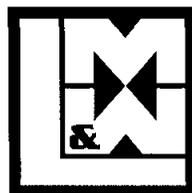


HOSPITAL SERVICE DISTRICT NO. 1
PARISH OF POINTE COUPEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
OCTOBER 31, 2017 AND 2016



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Years Ended October 31, 2017 and 2016

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Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate Management's Discussion and Analysis

This section of the Hospital Service District's annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on October 31, 2017. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- Total assets increased \$2,935,202 or 7.61% in fiscal year 2017. The District's total assets increased in fiscal year 2016 by \$1,722,846 or 4.67% and in fiscal year 2015 by \$2,328,180 or 6.74%.
- Net operating revenues increased \$1,469,284 in fiscal year 2017. In fiscal year 2016, net operating revenues increased \$702,979 compared to a \$553,335 decrease for fiscal year 2015. Operating expenses increased \$778,861 in fiscal year 2017. Operating expenses increased \$1,705,289 in fiscal year 2016 compared to a decrease of \$1,258,356 in fiscal year 2015. The District had profits from operations in 2017 of \$2,231,994 compared to profits of \$1,541,571 and of \$2,543,881 during 2016, and 2015, respectively.
- The District received sales tax revenues of \$1,972,582 in fiscal year 2017, \$1,879,144 in fiscal year 2016, and \$2,072,999 in fiscal year 2015.
- The District made \$1,886,888 in capital acquisitions for the fiscal year compared to \$1,126,339 for fiscal year 2016. The majority of these acquisitions were related to building additions.

Required Financial Statements

The Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenue, Expenses, and Changes in Net Position. This statement measures improvements in the District's operations over the past two years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing, and financing activities, and to provide 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.

Financial Analysis of the Hospital Service District

The Statements of Net Position and the Statements of Revenue, Expenses, and Changes in Net Position report information about the Hospital Service District's activities. These two statements report the net position of the District and changes in them. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate
Management's Discussion and Analysis (Continued)

Net Position

A summary of the District's Statements of Net Position is presented in Table 1 below:

TABLE 1
Condensed Statements of Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total current assets	\$ 5,801,791	\$ 5,134,600	\$ 5,984,087
Capital assets - net	12,430,639	12,201,267	12,013,700
Other assets	<u>23,281,121</u>	<u>21,242,482</u>	<u>18,857,716</u>
 Total Assets	 <u>41,513,551</u>	 <u>38,578,349</u>	 <u>36,855,503</u>
 Deferred outflows related to pension liability	 <u>3,520,132</u>	 <u>5,048,325</u>	 <u>1,697,585</u>
 Total Assets and Deferred Outflows of Resources	 \$ <u>45,033,683</u>	 \$ <u>43,626,674</u>	 \$ <u>38,553,088</u>
 Current liabilities	 \$ 2,892,640	 \$ 2,361,592	 \$ 2,416,564
Long-term liabilities	<u>3,734,594</u>	<u>4,630,197</u>	<u>1,328,232</u>
 Total Liabilities	 <u>6,627,234</u>	 <u>6,991,789</u>	 <u>3,744,796</u>
 Deferred outflows related to pension liability	 <u>506,351</u>	 <u>600,839</u>	 <u>174,294</u>
 Net position	 <u>37,900,098</u>	 <u>36,034,046</u>	 <u>34,633,998</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ <u>45,033,683</u>	 \$ <u>43,626,674</u>	 \$ <u>38,553,088</u>

In Table 1, it can be seen that total assets increased by 7.61% or \$2,935,202 in fiscal year 2017. An increase of \$1,722,846 and \$2,328,180 occurred in fiscal year 2016 and 2015, respectively. Current liabilities have increased \$531,048 or 22.49% during fiscal year 2017 due to an increase in third-party payor settlements. Long-term liabilities decreased \$895,603 in fiscal year 2017 compared to an increase of \$3,301,965 in fiscal year 2016. These changes were related to the recognition of net pension liability in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*.

Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate
Management's Discussion and Analysis (Continued)

Summary of Revenue, Expenses, and Changes in Net Assets

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended October 31, 2017, 2016, and 2015.

TABLE 2
Condensed Statements of Revenue, Expenses, and
Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenue:			
Net patient service revenue	\$ 20,478,917	\$ 18,766,488	\$ 17,658,037
Sales tax revenue	1,972,582	1,879,144	2,072,999
Other revenues	<u>2,630,225</u>	<u>2,966,808</u>	<u>3,178,425</u>
 Total revenue	 <u>25,081,724</u>	 <u>23,612,440</u>	 <u>22,909,461</u>
 Expenses:			
Salaries and benefits	12,448,305	12,125,994	11,500,006
Medical supplies and drugs	1,303,900	1,267,843	1,332,865
Insurance	402,538	418,358	446,900
Professional fees	2,929,138	2,857,059	2,753,903
Depreciation	886,289	938,773	816,957
Other expenses	<u>4,879,560</u>	<u>4,462,842</u>	<u>3,514,949</u>
 Total expenses	 <u>22,849,730</u>	 <u>22,070,869</u>	 <u>20,365,580</u>
 Operating income (loss)	 \$ <u>2,231,994</u>	 \$ <u>1,541,571</u>	 \$ <u>2,543,881</u>

Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate
Management's Discussion and Analysis (Continued)

Summary of Revenue, Expenses, and Changes in Net Assets (Continued)

TABLE 2 (Continued)
Condensed Statements of Revenue, Expenses, and
Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Nonoperating income (loss):			
Interest income and expense, net	\$ 218,347	\$ 253,662	\$ 221,750
Gain (loss) on disposal of assets	-0-	1,000	3,127
Payments to Police Jury	<u>(323,000)</u>	<u>(323,000)</u>	<u>(316,557)</u>
Nonoperating income, net	<u>(104,653)</u>	<u>(68,338)</u>	<u>(91,680)</u>
Excess of revenues (expenses) before capital grants	2,127,341	1,473,233	2,452,201
Capital grants	<u>12,873</u>	<u>-0-</u>	<u>49,407</u>
Excess of revenues (expenses)	2,140,214	1,473,233	2,501,608
Other comprehensive income	<u>(274,162)</u>	<u>(73,185)</u>	<u>126,845</u>
Comprehensive income (loss)	1,866,052	1,400,048	2,628,453
Beginning net position	36,034,046	34,633,998	31,127,666
Prior period adjustment	<u>-0-</u>	<u>-0-</u>	<u>877,879</u>
Ending net position	<u>\$ 37,900,098</u>	<u>\$ 36,034,046</u>	<u>\$ 34,633,998</u>

Sources of Revenue

Operating Revenue

During fiscal year 2017, the District 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 payers, who receive care in the Hospital's facilities.

The Hospital became a Critical Access Hospital (CAH) on November 1, 2004. This changed the method of payment for most Medicare charges from prospective payment to cost based reimbursement. Swing bed services for Medicare patients also began in fiscal year 2005. Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes interest income, cafeteria sales, and revenue from services provided to physicians, rental income and other miscellaneous services.

Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate
Management's Discussion and Analysis (Continued)

Operating Revenue (Continued)

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

**TABLE 3
Payer Mix by Percentage**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	24%	25%	29%
Medicaid	24%	18%	15%
Blue Cross Blue Shield	14%	15%	14%
Commercial Insurance	32%	33%	32%
Self Pay	6%	9%	10%

Non-operating Income

The District holds designated and restricted funds in its Statements of Net Position that are invested primarily in the Louisiana Asset Management Pool and Merrill Lynch. Interest income in 2017 was \$282,485 compared to \$318,283 in fiscal year 2016. Total cash and investments in fiscal years 2017 and 2016 respectively are \$23,318,672 and \$20,379,213 with an increase of \$2,939,459. For fiscal year 2015, these cash and investments were \$18,406,476 in total that earned \$286,822 interest income.

Operating and Financial Performance

The following summarizes the Hospital's Statements of Revenue, Expenses, and Changes in Net Assets between 2017, 2016, and 2015:

In fiscal year 2017, patient discharges totaled 239 or a percentage decrease of 9.1%. Overall activity at the Hospital, as measured by patient discharges, decreased in 2016 to 263 discharges from 338 discharges in fiscal year 2015.

In 2017, patient days decreased to 832 from 876 in 2016 and 1,153 in 2015, or percentage decrease of 5.0% and 24.0% in 2017 and 2016, respectively.

Average length of stay in 2017 was 3.5 for acute and 10.6 for swing. In 2016, the average length of stay for acute was 3.1 days and 10.1 days for swing. The average length of stay was 3.5 in fiscal year 2015.

In 2017, total net patient service revenue increased by 9.12% or \$1,712,429. Total net patient service revenue in fiscal year 2016 increased by \$1,108,451 or 6.28%, compared to a decrease of \$604,411 or 3.31% in fiscal year 2015.

Gross accounts receivable increased in 2017 for the Hospital by \$357,452 and gross accounts receivable decreased for Home Health / Hospice by \$46,845. In 2016, gross accounts receivable decreased by \$685,978 for the Hospital and gross accounts receivable decreased by \$9,813 for Home Health / Hospice.

Average days in net accounts receivable have increased to 40 in 2017 compared to 37 in 2016. In 2015, average days in net accounts receivable were 52. The Hospital continues to exert every effort to assist patients in finding funding sources for health care.

Hospital Service District No. 1 of the Parish of Pointe Coupee and Affiliate
Management's Discussion and Analysis (Continued)

Operating and Financial Performance (Continued)

Salaries increased in 2017 and 2016, respectively, by \$210,261 and \$50,022. Salaries decreased in 2015 by \$28,328. Benefits increased by \$112,050 and \$575,966 in 2017 and 2016, respectively, compared to a decrease in 2015 of \$191,112. Benefits increased mainly due to the increase in health insurance premiums and pension costs.

The costs of medical supplies increased by \$36,057 compared to a decrease of \$65,022 and \$183,635 during fiscal years 2016 and 2015, respectively.

Medical professional fees increased by \$72,079 and \$103,156 in 2017 and 2016, respectively. This follows a decrease of \$195,213 during fiscal years 2015.

For fiscal year 2017 the provision for bad debts decreased by \$1,891,271 compared to an increase of \$227,116 in 2016. In 2015, provision for bad debts decreased by \$495,661 from 2014 amounts.

Capital Assets

During fiscal year 2017, the District invested approximately \$1,887,000 in capital assets. Net property, plant, and equipment increased by \$229,372 and \$187,567 in 2017 and 2016, respectively.

**TABLE 4
Capital Assets**

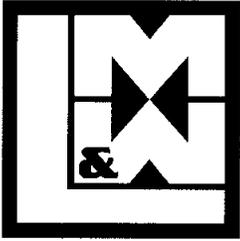
	October 31, <u>2017</u>	October 31, <u>2016</u>	October 31, <u>2015</u>
Land and improvements	\$ 165,617	\$ 165,617	\$ 165,617
Buildings and fixed equipment	21,821,947	20,335,042	20,228,049
Moveable equipment	6,627,113	6,555,851	6,308,638
Construction in progress	<u>-0-</u>	<u>754,868</u>	<u>-0-</u>
 Total	 28,614,677	 27,811,378	 26,702,304
Less: accumulated depreciation	<u>16,184,038</u>	<u>15,610,111</u>	<u>14,688,604</u>
Net property, plant, and equipment	 \$ <u>12,430,639</u>	 \$ <u>12,201,267</u>	 \$ <u>12,013,700</u>

Long-Term Debt

At 2017 fiscal year end, the District had \$929,553 in short-term and long-term debt.

Contacting the Hospital Service District's Financial Manager

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital Service District's finances and to demonstrate the accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.



LESTER, MILLER & WELLS

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Hospital Service District No. 1
Parish of Pointe Coupee, State of Louisiana
New Roads, Louisiana

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Hospital Service District No. 1, Parish of Pointe Coupee, (the "District"), a component unit of the Pointe Coupee Parish Police Jury, as of and for the years ended October 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Maison Pointe Coupee Apartments, which represent 4.1 percent, 2.0 percent and 1.2 percent, respectively, of the assets, net position, and revenues of the District. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors. 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 combined 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 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.

Opinions

In our opinion, based on our audit and the report of other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of the District, as of October 31, 2017 and 2016, and the changes in financial position and its 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 combined financial statements present only the financial information of Pointe Coupee Hospital Service District No. 1 and do not purport to, and do not, present fairly the financial position of the Pointe Coupee Parish Police Jury as of October 31, 2017 and 2016, and 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 "vi" 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 combined 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 combined financial statements.



Board of Commissioners
Hospital Service District No. 1
Parish of Pointe Coupee, State of Louisiana
Page Three

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2018, on our consideration of the District'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 District's internal control over financial reporting and compliance.



Certified Public Accountants
Alexandria, Louisiana

April 24, 2018



Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combined Statements of Net Position
October 31,

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current		
Cash and cash equivalents (Notes 2 & 3)	\$ 2,234,472	\$ 1,333,652
Patient accounts receivable, net of estimated uncollectibles (Note 5)	2,134,975	1,923,673
Estimated third-party payor settlements	936,900	1,235,088
Other receivables	280	165,758
Inventory	471,371	452,799
Prepaid expenses	<u>23,793</u>	<u>23,630</u>
Total Current Assets	5,801,791	5,134,600
Assets limited as to use (Note 4)	1,884,406	1,840,696
Land	1,974,398	1,974,398
Capital assets, net (Note 6)	12,430,639	12,201,267
Other assets		
Investments	19,199,794	17,204,865
LHA investment	<u>222,523</u>	<u>222,523</u>
Total Assets	<u>41,513,551</u>	<u>38,578,349</u>
Deferred outflows related to net pension liability	<u>3,520,132</u>	<u>5,048,325</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 45,033,683</u>	<u>\$ 43,626,674</u>

See accompanying notes to financial statements.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combined Statements of Net Position (Continued)
October 31,

	<u>2017</u>	<u>2016</u>
<u>LIABILITIES AND NET POSITION</u>		
Current		
Accounts payable	\$ 361,932	\$ 762,867
Accrued expenses and withholdings payable (Note 7)	1,119,178	1,014,346
Estimated third-party payor settlements	1,403,766	577,130
Current portion of long-term debt (Note 8)	<u>7,764</u>	<u>7,249</u>
 Total Current Liabilities	 2,892,640	 2,361,592
Long-term		
Net pension liability (Note 10)	2,812,805	3,700,644
Long-term debt (Note 8)	<u>921,789</u>	<u>929,553</u>
 Total Liabilities	 <u>6,627,234</u>	 <u>6,991,789</u>
 Deferred inflows related to net pension liability	 <u>506,351</u>	 <u>600,839</u>
Net Position		
Invested in capital assets, net of related debt	11,501,086	11,264,465
Unrestricted	<u>26,399,012</u>	<u>24,769,581</u>
 Total Net Position	 <u>37,900,098</u>	 <u>36,034,046</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ <u>45,033,683</u>	 \$ <u>43,626,674</u>

See accompanying notes to financial statements.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combined Statements of Revenue, Expenses, and Changes in Net Position
Years Ended October 31,

	<u>2017</u>	<u>2016</u>
Revenue		
Net patient service revenue (Note 12)	\$ 20,478,917	\$ 18,766,488
Sales tax revenue	1,972,582	1,879,144
Intergovernmental transfer grant	1,730,529	2,053,098
Grants	2,565	3,201
Other operating revenue	<u>897,131</u>	<u>910,509</u>
 Total Revenue	 <u>25,081,724</u>	 <u>23,612,440</u>
 Expenses		
Salaries and benefits	12,448,305	12,125,994
Medical supplies and drugs	1,303,900	1,267,843
Insurance	402,538	418,358
Professional fees	2,929,138	2,857,059
Depreciation	886,289	938,773
Other expenses	<u>4,879,560</u>	<u>4,462,842</u>
 Total Expenses	 <u>22,849,730</u>	 <u>22,070,869</u>
 Operating Income (Loss)	 <u>2,231,994</u>	 <u>1,541,571</u>
 Nonoperating Income (Loss)		
Investment income	282,485	318,283
Interest expense	(64,138)	(64,621)
Gain (loss) on disposal of assets	-0-	1,000
Payments to Police Jury	<u>(323,000)</u>	<u>(323,000)</u>
 Nonoperating Income (Loss), net	 <u>(104,653)</u>	 <u>(68,338)</u>
 Excess of Revenue (Expenses) before Capital Grants	 2,127,341	 1,473,233
Capital grants	<u>12,873</u>	<u>-0-</u>
 Excess of Revenues (Expenses)	 2,140,214	 1,473,233
 Unrealized investment gains (losses)	 <u>(274,162)</u>	 <u>(73,185)</u>
Changes in net position	1,866,052	1,400,048
 Beginning Net Position	 <u>36,034,046</u>	 <u>34,633,998</u>
 Ending Net Position	 \$ <u>37,900,098</u>	 \$ <u>36,034,046</u>

See accompanying notes to financial statements.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combined Statements of Cash Flows
Years Ended October 31,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash receipts from patients and third-party payors	\$ 21,392,439	\$ 19,158,208
Cash receipts from other operating revenues	4,768,285	4,865,428
Cash payments to employees and for employee-related cost	(11,797,607)	(11,730,863)
Cash payments for other operating expenses	<u>(9,934,806)</u>	<u>(8,930,301)</u>
Net cash provided (used) by operating activities	<u>4,428,311</u>	<u>3,362,472</u>
Cash flows from investing activities:		
Other investment income	8,323	245,098
Assets limited as to use	(43,710)	(30,492)
Unrestricted investments	<u>(1,994,929)</u>	<u>(2,239,171)</u>
Net cash provided (used) by investing activities	<u>(2,030,316)</u>	<u>(2,024,565)</u>
Cash flows from non-capital financing activities:		
Payments to Police Jury	<u>(323,000)</u>	<u>(323,000)</u>
Net cash provided (used) by non-capital financing activities	<u>(323,000)</u>	<u>(323,000)</u>
Cash flows from capital and related financing activities:		
Purchases of property, plant, and equipment	(1,115,661)	(1,125,340)
Purchases of land	-0-	(115,103)
Proceeds from capital grants	12,873	-0-
Principal payments on long-term debt	(7,249)	(6,769)
Interest paid on long-term debt	<u>(64,138)</u>	<u>(64,621)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,174,175)</u>	<u>(1,311,833)</u>
Net increase (decrease) in cash and cash equivalents	900,820	(296,926)
Beginning cash and cash equivalents	<u>1,333,652</u>	<u>1,630,578</u>
Ending cash and cash equivalents	\$ <u>2,234,472</u>	\$ <u>1,333,652</u>

See accompanying notes to financial statements.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combined Statements of Cash Flows (Continued)
Years Ended October 31,

	<u>2017</u>	<u>2016</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ <u>64,138</u>	\$ <u>64,621</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income (loss)	\$ 2,231,994	\$ 1,541,571
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	886,289	938,773
Provision for bad debts	2,459,818	4,351,089
(Increase) decrease in:		
Net patient accounts receivable	(2,671,120)	(3,782,606)
Estimated third-party payor settlements	298,188	(200,015)
Other receivables	165,478	19,476
Inventory	(18,572)	36,169
Prepaid expenses	(163)	128,448
Deferred outflows related to net pension liability	1,528,193	(3,350,740)
Increase (decrease) in:		
Accounts payable	(400,935)	(88,816)
Accrued expenses and withholdings payable	104,832	10,112
Net pension liability	(887,839)	3,309,214
Estimated third-party payor settlements	826,636	23,252
Deferred inflows related to net pension liability	<u>(94,488)</u>	<u>426,545</u>
Net cash provided (used) by operating activities	\$ <u>4,428,311</u>	\$ <u>3,362,472</u>

See accompanying notes to financial statements.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Pointe Coupee Hospital Service District No. 1 (referred to herein as "Pointe Coupee General Hospital" or the "District") was created by an ordinance of the Pointe Coupee Parish Police Jury on June 5, 1979. The District's area includes all of Pointe Coupee Parish, Louisiana.

The District is a political subdivision of the Pointe Coupee Parish Police Jury whose jurors are elected officials. The District's nine commissioners are appointed by the Pointe Coupee Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Pointe Coupee Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Pointe Coupee 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.

An affiliate, Hospital Service District No. 1 of Pointe Coupee, Louisiana, Inc. (dba Maison Pointe Coupee Apartments) was incorporated as a Louisiana nonprofit corporation on July 21, 1999. On November 1, 2004, Pointe Coupee Homebound Health and Hospice (PCHHH) was transferred from the Hospital enterprise fund and became a separate enterprise fund of the District.

Nature of Business

The District provides outpatient, emergency, inpatient acute hospital services, skilled nursing (through "swing-beds"), as well as home health care and hospice services. It also provides services to the parish ambulance service, health unit, mental health unit, substance abuse unit and the Council on Aging. Its affiliate began providing elderly housing to local residents on April 5, 2002. On November 1, 2004, the Hospital converted to a 25 bed critical access hospital (CAH).

Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of the Hospital Service District No. 1, Parish of Pointe Coupee as well as Maison Pointe Coupee Apartments. A separate enterprise fund was created November 1, 2004 for Pointe Coupee Homebound Health and Hospice. The District has control of its affiliate through common board members. All intercompany transactions and balances have been eliminated.

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.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The District uses the 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.

Income Taxes

The entity is a political subdivision and exempt from taxation.

Credit Risk

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

The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenues 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 who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Accordingly, changes in federal or state legislation or interpretations of rules have a significant impact on the District.

Net Patient Service Revenue

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.

Inventory

Inventory is stated at the lower of cost or market value. Cost is determined by the first-in, first-out method.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. The District 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	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 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 related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

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, 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 in capital assets net of related debt or restricted. When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue and Expenses

The District's statements of revenue, expenses, and changes in net assets distinguish between operating and nonoperating revenue and expenses. Operating revenues result from exchange transactions associated with providing health care services – the District's principal activity. Operating revenue also includes sales taxes passed to provide the District with revenue to operate and maintain the District. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges 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 that 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.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions

From time to time, the District receives grants and contributions from the State of Louisiana, 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 nonoperating 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 classifications.

Charity Care

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

Risk Management

The District 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; medical malpractice; and employee health, dental, and accident benefits. 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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense item until then. The District has one item that meets this criterion, deferrals of pension expense.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District has one item that meets the criterion for this category, deferrals of pension expense.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District is a participating employer in a defined benefit pension plan as described in Note 10. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value within the plan.

Adoption of New Financial Accounting Standards

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of Statement No. 82 does not have a material impact on the financial statements.

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the District 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 institutions. Louisiana statutes also require that all of the deposits of the District 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 Risks – Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at October 31, 2017 and 2016.

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 the maturity of an investment, the greater the sensitivity of its fair value is 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.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>2017</u>	<u>2016</u>
Carrying amount		
Deposits	\$ 4,118,878	\$ 3,174,348
Investments	<u>19,422,317</u>	<u>17,427,388</u>
	<u>\$ 23,541,195</u>	<u>\$ 20,601,736</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 2,234,472	\$ 1,333,652
Assets whose use is limited	1,884,406	1,840,696
Investments	<u>19,422,317</u>	<u>17,427,388</u>
	<u>\$ 23,541,195</u>	<u>\$ 20,601,736</u>

Account balances according to banks' records at October 31, 2017, for the Hospital are as follows:

	<u>Regions Bank</u>	<u>Merrill Lynch</u>
Cash in bank	\$ <u>2,208,284</u>	\$ <u>23,732</u>
Insured by FDIC	\$ <u>302,040</u>	\$ <u>23,732</u>
Collateralization by fair market value	\$ <u>1,906,244</u>	\$ <u>-0-</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

The District has 7% of its investments invested in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation under the laws of the state of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pools.

LAMP is a 2a7 like-investment pool. LAMP's portfolio includes only securities and other obligations in which the District is authorized to invest in accordance with LA – R.S. 33:2955.

Credit Risk – LAMP is rated AAAM by Standard & Poor's.

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

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

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The District's investments are generally reported at fair value. At October 31, 2017 and 2016, the District had the following investments and maturities, all of which were held in the District's name by a custodial bank that is an agent of the District.

<u>October 31, 2017</u>	<u>Investment Maturities (In Years)</u>				
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
LAMP	\$ 1,526,099	\$ 1,526,099	\$ -0-	\$ -0-	\$ -0-
Federal National Mortgage Association	6,988,950	829,379	6,159,571	-0-	-0-
Federal Home Loan Mortgage Corporation	999,800	999,800	-0-	-0-	-0-
Federal Home Loan Bank	<u>11,078,242</u>	<u>185,113</u>	<u>10,893,129</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>20,593,091</u>	\$ <u>3,540,391</u>	\$ <u>17,052,700</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

<u>October 31, 2016</u>	<u>Investment Maturities (In Years)</u>				
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
LAMP	\$ 1,512,837	\$ 1,512,837	\$ -0-	\$ -0-	\$ -0-
Federal National Mortgage Association	6,939,153	1,005,510	3,340,689	2,592,954	-0-
Federal Home Loan Mortgage Corporation	1,002,990	-0-	1,002,990	-0-	-0-
Federal Home Loan Bank	<u>9,147,960</u>	<u>-0-</u>	<u>8,158,987</u>	<u>988,973</u>	<u>-0-</u>
Total	\$ <u>18,602,940</u>	\$ <u>2,518,347</u>	\$ <u>12,502,666</u>	\$ <u>3,581,927</u>	\$ <u>-0-</u>

NOTE 4 - ASSETS LIMITED AS TO USE

Assets limited as to use are summarized below. Investments are stated at cost that approximates market value.

	<u>2017</u>	<u>2016</u>
Limited by board for capital improvements	\$ 1,038,760	\$ 1,029,732
Limited by board for third-party payor contingencies	485,167	480,951
Limited by board for elderly housing project	<u>360,479</u>	<u>330,013</u>
Total	\$ <u>1,884,406</u>	\$ <u>1,840,696</u>

Hospital Service District No. 1
 Of the Parish of Pointe Coupee and Affiliate
 Notes to Combined Financial Statements
 Years Ended October 31, 2017 and 2016

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of patient accounts receivable is presented below.

	<u>2017</u>	<u>2016</u>
Hospital patient receivables	\$ 3,747,157	\$ 3,389,705
Home Health patient receivables	85,601	100,860
Hospice patient receivables	<u>124,338</u>	<u>155,924</u>
	3,957,096	3,646,489
Estimated uncollectibles	<u>(1,822,121)</u>	<u>(1,722,816)</u>
Net patient accounts receivable	\$ <u>2,134,975</u>	\$ <u>1,923,673</u>

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

	<u>2017</u>	<u>2016</u>
Medicare	19%	11%
Medicaid	1%	1%
Blue Cross Blue Shield of Louisiana	4%	4%
Commercial and other third-party payors	19%	25%
Patients	<u>57%</u>	<u>59%</u>
Total	<u>100%</u>	<u>100%</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 6 - CAPITAL ASSETS

The following is a summary of capital asset additions, retirements, and balances for the years ended October 31:

	October 31, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	October 31, <u>2017</u>
Land improvements	\$ 165,617	\$ -0-	\$ -0-	\$ 165,617
Buildings & improvements	20,335,042	1,503,905	17,000	21,821,947
Equipment	6,555,851	382,983	311,721	6,627,113
Construction in progress	<u>754,868</u>	<u>-0-</u>	<u>754,868</u>	<u>-0-</u>
 Total	 27,811,378	 1,886,888	 1,083,589	 28,614,677
Accumulated depreciation	<u>15,610,111</u>	<u>886,292</u>	<u>312,365</u>	<u>16,184,038</u>
 Net capital assets	 \$ <u>12,201,267</u>	 \$ <u>1,000,596</u>	 \$ <u>771,224</u>	 \$ <u>12,430,639</u>
	October 31, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	October 31, <u>2016</u>
Land improvements	\$ 165,617	\$ -0-	\$ -0-	\$ 165,617
Buildings & improvements	20,228,049	106,993	-0-	20,335,042
Equipment	6,308,638	264,478	17,265	6,555,851
Construction in progress	<u>-0-</u>	<u>754,868</u>	<u>-0-</u>	<u>754,868</u>
 Total	 26,702,304	 1,126,339	 17,265	 27,811,378
Accumulated depreciation	<u>14,688,604</u>	<u>938,772</u>	<u>17,265</u>	<u>15,610,111</u>
 Net capital assets	 \$ <u>12,013,700</u>	 \$ <u>187,567</u>	 \$ <u>-0-</u>	 \$ <u>12,201,267</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 7 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

A summary of accrued expenses follows:

	<u>2017</u>	<u>2016</u>
Salaries and wages	\$ 268,979	\$ 232,023
Compensated absences	712,578	629,528
Payroll taxes and withholdings	127,079	141,995
Other accrued expenses	<u>10,542</u>	<u>10,800</u>
 Total accrued expenses	 \$ <u>1,119,178</u>	 \$ <u>1,014,346</u>

NOTE 8 - LONG-TERM DEBT

The following is a summary of the changes in long-term debt as of October 31:

	<u>October 31,</u> <u>2016</u>	<u>Additions</u>	<u>Payments</u>	<u>October 31,</u> <u>2017</u>	<u>Due Within</u> <u>One Year</u>
USDA note payable	\$ <u>936,802</u>	\$ <u>-0-</u>	\$ <u>7,249</u>	\$ <u>929,553</u>	\$ <u>7,764</u>
Total	\$ <u>936,802</u>	\$ <u>-0-</u>	\$ <u>7,249</u>	\$ <u>929,553</u>	\$ <u>7,764</u>
	<u>October 31,</u> <u>2015</u>	<u>Additions</u>	<u>Payments</u>	<u>October 31,</u> <u>2016</u>	<u>Due Within</u> <u>One Year</u>
USDA note payable	\$ <u>943,571</u>	\$ <u>-0-</u>	\$ <u>6,769</u>	\$ <u>936,802</u>	\$ <u>7,249</u>
Total	\$ <u>943,571</u>	\$ <u>-0-</u>	\$ <u>6,769</u>	\$ <u>936,802</u>	\$ <u>7,249</u>

The following are the terms and due dates of the District's long-term debt at October 31, 2017:

USDA note payable at 6.875%, due in 359 monthly installments of \$5,952 through September 30, 2032, with the balance due at that date. The loan is collateralized by two parcels of land owned by the District.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 8 - LONG-TERM DEBT (Continued)

Scheduled principal and interest payments on long-term debt obligations are as follows:

<u>Year Ended October 31,</u>	<u>Long-term Debt Principal</u>	<u>Long-term Debt Interest</u>	<u>Total</u>
2018	\$ 7,764	\$ 63,665	\$ 71,429
2019	8,315	63,114	71,429
2020	8,905	62,524	71,429
2021	9,537	61,892	71,429
2022	10,213	61,216	71,429
2023-2027	63,022	294,123	357,145
2028-2032	<u>821,797</u>	<u>255,707</u>	<u>1,077,504</u>
Totals	\$ <u>929,553</u>	\$ <u>862,241</u>	\$ <u>1,791,794</u>

NOTE 9 - COMPENSATED ABSENCES

Upon completion of six months of employment, employees are eligible for paid time off (PTO). The amount in which each employee is entitled varies depending upon the job classification, length of service, number of hours worked each week, and other factors. A maximum of 400 hours may be carried over from year to year. Any excess must be paid or used by September 30, of a subsequent year. Vested PTO time has been recorded as a liability in the accompanying financial statements at the payroll rates in effect at the balance sheet date.

NOTE 10 - PENSION PLAN

Plan Description - Substantially all Hospital employees are eligible for participation in the Parochial Employees' Retirement System of Louisiana (the "Plan"), a cost-sharing multiple-employer defined benefit pension plan established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana. The plan is governed by R.S. 11:1901 of the Louisiana Revised Statutes (LRS). The Plan is administered by the Parochial Employees' Retirement System of Louisiana.

Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The District participates in Plan A.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 10 - PENSION PLAN (Continued)

The Plan provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the state of Louisiana which does not have their own retirement system and which elects to become a member of the system. All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the Plan.

Retirement Benefits - Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Retirement benefits are determined as an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Disability Benefits - For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

Survivor Benefits - Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes. Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes. A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 10 - PENSION PLAN (Continued)

Deferred Retirement Option Plan (DROP) - Act 338 of 1990 established the deferred retirement option plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement. In lieu of terminating employment and accepting a service retirement, any member of Plan A who is eligible to retire may elect to participate in the DROP in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Cost of Living Adjustments - The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age 65 equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older (LRS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Contributions - According to state statute, contributions for all employers are actuarially determined each year. For the years ended December 31, 2016 and 2015, the actuarially determined contribution rate was 10.52% and 10.40% of member's compensation for Plan A. The actual contribution rate for the years ending December 31, 2016 and 2015 was 13.00% and 14.50% for Plan A. For the period from January 1, 2017 to October 31, 2017, the District's contractually required contribution rate was 12.5% of covered employee's compensation.

According to state statute, the System also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 10 - PENSION PLAN (Continued)

The following is a schedule that summarizes information regarding contributions to the Plan for the years ended October 31:

	<u>2017</u>	<u>2016</u>
Total District payroll	\$ 9,719,833	\$ 9,509,572
Total covered payroll	8,129,939	8,283,695
Employee contributions	736,016	763,587
Employer contributions	1,024,929	1,107,839

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At October 31, 2017 and 2016, the District reported a liability of \$2,812,805 and \$3,700,644, respectively, for its proportionate share of the Net Pension Liability (NPL). The NPL for the system was measured as of December 31, 2016 and 2015, and the total pension liability used to calculate the NPL was determined based on an actuarial valuation as of those dates. The District's proportion of the NPL was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contribution of all participating employers, actuarially determined.

As of the most recent measurement dates, the District's proportionate shares were:

	<u>2016</u>	<u>2015</u>
District's proportionate share	1.365762%	1.405866%
Increase (Decrease) from prior year	-0.040104%	-0.025803%

For the years ended October 31, 2017 and 2016, the District recognized a total pension expense of \$1,667,705 and \$1,599,129, respectively. The amounts are made up of the following:

<u>Components of Pension Expense</u>	<u>2017</u>	<u>2016</u>
District's pension expense per the pension plan	\$ 1,671,232	\$ 1,601,312
District's amortization of actual contributions over its proportionate share of contributions	<u>(3,527)</u>	<u>(2,183)</u>
Total pension expense (benefit) recognized by district	\$ <u>1,667,705</u>	\$ <u>1,599,129</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 10 - PENSION PLAN (Continued)

The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -0-	\$ (492,215)
Net difference between projected and actual earnings on pension plan investments	2,182,841	-0-
Changes in proportion to NPL	534,027	-0-
Differences between the District's contributions and its proportionate share of contributions	4,216	(14,136)
The District's contributions subsequent to the December 31, 2016 measurement date	<u>799,048</u>	<u>-0-</u>
Total - October 31, 2017	\$ <u>3,520,132</u>	\$ <u>(506,351)</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -0-	\$ (588,132)
Net difference between projected and actual earnings on pension plan investments	3,386,191	-0-
Changes in proportion to NPL	824,562	-0-
Differences between the District's contributions and its proportionate share of contributions	11,293	(12,707)
The District's contributions subsequent to the December 31, 2015 measurement date	<u>826,279</u>	<u>-0-</u>
Total - October 31, 2016	\$ <u>5,048,325</u>	\$ <u>(600,839)</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 10 - PENSION PLAN (Continued)

Deferred outflows of resources resulting from the District's contributions subsequent to the measurement date totaled \$799,048 at October 31, 2017. This amount will be recognized as a reduction of the NPL in the year ended October 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending October 31,</u>	<u>Amount of Amortization</u>
2018	\$ 823,683
2019	877,125
2020	572,903
2021	(58,978)

Actuarial Assumptions - The total pension liability in the Plan's December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost
Inflation rate	2.50%
Investment rate of return	7.00% (net of investment expense)
Expected remaining service lives	4 years
Projected salary increases	5.25% (2.75% merit / 2.50% inflation)
Cost of living adjustments	The present value of future retirement benefits is based on benefits currently being paid by the Plan and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Mortality rates	RP-2000 Employee Mortality Table was selected for active members. RP-2000 Healthy Annuity Mortality Table was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 10 - PENSION PLAN (Continued)

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real assets	2%	0.12%
Totals	100%	5.66%
Inflation		2.00%
Expected arithmetic nominal return		7.66%

Discount Rate - The discount rate used to measure the total pension liability was 7.00% and 7.00% for the years ended December 31, 2016 and 2015, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 10 - PENSION PLAN (Continued)

Sensitivity to Changes in Discount Rate - The following presents the net pension liability of the District calculated using the discount rate of 7.00%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, 6.00%, or one percentage point higher, 8.00%, than the current rate:

	<u>Changes in Discount Rate</u>		
	1%	Current	1%
	Decrease 6.00%	Discount Rate 7.00%	Increase 8.00%
Net pension liability (asset) - December 31, 2016	\$ <u>8,414,229</u>	\$ <u>2,812,805</u>	\$ <u>(1,923,369)</u>
Net pension liability (asset) - December 31, 2015	\$ <u>9,271,457</u>	\$ <u>3,700,644</u>	\$ <u>(1,007,365)</u>

Non-Employer Contributing Entities - Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The District recognizes revenue in an amount equal to their proportionate share of total contributions to the pension plan from these non-employer contributing entities. The District recognized revenue as a result of support received from non-employer contributing entities of \$100,887 and \$102,295 for the years ended October 31, 2017 and 2016, respectively.

Pension Plan Fiduciary Net Position - The Plan issues a publicly available financial statement report that includes financial statements and required supplementary information. That report may be obtained at www.PERSLA.org or by writing to the Plan at 7905 Wrenwood Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 928-1361.

Payables to the Pension Plan - As of October 31, 2017 and 2016, the District had payables due to the Plan of \$128,083 and \$143,040, respectively. These amounts represent one and half month's contributions paid in the month following accrual.

NOTE 11 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a per-diem based on the patient's level of income. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the cost associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The cost of caring for charity care patients were approximately \$117,000 and \$287,000 for the years ended October 31, 2017 and 2016, respectively. Funds received through UCC and grants, which pay part of the cost of charity care and uninsured care, were approximately \$84,000 and \$217,000 for the years ended October 31, 2017 and 2016, respectively.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 12 - NET PATIENT SERVICE REVENUE

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 - Prior to November 1, 2004, inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates varied according to a patient classification system that was based on clinical, diagnostic, and other factors. Certain outpatient services related to Medicare beneficiaries were paid based on a set fee per diagnosis with a hold harmless provision for cost reimbursement. Effective November 1, 2004, the District became a Medicare "Critical Access Hospital" (CAH). This designation enables the District to receive cost based reimbursement for most services provided to Medicare beneficiaries on or after this date.

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. Home health services are reimbursed based upon a prospectively determined rate per episode. Hospice services are reimbursed based on a prospectively determined rate per day. The District's Medicare cost reports have been settled by the Medicare fiscal intermediary through October 31, 2015. The intermediary may reopen and further adjust any year within three years of the date of a Notice of Program Reimbursement.

Medicaid - Medicaid inpatient services are reimbursed based upon a prospectively determined per diem rate. Some Medicaid outpatient services are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through October 31, 2013.

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates. Blue Cross Blue Shield "BCBS" is the largest commercial provider. BCBS charges were 14% and 16% of the total charges for the year ended October 31, 2017 and 2016, respectively.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

The following is a summary of the District's net patient service revenue for the years ended October 31:

	<u>2017</u>	<u>2016</u>
Gross charges	\$ 39,359,583	\$ 39,433,850
Less charges associated with charity patients	<u>208,924</u>	<u>510,403</u>
Gross patient service revenue	39,150,659	38,923,447
Less deductions from revenue:		
Contractual adjustments	17,694,527	16,500,927
Discounts	26,908	33,596
Physician supplement revenue	<u>(1,509,511)</u>	<u>(728,653)</u>
Patient service revenue (net of contractual adjustments and discounts)	22,938,735	23,117,577
Less provision for bad debts	<u>2,459,818</u>	<u>4,351,089</u>
Net patient service revenue less provision for bad debts	\$ <u>20,478,917</u>	\$ <u>18,766,488</u>

The District 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 net patient service revenues for the years ended October 31:

	<u>2017</u>	<u>2016</u>
Medicare and Medicaid gross patient charges	\$ 18,922,195	\$ 16,745,386
Contractual adjustments, net of UCC	<u>(3,317,500)</u>	<u>(4,018,904)</u>
Program patient service revenue	\$ <u>15,604,695</u>	\$ <u>12,726,482</u>
Percent of total patient gross charges	<u>48%</u>	<u>42%</u>
Percent of total net patient revenues	<u>76%</u>	<u>68%</u>

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. The adjustments resulted in a decrease of \$101,808 in net patient service revenue in fiscal year 2017.

The Hospital's previous reimbursements are also subject to secondary review by Medicare and Medicaid representatives. These representatives have several initiatives in progress. No material liabilities have been identified to date under these review programs; however, the potential does exist for future claims. These will be recognized in the year the amounts are determined, if any.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 13 - INTERGOVERNMENTAL TRANSFER GRANTS

The District 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 District's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$1,730,529 and \$2,053,098 for the years ended October 31, 2017 and 2016, respectively.

NOTE 14 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide professional medical liability coverage to health care providers. The fund provides for \$400,000 of coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence. Defense costs are not included in these amounts.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are pro-rated to member hospitals. The District has included these allocations and equity in the trust in its financial statements.

NOTE 15 - WORKMEN'S COMPENSATION

The District participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro-rata share of the resulting deficit. It is not possible to estimate the amount, if any, of additional assessments. The trust fund presumes to be a "Grantor Trust" and accordingly, income and expenses are pro-rated to member hospitals. The District has included these allocations and equity in the trust in its financial statements.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 16 - 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 October 31, 2017, that have initial or remaining lease terms in excess of one year.

<u>Years Ending October 31,</u>	<u>Amount</u>
2018	\$ 31,509
2019	30,197
2020	18,957
2021	7,953
2022	293
2023 and thereafter	<u>-0-</u>
Total minimum lease payments	\$ <u>88,909</u>

NOTE 17 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowance for loss contingencies is 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 12) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District'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 District.

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, privacy, 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

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 17 - CONTINGENCIES (Continued)

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 14) - The District 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 Fund.

Workmen's Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the 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 District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Payments to Police Jury - During 2017 and 2016, the District transferred \$323,000 and \$323,000 respectively, to the Police Jury for the District's portion of 911 service. These transfers were funded from interest income.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

NOTE 18 - BOARD OF COMMISSIONERS

The following schedule presents a list of the members of the Board of Commissioners of Pointe Coupee General Hospital at October 31, 2017.

Dr. Carl McLemore, M.D., Chairman
Mr. Maurice Picard, Vice Chairman
Mr. Stephen Smith, Secretary
Dr. Donald Doucet, M.D., Finance Chair
Mr. Frank Foti
Ms. Mary Grezaffi
Mr. Anthony Hurst
Mr. John Pourciau
Mr. William Vercher, Jr.

These commissioners serve the District without compensation, per diem or reimbursement of expense, except actual cash out-of-pocket expenses incurred in the performance of their duties.

NOTE 19 - SALES TAX

On September 29, 1984, a 1% sales tax was renewed by the citizens of the parish for an indefinite term. The resolution provides that 50% of such tax shall be dedicated to the District. The remaining tax revenues are designated by the District to be distributed to hospital operations. On November 8, 2016, a ¼% sales tax was approved by citizens of the parish for a ten (10) year term.

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Notes to Combined Financial Statements
Years Ended October 31, 2017 and 2016

NOTE 20 - RELATED PARTY

The District has engaged in transactions with Innis Community Health Center, Inc., a 501(c)(3) corporation. The District has an economic interest in this entity through common board members. Those transactions consist of various expenses in the amount of \$39,251 and \$46,084 for October 31, 2017 and 2016, respectively.

NOTE 21 - SUBSEQUENT EVENTS

Events have been evaluated through April 24, 2018, for subsequent event disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Hospital Service District No. 1
 Of the Parish of Pointe Coupee and Affiliate
 Schedules of Net Patient Service Revenue
 Years Ended October 31,

	<u>2017</u>	<u>2016</u>
Routine services:		
Adult and pediatric	\$ <u>776,475</u>	\$ <u>822,205</u>
Total routine services	<u>776,475</u>	<u>822,205</u>
Other professional services:		
Operating room	131,823	109,996
Anesthesiology	232,800	249,750
Radiology	9,165,521	9,021,539
Laboratory	12,108,192	11,477,965
Cardio pulmonary	1,206,994	1,162,793
Physical therapy	2,822,262	2,710,680
Occupational therapy	311,732	251,659
Speech therapy	211,530	241,400
Medical supply	564,109	579,339
Pharmacy	1,439,086	1,421,232
Emergency service	6,781,464	7,522,790
Observation room	188,695	227,338
Hospice	1,304,988	1,452,207
Wound care	1,858	26,748
Chemical dependency services	51,368	53,119
Home health	<u>2,060,686</u>	<u>2,103,090</u>
Total other professional services	<u>38,583,108</u>	<u>38,611,645</u>
Gross charges	\$ <u>39,359,583</u>	\$ <u>39,433,850</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Schedules of Net Patient Service Revenue (Continued)
Years Ended October 31,

	<u>2017</u>	<u>2016</u>
Less charges associated with charity patients	\$ <u>(208,924)</u>	\$ <u>(510,403)</u>
Gross patient service revenue	39,150,659	38,923,447
Less deductions from revenue:		
Contractual adjustments	(17,694,527)	(16,500,927)
Discounts	(26,908)	(33,596)
Physician supplement revenue	<u>1,509,511</u>	<u>728,653</u>
Patient service revenue	22,938,735	23,117,577
Less provision for bad debts	<u>(2,459,818)</u>	<u>(4,351,089)</u>
Net patient service revenue	\$ <u>20,478,917</u>	\$ <u>18,766,488</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Schedules of Other Revenue
Years Ended October 31,

	<u>2017</u>		<u>2016</u>
Rent	\$ 656,411	\$	665,224
Medical record abstracts	13,294		19,487
Cafeteria	116,540		119,840
Miscellaneous revenue	<u>110,886</u>		<u>105,958</u>
 Total other operating revenue	 \$ <u>897,131</u>	\$	 <u>910,509</u>

Hospital Service District No. 1
 Of the Parish of Pointe Coupee and Affiliate
 Schedules of Expenses – Salaries and Benefits
 Years Ended October 31,

	<u>2017</u>	<u>2016</u>
Salaries:		
Administration	\$ 1,447,767	\$ 1,297,419
Plant operations and maintenance	304,534	307,772
Laundry	41,071	47,408
Housekeeping	347,226	340,851
Dietary and cafeteria	339,542	334,505
Nursing administration	123,369	114,141
Medical records	217,860	247,524
Nursing services	1,864,029	2,041,307
Central supply	64,181	63,648
Operating room	89,477	65,369
Radiology	800,589	757,587
Laboratory	881,630	846,726
Cardio pulmonary	309,687	299,280
Pharmacy	231,709	240,876
Emergency room	438,822	297,727
Home health	1,283,911	1,251,366
District	200,525	200,550
Health unit	93,510	102,193
Hospice	<u>640,394</u>	<u>653,323</u>
 Total salaries	 <u>9,719,833</u>	 <u>9,509,572</u>
Benefits:		
Employee benefits	1,894,696	1,810,821
Hospitalization insurance	<u>833,776</u>	<u>805,601</u>
 Total benefits	 <u>2,728,472</u>	 <u>2,616,422</u>
 Total salaries and benefits	 \$ <u>12,448,305</u>	 \$ <u>12,125,994</u>

Hospital Service District No. 1
 Of the Parish of Pointe Coupee and Affiliate
 Schedules of Expenses – Medical Supplies and Drugs
 Years Ended October 31,

	<u>2017</u>	<u>2016</u>
Nursing services	\$ 83,146	\$ 70,574
Operating room	20,541	20,385
Anesthesiology	1,816	1,248
Radiology	67,782	47,904
Laboratory and blood	417,408	465,158
Cardio pulmonary	55,901	64,063
Physical therapy	23,174	29,426
Central supply	88,583	101,365
Pharmacy	321,752	295,966
Emergency room	129,820	74,473
Home health	17,165	21,003
Hospice	<u>76,812</u>	<u>76,278</u>
Total medical supplies and drugs	\$ <u>1,303,900</u>	\$ <u>1,267,843</u>

Hospital Service District No. 1
 Of the Parish of Pointe Coupee and Affiliate
 Schedules of Expenses – Professional Fees
 Years Ended October 31,

	<u>2017</u>	<u>2016</u>
Nursing services	\$ 10,047	\$ 65,235
Operating room	925	1,545
Anesthesiology	98,622	105,550
Radiology	313,662	295,065
Laboratory and blood	313,827	326,574
Physical therapy	1,188,334	1,077,546
Cardio pulmonary	105,459	97,395
Pharmacy	49,983	35,867
Hospice	949	3,189
Emergency room	720,037	637,934
Ambulance	37,978	45,937
Home health	73,930	147,861
Physician clinic	<u>15,385</u>	<u>17,361</u>
 Total professional fees	 \$ <u>2,929,138</u>	 \$ <u>2,857,059</u>

Hospital Service District No. 1
 Of the Parish of Pointe Coupee and Affiliate
 Schedules of Expenses – Other Expenses
 Years Ended October 31,

	<u>2017</u>	<u>2016</u>
Purchased services	\$ 1,790,934	\$ 1,883,768
Medical specialist	8,950	3,100
Collection fees	44,507	40,888
Supplies	629,914	535,121
Repairs and maintenance	146,083	149,014
Utilities	375,700	323,792
Telephone	56,696	80,098
Travel	116,290	132,138
Rentals	194,360	217,987
Advertising	103,177	96,824
Dues and subscriptions	123,283	143,257
Inter-governmental transfer	793,959	436,281
Miscellaneous	<u>495,707</u>	<u>420,574</u>
 Total other expenses	 \$ <u>4,879,560</u>	 \$ <u>4,462,842</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Schedule of Proportionate Share of Net Pension Liability

Fiscal Year*	Agency's proportion of the net pension liability (asset)	Agency's proportionate share of the net pension liability (asset)	Agency's covered payroll	Agency's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Louisiana Parochial Employees' Retirement System					
2014	1.431669%	\$ 391,430	\$ 8,061,572	4.9%	99.9%
2015	1.405866%	3,700,644	8,003,102	46.2%	93.5%
2016	1.365762%	2,812,805	8,079,457	34.8%	0.0%

*Amounts presented were determined as of the measurement date (December 31).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of Benefit Terms

There were no changes of benefit terms for the three years ended October 31, 2017.

Changes of Assumptions

For the actuarial valuation dated December 31, 2015, the discount rate was reduced from 7.25% to 7.00%, the inflation rate was reduced from 3.0% to 2.5%, and the rate for projected salary increases was reduced from 5.75% to 5.25%.

Hospital Service District No.1
Of the Parish of Pointe Coupee and Affiliate
Schedule of Employer Contributions to Pension Plan

Fiscal Year*	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution Deficiency (Excess)	Agency's covered payroll	Contributions as a percentage of covered payroll
Louisiana Parochial Employees' Retirement System					
2015	\$ 1,195,934	\$ 1,195,934	\$ -	\$ 8,042,831	14.9%
2016	1,107,839	1,107,839	-	8,283,695	13.4%
2017	1,024,929	1,024,929	-	8,129,939	12.6%

*Amounts presented were determined as of the end of the fiscal year.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Hospital Service District No.1
 Of the Parish of Pointe Coupee and Affiliate
 Schedule of Compensation, Benefits and Other
 Payments to Chief Executive Officer
 Year Ended October 31, 2017

Agency Head Name: Chad Olinde
 Position: CEO

<u>Purpose</u>	<u>Amount</u>
Salary	186,118
Health insurance	7,757
Retirement	23,404
Car allowance	-0-
Vehicle provided by government	-0-
Reimbursements	-0-
Travel	963
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	1,540
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Net Position
October 31, 2017

	Pointe Coupee General <u>Hospital</u>	Pointe Coupee Home Health & Hospice	Maison Pointe Coupee <u>Apartments</u>	Eliminating Entries	<u>Combined</u>
<u>Assets</u>					
Current assets:					
Cash and cash equivalents (Note 3)	\$ 2,168,948	\$ 45,560	\$ 19,964	\$ -0-	\$ 2,234,472
Patient accounts receivable, net of estimated uncollectibles (Note 5)	1,912,933	209,939	12,103	-0-	2,134,975
Estimated third-party payor settlements	936,900	-0-	-0-	-0-	936,900
Other receivables	280	-0-	-0-	-0-	280
Inventory	460,063	11,308	-0-	-0-	471,371
Prepaid expenses	<u>16,899</u>	<u>5,555</u>	<u>1,339</u>	<u>-0-</u>	<u>23,793</u>
 Total current assets	 5,496,023	 272,362	 33,406	 -0-	 5,801,791
 Assets limited as to use (Note 4)	 1,523,927	 -0-	 360,479	 -0-	 1,884,406
 Land	 1,874,398	 -0-	 100,000	 -0-	 1,974,398
 Capital assets, net (Note 6)	 11,199,705	 39,404	 1,191,530	 -0-	 12,430,639
 Other assets:					
Investments	19,197,622	2,172	-0-	-0-	19,199,794
LHA investment	<u>222,523</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>222,523</u>
 Total assets	 <u>39,514,198</u>	 <u>313,938</u>	 <u>1,685,415</u>	 <u>-0-</u>	 <u>41,513,551</u>
 Deferred outflows related to net pension liability	 <u>3,520,132</u>	 <u>-0-</u>	 <u>-0-</u>	 <u>-0-</u>	 <u>3,520,132</u>
 Total assets and deferred outflows of resources	 \$ <u>43,034,330</u>	 \$ <u>313,938</u>	 \$ <u>1,685,415</u>	 \$ <u>-0-</u>	 \$ <u>45,033,683</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Net Position (Continued)
October 31, 2017

	Pointe Coupee General <u>Hospital</u>	Pointe Coupee Home Health & Hospice	Maison Pointe Coupee <u>Apartments</u>	Eliminating Entries	<u>Combined</u>
<u>Liabilities and Net Position</u>					
Current liabilities:					
Accounts payable	\$ 300,533	\$ 53,704	\$ 7,695	\$ -0-	\$ 361,932
Accrued expenses and withholdings payable (Note 7)	939,682	168,954	10,542	-0-	1,119,178
Estimated third-party payor settlements	1,403,766	-0-	-0-	-0-	1,403,766
Current maturities of long-term debt (Note 8)	<u>-0-</u>	<u>-0-</u>	<u>7,764</u>	<u>-0-</u>	<u>7,764</u>
Total current liabilities	<u>2,643,981</u>	<u>222,658</u>	<u>26,001</u>	<u>-0-</u>	<u>2,892,640</u>
Net pension liability (Note 10)	2,812,805	-0-	-0-	-0-	2,812,805
Long-term debt, net of current maturities (Note 8)	<u>-0-</u>	<u>-0-</u>	<u>921,789</u>	<u>-0-</u>	<u>921,789</u>
Total liabilities	<u>5,456,786</u>	<u>222,658</u>	<u>947,790</u>	<u>-0-</u>	<u>6,627,234</u>
Deferred inflows related to net pension liability	<u>506,351</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>506,351</u>
Net position:					
Invested in capital assets, net of related debt	11,199,705	39,404	261,977	-0-	11,501,086
Unrestricted	<u>25,871,487</u>	<u>51,876</u>	<u>475,649</u>	<u>-0-</u>	<u>26,399,012</u>
Total net position	<u>37,071,192</u>	<u>91,280</u>	<u>737,626</u>	<u>-0-</u>	<u>37,900,098</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u>43,034,329</u>	\$ <u>313,938</u>	\$ <u>1,685,416</u>	\$ <u>-0-</u>	\$ <u>45,033,683</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Net Position
October 31, 2016

	Pointe Coupee General <u>Hospital</u>	Pointe Coupee Home Health & Hospice	Maison Pointe Coupee <u>Apartments</u>	Eliminating <u>Entries</u>	<u>Combined</u>
<u>Assets</u>					
Current assets:					
Cash and cash equivalents (Note 3)	\$ 1,280,806	\$ 13,099	\$ 39,747	\$ -0-	\$ 1,333,652
Patient accounts receivable, net of estimated uncollectibles (Note 5)	1,666,787	256,784	102	-0-	1,923,673
Estimated third-party payor settlements	1,235,088	-0-	-0-	-0-	1,235,088
Other receivables	165,758	-0-	-0-	-0-	165,758
Inventory	440,589	12,210	-0-	-0-	452,799
Prepaid expenses	<u>16,755</u>	<u>6,082</u>	<u>793</u>	<u>-0-</u>	<u>23,630</u>
 Total current assets	 4,805,783	 288,175	 40,642	 -0-	 5,134,600
 Assets limited as to use (Note 4)	 1,510,683	 -0-	 330,013	 -0-	 1,840,696
 Land	 1,874,398	 -0-	 100,000	 -0-	 1,974,398
 Capital assets, net (Note 6)	 10,927,984	 36,125	 1,237,158	 -0-	 12,201,267
Other assets:					
Investments	17,202,711	2,154	-0-	-0-	17,204,865
LHA investment	<u>222,523</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>222,523</u>
 Total assets	 <u>36,544,082</u>	 <u>326,454</u>	 <u>1,707,813</u>	 <u>-0-</u>	 <u>38,578,349</u>
Deferred outflows					
related to net pension liability	<u>5,048,325</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>5,048,325</u>
 Total assets and deferred outflows of resources	 \$ <u>41,592,407</u>	 \$ <u>326,454</u>	 \$ <u>1,707,813</u>	 \$ <u>-0-</u>	 \$ <u>43,626,674</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Net Position (Continued)
October 31, 2016

	<u>Pointe Coupee General Hospital</u>	<u>Pointe Coupee Home Health & Hospice</u>	<u>Maison Pointe Coupee Apartments</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<u>Liabilities and Net Position</u>					
Current liabilities:					
Accounts payable	\$ 685,859	\$ 67,619	\$ 9,389	\$ -0-	\$ 762,867
Accrued expenses and withholdings payable (Note 7)	848,015	155,531	10,800	-0-	1,014,346
Estimated third-party payor settlements	577,130	-0-	-0-	-0-	577,130
Current maturities of long-term debt (Note 8)	<u>-0-</u>	<u>-0-</u>	<u>7,249</u>	<u>-0-</u>	<u>7,249</u>
Total current liabilities	<u>2,111,004</u>	<u>223,150</u>	<u>27,438</u>	<u>-0-</u>	<u>2,361,592</u>
Net pension liability (Note 10)	3,700,644	-0-	-0-	-0-	3,700,644
Long-term debt, net of current maturities (Note 8)	<u>-0-</u>	<u>-0-</u>	<u>929,553</u>	<u>-0-</u>	<u>929,553</u>
Total liabilities	<u>5,811,648</u>	<u>223,150</u>	<u>956,991</u>	<u>-0-</u>	<u>6,991,789</u>
Deferred inflows related to net pension liability	<u>600,839</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>600,839</u>
Net position					
Invested in capital assets, net of related debt	10,927,984	36,125	300,356	-0-	11,264,465
Unrestricted	<u>24,251,936</u>	<u>67,179</u>	<u>450,466</u>	<u>-0-</u>	<u>24,769,581</u>
Total net position	<u>35,179,920</u>	<u>103,304</u>	<u>750,822</u>	<u>-0-</u>	<u>36,034,046</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u>41,592,407</u>	\$ <u>326,454</u>	\$ <u>1,707,813</u>	\$ <u>-0-</u>	\$ <u>43,626,674</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Revenue, Expenses, and Changes in Net Position
Year Ended October 31, 2017

	Pointe Coupee General Hospital	Pointe Coupee Home Health & Hospice	Maison Pointe Coupee Apartments	Eliminating Entries	Combined
Revenue:					
Net patient service revenue	\$ 17,602,666	\$ 2,876,251	\$ -0-	\$ -0-	\$ 20,478,917
Sales tax revenue	1,972,582	-0-	-0-	-0-	1,972,582
Intergovernmental transfer grant	1,730,529	-0-	-0-	-0-	1,730,529
Grants	2,565	-0-	-0-	-0-	2,565
Other operating revenue	<u>583,544</u>	<u>1,499</u>	<u>312,088</u>	<u>-0-</u>	<u>897,131</u>
Total revenue	<u>21,891,886</u>	<u>2,877,750</u>	<u>312,088</u>	<u>-0-</u>	<u>25,081,724</u>
Expenses:					
Salaries and benefits	10,047,107	2,332,864	68,334	-0-	12,448,305
Medical supplies and drugs	1,210,023	93,877	-0-	-0-	1,303,900
Insurance	323,813	57,719	21,006	-0-	402,538
Professional fees	2,853,948	75,190	-0-	-0-	2,929,138
Depreciation	816,478	12,608	57,203	-0-	886,289
Other expenses	<u>3,963,423</u>	<u>801,534</u>	<u>114,603</u>	<u>-0-</u>	<u>4,879,560</u>
Total expenses	<u>19,214,792</u>	<u>3,373,792</u>	<u>261,146</u>	<u>-0-</u>	<u>22,849,730</u>
Operating income (loss)	<u>2,677,094</u>	<u>(496,042)</u>	<u>50,942</u>	<u>-0-</u>	<u>2,231,994</u>
Nonoperating income (loss):					
Investment income	282,467	18	-0-	-0-	282,485
Interest expense	-0-	-0-	(64,138)	-0-	(64,138)
Gain (loss) on disposal of assets	-0-	-0-	-0-	-0-	-0-
Intergovernmental transfers	(484,000)	484,000	-0-	-0-	-0-
Payments to Police Jury	<u>(323,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(323,000)</u>
Nonoperating income (loss), net	<u>(524,533)</u>	<u>484,018</u>	<u>(64,138)</u>	<u>-0-</u>	<u>(104,653)</u>
Excess of revenues (expenses)					
before capital grants	2,152,561	(12,024)	(13,196)	-0-	2,127,341
Capital grants	<u>12,873</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>12,873</u>
Excess of revenues (expenses)	2,165,434	(12,024)	(13,196)	-0-	2,140,214
Other comprehensive income					
Unrealized investment gains (losses)	<u>(274,162)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(274,162)</u>
Comprehensive income (loss)	1,891,272	(12,024)	(13,196)	-0-	1,866,052
Beginning net position	<u>35,179,920</u>	<u>103,304</u>	<u>750,822</u>	<u>-0-</u>	<u>36,034,046</u>
Ending net position	\$ <u>37,071,192</u>	\$ <u>91,280</u>	\$ <u>737,626</u>	\$ <u>-0-</u>	\$ <u>37,900,098</u>

Hospital Service District No. 1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Revenue, Expenses, and Changes in Net Position
Year Ended October 31, 2016

	Pointe Coupee General Hospital	Pointe Coupee Home Health & Hospice	Maison Pointe Coupee Apartments	Eliminating Entries	Combined
Revenue:					
Net patient service revenue	\$ 15,761,485	\$ 3,005,003	\$ -0-	\$ -0-	\$ 18,766,488
Sales tax revenue	1,879,144	-0-	-0-	-0-	1,879,144
Intergovernmental transfer grant	2,053,098	-0-	-0-	-0-	2,053,098
Grants	3,201	-0-	-0-	-0-	3,201
Other operating revenue	<u>601,677</u>	<u>2,409</u>	<u>306,423</u>	<u>-0-</u>	<u>910,509</u>
Total revenue	<u>20,298,605</u>	<u>3,007,412</u>	<u>306,423</u>	<u>-0-</u>	<u>23,612,440</u>
Expenses:					
Salaries and benefits	9,735,472	2,322,270	68,252	-0-	12,125,994
Medical supplies and drugs	1,172,446	95,397	-0-	-0-	1,267,843
Insurance	333,587	67,465	17,306	-0-	418,358
Professional fees	2,709,451	147,608	-0-	-0-	2,857,059
Depreciation	869,433	12,217	57,123	-0-	938,773
Other expenses	<u>3,452,752</u>	<u>899,444</u>	<u>110,646</u>	<u>-0-</u>	<u>4,462,842</u>
Total expenses	<u>18,273,141</u>	<u>3,544,401</u>	<u>253,327</u>	<u>-0-</u>	<u>22,070,869</u>
Operating income (loss)	<u>2,025,464</u>	<u>(536,989)</u>	<u>53,096</u>	<u>-0-</u>	<u>1,541,571</u>
Nonoperating income (loss):					
Investment income	318,275	8	-0-	-0-	318,283
Interest expense	-0-	-0-	(64,621)	-0-	(64,621)
Gain (loss) on disposal of assets	1,000	-0-	-0-	-0-	1,000
Intergovernmental transfers	(525,000)	525,000	-0-	-0-	-0-
Payments to Police Jury	<u>(323,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(323,000)</u>
Nonoperating income (loss), net	<u>(528,725)</u>	<u>525,008</u>	<u>(64,621)</u>	<u>-0-</u>	<u>(68,338)</u>
Excess of revenues (expenses)					
before capital grants	1,496,739	(11,981)	(11,525)	-0-	1,473,233
Capital grants	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess of revenues (expenses)	1,496,739	(11,981)	(11,525)	-0-	1,473,233
Other comprehensive income					
Unrealized investment gains (losses)	<u>(73,185)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(73,185)</u>
Comprehensive income (loss)	1,423,554	(11,981)	(11,525)	-0-	1,400,048
Beginning net position	<u>33,756,366</u>	<u>115,285</u>	<u>762,347</u>	<u>-0-</u>	<u>34,633,998</u>
Ending net position	\$ <u>35,179,920</u>	\$ <u>103,304</u>	\$ <u>750,822</u>	\$ <u>-0-</u>	\$ <u>36,034,046</u>

Hospital Service District No.1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Operations by Service Component
Year Ended October 31, 2017

	<u>Hospital</u>	<u>COA*</u>	Home Health & Hospice	-----District Summary----- <u>Innis</u>	Elderly Housing	<u>District**</u>	<u>Total</u>
Revenue:							
Net patient service revenue	\$ 17,602,666	\$ -0-	\$ 2,876,251	\$ -0-	\$ -0-	\$ -0-	\$ 20,478,917
Sales tax revenue	1,972,582	-0-	-0-	-0-	-0-	-0-	1,972,582
Intergovernmental transfer grant	1,730,529	-0-	-0-	-0-	-0-	-0-	1,730,529
Grants	2,565	-0-	-0-	-0-	-0-	-0-	2,565
Other	<u>238,941</u>	<u>-0-</u>	<u>1,499</u>	<u>-0-</u>	<u>312,088</u>	<u>344,603</u>	<u>897,131</u>
Total revenue	<u>21,547,283</u>	<u>-0-</u>	<u>2,877,750</u>	<u>-0-</u>	<u>312,088</u>	<u>344,603</u>	<u>25,081,724</u>
Expenses:							
Salaries and benefits	9,924,984	-0-	2,332,864	-0-	68,334	122,123	12,448,305
Medical supplies and drugs	1,210,023	-0-	93,877	-0-	-0-	-0-	1,303,900
Insurance	323,813	-0-	57,719	-0-	21,006	-0-	402,538
Professional fees	2,853,948	-0-	75,190	-0-	-0-	-0-	2,929,138
Depreciation	626,401	-0-	12,608	14,603	57,203	175,474	886,289
Other expenses	<u>3,536,951</u>	<u>300,301</u>	<u>801,534</u>	<u>24,648</u>	<u>114,603</u>	<u>101,523</u>	<u>4,879,560</u>
Total expenses	<u>18,476,120</u>	<u>300,301</u>	<u>3,373,792</u>	<u>39,251</u>	<u>261,146</u>	<u>399,120</u>	<u>22,849,730</u>
Operating income (loss)	<u>3,071,163</u>	<u>(300,301)</u>	<u>(496,042)</u>	<u>(39,251)</u>	<u>50,942</u>	<u>(54,517)</u>	<u>2,231,994</u>
Nonoperating income (loss):							
Investment income	282,467	-0-	18	-0-	-0-	-0-	282,485
Interest expense	-0-	-0-	-0-	-0-	(64,138)	-0-	(64,138)
Gain (loss) on disposal of asset	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Payments to Police Jury	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(323,000)</u>	<u>(323,000)</u>
Nonoperating income (loss), net	<u>282,467</u>	<u>-0-</u>	<u>18</u>	<u>-0-</u>	<u>(64,138)</u>	<u>(323,000)</u>	<u>(104,653)</u>
Excess of revenues (expenses) before capital grants	3,353,630	(300,301)	(496,024)	(39,251)	(13,196)	(377,517)	2,127,341
Capital grants	<u>12,873</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>12,873</u>
Excess of revenues (expenses)	\$ <u>3,366,503</u>	\$ <u>(300,301)</u>	\$ <u>(496,024)</u>	\$ <u>(39,251)</u>	\$ <u>(13,196)</u>	\$ <u>(377,517)</u>	\$ <u>2,140,214</u>

* Council on Aging

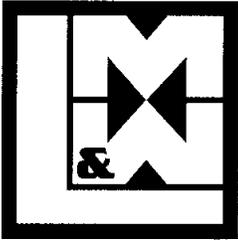
** Remaining non-hospital activities of the District

Hospital Service District No.1
Of the Parish of Pointe Coupee and Affiliate
Combining Statements of Operations by Service Component
Year Ended October 31, 2016

	<u>Hospital</u>	<u>COA*</u>	Home Health & <u>Hospice</u>	-----District Summary-----			<u>Total</u>
				<u>Innis</u>	<u>Elderly Housing</u>	<u>District**</u>	
Revenue:							
Net patient service revenue	\$ 15,761,485	\$ -0-	\$ 3,005,003	\$ -0-	\$ -0-	\$ -0-	\$ 18,766,488
Sales tax revenue	1,879,144	-0-	-0-	-0-	-0-	-0-	1,879,144
Intergovernmental transfer grant	2,053,098	-0-	-0-	-0-	-0-	-0-	2,053,098
Grants	3,201	-0-	-0-	-0-	-0-	-0-	3,201
Other	<u>239,976</u>	<u>-0-</u>	<u>2,409</u>	<u>-0-</u>	<u>306,423</u>	<u>361,701</u>	<u>910,509</u>
 Total revenue	 <u>19,936,904</u>	 <u>-0-</u>	 <u>3,007,412</u>	 <u>-0-</u>	 <u>306,423</u>	 <u>361,701</u>	 <u>23,612,440</u>
Expenses:							
Salaries and benefits	9,604,016	-0-	2,322,270	-0-	68,252	131,456	12,125,994
Medical supplies and drugs	1,172,446	-0-	95,397	-0-	-0-	-0-	1,267,843
Insurance	333,587	-0-	67,465	-0-	17,306	-0-	418,358
Professional fees	2,689,890	-0-	147,608	-0-	-0-	19,561	2,857,059
Depreciation	675,024	-0-	12,217	14,603	57,123	179,806	938,773
Other expenses	<u>3,021,076</u>	<u>295,803</u>	<u>899,444</u>	<u>31,481</u>	<u>110,646</u>	<u>104,392</u>	<u>4,462,842</u>
 Total expenses	 <u>17,496,039</u>	 <u>295,803</u>	 <u>3,544,401</u>	 <u>46,084</u>	 <u>253,327</u>	 <u>435,215</u>	 <u>22,070,869</u>
 Operating income (loss)	 <u>2,440,865</u>	 <u>(295,803)</u>	 <u>(536,989)</u>	 <u>(46,084)</u>	 <u>53,096</u>	 <u>(73,514)</u>	 <u>1,541,571</u>
Nonoperating income (loss):							
Investment income	318,283	-0-	-0-	-0-	-0-	-0-	318,283
Interest expense	-0-	-0-	-0-	-0-	(64,621)	-0-	(64,621)
Gain (loss) on disposal of asset	1,040	-0-	(40)	-0-	-0-	-0-	1,000
Payments to Police Jury	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(323,000)</u>	<u>(323,000)</u>
 Nonoperating income (loss), net	 <u>319,323</u>	 <u>-0-</u>	 <u>(40)</u>	 <u>-0-</u>	 <u>(64,621)</u>	 <u>(323,000)</u>	 <u>(68,338)</u>
Excess of revenues (expenses)							
before capital grants	2,760,188	(295,803)	(537,029)	(46,084)	(11,525)	(396,514)	1,473,233
Capital grants	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Excess of revenues (expenses)	 <u>\$ 2,760,188</u>	 <u>\$ (295,803)</u>	 <u>\$ (537,029)</u>	 <u>\$ (46,084)</u>	 <u>\$ (11,525)</u>	 <u>\$ (396,514)</u>	 <u>\$ 1,473,233</u>

* Council on Aging

** Remaining non-hospital activities of the District



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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. 1
Parish of Pointe Coupee, State of Louisiana
New Roads, 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 combined financial statements of the Hospital Service District No. 1, Parish of Pointe Coupee, (the "District" or the "Hospital"), a component unit of the Pointe Coupee Parish Police Jury, as of and for the years ended October 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 24, 2018.

Internal Control Over Financial Reporting

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

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

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2017-01, 2017-02, 2017-03 and 2017-04.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's combined 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 matters 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 responses. 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.



Certified Public Accountants
Alexandria, Louisiana

April 24, 2018



POINTE COUPEE GENERAL HOSPITAL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED OCTOBER 31, 2017

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – Not applicable

Section II. Financial Statement Findings

FINDING 2017-01 - Draft of Financial Statements

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

Recommendation: Management should either (a) obtain the resources necessary to internally prepare or review the auditors' preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency.

FINDING 2017-02 - Segregation of Duties

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.



POINTE COUPEE GENERAL HOSPITAL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED OCTOBER 31, 2017

Section II. Financial Statement Findings (Continued)

FINDING 2017-02 - Segregation of Duties (Continued)

Response: Management will continue to segregate duties as much as possible and will closely supervise and review duties to prevent errors.

FINDING 2017-03 - Third-party Payor Settlements

Finding: Management is responsible for calculating and recording estimates of interim (Medicare and Medicaid) cost settlements. An adjustment of \$657,705 was made to record the FY 2017 cost report payable to Medicare and Medicaid.

Recommendation: Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefits.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end. Management will record differences between interim payments and actual cost report settlements. These differences will be charged against income in the future periods when determinable.

FINDING 2017-04 - Pension Plan

Finding: The District did not record an estimate of the net pension liability or deferred inflows and outflows as required by GASB 68.

Recommendation: Financial statements should reflect an estimate of pension expense with related inflows and outflows as required by GASB 68.

Response: An estimate of the net pension liability along with deferred inflows and outflows will be recorded on future financial statements.

Section III. Management Letter

Not Applicable

Section IV. Federal Award Findings and Questioned Costs

Not Applicable



POINTE COUPEE GENERAL HOSPITAL
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED OCTOBER 31, 2017

Section I. Financial Statement Findings

FINDING 2016-01 - Draft of Financial Statements

Fiscal Year Initially Reported: October 31, 2007

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

Recommendation: Management should either (a) obtain the resources necessary to internally prepare or review the auditors' preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency.

Current Status: Not resolved - See finding 2017-01

FINDING 2016-02 - Segregation of Duties

Fiscal Year Initially Reported: October 31, 2007

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: Management will continue to segregate duties as much as possible and will closely supervise and review duties to prevent errors.

Current Status: Not resolved - See finding 2017-02

FINDING 2016-03 - Third-party Payor Settlements

Fiscal Year Initially Reported: October 31, 2016

Finding: Management is responsible for calculating and recording estimates of interim (Medicare and Medicaid) cost settlements. An adjustment of \$614,932 was made to record the FY 2016 cost report receivable from Medicare and Medicaid.



POINTE COUPEE GENERAL HOSPITAL
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED OCTOBER 31, 2017

Section I. Financial Statement Findings (Continued)

FINDING 2016-03 - Third-party Payor Settlements (Continued)

Recommendation: Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefits.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end. Management will record differences between interim payments and actual cost report settlements. These differences will be charged against income in the future periods when determinable.

Current Status: Not resolved - See finding 2017-03

FINDING 2016-04 - Pension Plan

Fiscal Year Initially Reported: October 31, 2016

Finding: The District did not record an estimate of the net pension liability or deferred inflows and outflows as required by GASB 68.

Recommendation: Financial statements should reflect an estimate of pension expense with related inflows and outflows as required by GASB 68.

Response: An estimate of the net pension liability along with deferred inflows and outflows will be recorded on future financial statements.

Current Status: Not resolved - See finding 2017-04

Section II. Management Letter

Not Applicable

Section III. Federal Award Findings and Questioned Costs

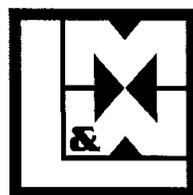
Not Applicable



HOSPITAL SERVICE DISTRICT NO. 1
PARISH OF POINTE COUPEE

INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED UPON
PROCEDURES

FOR THE YEAR ENDED
OCTOBER 31, 2017



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
of Hospital Service District No. 1,
Parish of Pointe Coupee, State of Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Hospital Service District No. 1, Parish of Pointe Coupee 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 November 1, 2016 through October 31, 2017. The 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

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - 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**, including receiving, recording, and preparing deposits
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

- g) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- h) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- i) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings: For the period under examination, the District had policies in place for payroll and personnel. On February 20, 2018, the governing board approved policies for the following areas: budgeting, purchasing, disbursements, receipts, contracting, travel and expense reimbursement, and ethics. A policy for debt service was not enacted at this time; however, the District does not have outstanding bonds.

Management's Response: Management will continue to update and to implement policies as needed. Management will educate employees on the policies of the District. The District will not incur debt without approval from the District's governing board and the Louisiana State Bond Commission.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Findings: Per the governing board's by-laws, the board is to meet monthly. The board met nine (9) months with a quorum. Interim financial reports are presented monthly with budget-to-actual comparisons. The District is a hospital service district and is not required to comply with the Local Government Budget Act. The minutes included non-budgetary financial information, such as evaluating contracts and policies.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.



Findings: We obtained a list of bank accounts, and management provided representation that the list was complete.

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

Findings: For the bank accounts tested, bank reconciliations were prepared monthly. The prepared bank reconciliations did not include evidence that a member of management or a board member reviewed the reconciliations each month. Management had documentation reflecting that reconciling items outstanding for six months had been researched.

Management's Response: Bank reconciliations and supporting documentation will be reviewed monthly by management or a member of the governing board.

Collections

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

Findings: We obtained a list of collection locations, and management provided representation that the list was complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
- Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or



agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Findings: The person responsible for collecting cash is not responsible for depositing cash in the bank, recording the transaction, or reconciling the related bank account. No one responsible for cash collections is required to share the same cash drawer with another employee.

The District provided documentation that demonstrated a formal process is used to reconcile cash collections to the general ledger. The person responsible for cash collections does not perform the reconciliation.

For the highest week of collections at each location, the deposits were made within one business day of collection. All cash collections tested were completely supported by documentation.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Findings: The District provided written documentation describing a process to determine completeness of all collections.

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

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

Findings: We obtained a list of disbursements, and management provided representation that the list was complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases



or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for purchases were not processed without an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Findings: Of the twenty-five (25) disbursements selected for testing, three (3) of the transactions did not have supporting documentation that demonstrated use of a purchase order system. Ten (10) of the transactions were items other than materials and supplies that did not require a purchase order, such as payments for legal services and insurance. Ten (10) purchase orders did not have evidence of approval by a person who did not initiate the purchase.

Management's Response: Management will review current processes and determine how to segregate the initiating, recording and approval functions. Due to the small staff, the District will continue to experience problems segregating duties.

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

Findings: The person responsible for processing payments is not prohibited from adding vendors to the system.

Management's Response: Due to every check requiring two signatures, each payment is being reviewed twice by a person independent of processing payments. Due to the small staff, the District will continue to experience problems segregating duties.

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

Findings: Persons with signatory authority can initiate purchases but are prohibited from recording purchases.

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

Findings: In the District, one supply of unused check stock is maintained in a locked office with access restricted to those persons who do not have signatory authority. Another supply of unused check stock is



kept in a location that can be accessed by persons with signatory authority and system access to print checks.

Management's Response: Access to unused or blank check stock will be limited to personnel without signatory authority.

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

Findings: Signature stamps are not used. Signed checks are returned to the preparer to be mailed.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Findings: We obtained a list of all active credit cards, and management provided representation that the list was complete.

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

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

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

Findings: The monthly statement selected for each card lacked evidence that the statement and supporting documentation was reviewed and approved, in writing, by someone independent of the authorized card holder. No finance charges or late fees were assessed on the selected statements.

Management's Response: A member of management or a board member will review credit card statements and supporting documentation monthly. Credit card statements and documentation for the CEO and Administrator will be reviewed and signed by a member of the governing board.



16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
 - c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless of whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Findings: For the two credit cards selected for testing, there were nineteen (19) transactions. Three (3) of the nineteen (19) transactions did not have an original receipt. One (1) receipt was not itemized. Five (5) transactions did not contain documentation of the business purpose. Fourteen (14) were determined to be appropriate business transactions and not for personal use. We were unable to determine the appropriateness of the other five (5) items due to lack of documentation. None of the transactions tested were made to circumvent the Louisiana Public Bid Law. None of the transactions were loans, pledges, or donations of funds, credit, property, or things of value.

Management's Response: Efforts will be made to ensure all transactions have original itemized receipts with a documented business purpose.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Findings: We obtained a list of all travel and related expense reimbursements, and management provided representation that the listing is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Findings: Management provided a written policy for travel and expense reimbursement effective after the fiscal period under examination. According to the District's expense reimbursement form, the maximum



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amount reimbursed for breakfast and lunch is \$10 each, and the maximum reimbursement for dinner is \$25. The total allowed per day does not exceed the GSA per diem for the District's area. The District reimburses mileage at the IRS approved limit, which is the GSA rate.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
 - c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
 - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings: For the three expense reimbursements tested, one reimbursement included meals that exceeded the allowed amounts per meal on the expense reporting form. However, the total of the meals did not exceed the per diem established by the GSA.

With the exception of one expense, expenses were supported by original itemized receipts. All expenses had documentation of the business purpose. Each expense reimbursement included the travel expense form.

The expenses were not prohibited by Article 7, Section 14 of the Louisiana Constitution.

Each expense reimbursement and related documentation was reviewed and approved by the administrator or the board, when required.

Management's Response: Management will monitor expense reimbursements to ensure all original itemized receipts are present for reimbursement and reimbursed amounts are within set limits. Management plans to update the allowed reimbursement amounts stated on the expense reimbursement form with more accurate representations of today's costs.



Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Findings: We obtained a list of contract vendors for the period, and management provided representation that the list was complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
 - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Findings: For the five (5) vendors selected for testing, the District had a formal, written agreement that supported the services being provided and the amounts paid.

None of the contracts were subject to the Louisiana Public Bid Law or the Procurement Code. The District did not provide documentation demonstrating that quotes were solicited as a best practice.

One (1) of the five (5) contracts was amended. The amendment reduced the rate for coverage by \$14.85 per hour. The original contract terms provided for this amendment.

Each of the invoices and related payments to the five vendors complied with the terms and conditions of the contract.

Two (2) of the five (5) contracts did not have documentation of board approval.

Management's Response: For the period under examination, the governing board authorized the CEO to enter contracts when the annual payments to the vendor are under the dollar threshold set by the board. Management will seek board approval prior to entering contractual agreements that exceed the threshold set by the board.



Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Findings: We obtained a listing of employees and their related salaries, and management provided representation that the list was complete. The five employees were paid in strict accordance with the terms and conditions of their pay rate structure. Changes made to hourly pay during the fiscal period were documented on the change of status form and approved in writing. Per the personnel policy, a completed payroll form must be completed and approved by the administrator for an employee's paycheck to be processed.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Findings: All employees tested documented their daily attendance and leave. All attendance and leave records had written evidence of approval by a department manager. The District maintained written leave records.

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

Findings: The two termination payments tested were made in accordance with the District's policy.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of



payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Findings: Employee and employer portions of payroll taxes and retirement contributions were submitted by the required deadlines with the required reporting forms.

Ethics (excluding nonprofits)

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

Findings: Of the five employees randomly selected, only one was required to complete the ethics training per R.S. 42:1170. The District maintained documentation of completion.

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

Findings: Per inquiry of management, no alleged ethics violations were reported to the entity during the fiscal period.

Debt Service (excluding nonprofits)

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

Findings: No debt was issued during the fiscal period under examination.

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

Findings: The District did not have outstanding bonds during the fiscal period and had no debt service requirements.

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

Findings: The District did not have tax millages related to debt service.

Other



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

Findings: Per inquiry of management, the District had instances of misappropriations of public funds or assets. Personal use of a District credit card was discovered and corrected.

Management's Response: Personal use was made in error. The mistakes were recognized immediately and reimbursements to the District were made. Controls to mitigate the risk of this happening in the future will be considered.

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

Findings: The notice required by R.S. 24:523.1 concerning the reporting of misappropriations, fraud, waste, or abuse was not posted on the premises of the District. Of the District's two websites, one website contained a link "Fight Fraud, Waste & Abuse", which displays the notice.

Management's Response: Management will display the notice required by R.S. 24:523.1 on the premises of the District in a public area. Management will also update the remaining website to include the notice.

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

Findings: We did not note any exceptions regarding management's representations in the procedures above.

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.



Certified Public Accountants
Alexandria, Louisiana

April 11, 2018



