Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)

Independent Auditor's Reports and Financial Statements

September 30, 2018 and 2017

BKD LLP
CPAs & Advisors

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
September 30, 2018 and 2017

Contents

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Independent Auditor's Report

Board of Commissioners
Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
New Iberia, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Hospital Service District No. 1, a Component Unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) (Medical Center), as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Medical Center'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center as of September 30, 2018 and 2017, and the changes in its financial position and its 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 and pension information 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Medical Center's basic financial statements. The Schedule of Compensation, Reimbursements, Benefits and Other Payments to Chief Executive Officer, Schedule of Insurance Policies and Schedule of Board Members listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Compensation, Reimbursements, Benefits and Other Payments to Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 Schedule of Compensation, Reimbursements, Benefits and Other Payments to Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Insurance Policies and Schedule of Board Members have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019, on our consideration of the Medical Center'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 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 Medical Center'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 Medical Center's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
January 31, 2019

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

Introduction

This management's discussion and analysis of the financial performance of Hospital Service District No. 1, a component unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) (Medical Center), provides an overview of the Medical Center's financial activities for the years ended September 30, 2018 and 2017. All amounts described are approximate. It should be read in conjunction with the accompanying financial statements of the Medical Center.

Financial Highlights

On January 14, 2016, the Medical Center purchased a second hospital building and medical office buildings to expand healthcare services to meet healthcare needs of the Parish and surrounding areas. The additional location currently provides services specialized in inpatient and outpatient surgeries, behavioral health services, imaging, laboratory, wound care, hyperbarics, physical rehabilitation and cardiac rehabilitation services. Operations commenced when licensure was obtained in April 2016. As a result, during 2016, the Medical Center's volumes increased significantly and the Medical Center hired additional employees and incurred additional expenses to prepare for licensure and to accommodate the additional volumes.

During 2017 and 2018 the Medical Center was able to serve an increased number of patients with the additional capacity of the second hospital site.

- Cash increased by $4,465,000 or 24.1% in 2018 compared to 2017 which decreased by $490,000 or 2.6% in 2017 compared to 2016.
- The Medical Center's net position increased $4,059,000 or 11% in 2018 and increased $1,813,000 or 5.2% in 2017. The increase in 2017 was due to increased revenues related to an increase in patient care services provided as a result of Medicaid expansion in Louisiana effective July 1, 2016, as well as the opening of an inpatient behavioral health unit and expansion of outpatient services. The increase in 2018 was due to increased revenues due to continued increased volumes resulting from the Medicaid expansion in addition to a $2,948,000 increase in revenues from Louisiana Medicaid enhanced rates and a cooperative endeavor agreement with other governmental healthcare providers.
- The Medical Center reported operating income in 2018 of $4,408,000 and operating income in 2017 of $2,305,000, an increase in income of $2,103,000 or 91.2%. The operating income in 2017 increased by $3,341,000 or 322.5% compared to the operating loss reported in 2016.
- Net nonoperating expense decreased by $143,000 or 29.1% in 2018 compared to 2017 and net nonoperating expenses increased $50,000 or 11.4% in 2017 compared to 2016.

Using This Annual Report

The Medical Center's financial statements consist of three statements – a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Medical Center is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

One of the most important questions asked about any hospital's finances is, "Is the entity as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net position report information about the Medical Center's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Medical Center's net position and changes in it. The Medical Center's total net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one measure of the Medical Center's financial health or financial position. Over time, increases or decreases in the Medical Center's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Medical Center's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Medical Center.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from three defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Medical Center's Net Position

- The Medical Center's net position is the difference between its assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in the balance sheet. The Medical Center's net position increased by $4,059,000 or 11% in 2018 over 2017 and increased by $1,813,000 or 5.2% in 2017 over 2016, as shown in Table 1. The Medical Center's increase in net position in 2017 as compared to 2016 was a result of increased operating efficiencies and increased revenues related to serving an increased number of Medicaid patients as a result of Medicaid expansion in Louisiana effective July 1, 2016 as well as the opening of an inpatient behavioral health unit and expansion of outpatient services. The increase in 2018 was due to increased revenues due to continued increase in volumes resulting from Medicaid expansion in addition to a $2,948,000 increase in revenues from Louisiana Medicaid enhanced rates and a cooperative endeavor agreement with other governmental healthcare providers.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	2018	2017	2016
Assets			
Cash and cash held under bond trust indenture	$ 22,995,881	$ 18,530,540	$ 19,020,758
Patient accounts receivable, net	9,621,266	9,211,673	9,164,995
Other current assets	5,956,397	6,350,014	4,192,755
Capital assets, net	39,526,513	39,060,889	38,495,501
Net pension asset	3,227,924	-	-
Other noncurrent assets	594,180	629,315	663,447
Total assets	81,922,161	73,782,431	71,537,456
Deferred Outflows of Resources	6,573,328	11,030,223	13,620,072
Total assets and deferred outflows of resources	$ 88,495,489	$ 84,812,654	$ 85,157,528
Liabilities			
Long-term debt	$ 23,608,681	$ 24,758,229	$ 26,156,417
Net pension liability	-	8,821,596	9,800,182
Other current and noncurrent liabilities	14,293,071	12,701,186	12,468,040
Total liabilities	37,901,752	46,281,011	48,424,639
Deferred Inflows of Resources	9,546,952	1,543,696	1,557,512
Net Position			
Net investment in capital assets	14,145,625	14,655,058	14,478,711
Restricted expendable	3,818,316	3,870,262	3,886,710
Restricted for pension	3,227,924	-	-
Unrestricted	19,854,920	18,462,627	16,809,956
Total net position	41,046,785	36,987,947	35,175,377
Total liabilities, deferred inflows of resources and net position	$ 88,495,489	$ 84,812,654	$ 85,157,528

The most significant changes in the Medical Center's financial position in 2018 result from the improved performance of pension plan investments. The Medical Center's position was a net pension asset of $3,228,000 as of September 30, 2018 compared to a net pension liability as of September 30, 2017. The Medical Center's proportionate share of the net pension asset as a part of a multi-employer defined benefit pension plan increased in the current year in addition to positive performance of plan assets in 2018 as compared to actuarial projected performance. The deferred inflows of resources increased significantly from the prior year due to the net difference between projected and actual earnings on pension plan investments. Further discussion of pension balances are discussed in *Note 13*.

The Medical Center's cash and cash held under bond indenture increased $4,465,000 or 24.1% from 2017 to 2018. Cash increased due to the increase in patient revenue and other operating revenue in 2018. The increase in net patient service revenue stems from an increase in volumes from 2017 to 2018. The other operating revenue increase in 2018 as compared to 2017 and consists primarily of an increase in funding related to Louisiana Medicaid enhanced rates from managed care organizations (*Note 3*) and a cooperative endeavor agreement with other governmental healthcare providers (*Note 5)*.

The most significant changes in the Medical Center's financial position in 2017 result from the increase in other current assets. This is due to a receivable from the Medicaid managed care organizations due to the Medical Center's participation in Louisiana Medicaid Enhanced Rate program, as discussed at *Note 3*, and a receivable due to the Medical Center through participation in a cooperative endeavor agreement with other governmental healthcare providers, as discussed at *Note 5*. Other significant changes in the Medical Center's financial position in 2017 is the decrease in long-term debt due to the Medical Center paying down outstanding debt in 2017.

The Medical Center's cash and cash held under bond indenture decreased $490,000 or 2.6% in 2017 compared to 2016 due to the Medical Center spending down remaining bond proceeds from the bond issue in fiscal year 2016.

The Medical Center's net pension liability and deferred outflows of resources decreased from 2016 to 2017. The Medical Center's proportionate share of the net pension liability as a part of a multi-employer defined benefit pension plan increased in the current year, but the overall net pension liability decreased due to positive performance of plan assets in 2017 as compared to actuarial projected performance. The deferred inflows of resources were consistent with the prior year as there were no significant changes in expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability. Further discussion of pension balances are discussed in *Note 13*.

Table 2: Operating Results and Changes in Net Position

	2018	2017	2016
Operating Revenues			
Net patient service revenue	$ 80,780,896	$ 75,784,796	$ 71,171,810
Other operating revenues	17,074,183	13,708,337	6,752,062
Total operating revenues	97,855,079	89,493,133	77,923,872
Operating Expenses			
Pension expense	4,112,633	5,259,901	4,251,990
Salaries, wages and employee benefits	41,075,095	38,611,452	36,661,149
Total salaries, wages and employee benefits	45,187,728	43,871,353	40,913,139
Supplies, professional fees and purchased services	44,640,430	39,994,225	34,480,930
Depreciation and amortization	3,619,198	3,322,644	3,121,899
Total operating expenses	93,447,356	87,188,222	78,515,968
Operating Income (Loss)	4,407,723	2,304,911	(592,096)
Nonoperating Revenues (Expenses)			
Interest income	206,772	133,947	76,811
Interest expense	(743,626)	(768,209)	(615,809)
Income from investments in joint ventures	187,969	141,921	265,101
Bond issue costs	-	-	(168,256)
Total nonoperating revenues (expenses)	(348,885)	(492,341)	(442,153)
Excess (Deficiency) of Revenues Over Expenses	4,058,838	1,812,570	(1,034,249)
Increase (Decrease) in Net Position	$ 4,058,838	$ 1,812,570	$ (1,034,249)

Operating Results

The first component of the overall change in the Medical Center's net position is its operating income – generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In the past 19 years, excluding 2016, the Medical Center has reported an operating gain. In 2018, the Medical Center reported operating income of $4,408,000. See below for components that make up operating income in the current year.

Operating income of $4,408,000 increased in 2018 by $2,103,000 or 91.2% as compared to the operating income of $2,305,000 in 2017. The primary components of the increase from an operating loss to operating income in the current year are shown below:

- An increase in net patient service revenue of $4,996,000 or 6.6%
- An increase in other operating revenues of $3,366,000 or 24.6%
- An decrease in pension expense of $1,147,000 or 21.8%
- An increase in salaries, wages and employee benefits (excluding pension expense) of $2,464,000 or 6.4%, representing increased staffing efficiency with the growth of patient services provided
- An increase in supplies and other costs of $4,646,000 or 11.6%, corresponding with the increase in patient services provided, including increases in surgical volumes and increase in infusion drug costs

Net patient service revenue increased due to increases in inpatient and outpatient activity and increased in Medicaid per diem effective January 1, 2018 and opening of a psych unit on October 1, 2016. Patient care services provided by the Medical Center for the years ended September 30, 2018, 2017 and 2016 are as follows:

Patient Care Services Provided	2018	2017	2016
Inpatient days (acute and psych)	19,713	18,489	15,026
Surgery cases	5,622	4,942	4,804
Emergency room visits	40,476	40,205	37,374
Employed physician clinic visits	44,085	43,478	38,943
Outpatient rehab therapy visits	16,383	15,967	15,619
Other outpatient visits	91,926	88,349	81,726

Increase From Prior Year As A Percentage	2018	2017
Inpatient days (acute and psych)	6.62%	23.05%
Surgery cases	13.76%	2.87%
Emergency room visits	0.67%	7.57%
Employed physician clinic visits	1.40%	11.65%
Outpatient rehab therapy visits	2.61%	2.23%
Other outpatient visits	4.05%	8.10%

The other operating revenue increased in 2018 as compared to 2017 and consists primarily of an increase in funding related to Louisiana Medicaid enhanced rates from managed care organizations (*Note 3*) and participation in a cooperative endeavor agreement (*Note 5*). Funds awarded from these programs during 2018 totaled $12,453,000 as compared to $9,505,000 in 2017.

Below is a summary of operating expenses as a percent of operating revenues for 2018, 2017 and 2016.

	2018	2017	2016
Operating Revenues	100.0%	100.0%	100.0%
Operating Expenses			
Total salaries, wages and employee benefits	46.2%	49.0%	52.5%
Supplies, professional fees and purchased services	45.6%	44.7%	44.2%
Depreciation and amortization	3.7%	3.7%	4.0%
Total operating expenses	95.5%	97.4%	100.8%
Operating Income (Loss)	4.5%	2.6%	(1.3%)

Salaries, wages and employee benefits increased largely due to merit increases for eligible employees during 2018 and the increase in patient care services provided, partially offset by staffing efficiencies. The Medical Center's full time equivalent employees worked in 2018 increased to 576 in 2018 as compared to 553 in 2017, a 4.1% increase. Additionally, the Medical Center's pension expense decreased from $5,260,000 in 2017 to $4,113,000 in 2018, a $1,147,000 or 21.8% decrease, due to the improved performance of the pension plan investments. Further discussion about the pension balances are included in *Note 13*.

Supplies and other costs increased $4,646,000 or 11.6% from $39,994,000 in 2017 to $44,640,000 in 2018 due to an increase in infusion drug costs, increased patient volumes and the additional costs resulting from additional new services provided in 2018, including opening a sleep center in November 2017.

The operating income in 2017 of $2,305,000 increased as compared to the operating loss reported in 2016 of $1,036,000, an increase of $3,341,000 or 322.5%. The operating loss in fiscal year 2016 was primarily the result of the strategic acquisition, staffing, licensing and initiating operations of a second campus and increased pension plan expense as a result of changes in actuarial assumptions.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of interest income, investment income, interest expense, and income from investments in joint ventures. Interest income of $207,000 in 2018 increased from interest income of $134,000 in 2017 due to the maintenance of higher balances in the interest-bearing accounts for the construction fund and bond funds during 2018. Interest expense in 2018 of $744,000 decreased 3.2% compared to 2017 expense of $768,000 due to principal payments made in 2018, which decrease the interest bearing debt. Income from investment in joint ventures in 2018 of $188,000 increased 32.4% over 2017.

The Medical Center's Cash Flows

Changes in the Medical Center's operating and investing cash flows are consistent with changes in operating income and loss and nonoperating revenues and expenses for 2018, 2017 and 2016, discussed earlier. The change in capital and related financing activities was related to the 2015A, 2015B and 2015C bond issues and purchases of capital assets as described below.

Capital Assets and Debt Administration

Capital Assets

At the end of 2018 and 2017, the Medical Center had $39,527,000 and $39,061,000, respectively, invested in capital assets, net of accumulated depreciation, as detailed in *Note 8* to the financial statements. In 2018 and 2017, the Medical Center purchased new property and equipment costing $4,057,000 and $3,860,000, respectively.

Debt

At September 30, 2018 and 2017, the Medical Center had $25,571,000 and $26,610,000, respectively, in revenue bonds and capital lease obligations outstanding. The Medical Center's formal debt issuances and revenue bonds are subject to limitations imposed by state law. In fiscal 2018 the Medical Center continued making principal payments on the Series 2013 and Series 2015 bonds, lowering the balance in long term obligations, offset by additional equipment capital leases totaling $856,000.

Contacting the Medical Center's Financial Management

This financial report is designed to provide the Medical Center's patients, suppliers and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Medical Center Administration by telephoning 337.364.0441.

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Balance Sheets
September 30, 2018 and 2017

Assets and Deferred Outflows of Resources

	2018	2017
Current Assets		
Cash	$ 18,987,228	$ 12,456,091
Held under bond trust indenture, current portion	2,447,146	2,445,094
Patient accounts receivable, net of allowance; 2018 – $12,576,000, 2017 – $12,061,000;	9,621,266	9,211,673
Estimated amounts due from third-party payers	-	82,316
Supplies	2,581,868	2,420,112
Prepaid expenses and other receivables	3,374,529	3,847,586
Total current assets	37,012,037	30,462,872
Noncurrent Cash		
Held under bond trust indenture	4,008,653	6,074,449
Less amount required to meet current obligations	(2,447,146)	(2,445,094)
	1,561,507	3,629,355
Capital Assets, Net	39,526,513	39,060,889
Investments in Joint Ventures	594,180	629,315
Net Pension Asset	3,227,924	-
Total assets	81,922,161	73,782,431
Deferred Outflows of Resources - Pension	6,573,328	11,030,223
Total assets and deferred outflows of resources	$ 88,495,489	$ 84,812,654

Liabilities, Deferred Inflows of Resources and Net Position

	2018	2017
Current Liabilities		
Current maturities of long-term debt	$ 1,962,544	$ 1,851,789
Accounts payable and accrued expenses	4,834,752	4,674,550
Accrued salaries, wages and benefits	6,094,766	5,447,346
Estimated amounts due to third-party payers	1,401,009	727,501
Total current liabilities	14,293,071	12,701,186
Net Pension Liability	-	8,821,596
Long-term Debt	23,608,681	24,758,229
Total liabilities	37,901,752	46,281,011
Deferred Inflows of Resources - Pension	9,546,952	1,543,696
Net Position		
Net investment in capital assets	14,145,625	14,655,058
Restricted expendable	3,818,316	3,870,262
Restricted for pension	3,227,924	-
Unrestricted	19,854,920	18,462,627
Total net position	41,046,785	36,987,947
Total liabilities, deferred inflows of resources and net position	$ 88,495,489	$ 84,812,654

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2018 and 2017

	2018	2017
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2018 – $11,453,000 2017 – $10,992,000	$ 80,780,896	$ 75,784,796
Other	17,074,183	13,708,337
Total operating revenues	97,855,079	89,493,133
Operating Expenses		
Salaries and wages	35,379,317	33,605,201
Employee benefits	9,808,411	10,266,152
Purchased services and professional fees	14,828,889	12,386,112
Supplies and other	28,700,020	26,378,866
Insurance	1,111,521	1,229,247
Depreciation and amortization	3,619,198	3,322,644
Total operating expenses	93,447,356	87,188,222
Operating Income	4,407,723	2,304,911
Nonoperating Revenues (Expenses)		
Interest income	206,772	133,947
Interest expense	(743,626)	(768,209)
Income from investments in joint ventures	187,969	141,921
Total nonoperating revenues (expenses)	(348,885)	(492,341)
Increase in Net Position	4,058,838	1,812,570
Net Position, Beginning of Year	36,987,947	35,175,377
Net Position, End of Year	$ 41,046,785	$ 36,987,947

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017
Operating Activities		
Receipts from and on behalf of patients	$ 81,203,915	$ 77,278,471
Payments to suppliers and contractors	(44,727,213)	(40,939,132)
Payments to employees	(44,129,677)	(42,100,700)
Other receipts, net	17,709,868	10,794,801
Net cash provided by operating activities	10,056,893	5,033,440
Capital and Related Financing Activities		
Repayment of amounts due under revenue bonds payable	(1,645,000)	(1,600,000)
Repayments of note payable	-	(10,000)
Repayments of capital lease obligations	(250,169)	(184,714)
Interest paid on debt and capital lease obligations	(860,869)	(893,122)
Purchase of capital assets	(3,270,429)	(3,160,679)
Net cash used in capital and related financing activities	(6,026,467)	(5,848,515)
Investing Activities		
Interest income	236,711	161,419
Distributions received from joint ventures	198,204	163,438
Net cash provided by investing activities	434,915	324,857
Increase (Decrease) in Cash	4,465,341	(490,218)
Cash, Beginning of Year	18,530,540	19,020,758
Cash, End of Year	$ 22,995,881	$ 18,530,540

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Statements of Cash Flows (Continued)
Years Ended September 30, 2018 and 2017

	2018	2017
Reconciliation of Cash to the Balance Sheets		
Cash	$ 18,987,228	$ 12,456,091
Cash held under bond indenture, current portion	2,447,146	2,445,094
Cash held under bond indenture, noncurrent portion	1,561,507	3,629,355
Total cash and cash equivalents	$ 22,995,881	$ 18,530,540
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 4,407,723	$ 2,304,911
Depreciation and amortization	3,619,198	3,322,644
Amortization of deferred inflows and outflows related to net pension liability	(89,730)	2,233,046
Provision for uncollectible accounts	11,452,531	10,992,321
Changes in operating assets and liabilities		
Patient accounts receivable, net	(11,862,124)	(11,038,999)
Estimated amounts due from and to third-party payers	755,824	834,972
Accounts payable and accrued expenses	965,163	(107,326)
Net pension asset (liability)	(12,049,520)	(978,586)
Deferred outflows of resources - pension	250,665	(541,749)
Deferred inflows of resources - pension	12,299,216	884,736
Other assets and liabilities	307,947	(2,872,530)
Net cash provided by operating activities	$ 10,056,893	$ 5,033,440
Supplemental Cash Flows Information		
Capital asset additions in accounts payable	$ 53,568	$ 196,366
Capital lease obligations incurred for capital assets	$ 856,376	$ 538,708

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Hospital Service District No. 1, a component unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) (Medical Center) is a 127 bed acute care medical center located in New Iberia, Louisiana. The Medical Center is a component unit of Iberia Parish (Parish) and a political subdivision of the State of Louisiana. The Iberia Parish Government Board of Commissioners appoints a nine-member board of commissioners who operate the Medical Center. The Medical Center primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Parish area.

In January 2016, the Medical Center purchased a second hospital building and additional medical office buildings to expand inpatient and outpatient surgical services, behavioral health services, inpatient and outpatient rehabilitation, imaging, laboratory, wound care, physical rehabilitation, cardiac rehabilitation as well as other services to meet the healthcare needs of the Parish. The medical office building remained open after the purchase but the hospital building obtained licensure and commenced operations on April 27, 2016.

The Medical Center's financial statements include the operations of Iberia Medical Center Foundation (the Foundation). The Foundation is a 501(c)3 nonprofit health organization, established in order to support the Medical Center and is included in the financial statements using the blending method. The financial activity of the Foundation is not significant.

Basis of Accounting and Presentation

The accompanying financial statements of the Medical Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and parish appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific such as investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Medical Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

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, liabilities and deferred inflows and outflows of resources 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.

Risk Management

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

The Medical Center is self-insured for a portion of its exposure to risk of loss from employee health claims. An annual estimated provision is accrued for the self-insured portion of employee health claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments in Joint Ventures

The Medical Center holds a 20% interest in New Iberia Surgery Center, which provides outpatient surgery services to the community. This investment is carried on the equity method of accounting. The investment in New Iberia Surgery Center totaled $310,089 and $308,448 as of September 30, 2018 and 2017, respectively, and is included in investments in joint ventures on the accompanying balance sheets.

The Medical Center originally held a 15% ownership interest in Acadiana Diagnostic Imaging, LLC, which is a provider of imaging services. On May 1, 2015, the Medical Center purchased an additional 25% interest in Acadiana Diagnostic Imaging, LLC for a total of $395,000, increasing the Medical Center's ownership to 40%. This transaction resulted in goodwill of $282,536, which is being amortized over 10 years. Unamortized goodwill as of September 30, 2018 and 2017, was $186,003 and $214,257, respectively, and is included in investments in joint ventures on the accompanying balance sheets. Subsequent to the additional purchase of ownership interest in 2015, this investment is accounted for using the equity method of accounting. The investment in Acadiana Diagnostic Imaging, LLC, excluding unamortized goodwill, totaled $87,468 and $106,610 as of September 30, 2018 and 2017, respectively, and is included in investments in joint ventures on the accompanying balance sheets.

As of January 1, 2018, the Medical Center has a 25% membership interest in Acadian Homecare of New Iberia, LLC. The investment balance totaled approximately $11,000 as of September 30, 2018.

Using the equity method of accounting, the Medical Center's share of net income (loss) is recognized as nonoperating revenue (expense) in the Medical Center's statement of revenues, expenses and changes in net position and added to the investment account. The investment account is also reduced for any dividends received.

Patient Accounts Receivable

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Medical Center provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Medical Center:

Land improvements	15 – 25 years
Buildings and leasehold improvements	20 – 40 years
Equipment	3 – 20 years

Cost-Sharing Defined Benefit Pension Plan

The Medical Center participates in a cost-sharing multiple-employer defined benefit pension plan, the Parochial Employees' Retirement System of Louisiana (Plan). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. Benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources and deferred inflows of resources.

Compensated Absences

The Medical Center's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net Position

Net position of the Medical Center is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Medical Center, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted for pension represents assets restricted for providing contributions to the cost-sharing defined benefit pension plan which provides pensions in accordance with the benefit terms of the plan. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Medical Center provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

Income Taxes

As an essential government function of the Parish, the Medical Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Medical Center is subject to federal income tax on any unrelated business taxable income.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. The reclassifications had no effect on the changes in financial position.

Note 2: Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare administrative contractor.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are paid based on prospectively determined rates. Outpatient services are paid under either a cost reimbursement methodology or using defined allowable charges. The Medical Center is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid administrative contractor.

Approximately 63% of net patient service revenue is from participation in the Medicare and state sponsored Medicaid programs for the years ended September 30, 2018 and 2017. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 3: Louisiana Medicaid Enhanced Rates

The Medical Center receives Medicaid payments to provide an opportunity for the Medical Center to receive rates from Medicaid managed care organizations that approximate, based on available data, the rates the Medical Center receives for Medicaid fee-for-service patients. During the year ended September 30, 2018, total revenues, net of expenses, recognized by the Medical Center to increase Medicaid managed care payments totaled approximately $6,217,000. During the year ended September 30, 2017, total revenues, net of expenses, recognized by the Medical Center related to these enhanced rates were approximately $4,942,000. As of September 30, 2018 and 2017, outstanding receivables related to these enhanced rates were $1,200,000 and $1,000,000, respectively. These net receipts are recorded as other operating revenues in the accompanying statements of revenue, expenses and changes in net position.

Note 4: Louisiana Supplemental Payment Programs

The Medical Center also ensures the availability of quality healthcare services for the low-income and needy population by making additional transfers to support the Medicaid program. For the years ended September 30, 2018 and 2017, the Medical Center incurred approximately $2,900,000 and $1,133,000, respectively, in costs, which are included in purchased services and professional fees in the accompanying statements of revenues, expenses and changes in net position.

Note 5: Cooperative Endeavor Agreement Program

The Medical Center is party to a cooperative endeavor agreement with other governmental healthcare providers for the purpose of ensuring adequate healthcare services are available for underserved, non-rural populations. The Medical Center receives revenues regarding these services. During the years ended September 30, 2018 and 2017, total revenues, recognized by the Medical Center related to this agreement totaled approximately $6,236,000 and $4,563,000, respectively. As of September 30, 2018 and 2017, outstanding receivables related to this agreement was $762,660 and $912,660, respectively. These receipts are recorded as other operating revenues in the accompanying statements of revenue, expenses and changes in net position.

Note 6: Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Medical Center's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or other qualified investments in the state of Louisiana. At September 30, 2018 and 2017, the Medical Center's deposits were either insured or collateralized in accordance with state law.

Note 7: Patient Accounts Receivable

The Medical Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at September 30, 2018 and 2017, consisted of:

	2018	2017
Medicare	$ 4,346,641	$ 4,015,328
Medicaid	1,258,758	972,825
Other third-party payers	4,703,840	4,618,297
Patients	11,888,295	11,666,509
	22,197,534	21,272,959
Less allowance for uncollectible accounts	12,576,268	12,061,286
	$ 9,621,266	$ 9,211,673

Note 8: Capital Assets

Capital assets activity for the years ended September 30, 2018 and 2017, was:

	2018				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 1,896,704	$ -	$ -	$ -	$ 1,896,704
Land improvements	377,299	-	-	-	377,299
Buildings and leasehold improvements	54,335,038	84,947	-	2,166,416	56,586,401
Equipment	28,934,195	2,015,605	(269,773)	1,769,041	32,449,068
Construction in progress	2,782,557	1,956,016	-	(3,935,457)	803,116
	88,325,793	4,056,568	(269,773)	-	92,112,588
Less accumulated depreciation	(49,264,904)	(3,590,944)	269,773	-	(52,586,075)
Capital assets, net	$ 39,060,889	$ 465,624	$ -	$ -	$ 39,526,513

	2017				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 1,896,704	$ -	$ -	$ -	$ 1,896,704
Land improvements	377,299	-	-	-	377,299
Buildings and leasehold improvements	54,335,038	110,525	-	527,727	54,335,038
Equipment	28,934,195	843,376	-	560,754	28,934,195
Construction in progress	2,782,557	2,905,877	-	(1,088,481)	2,782,557
	84,466,015	3,859,778	-	-	88,325,793
Less accumulated depreciation	(45,970,514)	(3,294,390)	-	-	(49,264,904)
Capital assets, net	$ 38,495,501	$ 565,388	$ -	$ -	$ 39,060,889

Note 9: Medical Malpractice Claims

The Medical Center has joined together with other providers of health care services to form the Louisiana Hospital Association Medical Malpractice and General Liability Trust Fund, a risk pool (Pool) currently operating as a common risk management and insurance program for its members. The Medical Center purchases medical malpractice insurance from the Pool under a claims-made policy. The Medical Center pays an annual premium to the Pool for its torts insurance coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Medical Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 10: Employee Health Claims

Substantially all of the Medical Center's employees and their dependents are eligible to participate in the Medical Center's employee health insurance plan. The Medical Center is self-insured for health claims of participating employees and dependents up to an annual stop-loss limit of $100,000 per employee. Commercial stop-loss insurance coverage is purchased for claims in excess of this amount. A provision is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Medical Center's estimate will change by a material amount in the near term.

Activity in the Medical Center's accrued employee health claims liability during 2018 and 2017, is summarized as follows:

	2018	2017
Balance, beginning of year	$ 422,681	$ 486,306
Current year claims incurred and changes in estimates for claims incurred in prior years	4,375,730	3,504,476
Claims and expenses paid	(4,165,618)	(3,568,101)
Balance, end of year	$ 632,793	$ 422,681

Note 11: Long-term Obligations

The following is a summary of long-term obligation transactions for the Medical Center for the years ended September 30, 2018 and 2017:

	2018				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable	$ 25,985,000	$ -	$ 1,645,000	$ 24,340,000	$ 1,690,000
Capital lease obligations	625,018	856,376	250,169	1,231,225	272,544
Total long-term obligations	$ 26,610,018	$ 856,376	$ 1,895,169	$ 25,571,225	$ 1,962,544

	2017				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable	$ 27,585,000	$ -	$ 1,600,000	$ 25,985,000	$ 1,645,000
Capital lease obligations	271,024	538,708	184,714	625,018	206,789
Total long-term obligations	$ 27,856,024	$ 538,708	$ 1,784,714	$ 26,610,018	$ 1,851,789

Revenue Bonds Payable

Revenue bonds payable consist of the various series of the Iberia Parish, State of Louisiana Hospital Revenue Bonds, as shown below:

Bond Series	Original Issue Amount	Interest Rate	Final Maturity	Balance September 30, 2018	Balance September 30, 2017
Series 2013A	$ 8,265,000	2.48%	November 2023	$ 6,050,000	$ 6,975,000
Series 2013B	$ 3,520,000	2.24%	November 2023	2,540,000	2,930,000
Series 2015A	$ 6,000,000	2.75%	November 2034	5,595,000	5,805,000
Series 2015B	$ 5,180,000	3.48%	November 2035	5,060,000	5,120,000
Series 2015C	$ 5,215,000	4.75%	November 2035	5,095,000	5,155,000
				$ 24,340,000	$ 25,985,000

During 2013, the Series 2013A and 2013B bonds were issued to refinance the Series 2005C, 2005D, 2005E, 2008, 2009A and 2009B bonds at lower interest rates. The bonds are payable in semi-annual installments of principal and interest through final maturity.

The Series 2013A bonds are payable in annual installments ranging from $925,000 to $1,070,000 through November 2023. The Series 2013B bonds are payable in annual installments ranging from $390,000 to $445,000 through November 2023.

During 2016, the Medical Center issued the Series 2015A tax-exempt Hospital Revenue Bonds of $6,000,000, Series 2015B tax-exempt Hospital Revenue Bonds of $5,180,000 and Series 2015C taxable Hospital Revenue Bonds of $5,215,000 for the purpose of making improvements, extensions, additions, renewals, replacements or repairs to the Medical Center.

The Series 2015A bonds are payable in annual installments ranging from $210,000 to $435,000 through November 2034. The Series 2015B bonds are payable in annual installments ranging from $60,000 to $470,000 through November 2035. The Series 2015C bonds are payable in annual installments ranging from $60,000 to $500,000 through November 2035.

The bonds are secured by the net revenues of the Medical Center, a mortgage on the Medical Center's property and assets restricted under the bond agreement. The bonds are also secured by a pledge of the general revenues of the Parish should the Medical Center's revenues and other security not be sufficient to pay obligations under the bond agreements.

The bond agreements require that certain funds be established to pay debt service on the bonds. Accordingly, these funds are included as restricted expendable assets under bond agreements. The indenture agreement also requires the Medical Center to comply with certain restrictive covenants, including minimum insurance coverage and maintaining a historical debt-service coverage ratio of at least 1.20 to 1.00. The agreements also require the Parish to maintain days cash on hand in excess of 90 days of expense.

The revenue bonds payable requirements as of September 30, 2018, are as follows:

Year Ending September 30,	Total to be Paid	Principal	Interest
2019	$ 2,447,145	$ 1,690,000	$ 757,145
2020	2,443,146	1,730,000	713,146
2021	2,442,991	1,775,000	667,991
2022	2,441,585	1,820,000	621,585
2023	2,443,621	1,870,000	573,621
2024-2028	8,098,971	5,915,000	2,183,971
2029-2033	7,141,727	5,890,000	1,251,727
2034-2037	3,850,118	3,650,000	200,118
	$ 31,309,304	$ 24,340,000	$ 6,969,304

Capital Lease Obligations

The Medical Center has entered into lease agreements for equipment, which are accounted for as capital leases. Assets under capital leases at September 30, 2018 and 2017, totaled approximately $1,872,000 and $1,016,000, respectively, net of accumulated amortization of $637,000 and $434,000, respectively. The following is a schedule by year of future minimum lease payments under capital lease, discounted using interest at rates of 2.74% to 7.00%, together with the present value of the future minimum lease payments as of September 30, 2018:

Year ending September 30,	
2019	$ 330,838
2020	321,769
2021	320,670
2022	249,236
2023	160,950
Total mimimum lease payments	1,383,463
Less amount representing interest	152,238
Present value of minimum lease payments	$ 1,231,225

Note 12: Operating Leases

Operating leases for medical and office equipment expire in various years through 2022. These leases generally contain renewal options for periods ranging from one to three years and require the Medical Center to pay all executory costs (property taxes, maintenance and insurance). Rental payments include minimum rentals, plus contingent rentals based on revenues.

Future minimum lease payments at September 30, 2018, were:

2019	$	437,587
2020		57,807
2021		7,305
2022		-
	$	502,699

Minimum future rentals receivable under noncancellable sub-operating leases at September 30, 2018, were:

2019	$	1,021,380
2020		418,144
2021		159,448
2022		36,531
	$	1,635,503

Rental expense (income) for all operating subleases consisted of:

	2018	2017
Minimum rentals	$ 1,052,313	$ 1,040,844
Sublease rental income	(1,638,436)	(1,613,384)
	$ (586,123)	$ (572,540)

Note 13: Pension Plan

Plan Description

The Medical Center contributes to the Parochial Employees' Retirement System (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the state of Louisiana (State). PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS is comprised of two distinct plans – Plan A and Plan B – with separate assets and benefit provisions. Employees of the Medical Center are members of Plan A. Benefit provisions are established by state law and may be amended only by the State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS that can be obtained at http://www.persla.org/.

Benefits Provided

The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. Retirement benefits for employees are calculated as 3% of the plan member's final average compensation multiplied by their years of service. Death benefits are equal to 100% of benefits if member is eligible for normal retirement or 60% of final compensation if not eligible for normal retirement. Disability retirement benefits are calculated to be equal to the lesser of an amount equal to 3% of the member's final average compensation multiplied by their years of services, not to be less than 15, or 3% multiplied by years of service assuming continued service to age 60.

For plan members hired prior to January 1, 2007, a member may obtain retirement benefits if any of the following are reached: (a) any age with 30 or more years of creditable service, (b) age 55 with 25 years of creditable service, (c) age 60 with minimum of 10 years of creditable service, (d) age 65 with a minimum of 7 years of creditable service.

For plan members hired after January 1, 2007, a member may obtain retirement benefits if any of the following are reached: (a) age 55 with 30 or more years of service, (b) age 62 with 10 years of service, (c) age 67 with 7 years of service.

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

Contributions

State statute has the authority to establish and amend the contribution requirements of the Medical Center and active employees. According to state statute, the Plan also receives ¼ of 1% of ad valorem taxes collected within the respective Parishes, except for Orleans and East Baton Rouge Parishes. The Plan also receives revenue sharing funds each year as appropriated by the State Legislature. These additional sources of income are used as additional employer contributions and are considered support from nonemployer contributing entities. As of September 30, 2018 and 2017, employees were required to contribute 9.5% of their annual pay.

Contractually required contribution rates for the Medical Center during the years ended September 30, 2018 and 2017, are as follows:

January 1, 2018 through September 30, 2018	11.50%
January 1, 2017 through December 31, 2017	12.50%
October 1, 2016 through December 31, 2016	13.00%

The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended September 30, 2018 and 2017, contributions to the Plan from the Medical Center were $3,323,989 and $3,327,170, respectively. The State also made on-behalf contributions to the Plan, of which $323,312 and $302,832 were recognized by the Medical Center for the years ended September 30, 2018 and 2017, respectively; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018 and 2017, the Medical Center reported an asset of ($3,227,924) and a liability of $8,821,596, respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017 and 2016, respectively, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 and 2016, respectively. The Medical Center's proportion of the net pension liability (asset) was based on the Medical Center's actual contributions to the plan during the measurement period as compared to the total of all employers' contributions to the Plan during the measurement period.

At December 31, 2017, the Medical Center's proportion of the net pension asset was 4.35%, which was an increase of 0.07% from its proportion measured as of December 31, 2016. At December 31, 2016, the Medical Center's proportion was 4.28%, which was an increase of 0.56% from its proportion measured as of December 31, 2015.

During the 2015 Regular Session of the Louisiana Legislature, ACT 370 was approved to allow the Plan to provide a cost of living increase from the balance in the system's funding deposit account.

For the years ended September 30, 2018 and 2017, the Medical Center recognized pension expense of $4,112,633 and $5,259,901, respectively. This expense is included in employee benefits in the accompanying statements of revenues, expenses and changes in net position. At September 30, 2018 and 2017, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,089,510
Changes of assumptions	4,074,119	-
Net difference between projected and actual earnings on pension plan investments	-	7,457,442
Changes in proportion	45,763	-
Medical Center's contributions subsequent to the measurement date	2,453,446	-
Total	$ 6,573,328	$ 9,546,952

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,543,696
Changes of assumptions	1,674,829	-
Net difference between projected and actual earnings on pension plan investments	6,845,885	-
Changes in proportion	44,579	-
Medical Center's contributions subsequent to the measurement date	2,464,930	-
Total	$ 11,030,223	$ 1,543,696

At September 30, 2018 and 2017, the Medical Center reported $2,453,446 and $2,464,930, respectively, as deferred outflows of resources related to pensions resulting from the Medical Center's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the years ended September 30, 2018 and 2017, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2018, related to pensions will be recognized in pension expense as follows:

2019	$	509,824
2020		(477,671)
2021		(2,503,510)
2022		(2,955,713)
	$	(5,427,070)

Actuarial Assumptions

The total pension liability actuarial valuation was determined using the following actuarial assumptions as of December 31, 2017 and 2016, and applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	5.25% including inflation
Investment rate of return	6.75% and 7.00%, respectively, net of pension plan investment expense
Mortality rates	RP-2000 Employee Sex Distinct Table for active members, RP-2000 Health Annuitant Sex Destinct Table for healthy annuitants and beneficiaries and RP-2000 Disabled Lives Mortality Table for disabled annuitants.

The mortality rate assumption used in the December 31, 2017 and 2016 valuations were based on the results of actuarial experience studies for the period of January 1, 2010 through December 31, 2014.

The long-term expected rate of return used in the December 31, 2017 valuation on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	2017 Long-term Expected Real Rate of Return	2016 Long-term Expected Real Rate of Return
Fixed income	35%	1.24%	1.24%
Equity	52%	3.57%	3.63%
Alternatives	11%	0.69%	0.67%
Real assets	2%	0.12%	0.12%
	100%		

Discount Rate

The discount rate used to measure the total pension liability was 6.75% and 7.00%, respectively, for the years ended December 31, 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Medical Center's proportionate share of the net pension liability at September 30, 2018, has been calculated using a discount rate of 6.75%. The following presents the Medical Center's proportionate share of the net pension liability (asset) calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Medical Center's proportionate share of net pension liability (asset)	$ 15,914,839	$ (3,227,924)	$ (19,403,519)

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued PERS' financial report.

Payable to the Pension Plan

At September 30, 2018 and 2017, the Medical Center reported a payable of $935,672 and $920,071, respectively, for the outstanding amount of the Medical Center's contributions to the Plan required for the years ended September 30, 2018 and 2017. This amount is included in accrued expenses at September 30, 2018 and 2017.

Note 14: Significant Estimates and Contingencies

Litigation

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Medical Center's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Self-insured Employee Health Care

Estimates related to the accrual for self-insured employee health claims are discussed in *Note 10*.

Note 15: Related Party Transactions

The Medical Center leases office space to New Iberia Surgery Center, Acadiana Diagnostic Imaging, LLC and Acadian Homecare under operating leases with expiration dates of November 30, 2021, May 31, 2019 and November 30, 2018, respectively. The leases have renewal options upon expiration. Amounts received under the lease agreements for each of the years ended September 30, 2018 and 2017, totaled approximately $81,000 and $73,000, respectively.

The Iberia Parish Council, by a resolution adopted in November 2006, provides the Medical Center use of a building in Jeanerette, Louisiana, for the purpose of providing rural health clinic services. The resolution originally expired October 31, 2015, but was renewed for an additional 3 year period through October 31, 2018. Rent expense recorded for the years ended September 30, 2018 and 2017, totaled approximately $1,100 and $800, respectively.

The Medical Center purchased diagnostic imaging services from Acadiana Diagnostic Imaging, LLC during 2018 and 2017 totaling approximately $76,000 and $81,000, respectively.

Required Supplementary Information

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Schedule of Medical Center's Proportionate Share of the Net Pension Liability (Asset)
Last 10 Fiscal Years*

	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Medical Center's proportion of net pension liability (asset)	4.348857%	4.283340%	3.723066%	3.932805%
Medical Center's proportionate share of the net pension liability (asset)	$ (3,227,924)	$ 8,821,596	$ 9,800,182	$ 1,075,262
Medical Center's covered - employee payroll	$ 28,273,034	$ 25,363,474	$ 21,333,750	$ 21,683,688
Medical Center's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-11.4%	34.8%	45.9%	5.0%
Plan fiduciary net position as a percentage of the total pension liability	101.98%	94.15%	92.23%	99.15%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Changes of assumptions:
December 31, 2017
1) Discount rate reduced to 6.75%

December 31, 2016
There were no changes of assumptions since measurement date December 31, 2015
December 31, 2015
2) Discount rate reduced to 7.00%
3) Mortality updated based on January 1, 2010 through December 31, 2014 experience study performed on plan data
4) Inflation rate decreased to 2.50%
5) Projected salary increases decreased to 5.25% (2.50% inflation, 2.75% merit)

Changes in plan provisions:
December 31, 2017 and 2016
There were no changes in plan provisions since measurement date December 31, 2015
December 31, 2015
1) ACT 370 was approved in the 2015 Louisiana Legislative Regular Session to allow the Plan to provide a cost of living increase from the balance in the system's funding deposit account

* The amounts presented for each fiscal year are determined as of the Medical Center's measurement date of December 31.

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Schedule of Medical Center's Contributions
Last 10 Fiscal Years*

	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015
Actuarially determined contribution	$ 3,323,989	$ 3,327,170	$ 3,219,198	$ 3,166,385
Contribution in relation to the actuarially determined contribution	3,323,989	3,327,170	3,219,198	3,166,385
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Medical Center's covered-employee payroll	$ 28,273,034	$ 26,351,908	$ 24,139,449	$ 21,283,259
Contributions as a percent of covered-employee payroll	11.76%	12.63%	13.34%	14.88%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Changes of assumptions:
December 31, 2017 and 2016
There were no changes of assumptions since measurement date December 31, 2015
December 31, 2015
1) Discount rate reduced to 7.00%
2) Mortality updated based on January 1, 2010 through December 31, 2014 experience study performed on plan data
3) Inflation rate decreased to 2.50%
4) Projected salary increases decreased to 5.25% (2.50% inflation, 2.75% merit)

* The amounts presented are determined as of the Medical Center's most recent fiscal year-end.

Other Information

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)

Schedule of Compensation, Reimbursements, Benefits and Other Payments to Chief Executive Officer

Year Ended September 30, 2018

Purpose	Amount
Salary	$ 298,461
Benefits-insurance	5,706
Benefits-retirement	27,038
Incentive compensation	30,000
Reimbursements	920
Travel	1,053
Conference travel	1,063

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Schedule of Insurance Policies
September 30, 2018

Covered Risks	Insurer	Coverage Description	Coverage Amount	Expiration Date
Malpractice and General Liability	Louisiana Hospital Association	Professional Liability	$ 2,500,000	11/1/2018
		Umbrella	9,500,000	11/1/2018
		General Liability	2,500,000	11/1/2018
Louisiana Patient Compensation	Louisiana Hospital Association	Louisiana Patient Compensation	500,000	11/1/2018
Professional Liability	Louisiana Hospital Association	Physicians and Surgeons	300,000	11/1/2018
Workers' Compensation	Louisiana Hospital Association	Coverage A	Statutory	1/1/2019
		Coverage B	1,000,000	1/1/2019
Directors, Officers and Employment Practices	Traveler's	Liability	3,000,000	1/10/2019
Property	AmRisc, LLC	Property Damage	192,899,479	1/1/2020
Crime	Traveler's	Crime	1,000,000	7/1/2019
		Liability	1,000,000	12/1/2018
Auto	Schwing	Uninsured Motorists	100,000	12/1/2018

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
Schedule of Board Members
September 30, 2018

Name	Office	Residence
Mr. Larry Hensgens, Jr.	Chairman	New Iberia, Louisiana
Kurt O'Brien, M.D.	Vice-Chairman	New Iberia, Louisiana
Ms. Catherine DeBlanc Reaves	Member	New Iberia, Louisiana
Larry Nelson, M.D.	Member	New Iberia, Louisiana
Mr. Ernest Wilson	Member	New Iberia, Louisiana
Mr. Burton Cestia, Jr.	Member	New Iberia, Louisiana
Mr. Frederick Metz, Jr.	Member	New Iberia, Louisiana
Mr. Leonard Minvielle	Member	New Iberia, Louisiana
Mr. Brock Romero	Member	New Iberia, Louisiana

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

Independent Auditor's Report

Board of Commissioners
Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)
New Iberia, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1, a Component Unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) (Medical Center), which comprise the balance sheet as of September 30, 2018 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2019.

Internal Control Over Financial Reporting

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

BKD, LLP

Dallas, Texas
January 31, 2019

Hospital Service District No. 1
A Component Unit of Iberia Parish, State of Louisiana
(d/b/a Iberia Medical Center)

Independent Accountant's Report on

Applying Agreed-Upon Procedures

For the Fiscal Period August 1, 2017 through July 31, 2018

BKD

CPAs & Advisors

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Commissioners and the Louisiana Legislative Auditor
Hospital Service District No. 1
A Component Unit of Iberia Parish State of Louisiana
(d/b/a Iberia Medical Center)
New Iberia, Louisiana

We have performed the procedures enumerated in the attachment to this report, which were agreed to by Hospital Service District No. 1, a Component Unit of Iberia Parish, State of Louisiana (d/b/a Iberia Medical Center) (Medical Center), 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 period August 1, 2017 through July 31, 2018. The management of the Medical Center is responsible for the control and compliance areas identified in the LLA's SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attachment to this report for the purpose for which this report has been requested or for any other purpose.

The procedures and findings obtained are described in the attachment to this report.

We were not engaged to and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the LLA's 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 LLA's SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

BKD, LLP

Dallas, Texas
January 31, 2019

Written Policies and Procedures

1. Obtain and inspect the Medical Center's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the Medical Center'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***, 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.

Results: The Medical Center provided written policies and procedures for all categories and subcategories listed above.

Collections

2. 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).

Results: Obtained a listing of deposit sites from management and management's representation that the listing was complete. There were only three deposit sites, therefore all three sites were selected for testing.

3. For each deposit site selected, obtain a listing of collection locations and managements 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.

Results: Obtained a listing of collection locations for each deposit site selected for testing and management's representation that the listing was complete. Selected one collection site from each of the three deposit sites. Two of the three collection sites maintained policies and procedures that properly segregated duties as detailed above. One of the collection sites segregated duties detailed above with the exception that employees share cash drawers.

Management's Response: Management is aware that cash drawers are shared at employed physician clinics and has implemented compensating controls, including balancing of cash drawers witnessed by two employees daily. No discrepancies were identified by management during the period.

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

Results: Per discussion with management, each person responsible for collecting cash is covered under an insurance policy covering employee theft and employee dishonesty.

5. 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 Medical Center's main operating account. Select the Medical Center's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select two deposit dates for each of the 5 bank accounts selected (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). Obtain supporting documentation for each of the 10 deposits and:

   a) Observe that receipts are sequentially pre-numbered.
   b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
   c) Trace the deposit slip total to the actual deposit per the bank statement.
   d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100).
   e) Trace the actual deposit per the bank statement to the general ledger.

Results: Obtained a listing of client bank accounts and management's representation that the listing was complete and selected five bank accounts for testing. For the five bank accounts selected, two accounts did not have cash deposits. For the remaining three accounts selected, two deposit dates were randomly selected for testing. Supporting documentation was obtained for criteria a) through e) with no exceptions identified.

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

6. 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).

Results: Obtained a listing of locations that process payments for the fiscal period from management and management's representation that the listing was complete. Per the listing, there is only one location where payments are processed and that location was selected for testing.

7. For each location selected under #6 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 Medical Center 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.

Results: For the one location where payments are processed, at least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase. At least two employees are involved in processing and approving payments to vendors. The employee responsible for processing payments is not prohibited from adding/modifying vendor files, but management periodically reviews the master vendor file for changes. An employee who is not responsible for processing payments are provided signed checks to be mailed out.

8. For each location selected under #6 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 #7, as applicable.

Results: Obtained the entity's non-payroll disbursement transaction population from management and management's representation that the listing was complete. Randomly selected 5 disbursements from the one location where payments are processed and for criteria a) and b) no exceptions were identified.

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

9. 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.

Results: Obtained a listing of cards from management and management's representation that the listing was complete.

10. 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

Results: Obtained listing noting the Medical Center maintains 2 credit cards and selected both cards for testing. Randomly selected one month for testing and noted evidence of supporting documentation, review and approval and that no finance or late charges were assessed on the selected statements.

11. Using the monthly statements or combined statements selected under #10 above, <u>excluding fuel cards</u>, 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).

Results: Of the two credit cards, one card is a fuel card, and therefore excluded from testing. For the one remaining card, randomly selected 10 transactions from the statement selected for testing and obtained supporting documentation noting all requirements (1) through (3) were met without exception.

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

12. 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.

Results: Obtained a listing of all travel and travel-related expense reimbursements from management and management's representation that the listing was complete. Randomly selected 5 travel expense reimbursement for testing and each reimbursement was supported by the documentation listed in criteria a) through d) with no exceptions noted.

Payroll and Personnel

13. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: Obtained a listing of all employees/elected officials employed during the fiscal period from management and management's representation that the listing was complete and randomly selected 5 employees/officials, obtained related paid salaries and personnel files and agreed paid salaries to authorized rates in personnel files.

14. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #13 above, obtain attendance records and leave documentation for the pay period, and:
    a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
    b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
    c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: All of the documentation listed in items a) and c) above were maintained for the 5 employees randomly selected for testing.

15. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Results: Obtained a listing of terminated employees and termination payments during the fiscal period from management and management's representation that the listing was complete. The two payments randomly selected for testing were supported by the documentation listed above with no exceptions noted.

16. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: Obtained management representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums and workers' compensation premiums have been paid and associated forms have been filed by required deadlines.