

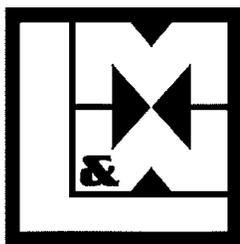
**HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
MARCH 31, 2018 AND 2017**

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LESTER, MILLER & WELLS

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Hospital Service District No. 3
Parish of Vermilion, State of Louisiana
D/B/A Gueydan Memorial Guest Home
Gueydan, Louisiana

We have audited the accompanying statements of net position of Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home, a component unit of the Vermilion Parish Police Jury, as of March 31, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home as of March 31, 2018 and 2017 the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home and do not purport to, and do not, present fairly the financial position of the Vermilion Parish Police Jury as of March 31, 2018 and 2017, 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

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

Other Information

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

Board of Commissioners
Hospital Service District No. 3
Parish of Vermilion, State of Louisiana
D/B/A Gueydan Memorial Guest Home
Gueydan, Louisiana
Page Three

The schedules of net patient service revenues, schedules of operating expenses, and schedule of compensation, benefits, and other payments to agency head or chief executive officer are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of net patient service revenues, schedules of operating expenses, and schedule of compensation, benefits, and other payments to agency head or chief executive officer are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2018, on our consideration of the Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home's internal control over financial reporting and compliance.

Lester, Miller & Wells

Certified Public Accountants
Lafayette, Louisiana

September 28, 2018

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

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 660,521	\$ 654,309
Certificate of deposits	451,469	429,976
Patient accounts receivable, net of allowance for doubtful accounts of \$111,820 in 2018 and \$55,272 in 2017 (Note 4)	756,356	501,707
Estimated third-party payor settlements	23,019	72,946
Accrued interest receivable	708	237
Other receivables	103,469	672
Inventory	33,926	33,963
Prepaid expenses	12,736	13,580
Total current assets	<u>2,042,204</u>	<u>1,707,390</u>
RESTRICTED ASSETS (debt services and capital facilities)		
Cash and cash equivalents	246,324	171,177
Certificate of deposits	330,904	329,419
Ad valorem tax receivable	9,259	17,308
Total restricted assets	<u>586,487</u>	<u>517,904</u>
CAPITAL ASSETS		
Depreciable assets, at cost, less accumulated depreciation of \$3,710,034 in 2018 and \$3,487,194 in 2017 (Note 9)	<u>1,200,682</u>	<u>1,354,056</u>
TOTAL ASSETS	<u>\$ 3,829,373</u>	<u>\$ 3,579,350</u>

See accompanying notes to financial statements.

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

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 178,933	\$ 181,866
Accrued salaries and wages	106,526	121,991
Other payable	<u>28,857</u>	<u>24,699</u>
Total current liabilities	<u>314,316</u>	<u>328,556</u>
NET POSITION		
Net investment in capital assets	1,200,682	1,354,056
Restricted for debt services and capital facilities	586,487	517,904
Unrestricted	<u>1,727,888</u>	<u>1,378,834</u>
Total net position	<u>3,515,057</u>	<u>3,250,794</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,829,373</u>	<u>\$ 3,579,350</u>

See accompanying notes to financial statements.

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

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Net patient service revenues (net of provision for bad debts of \$18,414 and \$53,732 for 2018 and 2017, respectively)	\$ 4,905,159	\$ 4,580,500
UPL supplemental payments	<u>489,375</u>	<u>791,810</u>
Total operating revenues	<u>5,394,534</u>	<u>5,372,310</u>
Operating expenses:		
General and administrative	1,334,352	1,216,274
Nursing services	1,407,320	1,368,334
Housekeeping	212,517	205,307
Dietary	443,309	442,865
Plant operations	258,828	306,298
Laundry	99,728	101,372
Patient activity	38,270	40,532
Consultants	47,860	47,164
Clinic	263,388	281,462
Medicare SNF and outpatient	814,521	764,265
Intergovernmental transfer - public nursing home UPL	222,639	349,236
Depreciation	<u>222,840</u>	<u>222,361</u>
Total operating expenses	<u>5,365,572</u>	<u>5,345,470</u>
Operating income	<u>28,962</u>	<u>26,840</u>
Non-operating revenues (expenses):		
Ad valorem tax	210,803	229,383
Interest revenue	4,905	4,864
Donations	-	73
Miscellaneous income	19,593	27,215
Gain (loss) on disposal of fixed assets	-	1,654
Non-capital grant revenue	-	85,689
Interest expense	<u>-</u>	<u>(77)</u>
Total non-operating revenues, net	<u>235,301</u>	<u>348,801</u>
Increase in net position	264,263	375,641
Net position, beginning of year	<u>3,250,794</u>	<u>2,875,153</u>
Net position, end of year	<u>\$ 3,515,057</u>	<u>\$ 3,250,794</u>

See accompanying notes to financial statements.

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

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of patients	\$ 4,700,437	\$ 4,427,875
Payments to employees	(2,237,006)	(2,144,849)
Payments to suppliers and contractors	(2,919,085)	(2,976,984)
Other receipts and payments, net	<u>386,578</u>	<u>791,138</u>
Net cash provided by (used in) operating activities	<u>(69,076)</u>	<u>97,180</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Ad valorem taxes	218,852	222,074
Non-capital grants and donations	-0-	85,762
Other	<u>19,593</u>	<u>27,138</u>
Net cash provided by non-capital financing activities	<u>238,445</u>	<u>334,974</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	<u>(69,466)</u>	<u>(206,918)</u>
Net cash used in capital and related financing activities	<u>(69,466)</u>	<u>(206,918)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	4,434	4,864
Purchase of certificates of deposit, net of renewals	(22,978)	(4,142)
Proceeds from the sale of capital assets	<u>-0-</u>	<u>1,654</u>
Net cash provided by (used in) investing activities	<u>(18,544)</u>	<u>2,376</u>
Net increase in cash and cash equivalents	81,359	227,612
Cash and cash equivalents, beginning	<u>825,486</u>	<u>597,874</u>
Cash and cash equivalents, ending	<u>\$ 906,845</u>	<u>\$ 825,486</u>

(continued)

See accompanying notes to financial statements.

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

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	\$ 28,962	\$ 26,840
Adjustment to reconcile operating income to net cash flows provided by (used in) operating activities:		
Depreciation	222,840	222,361
Provision for bad debts	18,414	53,732
(Increase) decrease in assets -		
Patient accounts receivable	(273,063)	(66,391)
Prepaid expense	844	7,065
Inventories	37	10,250
Third-party payor settlements	49,927	(139,966)
Other receivables	(102,797)	(672)
Increase (decrease) in liabilities -		
Accounts payable	(2,933)	8,366
Accrued expenses	(15,465)	1,678
Other payable	<u>4,158</u>	<u>(26,083)</u>
Net cash provided by (used in) operating activities	\$ <u>(69,076)</u>	\$ <u>97,180</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 660,521	\$ 654,309
Cash and cash equivalents in restricted assets	<u>246,324</u>	<u>171,177</u>
Total cash and cash equivalents	\$ <u>906,845</u>	\$ <u>825,486</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	\$ <u>-0-</u>	\$ <u>77</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2018 AND 2017

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

Organization

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

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

Reporting Entity

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

Method of Accounting

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

Enterprise Fund

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

Inventory

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

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2018 AND 2017

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

Use of Estimates

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

Cash and Cash Equivalents

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

Trade Receivables and Allowance for Uncollectible Accounts

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

Capital Assets

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

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

Net Patient Service Revenues

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

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2018 AND 2017

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

Net Patient Service Revenues (Continued)

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

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

Grants and Donations

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

Net Position Flow Assumption

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

Operating Revenues and Expenses

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

Income Taxes

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

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2018 AND 2017

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

Advertisement

The Hospital District expenses advertising cost as incurred. Advertising expense for the years ended March 31, 2018 and 2017 totaled \$1,092 and \$1,723, respectively.

Deferred Outflows/Inflows of Resources

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

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

Risk Management

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

Environmental Matters

The Hospital District is subject to laws and regulations relating to the protection of the environment. The Hospital District's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital District's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital District. At March 31, 2018 and 2017, management is not aware of any liability resulting from environmental matters.

Reclassifications

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

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2018 AND 2017

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

Compensated Absences

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

Recent Pronouncements

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The 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 Statements of Statement No. 82 does not have a material impact on the financial statements.

Note 2. Bank Deposits and Certificates of Deposit

The Hospital District's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in time deposits, money market investment accounts, or certificates of deposit with financial institutions insured by Federal Depository Insurance Coverage (FDIC); direct obligations of the United States Government and its agencies; commercial paper issued by United States Corporations with a rating of A-1 (Moody's) and P-1 (Standard and Poor's) or higher; and government backed mutual trust funds. At March 31, 2018 and 2017, the Hospital District's funds consisted solely of demand deposits and certificates of deposits. These deposits are stated at cost, which approximates market.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Hospital District's deposits may not be returned to it. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital District's policy requires that all bank balances be insured or collateralized by the financial institution to pledge their own securities to cover any amount in excess of FDIC. These securities must be pledged in the Hospital District's name. As of March 31, 2018, \$725,000 of the Hospital District's deposits were secured from risk by FDIC coverage and \$964,106 were collateralized by securities pledged by the financial institutions. As of March 31, 2017, \$704,523 of the Hospital District's deposits was secured from risk by FDIC coverage and \$906,235 was collateralized by securities pledged by the financial institutions. Accordingly, the Hospital District had no custodial credit risk related to its deposits at March 31, 2018 and 2017.

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2018 AND 2017

Note 3. Net Patient Service Revenues

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

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

During the years ended March 31, 2018 and 2017, approximately 86% and 84%, respectively, of the Hospital District's gross patient services were furnished to Medicare and Medicaid beneficiaries. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Hospital District believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations are subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Note 4. Accounts Receivables

Patient accounts receivable reported as current assets by the Hospital District at March 31, 2018 and 2017 consisted of these amounts:

	<u>2018</u>	<u>2017</u>
Receivables from patients and insurance carriers	\$ 124,512	\$ 62,039
Receivables from Medicare	177,336	312,634
Receivables from Medicaid	<u>566,328</u>	<u>182,306</u>
Total patient accounts receivable	868,176	556,979
Allowance for doubtful accounts	<u>(111,820)</u>	<u>(55,272)</u>
Patient accounts receivable, net	<u>\$ 756,356</u>	<u>\$ 501,707</u>

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2018 AND 2017

Note 5. Concentration of Credit Risk

The Hospital District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at March 31, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Medicare	21%	56%
Medicaid	65%	33%
Other third-party payers	14%	11%
	<u>100%</u>	<u>100%</u>

Note 6. Operating Leases

The Hospital has two copiers under operating lease expiring on July 1, 2021. Total rental expense for the years ended March 31, 2018 and 2017 for all operating leases was \$2,225 and \$2,339, respectively.

The following is a schedule by year of the future minimum lease payments under the operating lease described above as of March 31, 2018.

<u>Year Ending</u> <u>March 31,</u>	<u>Amount</u>
2019	2,100
2020	2,100
2021	700
	<u>\$ 4,900</u>

Note 7. Ad Valorem Taxes

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

Tax revenues are recognized in the year billed.

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2018 AND 2017

Note 7. Ad Valorem Taxes (Continued)

The taxes are based on assessed values determined by the Tax Assessor of Vermilion Parish and are collected by the Sheriff. The taxes are remitted to the Hospital District net of deductions for the pension fund contributions. For the years ended March 31 2018 and 2017, taxes of 8.29 and 8.33 mills were levied amounting to total taxes of \$210,803 and \$229,383, respectively, which is restricted for the retirement of bonds and maintaining the building and capital facilities of the Hospital District and acquiring furnishings and equipment.

Note 8. Custodial Asset and Liability

The Hospital District maintains a bank account for their residents as a service to them. The related asset and liability of \$21,025 at March 31, 2018 and \$15,524 at March 31, 2017 is not included in this report due to its custodial nature.

Note 9. Capital Assets

Capital assets additions, retirements, and balances for the years ended March 31, 2018 and 2017 were as follows:

	Balance <u>March 31, 2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>March 31, 2018</u>
Land	\$ 35,000	\$ -0-	\$ -0-	\$ 35,000
Building	2,424,711	10,599	12,800	2,448,110
Furniture and equipment	1,270,503	51,914	-0-	1,322,417
Construction in progress	12,800	-0-	(12,800)	-0-
Capitalized interest	73,839	-0-	-0-	73,839
Land and building improvements	<u>1,024,397</u>	<u>6,953</u>	<u>-0-</u>	<u>1,031,350</u>
Totals historic cost	<u>4,841,250</u>	<u>69,466</u>	<u>-0-</u>	<u>4,910,716</u>
Less accumulated depreciation for:				
Building	(2,007,356)	(82,062)	-0-	(2,089,418)
Furniture and equipment	(888,514)	(83,358)	-0-	(971,872)
Capitalized interest	(64,608)	(2,461)	-0-	(67,069)
Land and building improvements	<u>(526,716)</u>	<u>(54,959)</u>	<u>-0-</u>	<u>(581,675)</u>
Total accumulated depreciation	<u>(3,487,194)</u>	<u>(222,840)</u>	<u>-0-</u>	<u>(3,710,034)</u>
Capital assets, net	\$ <u>1,354,056</u>	\$ <u>(153,374)</u>	\$ <u>-0-</u>	\$ <u>1,200,682</u>

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2018 AND 2017

Note 9. Capital Assets (Continued)

	Balance			Balance
	<u>March 31, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2017</u>
Land	\$ 35,000	\$ -0-	\$ -0-	\$ 35,000
Building	2,428,632	-0-	(3,921)	2,424,711
Furniture and equipment	1,242,692	100,315	(72,504)	1,270,503
Construction in progress	68,004	-0-	(55,204)	12,800
Capitalized interest	73,839	-0-	-0-	73,839
Land and building improvements	<u>862,591</u>	<u>161,806</u>	<u>-0-</u>	<u>1,024,397</u>
Totals historic cost	<u>4,710,758</u>	<u>262,121</u>	<u>(131,629)</u>	<u>4,841,250</u>
Less accumulated depreciation for:				
Building	(1,929,969)	(81,308)	3,921	(2,007,356)
Furniture and equipment	(877,831)	(83,188)	72,505	(888,514)
Capitalized interest	(62,147)	(2,461)	-0-	(64,608)
Land and building improvements	<u>(471,312)</u>	<u>(55,404)</u>	<u>-0-</u>	<u>(526,716)</u>
Total accumulated depreciation	<u>(3,341,259)</u>	<u>(222,361)</u>	<u>76,426</u>	<u>(3,487,194)</u>
Capital assets, net	\$ <u>1,369,499</u>	\$ <u>39,760</u>	\$ <u>(55,203)</u>	\$ <u>1,354,056</u>

Depreciation expense for the years ended March 31, 2018 and 2017 amounted to \$222,840 and \$222,361, respectively.

Note 10. Compensated Absences

All full-time employees with one full year of continuous employment with the Hospital District earn up to a maximum of 10 days of paid time off. A maximum of 20 days may be carried forward to the succeeding fiscal year. Accrued compensated absences at March 31, 2018 and 2017 totaled \$51,383 and \$68,106, respectively, which is included in accrued liabilities on the statements of net position.

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2018 AND 2017

Note 11. Retirement

The Hospital District has a simple plan under Section 408(p) of the Internal Revenue Code. The plan became effective March 1, 2001 and provides for employees of the Hospital District to make salary reduction contributions in each calendar year to the simple IRA established by each employee who meets eligibility requirements. All employees of the Hospital District are eligible to participate under the plan except employees who are not reasonably expected to earn \$5,000 during the plan year for which the contribution is to be made. The Hospital District has agreed to provide matching contributions for the 2018 and 2017 plan years in the amount of the participant's elective deferrals not in excess of 3% of such participant's compensation and not to exceed \$6,500. The Hospital District made contributions of \$31,677 for the year ended March 31, 2018 and \$31,276 for the year ended March 31, 2017.

Note 12. Compensation Paid to Board of Commissioners

The compensation paid to board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Each member of the board receives \$40 for each day of attendance at meetings of the board. The compensation paid to Board of Commissioners at March 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Sean S. Gayle	\$ 440	\$ 480
Flora Thompson	240	360
Larry Dugas	-0-	160
Larry Benoit	-0-	240
Linda Zaunbrecher	480	400
George Gardiner	480	240
Mona Simon	<u>320</u>	<u>280</u>
 Total	 <u>\$ 1,960</u>	 <u>\$ 2,160</u>

Note 13. Subsequent Events

The Hospital District evaluated subsequent events through September 28, 2018, the date which the financial statements were available to be issued.

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2018 AND 2017

Note 14. Supplemental Medicaid Payments (UPL)

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

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

The Hospital District made payments to LDH in conjunction with this agreement totaling \$222,639 in 2018 and \$349,236 in 2017. These payments are recognized as operating expense in the statement of revenues, expenses and changes in net position. LDH made Medicaid supplemental payments to the Hospital District totaling \$489,375 in 2018 and \$791,810 in 2017. These payments are recognized as operating revenues in the statement of revenues, expenses and changes in net position.

Note 15. Grants

The following is a recap of grants recognized by the Hospital District for the year ending March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Noncapital grant:		
U.S. Department of Homeland Security (FEMA Public Assistance) - Emergency protective measures	\$ <u> -0-</u>	\$ <u> 85,689</u>

OTHER SUPPLEMENTARY INFORMATION

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

	<u>2018</u>	<u>2017</u>
Gross patient service revenue:		
Medicaid	\$ 2,411,608	\$ 2,237,818
Private	597,565	644,089
Medicare SNF	1,889,507	1,673,661
Medicare outpatient	255,497	241,535
Clinic	<u>165,654</u>	<u>160,654</u>
Total gross patient service revenue	5,319,831	4,957,757
Contractual allowances - nursing home	(359,038)	(292,578)
Contractual allowances - clinic	(37,220)	(30,947)
Provisions for bad debt	<u>(18,414)</u>	<u>(53,732)</u>
Net patient service revenues	<u>\$ 4,905,159</u>	<u>\$ 4,580,500</u>

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

	<u>2018</u>	<u>2017</u>
General and administrative:		
Salaries -		
Administrator and director	\$ 91,313	\$ 86,697
Office and clerical	151,106	151,761
Transportation	60,305	39,949
Advertising	1,093	1,723
Auto expense	11,215	13,159
Board fees	1,960	2,160
Computer expenses	37,492	26,521
Dues and subscriptions	3,809	4,068
Employee benefits	162,662	163,550
Employer retirement matching	31,677	31,276
Insurance	170,028	151,497
Legal and accounting	74,032	40,428
Licenses	1,596	1,814
Medicare consultants	33,000	30,250
Miscellaneous	11,426	5,966
Office supplies	14,335	10,409
Outside services	19,513	22,431
Payroll Taxes	163,087	165,004
Pension expense	7,184	7,561
Postage and freight	3,366	3,136
Provider fee	257,823	231,794
Telephone	10,973	16,875
Travel and seminar	15,357	8,245
Total general and administrative	<u>1,334,352</u>	<u>1,216,274</u>
Nursing services:		
Salaries -		
Director of Nursing	98,148	101,828
Other	1,034,359	968,819
Nursing supplies	119,853	108,021
Contract nursing services	154,960	189,666
Total nursing services	<u>\$ 1,407,320</u>	<u>\$ 1,368,334</u>

(Continued)

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

	<u>2018</u>	<u>2017</u>
Housekeeping:		
Salaries	\$ 171,626	\$ 161,701
Supplies	<u>40,891</u>	<u>43,606</u>
Total housekeeping	<u>212,517</u>	<u>205,307</u>
Dietary:		
Salaries	238,315	247,157
Food	166,740	156,548
Food supplement	20,087	20,676
Supplies	<u>18,167</u>	<u>18,484</u>
Total dietary	<u>443,309</u>	<u>442,865</u>
Plant operations:		
Salaries	59,206	47,817
Contract services	7,239	13,534
Other	7,766	6,424
Small equipment	16,651	16,272
Repairs and maintenance	68,862	57,780
Evacuation expense	-	72,312
Utilities	<u>99,104</u>	<u>92,159</u>
Total plant operations	<u>258,828</u>	<u>306,298</u>
Laundry:		
Salaries	94,198	95,922
Supplies	<u>5,530</u>	<u>5,450</u>
Total laundry	<u>99,728</u>	<u>101,372</u>
Patient activity and social service:		
Salaries	32,249	33,949
Supplies	<u>6,021</u>	<u>6,583</u>
Total patient activity and social service	<u>\$ 38,270</u>	<u>\$ 40,532</u>

(Continued)

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

	<u>2018</u>	<u>2017</u>
Consultants:		
Pharmacy	\$ 17,248	\$ 16,494
Dietary	4,992	5,050
Medical records	1,200	1,200
Medicare	22,500	22,500
Medical records	<u>1,920</u>	<u>1,920</u>
Total consultants	<u>47,860</u>	<u>47,164</u>
 Clinic:		
Salaries	190,716	210,927
Advertisement	737	555
Computer expense	14,808	5,645
Freight and postage	102	133
Insurance	15,683	15,440
Lab	1,083	3,083
Licenses and fees	1,166	1,318
Outside services	14,981	12,261
Repairs and maintenance	2,453	6,123
Supplies	5,205	7,060
Telephone	4,038	3,123
Training	546	2,573
Utilities	5,308	4,371
Vaccines	3,262	4,140
Accounting	<u>3,300</u>	<u>4,710</u>
Total clinic	<u>\$ 263,388</u>	<u>\$ 281,462</u>

(Continued)

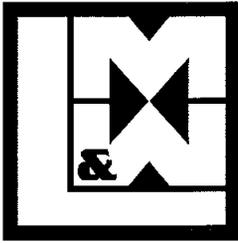
HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 SCHEDULES OF OPERATING EXPENSES (CONTINUED)
 YEARS ENDED MARCH 31,

	<u>2018</u>	<u>2017</u>
Medicare SNF and outpatient:		
Lab	\$ 7,945	\$ 6,626
Medical supplies and drugs charged to patients	140,158	115,593
Medical supplies non chargable	1,161	1,014
Occupational therapy	215,001	203,175
Physical therapy	238,260	226,848
Radiology	14,767	11,138
Speech therapy	197,229	199,871
Total Medicare SNF and outpatient	<u>814,521</u>	<u>764,265</u>
 Intergovernmental transfer - public nursing home UPL	 <u>222,639</u>	 <u>349,236</u>
 Depreciation	 <u>222,840</u>	 <u>222,361</u>
 Total operating expenses	 <u>\$ 5,365,572</u>	 <u>\$ 5,345,470</u>

HOSPITAL SERVICE DISTRICT NO. 3
 PARISH OF VERMILION, STATE OF LOUISIANA
 D/B/A GUEYDAN MEMORIAL GUEST HOME
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
 AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
 YEAR ENDED MARCH 31, 2018

Agency Head Name: Trevor Hair
 Position: Administrator
 Time Period: April 1, 2017 to March 31, 2018

Purpose	Amount
Salary	\$ 90,988
Benefits - insurance	6,998
Benefits - retirement	2,730
Benefits - other	-0-
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	303
Registration fees	750
Conference travel	126
Continuing professional education fees	1,091
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
	\$ 102,986



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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. 3
Parish of Vermillion, State of Louisiana
D/B/A Gueydan Memorial Guest Home
Gueydan, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Hospital Service District No. 3 of the Parish of Vermillion, State of Louisiana, d/b/a Gueydan Memorial Guest Home as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Hospital Service District No. 3's basic financial statements, as listed in the table of contents, and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital Service District No. 3'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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital Service District No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital Service District No. 3's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Hospital District's basic financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of finding and responses that we consider to be material weaknesses as item number 2018-1 and 2018-3.

Compliance and Other Matters

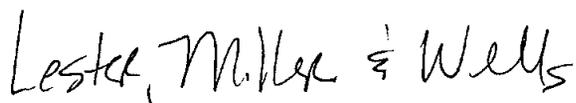
As part of obtaining reasonable assurance about whether Hospital Service District No. 3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item number 2018-2.

Hospital Service District No. 3's Responses to Findings

Hospital Service District No. 3's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Hospital Service District No. 3's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Certified Public Accountants
Lafayette, Louisiana

September 28, 2017

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2018

Section I. Summary of Auditors' Results

Report on Internal Control and Compliance Material to the Financial Statements

Type of auditors' opinion issues: unmodified

Internal Control over financial reporting:

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

Noncompliance material to financial statements noted Yes No

Section II. Financial Statement Findings

2018-1 - Segregation of Duties

Condition: *The Hospital District does not have adequate segregation of duties in the area of accounts receivable. During the course of our audit we noted that the person in charge of accounts receivable has the responsibility to post cash receipts, issue credit memos, write-off account balances, reconcile bank statements and has access to incoming checks for customers. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize the Hospital District may not be large enough to permit such procedures, it is important that the Hospital District be aware of this condition. This condition was also included in the 2017 audit as item 2017-1.*

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

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

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

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

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

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2018

Section II. Financial Statement Findings (Continued)

2018-2 – Ethics Training

Condition: Board members and Hospital District employees that were required to take the one-hour ethics training, did not complete their annual ethics training in accordance with Louisiana Revised Statute 42:1170.

Criteria: Louisiana Revised Statute 42:1170 requires all elected officials and public servants to complete a one-hour ethics course for the year.

Cause: The board of commissioners and employees that were required to take the one-hour ethics training, did not take the training.

Effect: The Hospital District is not in compliance with Louisiana Revised Statute 42:1170.

Recommendation: The Hospital Service District should educate the board of commissioners and employees on this statute in order to comply with the law in the future.

Response: Management will ensure that employees and board members that are required to participate in the one-hour training dealing with governmental ethics in Louisiana, take the one-hour course.

2018-3 – Lack of Written Policies

Condition: There were no written policies and procedures to address all financial and operational areas.

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

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

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

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

Response: Management has verbal policies and procedures in place, but did not have written policies and procedures. Management will implement best practices as noted on the Louisiana Legislative Auditor's website.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2018

Section III. Federal Award Findings and Questioned Costs

Not applicable.

Section IV. Management Letter

Not applicable.

HOSPITAL SERVICE DISTRICT NO. 3
PARISH OF VERMILION, STATE OF LOUISIANA
D/B/A GUEYDAN MEMORIAL GUEST HOME
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED MARCH 31, 2018

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

2017-1 - Segregation of Duties

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

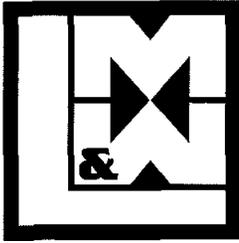
Current Status: This finding is repeated at 2018-1.

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

Not applicable.

Section III. Management Letter

Not applicable



LESTER, MILLER & WELLS

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
Hospital Service District No. 3
Parish of Vermilion, State of Louisiana
D/B/A Gueydan Memorial Guest Home
and the Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Hospital Service District No. 3 of the Parish of Vermilion, State of Louisiana, d/b/a Gueydan Memorial Guest Home (the "District") and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period April 01, 2017 through March 31, 2018. 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) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- 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. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings: *The District does not have written policies and procedures that address the functions noted above.*

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

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.

Findings: *There were no exceptions noted as a result of applying the above procedure.*

- 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.

Findings: *The minutes did not reference monthly budget-to-actual comparisons.*

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

- 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: *There were no exceptions noted as a result of applying the above procedure.*

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:

- a) Bank reconciliations have been prepared;

Findings: *Bank statements and reconciliations for all months in the fiscal period were obtained for selected accounts noting that reconciliations have been prepared.*

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Findings: *Eleven (11) of the twelve (12) months did not contain evidence that a member of management or a board member reviewed the bank reconciliations for each of the selected accounts.*

Management's response: *The District will ensure that a member of management with no involvement in the transactions associated with the bank account will appropriately acknowledge review of the reconciliations by signing the bank reconciliations.*

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Findings: *Bank statements and reconciliations for all months in the fiscal period were obtained for selected accounts noting that there were no items outstanding greater than 6 months as of the end of the fiscal period.*

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 the cash 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:**

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

Findings: *Per written documentation, employees are bonded. The person responsible for collecting cash is also responsible for depositing the cash in the bank, recording the related transaction, and reconciling the related bank account.*

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

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

Findings: *The person performing the reconciliation is responsible for cash collections.*

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

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.

Findings: The monthly bank statements were used to pull all cash collections. The highest dollar week of collections was selected for testing. All collections selected were deposited within one day of collection.

- 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: All collections 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: *There is not a written process defined to determine the completeness of collections by a person who is not responsible for collections.*

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

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: *General ledger details representing all entity disbursements were obtained. Management provided representation that the listing 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.

Findings: Examined supporting documentation for each 25 disbursements selected and found that a formal requisition/purchase order system is not used. Department managers are authorized to make non-capital purchases without prior approval.

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

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

Findings: A formal purchase order system is not used; however, all purchases are reviewed and approved by the Administrator and the board before payments are processed.

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

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

Findings: A formal requisition/purchase order system is not used. Department managers are authorized to make non-capital purchases without prior approval.

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

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 Accounts Payable Clerk is responsible for processing payments and is able to add vendors.

Management's response: Management is aware of the segregation of duties deficiency due to limited staff. Compensating controls are in place to detect the addition of unauthorized vendors.

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: The Administrator has signatory authority and is responsible for initiating purchases.

Management's response: Management is aware of the segregation of duties deficiency due to limited staff. Dual signatures by the Administrator and a Board member are required on all payments.

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: *Through inquiry with management and observation, the supply of unused checks are stored in a locked safe with restricted access. The Administrator, who has signatory authority, does have access to the unused checks.*

Management's response: *Management is aware of the segregation of duties deficiency due to limited staff. Dual signatures by the Administrator and a Board member are required on all payments.*

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: *A signature stamp is not utilized.*

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: *A list of all active credit cards, bank debit cards, fuel cards, and P -cards was obtained. 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 credit statements and supporting documentation were reviewed and approved, in writing, by the Administrator and a Board member. No finance charges and/or late fees were assessed on the selected statements.*

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)

Findings: *Of the 4 cards selected, all transactions tested contained an original receipt.*

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Findings: *There were no exceptions noted as a result of applying the above procedure.*

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Findings: *There is no written policy requiring any other documentation.*

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.

Findings: *There were no exceptions noted as a result of applying the above procedure. None of the purchases met the threshold of the Louisiana Public Bid Law.*

c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Findings: *All transactions were in compliance with Article 7, Section 14 of the Louisiana Constitution.*

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 listing of all of the entity's travel and related expense reimbursements and management provided representation that the listing was 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: *The District does not have written policies and procedures for travel expenses and reimbursements. All amounts tested do not exceed the GSA rates.*

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)

Findings: *All reimbursements tested contained documentation of the business purpose and did not exceed the GSA rate.*

- 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.

Findings: *There were no exceptions noted as a result of applying the above procedure.*

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings: *All reimbursements tested were reviewed and approved, in writing, by someone other than the person receiving the reimbursement.*

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: *A list of all contracts in effect during the fiscal period and management's representation that the listing is complete were obtained.*

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.

Findings: *All contracts tested were supported by a formal/written contract.*

- 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)

Findings: *There were no contracts subject to the Louisiana Public Bid Law.*

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

Findings: *The District did not solicit quotes for contracts that did not meet the requirements of the Public Bid Law.*

- 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.

Findings: *No contract amendments were noted.*

- 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.

Findings: *There were no exceptions noted as a result of applying the above procedure.*

- 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: *There were no exceptions noted as a result of applying the above procedure.*

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:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Findings: *A listing of all employees with their related salaries was obtained. Management provided representation that the listing was complete. There were no exceptions in applying the above procedures.*

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

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Findings: *There were no exceptions noted as a result of applying the above procedure.*

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

Findings: *There were no exceptions noted as a result of applying the above procedure.*

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

Findings: *There were no exceptions noted as a result of applying the above procedure.*

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: *There were no termination payments made during the fiscal period.*

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

Findings: *We found 4 instances where the employee and employer portion of state income tax withholdings and 1 instance where the required Quarterly Return was not submitted to the State by the required deadlines.*

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

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: *None of the required employees/officials have taken the required ethics training.*

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

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: *There were no exceptions noted as a result of applying the above procedure.*

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: *The District does not have any debt.*

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 does not have any debt.*

Board of Commissioners
of Hospital Service District No. 3
Parish of Vermilion, State of Louisiana
D/B/A Gueydan Memorial Guest Home
and the Louisiana Legislative Auditor

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 does not have any debt.*

Other

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

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

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

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

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

Lester Miller & Wells

Certified Public Accountants
Lafayette, Louisiana

September 28, 2018