	12,800	-0-	(12,800)	-0-
Total nondepreciable assets	<u>\$ 47,800</u>	<u>\$ -0-</u>	<u>\$ (12,800)</u>	<u>\$ 35,000</u>
Depreciable capital assets				
Building	2,424,711	10,599	12,800	2,448,110
Furniture and equipment	1,270,503	51,914	-0-	1,322,417
Capitalized interest	73,839	-0-	-0-	73,839
Land and building improvements	<u>1,024,397</u>	<u>6,953</u>	<u>-0-</u>	<u>1,031,350</u>
Totals historic cost	<u>4,793,450</u>	<u>69,466</u>	<u>12,800</u>	<u>4,875,716</u>
Less accumulated depreciation for:				
Building	(2,007,356)	(82,062)	-0-	(2,089,418)
Furniture and equipment	(888,514)	(83,358)	-0-	(971,872)
Capitalized interest	(64,608)	(2,461)	-0-	(67,069)
Land and building improvements	<u>(526,716)</u>	<u>(54,959)</u>	<u>-0-</u>	<u>(581,675)</u>
Total accumulated depreciation	<u>(3,487,194)</u>	<u>(222,840)</u>	<u>-0-</u>	<u>(3,710,034)</u>
Capital assets, net	<u>\$ 1,306,256</u>	<u>\$ (153,374)</u>	<u>\$ 12,800</u>	<u>\$ 1,165,682</u>

Depreciation expense for the years ended March 31, 2019 and 2018 amounted to \$225,821 and \$222,840, respectively.

Note 10. Compensated Absences

All full-time employees with one full year of continuous employment with the Hospital District earn up to a maximum of 10 days of paid time off. A maximum of 20 days may be carried forward to the succeeding fiscal year. Accrued compensated absences at March 31, 2019 and 2018 totaled \$46,923 and \$51,383, respectively, which is included in accrued liabilities on the statements of net position.

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED MARCH 31, 2019 AND 2018

Note 11. Retirement

The Hospital District has a simple plan under Section 408(p) of the Internal Revenue Code. The plan became effective March 1, 2001 and provides for employees of the Hospital District to make salary reduction contributions in each calendar year to the simple IRA established by each employee who meets eligibility requirements. All employees of the Hospital District are eligible to participate under the plan except employees who are not reasonably expected to earn \$5,000 during the plan year for which the contribution is to be made. The Hospital District has agreed to provide matching contributions for the 2019 and 2018 plan years in the amount of the participant's elective deferrals not in excess of 3% of such participant's compensation and not to exceed \$6,500. The Hospital District made contributions of \$31,341 for the year ended March 31, 2019 and \$31,677 for the year ended March 31, 2018.

Note 12. Compensation Paid to Board of Commissioners

In August 2018, House Bill 434 adjusted compensation paid to board members of the Hospital District. The change allowed the Hospital District to pay board members no more than \$125 for attendance at meetings of the commission, not to exceed 12 meetings per year and 4 special meetings. Prior to August 2018, the compensation paid to Board of Commissioners was presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Each member of the board received \$40 for each day of attendance at meetings of the commission. The compensation paid to Board of Commissioners at March 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Sean S. Gayle	\$ 1,250	\$ 440
Flora Thompson	830	240
Linda Zaunbrecher	1,100	480
George Gardiner	1,210	480
Mona Simon	<u>1,170</u>	<u>320</u>
 Total	 \$ <u>5,560</u>	 \$ <u>1,960</u>

Note 13. Subsequent Events

The Hospital District evaluated subsequent events through September 27, 2019, the date which the financial statements were available to be issued.

HOSPITAL SERVICE DISTRICT NO. 3  
PARISH OF VERMILION, STATE OF LOUISIANA  
D/B/A GUEYDAN MEMORIAL GUEST HOME  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2019 AND 2018

Note 14. Supplemental Medicaid Payments (UPL)

Effective March 2016, the Hospital District entered into a Participation Agreement in order to receive Medicaid supplemental payments for qualifying nursing facilities owned or operated by non-state governmental organizations that have entered into an agreement with the Louisiana Department of Health (LDH). The Hospital District agreed to transfer funds to LDH to be used as Medicaid matching funds within the Medicaid program.

As permitted by State and Federal laws, LDH agrees to use such funds to make Medicaid payments within the Medicaid program which shall include both the "non-federal share" and the "federal funds" generated by the "non-federal share." The Medicaid supplemental payments made to Public Nursing Facility shall not exceed Public Nursing Facility's upper payment limit.

The Hospital District made payments to LDH in conjunction with this agreement totaling \$204,433 in 2019 and \$222,639 in 2018. These payments are recognized as operating expense in the statement of revenues, expenses and changes in net position. LDH made Medicaid supplemental payments to the Hospital District totaling \$468,448 in 2019 and \$489,375 in 2018. These payments are recognized as operating revenues in the statement of revenues, expenses and changes in net position.

Note 15. Professional/Commercial Liability Risk

The Hospital District participates in the Louisiana Patient's Compensation Fund 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, for which the Hospital District is at risk. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlements for professional liability to \$100,000 per occurrence and limiting the Patient's Compensation Fund's exposure to \$400,000 per occurrence.

The Hospital District participates in Louisiana Nursing Home Association Malpractice and General Liability Fund. The Fund provides for professional liability coverage of \$100,000, plus interest per claim and a \$15,000 per occurrence deductible. The Fund also covers Commercial and General Liability with a deductible of \$15,000 per occurrence.

Each participant in the Trust in jointly and severally liable for the obligations of the Trust.

Note 16. Contingencies

The principal contingencies are described below:

The Hospital District is contingently liable for losses from professional and general liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Nursing Home Association Malpractice and General Liability Fund.

The Hospital District participates in the Louisiana Nursing Home Association Self-Insurance Fund for Worker's Compensation. Should the fund's asset' not be adequate to cover claims made against it, the Hospital District may be assessed its pro-rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the Hospital District is contingently liable for assessments by the Louisiana Nursing Home Association Self-Insurance Fund for Worker's Compensation.

OTHER SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 SCHEDULES OF NET PATIENT SERVICE REVENUES  
 YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>
Gross patient service revenue:		
Medicaid	\$ 2,431,172	\$ 2,411,608
Private	623,541	597,565
Medicare SNF	1,308,581	1,889,507
Medicare outpatient	322,066	255,497
Clinic	<u>159,394</u>	<u>165,654</u>
Total gross patient service revenue	4,844,754	5,319,831
Contractual allowances - nursing home	(530,441)	(359,038)
Contractual allowances - clinic	(33,236)	(37,220)
Provisions for bad debt	<u>(40,639)</u>	<u>(18,414)</u>
Net patient service revenues	\$ <u><u>4,240,438</u></u>	\$ <u><u>4,905,159</u></u>

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 SCHEDULES OF OPERATING EXPENSES  
 YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>
General and administrative:		
Salaries -		
Administrator and director	\$ 92,084	\$ 91,313
Office and clerical	153,018	151,106
Transportation	59,640	60,305
Advertising	1,588	1,093
Auto expense	9,311	11,215
Board fees	5,560	1,960
Computer expenses	29,716	37,492
Dues and subscriptions	3,884	3,809
Employee benefits	158,983	162,662
Employer retirement matching	31,341	31,677
Insurance	189,478	170,028
Legal and accounting	89,825	74,032
Licenses	1,260	1,596
Medicare consultants	34,843	33,000
Miscellaneous	7,621	11,426
Office supplies	10,515	14,335
Outside services	28,788	19,513
Payroll Taxes	182,282	163,087
Pension expense	6,437	7,184
Postage and freight	2,129	3,366
Provider fee	232,914	257,823
Telephone	16,953	10,973
Travel and seminar	25,336	15,357
Total general and administrative	<u>1,373,506</u>	<u>1,334,352</u>
Nursing services:		
Salaries -		
Director of Nursing	90,815	98,148
Other	1,189,659	1,034,359
Nursing supplies	114,686	119,853
Contract nursing services	202,466	154,960
Total nursing services	<u>\$ 1,597,626</u>	<u>\$ 1,407,320</u>

(Continued)

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 SCHEDULES OF OPERATING EXPENSES (CONTINUED)  
 YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>
Housekeeping:		
Salaries	\$ 175,334	\$ 171,626
Supplies	<u>38,276</u>	<u>40,891</u>
Total housekeeping	<u>213,610</u>	<u>212,517</u>
Dietary:		
Salaries	240,047	238,315
Food	165,404	166,740
Food supplement	16,180	20,087
Supplies	<u>19,363</u>	<u>18,167</u>
Total dietary	<u>440,994</u>	<u>443,309</u>
Plant operations:		
Salaries	56,427	59,206
Contract services	9,744	7,239
Other	6,624	7,766
Small equipment	19,850	16,651
Repairs and maintenance	62,438	68,862
Utilities	<u>95,712</u>	<u>99,104</u>
Total plant operations	<u>250,795</u>	<u>258,828</u>
Laundry:		
Salaries	102,055	94,198
Supplies	<u>-</u>	<u>5,530</u>
Total laundry	<u>102,055</u>	<u>99,728</u>
Patient activity and social service:		
Salaries	34,562	32,249
Supplies	<u>5,300</u>	<u>6,021</u>
Total patient activity and social service	\$ <u>39,862</u>	\$ <u>38,270</u>

(Continued)

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 SCHEDULES OF OPERATING EXPENSES (CONTINUED)  
 YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>
Consultants:		
Pharmacy	\$ 17,815	\$ 17,248
Dietary	4,800	4,992
Medical records	1,200	1,200
Medicare	22,500	22,500
Medical records	<u>1,920</u>	<u>1,920</u>
Total consultants	<u>48,235</u>	<u>47,860</u>
 Clinic:		
Salaries	196,893	190,716
Advertisement	385	737
Computer expense	5,271	14,808
Freight and postage	110	102
Insurance	22,376	15,683
Lab	1,874	1,083
Licenses and fees	1,466	1,166
Outside services	15,559	14,981
Repairs and maintenance	3,827	2,453
Supplies	9,128	5,205
Telephone	4,982	4,038
Training	1,159	546
Utilities	5,130	5,308
Vaccines	4,643	3,262
Accounting	<u>3,300</u>	<u>3,300</u>
Total clinic	\$ <u>276,103</u>	\$ <u>263,388</u>

(Continued)

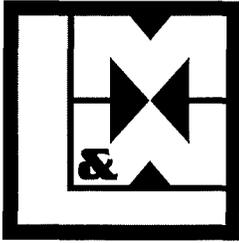
HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 SCHEDULES OF OPERATING EXPENSES (CONTINUED)  
 YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>
Medicare SNF and outpatient:		
Lab	\$ 4,086	\$ 7,945
Medical supplies and drugs charged to patients	94,873	140,158
Medical supplies non chargeable	1,409	1,161
Occupational therapy	148,758	215,001
Physical therapy	162,743	238,260
Radiology	10,076	14,767
Speech therapy	<u>157,886</u>	<u>197,229</u>
Total Medicare SNF and outpatient	<u>579,831</u>	<u>814,521</u>
 Intergovernmental transfer - public nursing home UPL	 <u>204,433</u>	 <u>222,639</u>
 Depreciation	 <u>225,821</u>	 <u>222,840</u>
 Total operating expenses	 \$ <u>5,352,871</u>	 \$ <u>5,365,572</u>

HOSPITAL SERVICE DISTRICT NO. 3  
 PARISH OF VERMILION, STATE OF LOUISIANA  
 D/B/A GUEYDAN MEMORIAL GUEST HOME  
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO  
 AGENCY HEAD OR CHIEF EXECUTIVE OFFICER  
 YEAR ENDED MARCH 31, 2019

Agency Head Name: Trevor Hair  
 Position: Administrator  
 Time Period: April 1, 2018 to March 31, 2019

Purpose	Amount
Salary	\$ 91,832
Benefits - insurance	7,006
Benefits - retirement	2,755
Benefits - other	-0-
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	71
Travel	1,208
Registration fees	495
Conference travel	1,824
Continuing professional education fees	3,331
Housing	-0-
Unvouchered expenses	-0-
Special meals	354
	\$ 108,876



## LESTER, MILLER & WELLS

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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. 3  
Parish of Vermilion, State of Louisiana  
d/b/a Gueydan Memorial Guest Home  
Gueydan, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home (the "Hospital Service District") as of and for the years ended March 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Hospital Service District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated September 27, 2019.

#### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Hospital Service District's basic 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 responses that we consider to be material weaknesses as item number 2019-1 and 2019-2.

Compliance and Other Matters

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

Hospital Service District's Responses to Findings

Hospital Service District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Hospital Service 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

This report is intended 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 Hospital District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Hospital Service District's internal control and compliance. This report is intended for the information and use of management, the Board of Commissioners, others within the Hospital Service District and federal awarding agencies and pass-through entities and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this communication is not suitable for any other purpose, however, this report is a matter of public record and its distribution is not limited.



Certified Public Accountants  
Lafayette, Louisiana

September 27, 2019

HOSPITAL SERVICE DISTRICT NO. 3  
PARISH OF VERMILION, STATE OF LOUISIANA  
D/B/A GUEYDAN MEMORIAL GUEST HOME  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED MARCH 31, 2019

**Section I. Summary of Auditors' Results**

Report on Internal Control and Compliance Material to the Financial Statements

Type of auditors' opinion issues: unmodified

Internal Control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Control deficiency(ies) identified that we do not consider to be material weaknesses  Yes  None reported

Noncompliance material to financial statements noted  Yes  No

**Section II. Financial Statement Findings**

2019-1 - Segregation of Duties

Condition: The Hospital District does not have adequate segregation of duties in the area of accounts receivable. During the course of our audit we noted that the person in charge of accounts receivable has the responsibility to post cash receipts, issue credit memos, write-off account balances, reconcile bank statements and has access to incoming checks for customers. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize the Hospital District may not be large enough to permit such procedures, it is important that the Hospital District be aware of this condition. This condition was also included in the 2018 audit as item 2018-1.

Criteria: An effective system of internal control requires a proper segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: The Hospital District has a limited number of employees within the accounting department.

Effect: Ineffective system of internal controls within the accounting function.

Recommendation: Keeping in mind the limited number of personnel to which duties can be assigned; the Hospital District should continue to monitor assignment of duties to assure as much segregation of duties and responsibility as possible, and management and the board should review accounts receivable financial information on a timely basis.

Response: The Hospital District is aware of and evaluated this problem and concluded that it would not be cost beneficial or possible with the limited resources available to create a segregated accounts receivable environment. However, the Hospital District will continue to monitor this issue and the board will review accounts receivable financial information on a timely basis.

HOSPITAL SERVICE DISTRICT NO. 3  
PARISH OF VERMILION, STATE OF LOUISIANA  
D/B/A GUEYDAN MEMORIAL GUEST HOME  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED MARCH 31, 2019

**Section II. Financial Statement Findings (Continued)**

2019-2 - Lack of Written Policies

Condition: There were no written policies and procedures to address the areas of purchasing, payroll/personnel, contracting, credit cards, and travel and expense reimbursement.

Criteria: Good internal controls require written policies and procedures to be in place and communicated to employees involved in all financial and operational areas.

Cause: The Hospital District did have verbal policies in place, but there were no written policies and procedures.

Effect: By not having written policies and procedures for employees to follow, it weakens the accountability of Hospital District's assets and does not help in preventing fraud.

Recommendation: Having written policies and procedures will strengthen and provide a framework for present and future Hospital District employees to perform business operations necessary to provide accurate accountability of Hospital District assets and help prevent fraud. Sample best practice documents are available for reference on the Louisiana Legislative Auditor's website.

Response: Management has verbal policies and procedures in place, but did not have written policies and procedures. Management will implement best practices as noted on the Louisiana Legislative Auditor's website. Management has implemented many written policies, but is in the process of implementing additional written policies to remove the finding.

HOSPITAL SERVICE DISTRICT NO. 3  
PARISH OF VERMILION, STATE OF LOUISIANA  
D/B/A GUEYDAN MEMORIAL GUEST HOME  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED MARCH 31, 2019

**Section III. Federal Award Findings and Questioned Costs**

Not applicable.

**Section IV. Management Letter**

Not applicable.

HOSPITAL SERVICE DISTRICT NO. 3  
PARISH OF VERMILION, STATE OF LOUISIANA  
D/B/A GUEYDAN MEMORIAL GUEST HOME  
SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED MARCH 31, 2019

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

2018-1 - Segregation of Duties

Recommendation: Keeping in mind the limited number of personnel to which duties can be assigned, the Hospital District should continue to monitor assignment of duties to assure as much segregation of duties and responsibility as possible, and the board should review accounts receivable financial information on a timely basis.

Current Status: This finding is repeated at 2019-1.

2018-2 - Ethics Training

Recommendation: The Hospital Service District should educate the board of commissioners and employees on Louisiana Revised Statute 42:1170, ethics training, in order to comply with the law.

Current Status: This finding was resolved in 2019.

2018-3 - Lack of Written Policies

Recommendation: Having written policies and procedures in place will strengthen and provide a framework for present and future Hospital Service District employees to perform business operations necessary to provide accurate accountability of Hospital District assets and help to prevent fraud. Sample best practice documents are available for reference on the Louisiana Legislative Auditor's website.

Current Status: This finding was partially resolved in 2019 but is a repeat finding in 2019.

**Section II. Internal Control and Compliance Material to the Federal Awards**

Not applicable.

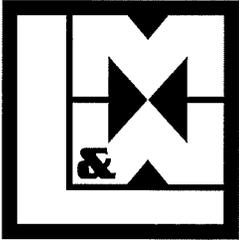
**Section III. Management Letter**

Not applicable

**HOSPITAL SERVICE DISTRICT NO. 3  
PARISH OF VERMILLION, STATE OF LOUISIANA  
D/B/A GUEYDAN MEMORIAL GUEST HOME**

**INDEPENDENT AUDITORS' REPORT  
ON APPLYING AGREED PROCEDURES**

**FOR THE YEAR ENDED  
MARCH 31, 2019**



## LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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Retired 2015  
Bobby G. Lester, CPA

### Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners

Hospital Service District No. 3  
Parish of Vermilion, State of Louisiana  
d/b/a Gueydan Memorial Guest Home  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home (the "Hospital District") and the Louisiana Legislative Auditor (LLA), on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period April 1, 2018 through March 31, 2019. The Hospital District'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***

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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  
*Findings: The Hospital District is not subject to the Local Governmental Budget Act since it operates under an enterprise fund.*
  - 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.

**Findings:** *Written policies and procedures were obtained and did not address the functions noted above.*

**Management's Response:** *Management is aware of the issue and working to correct the deficiency.*

- c) **Disbursements**, including processing, reviewing, and approving

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

- 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).

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

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

**Findings:** *Written policies and procedures were obtained and did not address the functions noted above.*

**Management's response:** *Management is aware of the issue and working to correct the deficiency.*

- 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

**Findings:** *Written policies and procedures were obtained and did not address the functions noted above.*

**Management's response:** *Management is aware of the issue and working to correct the deficiency.*

- 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)

**Findings:** *Written policies and procedures were obtained and did not address the functions noted above.*

**Management's response:** *Management is aware of the issue and working to correct the deficiency.*

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

**Findings:** *Written policies and procedures were obtained and did not address the functions noted above.*

**Management's response:** *Management is aware of the issue and working to correct the deficiency.*

- 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.

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

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

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

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

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- 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.*

**Findings:** *All board minutes for the fiscal period were obtained. Monthly financials were referenced on all monthly board minutes. There were no exceptions noted in applying the above procedures.*

**Bank Reconciliations**

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- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
- 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.

**Findings:** *A list of all bank accounts was obtained. Management provided representation that the list was complete. There were no exceptions noted in applying the above procedures.*

### **Collections**

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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).

**Findings:** *A list of all deposit sites were obtained. Management provided representation that the list was complete.*

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.

**Findings:** *Employees share a cash drawer.*

**Management's response:** *Management is aware of the segregation of duties deficiency and is working to correct the deficiency.*

- 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.

**Findings:** *The bookkeeper receives collections, prepares/makes bank deposits, post deposits, and reconciles cash collections to the ledgers for the nursing home. The Clinic Director collections, prepares/makes bank deposits, post deposits for the clinic.*

**Management's response:** *Management is aware of the segregation of duties deficiency and is working to correct the deficiency.*

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

**Findings:** *Per written documentation, employees with access to cash are covered by a theft policy.*

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.

**Findings:** *There were no exceptions noted in applying procedures 7b – 7e. A pre-numbered receipt is not used for collections in the Hospital District's Activity account.*

**Management's response:** *Management is aware of the issue and has corrected the deficiency.*

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

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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).

**Findings:** *A list of all locations that process payments were obtained. Management provided representation that the list was complete.*

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.

**Findings:** *There were no exceptions noted in applying procedures 9a – 9c. The Accounts Payable Clerk is responsible for processing the payments and mails the checks after they are signed.*

**Management's Response:** *Management is aware of the segregation of duties deficiency and is working to correct the deficiency.*

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 #6, as applicable.

**Findings:** *General ledger details representing all entity disbursements were obtained. Management provided representation that the listing was complete. There were no exceptions noted in applying the above procedures.*

### **Payroll and Personnel**

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11. 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.

**Findings:** *A listing of all employees with their related salaries was obtained. Management provided representation that the listing was complete.*

12. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #11 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.

**Findings:** *No exceptions noted in applying the above procedures.*

13. 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' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

**Findings:** *No exceptions were noted in applying the above procedure.*

14. 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.

**Findings:** *No exceptions were noted in applying the above procedure.*

## **Ethics**

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15. Obtain a listing of employees/officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, 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.
  - a) 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.

**Findings:** *No exceptions were noted in applying the above procedure*

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

Board of Commissioners  
of Hospital Service District No. 3  
Parish of Vermilion, State of Louisiana  
d/b/a Gueydan Memorial Guest Home  
and the Louisiana Legislative Auditor

This report is intended solely for the user of management of Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home and the Louisiana Legislative Auditor, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Lester, Miller & Wells*

Certified Public Accountants  
Lafayette, Louisiana

September 27, 2019