

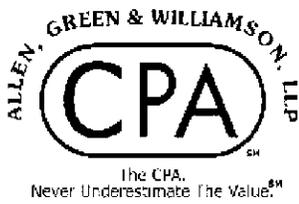
**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**Annual Financial Report
As of and For the Year Ended
September 30, 2018**

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

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), a component unit of the LaSalle Parish Police Jury as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), a component unit of the LaSalle Parish Police Jury, as of September 30, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
March 28, 2019

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

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

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

**Management's Discussion and Analysis (MD&A)
September 30, 2018 and 2017**

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2018. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$19,952 (*net position*). The District reported an increase in net position of \$2,639.

The District consisting of the 35-bed acute care critical access designated hospital along with two Medicare certified rural health clinics continues to add specialty services making it a viable and in-demand rural referral center. With the addition of many specialties, rural patients are accessing high quality medical care much closer to home creating a business model that helps both to fill the patients' needs as well as building a sustainable economic model for providing jobs in the community. As awareness grows so goes the increase in volumes in all areas of service.

The increase in net position was also a result of intensified budget management helping the District reduce expenses from the previous year in daily patient services, nursing services, and administrative and fiscal services.

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

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

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

**Management's Discussion and Analysis (MD&A)
September 30, 2018 and 2017**

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

Financial Section

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

Basic Financial Statements

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

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

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

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

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

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

**Management's Discussion and Analysis (MD&A)
September 30, 2018 and 2017**

FINANCIAL ANALYSIS The District's net position was \$19,952 at September 30, 2018. Our analysis below focuses on the net position and the change in net position of the District as a whole.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Other assets	\$ 17,362	\$ 18,099	\$ 13,515
Capital assets, net	7,333	6,589	7,442
Total assets	<u>24,695</u>	<u>24,688</u>	<u>20,957</u>
Other liabilities	2,471	2,284	2,751
Long-term liabilities	2,272	5,091	5,483
Total liabilities	<u>4,743</u>	<u>7,375</u>	<u>8,234</u>
Net position			
Net investment in capital assets	4,733	1,107	1,550
Restricted	189	729	571
Unrestricted	15,030	15,477	10,602
Total net position	<u>\$ 19,952</u>	<u>\$ 17,313</u>	<u>\$ 12,723</u>

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

**Management's Discussion and Analysis (MD&A)
September 30, 2018 and 2017**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues:			
Operating revenues:			
Net patient service revenues	\$ 28,256	\$ 28,352	\$ 25,013
Contributions from Ambulance Service District	127	121	122
Operating Grants	3,415	3,379	2,798
Property taxes	186	183	187
Other	325	208	111
Total operating revenues	<u>32,309</u>	<u>32,243</u>	<u>28,231</u>
Expenses:			
Operating expenses:			
Daily patient services	2,949	2,760	2,562
Nursing services	5,358	4,869	4,611
Other professional services	11,071	10,313	9,631
General services	2,410	2,308	2,138
Administrative and fiscal services	2,714	2,816	2,482
Employee benefits	4,182	3,532	3,138
Depreciation	951	1,015	1,236
Total operating expenses	<u>29,635</u>	<u>27,613</u>	<u>25,798</u>
Operating Income (Loss)	<u>2,674</u>	<u>4,630</u>	<u>2,433</u>
Nonoperating Revenues (Expenses)			
Grant Revenue	102	232	179
Interest Revenue	63	3	1
Interest Expense	<u>(200)</u>	<u>(275)</u>	<u>(299)</u>
Total nonoperating revenues (expenses)	<u>(35)</u>	<u>(40)</u>	<u>(119)</u>
Change in Net position	2,639	4,590	2,314
Net position, beginning of year	<u>17,313</u>	<u>12,723</u>	<u>10,409</u>
Net position, end of year	<u>\$ 19,952</u>	<u>\$ 17,313</u>	<u>\$ 12,723</u>

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

**Management's Discussion and Analysis (MD&A)
September 30, 2018 and 2017**

Total operating revenues increased by \$66 due mainly to added programs and services.

Total operating expenses increased \$2,022 due mainly to increased salaries and benefits and the costs of added programs and services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2018, the District had \$7,333 invested in capital assets, including land, buildings, site improvements, furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$744 or 11% from last year due mainly to new construction of a maintenance shop and start of a new rural health clinic building.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 109	\$ 109	\$ 93
Construction In Progress	1,032	9	-
Land improvements	1,076	1,076	1,076
Building	8,769	8,732	8,732
Equipment, furniture and fixtures	8,805	8,170	8,035
Less accumulated depreciation	(12,458)	(11,507)	(10,494)
Totals	<u>\$ 7,333</u>	<u>\$ 6,589</u>	<u>\$ 7,442</u>

See Note 6 for further details on capital assets.

Debt

At September 30, 2018, the District has \$2,600 in outstanding long-term debt, which includes certificate of indebtedness, revenue bonds, and capital leases. See Note 7 and Note 8 for further details on debt.

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

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

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

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

BASIC FINANCIAL STATEMENTS

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

ENTERPRISE FUND
STATEMENT OF NET POSITION
September 30, 2018 and 2017

	<u>General Fund</u>	
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Cash, checking	\$ 7,079,761	\$ 5,292,690
Restricted cash	188,793	729,419
Receivables		
Patient services, net of allowances of \$2,719,798 and \$1,161,357	4,365,895	5,315,265
Estimated third-party payor settlements	2,988,405	3,122,917
Other	2,196,644	2,989,863
Supplies	471,986	434,454
Prepaid expenses	70,550	214,796
	17,362,034	18,099,404
CAPITAL ASSETS		
Land	108,680	108,680
Land improvements	1,076,108	1,076,108
Construction in progress	1,032,181	9,456
Buildings	8,769,155	8,732,475
Equipment, furniture and fixtures	8,805,148	8,169,600
Less accumulated depreciation	(12,458,314)	(11,507,716)
	7,332,958	6,588,603
TOTAL ASSETS	\$ 24,694,992	\$ 24,688,007

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

Statement A

	<u>General Fund</u>	
	<u>2018</u>	<u>2017</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 835,548	\$ 757,038
Salaries payable	479,746	408,344
Group insurance payable	259,863	210,513
Current portion of capital leases	63,633	92,351
Certificates and revenue bonds payable	264,000	298,341
Accrued vacation payable	515,754	491,071
Accrued bond interest payable	52,074	25,994
	<hr/>	<hr/>
Total current liabilities	2,470,618	2,283,652
NONCURRENT LIABILITIES		
Certificates and revenue bonds payable	2,246,103	5,001,455
Capital leases	26,175	89,807
	<hr/>	<hr/>
Total noncurrent liabilities	2,272,278	5,091,262
	<hr/>	<hr/>
TOTAL LIABILITIES	4,742,896	7,374,914
NET POSITION		
Net investment in capital assets	4,733,047	1,106,649
Restricted for debt service	188,793	729,419
Unrestricted	15,030,256	15,477,025
	<hr/>	<hr/>
TOTAL NET POSITION	<u>\$ 19,952,096</u>	<u>\$ 17,313,093</u>

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

ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended September 30, 2018 and 2017

Statement B

	<u>General Fund</u>	
	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Net patient service revenues	\$ 28,255,585	\$ 28,351,858
Contributions from Ambulance Service District	126,772	120,550
Operating grants	3,414,665	3,379,541
Cafeteria sales	3,990	-
Property taxes	185,730	183,044
Other	322,390	208,405
Total operating revenues	<u>32,309,132</u>	<u>32,243,398</u>
OPERATING EXPENSES		
Daily patient services	2,949,302	2,760,183
Nursing services	5,357,819	4,869,298
Other professional services	11,071,078	10,313,413
General services	2,410,327	2,308,306
Administrative and fiscal services	2,714,260	2,814,926
Employee benefits	4,181,781	3,531,781
Depreciation	950,599	1,015,119
Total operating expenses	<u>29,635,166</u>	<u>27,613,026</u>
OPERATING INCOME (LOSS)	<u>2,673,966</u>	<u>4,630,372</u>
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	101,606	231,730
Interest revenue	63,574	2,648
Interest expense	<u>(200,143)</u>	<u>(274,798)</u>
Total nonoperating revenues (expenses)	<u>(34,963)</u>	<u>(40,420)</u>
CHANGE IN NET POSITION	2,639,003	4,589,952
NET POSITION, BEGINNING OF YEAR	<u>17,313,093</u>	<u>12,723,141</u>
NET POSITION, END OF YEAR	<u>\$ 19,952,096</u>	<u>\$ 17,313,093</u>

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

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

**ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the Years Ended September 30, 2018 and 2017**

Statement C

	<u>General Fund</u>	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net receipts from patient services	\$ 29,339,467	\$ 25,890,901
Operating grants	4,207,884	2,989,862
Other receipts	638,882	511,999
Payments to vendors	(15,021,172)	(14,114,301)
Payments to employees	(13,332,736)	(11,888,525)
	<u>5,832,325</u>	<u>3,389,936</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS (USED) FROM NON CAPITAL FINANCING ACTIVITIES		
Grants	<u>101,606</u>	<u>231,730</u>
	<u>101,606</u>	<u>231,730</u>
NET CASH PROVIDED (USED) BY NON CAPITAL FINANCING ACTIVITIES		
CASH FLOWS (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property, plant and equipment	(1,694,954)	(160,006)
Certificate of indebtedness and revenue bonds:		
Proceeds	577,103	-
Principal	(3,366,796)	(283,071)
Capital lease obligations:		
Principal	(92,350)	(128,628)
Interest paid	(174,063)	(276,932)
	<u>\$ (4,751,060)</u>	<u>\$ (848,637)</u>

(Continued)

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

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

**ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the Years Ended September 30, 2018 and 2017**

Statement C

	<u>General Fund</u>	
	<u>2018</u>	<u>2017</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	\$ 63,574	\$ 2,648
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>63,574</u>	<u>2,648</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,246,445	2,775,677
CASH AND CASH EQUIVALENTS - BEGINNING	<u>6,022,109</u>	<u>3,246,432</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>7,268,554</u></u>	<u><u>6,022,109</u></u>
RECONCILIATION TO THE BALANCE SHEET		
Cash and cash equivalents	7,079,761	5,292,690
Restricted cash	<u>188,793</u>	<u>729,419</u>
	<u><u>7,268,554</u></u>	<u><u>6,022,109</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	2,673,966	4,630,372
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	950,599	1,015,119
(Increase) decrease in:		
Accounts receivable: Patient services, net	949,370	(704,972)
Accounts receivable: Estimated third-party payor settlements	134,512	(1,755,985)
Accounts receivable: Other	793,219	(389,679)
Supplies	(37,532)	(25,995)
Prepaid expenses	144,246	305,812
Increase (decrease) in:		
Accounts payable, trade	78,510	202,822
Salaries payable	71,402	83,138
Group insurance payable	49,350	-
Accrued vacation payable	<u>24,683</u>	<u>29,304</u>
Total adjustments	<u>3,158,359</u>	<u>(1,240,436)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 5,832,325</u></u>	<u><u>\$ 3,389,936</u></u>

(Concluded)

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2018 and 2017**

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2018 and 2017**

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

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

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

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

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

	2018	2017
Gross patient service revenue	\$ 78,912,503	\$ 74,883,018
Less bad debt expense	(2,566,485)	(1,858,937)
Less contractual adjustments:		
Medicare	(19,533,044)	(20,214,609)
Medicaid	(18,132,108)	(15,794,217)
Other third parties	(10,425,281)	(8,663,397)
Total contractual adjustments	(48,090,433)	(44,672,223)
Net patient service revenue	\$ 28,255,585	\$ 28,351,858

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

Ad Valorem Taxes are susceptible to accrual.

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

Operating Grants The District (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer grant (ITG) to be used solely to provide adequate and essential medically necessary and available healthcare services to Grantee's service population subject to the availability of such grant funds. The aggregate ITG grant income is \$3,414,665 and \$3,379,541 for fiscal years 2018 and 2017, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS At September 30, 2018, the District has cash and cash equivalents of \$7,268,554 as follows:

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

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

Custodial credit risk: At year end, the District's carrying amount of deposits was \$7,268,554 which includes \$188,793 of restricted cash and the bank balance was \$7,838,303. Of the bank balance, \$500,000 was covered by federal depository insurance. For the remaining bank balance, the District had securities held by the pledging financial institution's trust department or agent but not in the District's name. The District's policy does not address custodial credit risk.

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

Estimated third-party payor settlements are amounts due for cost reports filed with Medicare and Medicaid for the periods 2013 through 2018.

Other accounts receivable as of September 30, 2018 of \$2,145,055 is for operating grants received through a cooperative endeavor agreement with a regional hospital, \$49,089 is due from 340B, and \$2,500 is miscellaneous accounts receivable. Other accounts receivable as of September 30, 2017 of \$2,968,493 was for operating grants received through a cooperative endeavor agreement with a regional hospital and \$21,370 was due for 340B.

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

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

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

Risk Management The District is exposed to various risks of loss related to professional and general liability, director’s and officer’s liability, property damage, equipment breakdown, auto liability, employee theft, and worker’s compensation. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District became partially self-insured for employees' group and health insurance coverage on June 1, 2002. Claims are funded through employee contributions and operating funds of the District. The District maintains stop-loss coverage with an insurance company for claims in excess of \$50,000 per claim for each participant. All known claims filed and an estimate of incurred but not reported claims based on experience of the District are made and accrued as necessary in the financial statements. Incremental costs is not included. The estimate of incurred but not reported claims at September 30, 2018 was \$259,863 which is reported on Statement A. This estimate is based on claims filed in the month following the fiscal year end which includes other incremental costs.

The following is a summary of the self-insurance transactions for the year ended September 30, 2018:

Fiscal Year	Balance Beginning	Additions	Payments	Balance Ending
2015-2016	193,943	1,991,943	1,975,373	210,513
2016-2017	210,513	2,384,094	2,384,094	210,513
2017-2018	210,513	2,626,328	2,576,978	259,863

Litigation At September 30, 2018, the District was involved in one litigation. Although the actual outcome of this lawsuit is hard to predict, management feels that the maximum possible financial effect would be \$23,966. No liability has been recorded in the financial statements for this claim.

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

The original contract was amended October 5, 2009 to meet the statutory definition of a performance based contract. Per the amendment, there shall be an annual review and disbursement/reconciliation of the energy related cost savings. An energy and operational savings report will be provided to the District within 60 days of each anniversary

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of the performance commitment date or within 30 days of receiving from the local utility provider a final utility bill for the annual reporting period.

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

Construction Projects The District had two construction projects in progress at September 30, 2018. The contract for the Family Clinic is \$1,681,000 for the site work and \$4,344,000 for the building. At September 30, 2018, \$622,507 had been spent. The contract for the maintenance shop is \$425,500 and \$409,674 had been spent at September 30, 2018.

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

Employees covered by the plan are eligible to participate after 1 year of service. Employees must be 21 to participate. Contribution rates are determined and may be changed by the employer. Participants are fully vested after 5 years of service. Forfeitures may first be used to pay administrative expenses. Any forfeitures that have not been used to pay administrative expenses shall be applied to reduce employer contributions made after the forfeitures are determined. The amount of forfeitures in the fiscal year 2018 was \$6,939 of which \$3,166 was used to reduce employer contributions and \$3,773 was used for administrative expense. The amount recognized as pension expense was \$398,545 in the 2018 fiscal year and \$165,728 for the 2017 fiscal year.

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

	<u>401 A Plan</u>	<u>457 Plan</u>
Employer	\$ 256,428	\$ 139,803
Employee	-	424,179

The District's contributions to the plans for 2017 were as follows:

	<u>401 A Plan</u>	<u>457 Plan</u>
Employer	\$ 87,842	\$ 92,927
Employee	-	344,803

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NOTE 6 - PROPERTY PLANT AND EQUIPMENT The balances and changes in property, plant and equipment as of and for the year ended September 30, 2018 are as follows:

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

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The balances and changes in property, plant, and equipment as of and for the year ended September 30, 2017 are as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Nondepreciable assets:				
Land	\$ 92,990	\$ 15,690	\$ -	\$ 108,680
Construction in progress	-	9,456	-	9,456
	<u>92,990</u>	<u>25,146</u>	<u>-</u>	<u>118,136</u>
Depreciable assets:				
Land improvements	1,076,108	-	-	1,076,108
Buildings	8,732,475	-	-	8,732,475
Fixed equipment	759,642	-	-	759,642
Electronic health record equipment	1,726,324	69,251	-	1,795,575
Moveable equipment, furniture and fixtures	5,548,774	65,609	-	5,614,383
Total depreciable assets	<u>17,843,323</u>	<u>134,860</u>	<u>-</u>	<u>17,978,183</u>
Total	<u>17,936,313</u>	<u>160,006</u>	<u>-</u>	<u>18,096,319</u>
Less accumulated depreciation:				
Land improvements	388,659	65,018	-	453,677
Buildings	4,598,886	392,110	-	4,990,996
Fixed equipment	725,582	15,444	-	741,026
Electronic health record equipment	1,214,509	243,252	-	1,457,761
Moveable equipment, furniture and fixtures	3,566,193	298,063	-	3,864,256
Total accumulated depreciation	<u>10,493,829</u>	<u>1,013,887</u>	<u>-</u>	<u>11,507,716</u>
Property, plant and equipment, net	<u>\$ 7,442,484</u>	<u>\$ (853,881)</u>	<u>\$ -</u>	<u>\$ 6,588,603</u>

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NOTE 7 - LONG-TERM DEBT

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 107,000	\$ 53,676	\$ 160,676
2020	117,000	47,236	164,236
2021	128,000	40,193	168,193
2022	139,000	32,516	171,516
2023	152,000	24,150	176,150
2024-2025	344,000	20,183	364,183
Total	<u>\$ 987,000</u>	<u>\$ 217,954</u>	<u>\$ 1,204,954</u>

In 2013, the District issued Hospital Revenue Bonds, Series 2012, in the amount of \$1,285,000 with a stated interest rate of 4.50% with a maturity date of October 1, 2027. These bonds are related to the renovation of patient rooms in the hospital and are repaid with service revenues of the District. The District issued Hospital Revenue Bonds, Series 2018 dated October 1, 2018 for \$6,000,000 for construction. The money is drawn down as needed for the construction. As of September 30, 2018, \$577,103 had been drawn down and is included in revenue bonds payable below.

The annual debt service requirements are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 157,000	\$ 60,390	\$ 217,390
2020	84,000	35,505	119,505
2021	273,000	31,725	304,725
2022	282,000	27,765	309,765
2023	296,000	23,625	319,625
2024-2027	431,103	49,321	480,424
Total	<u>\$ 1,523,103</u>	<u>\$ 228,331</u>	<u>\$ 1,751,434</u>

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

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

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Following is a schedule of changes in long term debt for the year ended September 30, 2017:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Certificates of indebtedness, Series 2006	\$ 1,174,000	\$ -	\$ 89,000	\$ 1,085,000	\$ 98,000
Revenue Bonds Payable	4,407,635	-	192,839	4,214,796	200,341
Capital leases	310,786	-	128,628	182,158	92,351
Compensated absences	461,767	585,683	556,379	491,071	491,071
	<u>\$ 6,354,188</u>	<u>\$ 585,683</u>	<u>\$ 966,846</u>	<u>\$ 5,973,025</u>	<u>\$ 881,763</u>

Bond Sinking Fund Requirements:

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

Sinking Fund-A monthly payment of 1/12 of the current year principal and interest installment must be made into the Sinking Fund account which will be used to make the payments on the bonds. The amount on deposit in the Sinking Fund account at September 30, 2018 was \$119,571.

Reserve Fund-The Reserve Fund is required to be funded to an amount equal to the highest scheduled principal and interest falling due in any year on all bonds payable from the Sinking Fund. Pursuant to the Bond Resolution, the District is to deposit monthly or before the 20th of each month a sum at least equal to 5% of the amount to be paid into the Sinking Fund, to continue until such time there has been accumulated therein a sum equal to the Reserve Fund requirement. The amount required to be on deposit at September 30, 2018 was \$5,892 and the amount on deposit in the Reserve Fund account was \$34,611.

Depreciation and Contingency Fund-A Depreciation and Contingency Fund is required to be created for extensions, renewals and replacements. The District is required to deposit monthly in this fund an amount equal to 5% of the amount to be paid into the Sinking Fund. The payments are to continue until an amount equal to the Reserve Fund requirement is on deposit in the Reserve Fund, then each month a sum equal to 10% of the Sinking Fund payment is to be made into the Contingency Fund. These deposits are to be made before the 20th of each month. The amount required to be on deposit at September 30, 2018 was \$5,892 and the amount on deposit in the Depreciation and Contingency Fund account was \$34,611.

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

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NOTE 8 - CAPITAL LEASE OBLIGATIONS The District records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of equipment under capital leases at September 30, 2018:

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

The following is an analysis of equipment under capital leases at September 30, 2017:

<u>Type</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
GE Anesthesia Unit	\$ 36,799	\$ 18,407	\$ 18,392
US Bank Physio Life Pak	56,338	15,978	40,360
Business Office	216,313	30,728	185,585
Restech from Hewlett Packard	199,960	176,732	23,228
Total	<u>\$ 509,410</u>	<u>\$ 241,845</u>	<u>\$ 267,565</u>

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

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

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**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2018 and 2017**

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of September 30, 2017:

Years ending September 30,	Business Office	Anesthesia Unit	HP Financial Restech	US Bank Physio Life Pak	Total
2018	\$ 47,952	\$ 8,271	\$ 30,401	\$ 11,804	\$ 98,428
2019	47,952	6,206	-	11,804	65,962
2020	3,996	-	-	11,804	15,800
2021	-	-	-	10,820	10,820
Total minimum lease payments	99,900	14,477	30,401	46,232	191,010
Less amounts representing interest	(5,984)	(605)	(594)	(1,669)	(8,852)
Present value of net minimum lease payments	\$ 93,916	\$ 13,872	\$ 29,807	\$ 44,563	\$ 182,158

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

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

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

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

Property Tax Calendar

Millage rates adopted	May 24, 2017
Levy date	January 1, 2017
Tax bills mailed	November 1, 2017
Total taxes are due	December 31, 2017
Lien date	January 1, 2018
Penalties and interest are added	January 31, 2018
Tax sale - 2017 delinquent property	May, 2018

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

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

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2018 and 2017**

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2016. Total gross assessed value was \$25,893,808 in calendar year 2017. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was \$5,049,530 of the assessed value in calendar year 2017.

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

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

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

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

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

NOTE 12 - OPERATING LEASES The District is committed under various non-cancelable operating leases primarily for medical equipment. Future minimum operating lease commitments are as follows:

<u>Year Ending September 30,</u>	
2019	\$ 95,697

Rental expense was \$179,303 for the year ended September 30, 2018 and \$254,406 for the year ended September 30, 2017.

NOTE 13 - CHARITY CARE The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The District determines the cost associated with providing charity care by aggregating the applicable direct and indirect costs, including wage and related benefits, supplies, and other operating expenses. The District had \$75,688 in charity care write offs for the year ended September 30, 2018 and none for the year ended September 30, 2017.

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

SUPPLEMENTARY INFORMATION

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

**Schedule of Compensation Paid Board Members
For the Year Ended September 30, 2018**

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

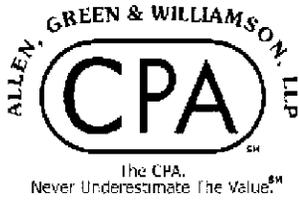
Lee Richardel, Chairman	\$480
Steve Tannehill	480
Rick Smotherman	480
Joe Wilson	480
Mike Duke, Vice Chairman	<u>480</u>
 Total	 <u>\$2,400</u>

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

**Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer
For the Year Ended September 30, 2018**

Agency Head: Paul Mathews, Chief Executive Officer

<u>Purpose</u>	<u>Amount</u>
Salary	325,989
Benefits-insurance	5,220
Benefits-retirement	19,559
Cell phone/Internet	3,667
Reimbursements/Mileage	13,975
Dues (not paid directly to agency head)	325
Registration & conference fees (not paid directly to agency head)	3,935
Conference travel (not paid directly to agency head)	9,418



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Sandra Harper, CPA
Jennie Henry, CPA
Malory Stone, CPA
Audit Manager: Margie Williamson, CPA

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District) a component unit of the LaSalle Parish Police Jury as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2019.

Internal Control Over Financial Reporting

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

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

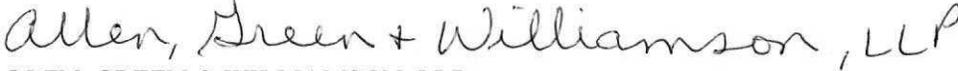
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

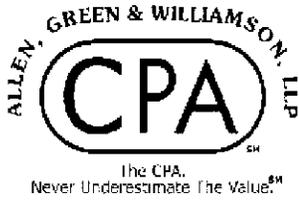
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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


ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
March 28, 2019

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

AGREED UPON PROCEDURES



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING STATEWIDE AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the management of Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District) a component Unit of LaSalle Parish Police Jury, and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year ended September 30, 2018. The District's management is responsible for the control and compliance areas identified in these Statewide Agreed-Upon Procedures.

This 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 the reports. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

Written Policies and Procedures

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

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

Comment: No exceptions were noted in applying the agreed upon procedures.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Comment: No exceptions were noted in applying the agreed upon procedures.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

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

Comment: No exceptions were noted in applying the agreed upon procedures.

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

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
- a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Comment: No exceptions were noted in applying the agreed upon procedures.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Comment: No exceptions were noted in applying the agreed upon procedures.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Comment: No exceptions were noted in applying the agreed upon procedures.

We were not engaged to and did not perform an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance 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 control and compliance 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 Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP
Monroe, Louisiana

March 28, 2019