

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

**Annual Financial Report  
As of and For the Year Ended  
September 30, 2016**



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

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## Independent Auditor's Report

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

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), a component unit of the LaSalle Parish Police Jury as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), a component unit of the LaSalle Parish Police Jury, as of September 30, 2016 and 2015, and the changes in it's financial position and it's cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Supplementary and Other Information***

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

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

The accompanying other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Allen, Green + Williamson, LLP*  
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

March 23, 2017

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

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

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

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**Management's Discussion and Analysis (MD&A)  
September 30, 2016 and 2015**

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As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2016. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### **FINANCIAL HIGHLIGHTS**

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$12,723 (*net position*). The District reported an increase in net position of \$2,314.

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

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

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

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

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

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**Management's Discussion and Analysis (MD&A)  
September 30, 2016 and 2015**

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

**Financial Section**

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

**Basic Financial Statements**

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

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

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

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

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

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

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**Management's Discussion and Analysis (MD&A)  
September 30, 2016 and 2015**

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**FINANCIAL ANALYSIS** The District's net position was \$12,723 at September 30, 2016. Our analysis below focuses on the net position and the change in net position of the District as a whole.

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Other assets	\$ 13,515	\$ 10,869	\$ 10,665
Capital assets, net	7,442	8,273	8,981
Total assets	<u>20,957</u>	<u>19,142</u>	<u>19,646</u>
Other liabilities	2,751	2,896	4,768
Long-term liabilities	5,483	5,837	6,174
Total liabilities	<u>8,234</u>	<u>8,733</u>	<u>10,942</u>
Net position			
Net investment in capital assets	1,550	1,924	2,303
Restricted	571	411	324
Unrestricted	10,602	8,074	6,077
Total net position	<u>\$ 12,723</u>	<u>\$ 10,409</u>	<u>\$ 8,704</u>

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

**Management's Discussion and Analysis (MD&A)  
September 30, 2016 and 2015**

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Revenues:			
Operating revenues:			
Net patient service revenues	\$ 25,013	\$ 25,368	\$ 22,115
Contributions from Ambulance Service District	122	115	134
Uncompensated Care Cost Payments Program	2,798	1,807	693
Property taxes	187	172	167
Other	111	186	142
Total operating revenues	<u>28,231</u>	<u>27,648</u>	<u>23,251</u>
Expenses:			
Operating expenses:			
Daily patient services	2,562	2,622	2,678
Nursing services	4,611	4,797	4,956
Other professional services	9,631	9,370	8,792
General services	2,138	1,973	1,908
Administrative and fiscal services	2,482	2,446	2,612
Employee benefits	3,138	3,402	3,062
Depreciation	1,236	1,345	1,385
Total operating expenses	<u>25,798</u>	<u>25,955</u>	<u>25,393</u>
Operating Income (Loss)	2,433	1,693	(2,142)
Nonoperating Revenues (Expenses)			
Grant Revenue	179	382	920
Interest Revenue	1	-	1
Interest Expense	(299)	(370)	(380)
Total nonoperating revenues (expenses)	<u>(119)</u>	<u>12</u>	<u>541</u>
Change in Net position	2,314	1,705	(1,601)
Net position, beginning of year	<u>10,409</u>	<u>8,704</u>	<u>10,305</u>
Net position, end of year	<u>\$ 12,723</u>	<u>\$ 10,409</u>	<u>\$ 8,704</u>

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**Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
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Olla, Louisiana**

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**Management's Discussion and Analysis (MD&A)  
September 30, 2016 and 2015**

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Total operating revenues increased by \$583 due mainly to growing primary and specialty care business.

Total operating expenses decreased \$157 due mainly to intensified budgetary management and reduction in overtime.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### *Capital Assets*

At September 30, 2016, the District had \$7,442 invested in capital assets, including land, buildings, site improvements, furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$831 or 10% from last year due mainly to a decision to slow capital growth. Due to the instability of the American healthcare system, the Board of Commissioners made a strategic decision to delay future capital expansion and preserve cash balances and debt. Once liquid assets have grown and signs of economic stability appear, capital growth will resume.

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Land	\$ 93	\$ 27	\$ 27
Land improvements	1,076	1,076	1,009
Building	8,732	8,685	8,469
Equipment, furniture and fixtures	8,035	7,784	7,430
Less accumulated depreciation	<u>(10,494)</u>	<u>(9,299)</u>	<u>(7,954)</u>
<b>Totals</b>	<b><u>\$ 7,442</u></b>	<b><u>\$ 8,273</u></b>	<b><u>\$ 8,981</u></b>

See Note 6 for further details on capital assets.

### *Debt*

At September 30, 2016, the District has \$5,892 in outstanding long-term debt, which includes certificate of indebtedness, revenue bonds, and capital leases. See Note 8 and Note 9 for further details on debt.

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**Hospital Service District Number One  
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**Management's Discussion and Analysis (MD&A)  
September 30, 2016 and 2015**

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**ECONOMIC FACTORS** The state of the federal and state economy has impacted the growth of our local healthcare system. The medical center has managed to contain and defease debt including short-term debt. However, due to the risks involved with dependence on government programs, the medical center continues to desire a line-of-credit with local banks to insure meeting current operating obligations. Though the cash flows continue to be positive and a credit line is not expected to be in need, the assurance that funds are available, adds to the security of the system.

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

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

## **BASIC FINANCIAL STATEMENTS**

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

**ENTERPRISE FUND  
STATEMENT OF NET POSITION  
September 30, 2016 and 2015**

	<b><u>General Fund</u></b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Cash, checking	\$ 2,675,948	\$ 1,375,697
Restricted cash	570,484	411,339
Receivables		
Patient services, net of allowances of \$1,160,329 and \$1,985,853	4,610,293	4,840,133
Estimated third-party payor settlements	1,366,932	1,327,849
Other	3,362,004	2,223,818
Supplies	408,459	551,230
Prepaid expenses	520,608	139,101
	<hr/>	<hr/>
Total current assets	<hr/> <u>13,514,728</u>	<hr/> <u>10,869,167</u>
<b>CAPITAL ASSETS</b>		
Land	92,990	26,677
Land improvements	1,076,108	1,076,108
Buildings	8,732,475	8,685,192
Equipment, furniture and fixtures	8,034,740	7,784,800
Less accumulated depreciation	(10,493,829)	(9,299,314)
	<hr/>	<hr/>
Total capital assets	<hr/> <u>7,442,484</u>	<hr/> <u>8,273,463</u>
<b>TOTAL ASSETS</b>	<hr/> <u>\$ 20,957,212</u>	<hr/> <u>\$ 19,142,630</u>

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

**Statement A**

	<u>General Fund</u>	
	<u>2016</u>	<u>2015</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 554,216	\$ 782,068
Salaries payable	325,206	265,650
Group insurance payable	210,513	193,943
Other accounts payable	761,820	-
Current portion of capital leases	128,630	247,655
Certificates and revenue bonds payable	280,697	264,336
Accrued vacation payable	461,767	393,605
Accrued bond interest payable	28,128	49,026
Line of credit	-	700,000
 Total current liabilities	<u>2,750,977</u>	<u>2,896,283</u>
<b>NONCURRENT LIABILITIES</b>		
Certificates and revenue bonds payable	5,300,938	5,581,635
Capital leases	182,156	255,352
 Total noncurrent liabilities	<u>5,483,094</u>	<u>5,836,987</u>
<b>TOTAL LIABILITIES</b>		
 TOTAL LIABILITIES	<u>8,234,071</u>	<u>8,733,270</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,550,063	1,924,485
Restricted for debt service	570,484	411,339
Unrestricted	10,602,594	8,073,536
 TOTAL NET POSITION	<u>\$ 12,723,141</u>	<u>\$ 10,409,360</u>

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

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

**ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
For the Years Ended September 30, 2016 and 2015**

**Statement B**

	<u>General Fund</u>	
	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>		
Net patient service revenues	\$ 25,012,830	\$ 25,368,456
Contributions from Ambulance Service District	122,457	115,464
Uncompensated Care Cost Payments Program	2,797,710	1,806,877
Cafeteria sales	-	9
Property taxes	186,822	172,411
Other	111,443	185,432
Total operating revenues	<u>28,231,262</u>	<u>27,648,649</u>
<b>OPERATING EXPENSES</b>		
Daily patient services	2,561,633	2,621,957
Nursing services	4,611,198	4,797,319
Other professional services	9,630,984	9,370,567
General services	2,137,909	1,973,055
Administrative and fiscal services	2,481,731	2,445,998
Employee benefits	3,138,009	3,401,597
Depreciation	1,236,514	1,345,079
Total operating expenses	<u>25,797,978</u>	<u>25,955,572</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,433,284</u>	<u>1,693,077</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grant revenue	178,716	381,863
Interest revenue	1,092	32
Interest expense	<u>(299,311)</u>	<u>(369,520)</u>
Total nonoperating revenues (expenses)	<u>(119,503)</u>	<u>12,375</u>
<b>CHANGE IN NET POSITION</b>	<u>2,313,781</u>	<u>1,705,452</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>10,409,360</u>	<u>8,703,908</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 12,723,141</u>	<u>\$ 10,409,360</u>

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

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

**ENTERPRISE FUND  
Statement of Cash Flows  
For the Years Ended September 30, 2016 and 2015**

**Statement C**

	<u>General Fund</u>	
	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net receipts from patient services	\$ 25,203,587	\$ 26,158,868
Uncompensated Care Cost Payments Program	2,421,344	291,756
Other receipts	420,722	473,316
Payments to vendors	(15,010,201)	(15,930,611)
Payments to employees	<u>(9,873,563)</u>	<u>(10,156,955)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>3,161,889</u></b>	<b><u>836,374</u></b>
<b>CASH FLOWS (USED) FROM NON CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from line of credit	-	700,000
Payment of line of credit	(700,000)	(1,200,000)
Grants	<u>178,716</u>	<u>1,969,026</u>
<b>NET CASH PROVIDED (USED) BY NON CAPITAL FINANCING ACTIVITIES</b>	<b><u>(521,284)</u></b>	<b><u>1,469,026</u></b>
<b>CASH FLOWS (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of property, plant and equipment	(405,535)	(637,378)
Certificate of indebtedness and revenue bonds:		
Principal	(264,336)	(246,099)
Capital lease obligations:		
Proceeds	56,330	207,884
Principal	(248,551)	(290,669)
Interest paid	<u>(320,209)</u>	<u>(352,311)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>\$ (1,182,301)</u></b>	<b><u>\$ (1,318,573)</u></b>

(Continued)

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

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

**ENTERPRISE FUND  
Statement of Cash Flows  
For the Years Ended September 30, 2016 and 2015**

**Statement C**

	<u>General Fund</u>	
	<u>2016</u>	<u>2015</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest received	\$ 1,092	\$ 32
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>1,092</u>	<u>32</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,459,396	986,859
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>1,787,036</u>	<u>800,177</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>3,246,432</u>	<u>1,787,036</u>
<b>RECONCILIATION TO THE BALANCE SHEET</b>		
Cash and cash equivalents	2,675,948	1,375,697
Restricted cash	<u>570,484</u>	<u>411,339</u>
	<u>3,246,432</u>	<u>1,787,036</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	2,433,284	1,693,077
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,236,514	1,345,079
(Increase) decrease in:		
Accounts receivable: Patient services, net	229,840	131,338
Accounts receivable: Estimated third-party payor settlements	(39,083)	659,074
Accounts receivable: Other	(376,366)	(1,515,121)
Supplies	142,771	3,387
Prepaid expenses	(381,507)	(83,263)
Increase (decrease) in:		
Accounts payable, trade	(227,852)	(1,429,298)
Salaries payable	59,556	22,943
Group insurance payable	16,570	-
Accrued vacation payable	<u>68,162</u>	<u>9,158</u>
Total adjustments	<u>728,605</u>	<u>(856,703)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 3,161,889</u>	<u>\$ 836,374</u>
		(Concluded)

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

**Notes to the Basic Financial Statements  
As of and for the Years Ended September 30, 2016 and 2015**

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

The District is governed by a Board of Commissioners composed of five members. The Hospital Administrator serves as secretary and treasurer of the Board.

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

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

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

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

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

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

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

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost reports have been settled by the Medicare fiscal intermediary through September 30, 2011.

**Medicaid** Inpatient services rendered to Medicaid program beneficiaries are reimbursed on prospectively determined rates. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodology. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2011.

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

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

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

	<b>2016</b>	<b>2015</b>
Gross patient service revenue	\$ 73,107,544	\$ 62,162,136
Less bad debt expense	(3,697,066)	(3,124,715)
Less contractual adjustments:		
Medicare	(22,127,375)	(15,545,320)
Medicaid	(12,821,657)	(9,440,918)
Other third parties	<u>(9,448,616)</u>	<u>(8,682,727)</u>
Total contractual adjustments	<u>(44,397,648)</u>	<u>(33,668,965)</u>
Net patient service revenue	<u><u>\$ 25,012,830</u></u>	<u><u>\$ 25,368,456</u></u>

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

**Ad Valorem Taxes** are susceptible to accrual.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**NOTE 2 - DEPOSITS** At September 30, 2016, the District has cash and cash equivalents of \$3,246,432 as follows:

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

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

**Custodial credit risk:** At year end, the District's carrying amount of deposits was \$3,246,432 which includes \$570,484 of restricted cash and the bank balance was \$3,890,046. Of the bank balance, \$500,000 was covered by federal depository insurance. For the remaining bank balance, the District had securities held by the pledging financial institution's trust department or agent but not in the District's name in the amount of \$3,372,387 and \$17,659 was unsecured. The District's policy does not address custodial credit risk.

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

Estimated third-party payor settlements are amounts due for cost reports filed with Medicare and Medicaid for the periods 2012 through 2016.

Other accounts receivable as of September 30, 2016 of \$3,360,808 is for the uncompensated care payments program and \$1,196 is due from 340B. Other accounts receivable as of September 30, 2015 of \$2,223,818 are for uncompensated care payments.

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

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

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

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regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**Risk Management** The District is exposed to various risks of loss related to professional and general liability, director's and officer's liability, property damage, equipment breakdown, auto liability, employee theft, and worker's compensation. The District carries commercial insurance for these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District became partially self-insured for employees' group and health insurance coverage on June 1, 2002. In 2013 Blue Cross Blue Shield replaced IMA as the insurer. Claims are funded through employee contributions and operating funds of the District. The District maintains stop-loss coverage with an insurance company for claims in excess of \$40,000 per claim for each participant. All known claims filed and an estimate of incurred but not reported claims based on experience of the District are made and accrued as necessary in the financial statements. Incremental costs is not included. The estimate of incurred but not reported claims at September 30, 2016 was \$210,513 which is reported on Statement A. This estimate is based on claims filed in the month following the fiscal year end which includes other incremental costs.

The following is a summary of the self-insurance transactions for the year ended September 30, 2016:

<u>Fiscal Year</u>	<u>Balance Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Ending</u>
2013-2014	149,018	1,943,444	1,898,519	193,943
2014-2015	193,943	2,191,096	2,191,096	193,943
2015-2016	193,943	1,991,943	1,975,373	210,513

**Litigation** At September 30, 2016, the District was involved in one litigation. Although the actual outcome of this lawsuit is hard to predict, management feels that the maximum possible financial effect would be \$23,966. No liability has been recorded in the financial statements for this claim.

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

The original contract was amended October 5, 2009 to meet the statutory definition of a performance based contract. Per the amendment, there shall be an annual review and disbursement/reconciliation of the energy related cost savings. An energy and operational savings report will be provided to the Medical Center within 60 days of each anniversary of the performance commitment date or within 30 days of receiving from the local utility provider a final utility bill for the annual reporting period.

In the event the Energy and Operational Savings achieved during any twelve-month period is less than the Energy and Operational Savings Guaranteed during the years the guarantee is in effect, the Medical Center will be paid an amount equal to the deficiency within 60 days of the annual reconciliation. If during any twelve month period the savings are greater than the guaranteed amount, the Medical Center may apply the excess savings to either additional energy

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savings projects pursuant to the terms of the original contract or expansion of services or to the principal debt service payment obligation.

**NOTE 5 - PENSION PLAN** The District implemented a retirement plan for employees during 2008 consisting of a 401(a) plan and 457 plan. The District contributes 1% to the 401(a) plan and a 50% matching contribution (up to 4%) is made to the 457 plan. The defined contributions plan is administered by Principal Life.

Employees covered by the plan are eligible to participate after 1 year of service. Employees must be 21 to participate. Contribution rates are determined and may be changed by the employer. Participants are fully vested after 5 years of service. Forfeitures may first be used to pay administrative expenses. Any forfeitures that have not been used to pay administrative expenses shall be applied to reduce employer contributions made after the forfeitures are determined. The amount of forfeitures in the fiscal year 2016 was \$4,587. The amount recognized as pension expense was \$172,602 in the 2016 fiscal year and \$139,350 for the 2015 fiscal year.

The District's contributions to the plans for 2016 as follows:

	<u>401 A Plan</u>	<u>457 Plan</u>
Employer	\$ 80,603	\$ 90,867
Employee	-	298,071

The District's contributions to the plans for 2015 were as follows:

	<u>401 A Plan</u>	<u>457 Plan</u>
Employer	\$ 66,517	\$ 86,923
Employee	-	272,953

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**NOTE 6 - PROPERTY PLANT AND EQUIPMENT** The balances and changes in property, plant and equipment as of and for the year ended September 30, 2016 are as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
<b>Nondepreciable assets:</b>				
Land	\$ 26,677	\$ 66,313	\$ -	\$ 92,990
<b>Depreciable assets:</b>				
Land improvements	1,076,108	-	-	1,076,108
Buildings	8,685,192	47,283	-	8,732,475
Fixed Equipment	753,749	5,893	-	759,642
Electronic health record equipment	1,605,145	122,682	1,503	1,726,324
Equipment, furniture and fixtures	5,425,906	164,868	42,000	5,548,774
Total depreciable assets	<u>17,546,100</u>	<u>340,726</u>	<u>43,503</u>	<u>17,843,323</u>
Total	<u>17,572,777</u>	<u>407,039</u>	<u>43,503</u>	<u>17,936,313</u>
<b>Less accumulated depreciation:</b>				
Land improvements	316,438	72,221	-	388,659
Buildings	4,176,014	422,872	-	4,598,886
Fixed Equipment	710,953	14,629	-	725,582
Electronic health record equipment	882,474	332,035	-	1,214,509
Equipment, furniture and fixtures	3,213,435	394,758	42,000	3,566,193
Total accumulated depreciation	<u>9,299,314</u>	<u>1,236,515</u>	<u>42,000</u>	<u>10,493,829</u>
<b>Property, plant and equipment, net</b>	<b><u>\$ 8,273,463</u></b>	<b><u>\$ (829,476)</u></b>	<b><u>\$ 1,503</u></b>	<b><u>\$ 7,442,484</u></b>

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The balances and changes in property, plant, and equipment as of and for the year ended September 30, 2015 are as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Nondepreciable assets:				
Land	\$ 26,677	\$ -	\$ -	\$ 26,677
Depreciable assets:				
Land improvements	1,008,928	67,180	-	1,076,108
Buildings	8,468,879	216,313	-	8,685,192
Fixed equipment	753,749	-	-	753,749
Electronic health record equipment	1,353,708	251,437	-	1,605,145
Moveable equipment, furniture and fixtures	5,323,458	102,448	-	5,425,906
Total depreciable assets	<u>16,908,722</u>	<u>637,378</u>	<u>-</u>	<u>17,546,100</u>
Total	<u>16,935,399</u>	<u>637,378</u>	<u>-</u>	<u>17,572,777</u>
Less accumulated depreciation:				
Land improvements	242,882	73,556	-	316,438
Buildings	3,755,144	420,870	-	4,176,014
Fixed equipment	696,688	14,265	-	710,953
Electronic health record equipment	491,720	390,754	-	882,474
Moveable equipment, furniture and fixtures	2,767,803	445,632	-	3,213,435
Total accumulated depreciation	<u>7,954,237</u>	<u>1,345,077</u>	<u>-</u>	<u>9,299,314</u>
Property, plant and equipment, net	<u>\$ 8,981,162</u>	<u>\$ (707,699)</u>	<u>\$ -</u>	<u>\$ 8,273,463</u>

**NOTE 7 - OTHER ACCOUNTS PAYABLE**

Payable to Louisiana Dept. of Health for prior year overpayment	\$ 266,300
Payable to Medicare	495,520
	<u>\$ 761,820</u>

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**NOTE 8 - LONG-TERM DEBT**

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

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 89,000	\$ 64,946	\$ 153,946
2018	98,000	59,570	157,570
2019	107,000	53,676	160,676
2020	117,000	47,236	164,236
2021	128,000	40,193	168,193
2022-2025	<u>635,000</u>	<u>76,849</u>	<u>711,849</u>
Total	<u>\$ 1,174,000</u>	<u>\$ 342,470</u>	<u>\$ 1,516,470</u>

In 2012, the District issued Hospital Revenue Bonds, Series 2011A and 2011B, in the amount of \$3,859,000 with a stated interest rate of 3.75% on Series 2011A for \$2,859,000 and a stated interest rate of 7% on Series 2011B for \$1,000,000. These bonds are related to the construction of the new clinic and are repaid with service revenues of the District. The 2011A bonds have a maturity date of February 10, 2037. The 2011B bonds have a maturity date of February 10, 2032. The annual debt service requirements are as follows:

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 117,697	\$ 152,747	\$ 270,444
2018	123,341	147,104	270,445
2019	129,283	141,161	270,444
2020	135,542	134,903	270,445
2021	142,135	128,310	270,445
2022-2026	822,733	529,490	1,352,223
2027-2031	1,050,700	301,523	1,352,223
2032-2036	805,793	89,439	895,232
2037	60,411	513	60,924
Total	<u>\$ 3,387,635</u>	<u>\$ 1,625,190</u>	<u>\$ 5,012,825</u>

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In 2013, the District issued Hospital Revenue Bonds, Series 2012, in the amount of \$1,285,000 with a stated interest rate of 4.50% with a maturity date of October 1, 2027. These bonds are related to the renovation of patient rooms in the hospital and are repaid with service revenues of the District. The annual debt service requirements are as follows:

<u>Year Ending September 30.</u>	Principal	Interest	Total
2017	\$ 74,000	\$ 45,900	\$ 119,900
2018	77,000	42,570	119,570
2019	80,000	39,105	119,105
2020	84,000	35,505	119,505
2021	88,000	31,725	119,725
2022-2026	503,000	95,581	598,581
2027-2028	114,000	5,130	119,130
<b>Total</b>	<b>\$ 1,020,000</b>	<b>\$ 295,516</b>	<b>\$ 1,315,516</b>

Following is a schedule of changes in long term debt for the year ended September 30, 2016:

	Balance			Balance End of Year	Due in One Year
	Beginning of Year	Additions	Deductions		
Certificates of indebtedness, Series 2006	\$ 1,255,000	\$ -	\$ 81,000	\$ 1,174,000	\$ 89,000
Revenue Bonds Payable	4,590,971	-	183,336	4,407,635	191,697
Capital leases	503,007	56,330	248,551	310,786	128,630
Compensated absences	393,605	466,263	398,101	461,767	461,767
	<b>\$ 6,742,583</b>	<b>\$ 522,593</b>	<b>\$ 910,988</b>	<b>\$ 6,354,188</b>	<b>\$ 871,094</b>

Following is a schedule of changes in long term debt for the year ended September 30, 2015:

	Balance			Balance End of Year	Due in One Year
	Beginning of Year	Additions	Deductions		
Certificates of indebtedness, Series 2006	\$ 1,328,000	\$ -	\$ 73,000	\$ 1,255,000	\$ 81,000
Revenue Bonds Payable	4,764,070	-	173,099	4,590,971	183,336
Capital leases	585,790	207,884	290,667	503,007	247,655
Compensated absences	384,447	417,435	408,277	393,605	393,605
	<b>\$ 7,062,307</b>	<b>\$ 625,319</b>	<b>\$ 945,043</b>	<b>\$ 6,742,583</b>	<b>\$ 905,596</b>

**Bond Sinking Fund Requirements:**

Under the terms of the series 2011 and 2012 hospital revenue bonds, the following requirements are stated:

**Sinking Fund**-A monthly payment of 1/12 of the current year principal and interest installment must be made into the Sinking Fund account which will be used to make the payments on the bonds. The amount on deposit in the Sinking Fund account at September 30, 2016 was \$428,628.

**Hospital Service District Number One  
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**Notes to the Basic Financial Statements  
As of and for the Years Ended September 30, 2016 and 2015**

**Reserve Fund**-The Reserve Fund is required to be funded to an amount equal to the highest scheduled principal and interest falling due in any year on all bonds payable from the Sinking Fund. Pursuant to the Bond Resolution, the hospital is to deposit monthly or before the 20<sup>th</sup> of each month a sum at least equal to 5% of the amount to be paid into the Sinking Fund, to continue until such time there has been accumulated therein a sum equal to the Reserve Fund requirement. The deposits were not made by the 20<sup>th</sup> of each month. The amount required to be on deposit at September 30, 2016 was \$101,168 and the amount on deposit in the Reserve Fund account was \$66,488. The remainder was on deposit in the Sinking Fund account.

**Depreciation and Contingency Fund**-A Depreciation and Contingency Fund is required to be created for extensions, renewals and replacements. The hospital is required to deposit monthly in this fund an amount equal to 5% of the amount to be paid into the Sinking Fund. The payments are to continue until an amount equal to the Reserve Fund requirement is on deposit in the Reserve Fund, then each month a sum equal to 10% of the Sinking Fund payment is to be made into the Contingency Fund. These deposits are to be made before the 20<sup>th</sup> of each month. The deposits were not made by the 20<sup>th</sup> of each month. The amount required to be on deposit at September 30, 2016 was \$86,519 and the amount on deposit in the Depreciation and Contingency Fund account was \$75,368. The remainder was on deposit in the Sinking Fund account.

Restricted cash of \$570,484 is the total of these three funds. Although the Reserve and Depreciation and Contingency Funds did not have the required balances at September 30, 2016, the Sinking Fund balance was enough to cover the differences.

**NOTE 9 - CAPITAL LEASE OBLIGATIONS** The District records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of equipment under capital leases at September 30, 2016:

Type	Cost	Accumulated Depreciation	Net Book Value
GE Anesthesia Unit	\$ 36,799	\$ 13,150	\$ 23,649
Olympus surgical Equipment	208,016	58,473	149,543
US Bank Physio Life Pak	56,338	4,710	51,628
Business Office	216,313	19,912	196,401
i1000 Blood Analyzer	82,050	75,235	6,815
Restech from Hewlett Packard	199,960	136,740	63,220
Total	<u>\$ 799,476</u>	<u>\$ 308,220</u>	<u>\$ 491,256</u>

**Hospital Service District Number One  
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**Notes to the Basic Financial Statements  
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The following is an analysis of equipment under capital leases at September 30, 2015:

<u>Type</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
GE Anesthesia Unit	\$ 36,799	\$ 7,893	\$ 28,906
Olympus surgical Equipment	208,016	37,671	170,345
X-Ray Machine	227,179	199,868	27,311
C-Arm	128,458	106,919	21,539
Rapicide Scope	13,992	11,661	2,331
Nursing Admn Building	118,866	28,056	90,810
Business Office	216,313	9,097	207,216
i1000 Blood Analyzer	82,050	58,825	23,225
Restech from Hewlett Packard	199,960	96,748	103,212
Total	<u>\$ 1,231,633</u>	<u>\$ 556,738</u>	<u>\$ 674,895</u>

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of September 30, 2016:

Years ending September 30,	HP						Total
	i1000 Blood Analyzer	Business Office	Anesthesia Unit	Surgical Equipment	Financial Restech	US Bank Physio Life Pak	
2017	\$ 15,682	\$ 47,952	\$ 8,272	\$ 12,657	\$ 45,600	\$ 11,804	\$ 141,967
2018	-	47,952	8,271	-	30,401	11,804	98,428
2019	-	47,952	6,206	-	-	11,804	65,962
2020	-	3,996	-	-	-	11,804	15,800
2021	-	-	-	-	-	10,820	10,820
Total minimum lease payments	15,682	147,852	22,749	12,657	76,001	58,036	332,977
Less amounts representing interest	(1,947)	(12,692)	(1,447)	(95)	(3,408)	(2,602)	(22,191)
Present value of net minimum lease payments	<u>\$ 13,735</u>	<u>\$ 135,160</u>	<u>\$ 21,302</u>	<u>\$ 12,562</u>	<u>\$ 72,593</u>	<u>\$ 55,434</u>	<u>\$ 310,786</u>

**Hospital Service District Number One  
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As of and for the Years Ended September 30, 2016 and 2015**

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of September 30, 2015:

Years ending September 30,	X-Ray Machine	Nursing C-Arm	Rapicide Admn Bldg	il1000 Blood Scope	Anesthesia Analyzer	Surgical Business Office	HP Financial Unit	Restech	Total
2016	\$ 35,023	\$ 27,246	\$ 6,924	\$ 3,213	\$ 18,898	\$ 47,952	\$ 8,272	\$ 75,939	\$ 45,600
2017	-	-	-	-	15,682	47,952	8,272	12,657	45,600
2018	-	-	-	-	-	47,952	8,271	-	30,401
2019	-	-	-	-	-	47,952	6,203	-	54,155
2020	-	-	-	-	-	3,996	-	-	3,996
Total minimum lease payments	35,023	27,246	6,924	3,213	34,580	195,804	31,018	88,596	121,601
Less amounts representing interest	(785)	(814)	(72)	(142)	(3,200)	(21,703)	(2,627)	(3,236)	(8,419)
Present value of net minimum lease payments	<u>\$ 34,238</u>	<u>\$ 26,432</u>	<u>\$ 6,852</u>	<u>\$ 3,071</u>	<u>\$ 31,380</u>	<u>\$ 174,101</u>	<u>\$ 28,391</u>	<u>\$ 85,360</u>	<u>\$ 113,182</u>
									<u>\$ 503,007</u>

**NOTE 10 - LINE OF CREDIT** The District has a \$2,000,000 line of credit with Southern Heritage Bank to be used for operations. Nothing was drawn on the line of credit in the September 30, 2016 fiscal year. The prior year balance of \$700,000 was paid off during the current fiscal year. There was no balance on the line of credit at September 30, 2016.

**NOTE 11 - INCOME TAXES** The District is a governmental entity and is not subject to federal and state income taxes.

**NOTE 12 - BEHAVIORAL HEALTH UNIT** The District established a Behavioral Health Unit (BHU) in 1996. The BHU provides programs for the treatment of emotional problems and psychiatric disorders and operates out of a ten-bed wing in the Hospital.

**NOTE 13 - AD VALOREM TAX** The District levies taxes on real and business personal property located within LaSalle Parish's boundaries. Property taxes are levied by the District on property values assessed by the LaSalle Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

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

Property Tax Calendar

Millage rates adopted	July 29, 2015
Levy date	January 1, 2015
Tax bills mailed	On or about October 15, 2015
Total taxes are due	December 31, 2015
Lien date	January 1, 2016
Penalties and interest are added	January 31, 2016
Tax sale - 2015 delinquent property	May, 2016

**Hospital Service District Number One  
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**Notes to the Basic Financial Statements  
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Assessed values are established by the LaSalle Parish Tax Assessor each year on a uniform basis at the following ratios of assessed value to fair market value.

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

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2012. Total gross assessed value was \$25,938,734 in calendar year 2015. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was \$4,814,940 of the assessed value in calendar year 2015.

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

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

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

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Parish-wide tax:			
Operations and maintenance	9.28	9.28	2024

**NOTE 14 - OPERATING LEASES** The District is committed under various non-cancelable operating leases primarily for medical equipment. Future minimum operating lease commitments are as follows:

<u>Year Ending September 30,</u>	
2017	\$ 254,406
2018	179,303
2019	95,697

Rental expense was \$260,928 for the year ended September 30, 2016 and \$248,560 for the year ended September 30, 2015.

**Hospital Service District Number One  
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## **SUPPLEMENTARY INFORMATION**

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

**Schedule of Compensation Paid Board Members  
For the Year Ended September 30, 2016**

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

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

**Hospital Service District Number One  
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**Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer  
For the Year Ended September 30, 2016**

**Agency Head: Paul Mathews, Administrator**

<u>Purpose</u>	<u>Amount</u>
Salary	\$289,604
Benefits-insurance	5,220
Benefits-retirement	8,688
Cell phone/Internet	3,058
Reimbursements/Mileage	17,863
Dues (not paid directly to agency head)	1,762
Registration & conference fees (not paid directly to agency head)	1,365
Conference travel (not paid directly to agency head)	7,620



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Audit Manager: Margie Williamson, CPA

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

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

### Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District) a component unit of the LaSalle Parish Police Jury as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2017.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as 2016-001 that we consider to be a significant deficiency.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Questioned Costs as 2016-001.

## **The District's Response to Findings**

The District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan for Current Year Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Allen, Green + Williamson, LLP*  
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
March 23, 2017

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

**Schedule of Findings and Questioned Costs  
As of and For the Year Ended September 30, 2016**

**Reference # and title:** 2016-001 Louisiana Bid Law

**Criteria or specific condition:** Louisiana Revised Statute 38:2238, Used Fire and Emergency Response Vehicle Procurement by Political Subdivisions, is applicable for the procurement of used fire and emergency vehicles, including associated equipment, with a per-unit purchase cost of less than \$100,000. The statute provides that a political subdivision may procure used fire or emergency response vehicles through a request for proposal which conforms to requirements specified in the statute.

**Condition found:** The District purchased a used ambulance and did not follow the procurement procedures described in R.S. 38:2238.

**Context:** This was the only known purchase by the District during the year which would have been required to follow the bid law.

**Possible asserted effect (cause and effect):**

**Cause:** The District was not aware that this purchase required a request for proposals.

**Effect:** The state required method of procurement was not followed for this purchase.

**Recommendation to prevent future occurrence:** Any purchases exceeding the bid law threshold should be evaluated to see if the bid law applies. The District could use the resources available on the Legislative Auditor's website to determine the proper method of procurement for items which are unusual.

**View of Responsible Official:** Management requested EMS personnel to search for multiple used ambulances via the web. It was desirous to locate, review, and evaluate a number of used ambulances meeting the specifications for EMS use due to the aging of the current units owned. Personnel located three used units. After sending RFP's out several years earlier it was determined that new units were unaffordable. Management found a used current model unit (in Pennsylvania) from an EMS dealership with low mileage equipped with a fully refurbished remounted box that was approximately one-half price of a new model. The economic decision was made to purchase the unit and was unaware of such statute 38:2238 for used EMS vehicles and was instead following the regular bid law requirements securing a minimum of three prices (bids).

Management will secure a copy of said statute from the legislative auditor website and adhere to those guidelines though the results would have very likely been the same.

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Of the Parish of LaSalle, State of Louisiana  
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Olla, Louisiana**

**OTHER INFORMATION**

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

**Summary Schedule of Prior Year Audit Findings and Questioned Costs  
As of and for the Year Ended September 30, 2016**

**Reference # and title:** 2015-001      Louisiana Bid Laws

**Year of Origination:** September 30, 2015.

**Condition:** The Hospital District leased a modular building to be used as a business office complex with the first payment being made November 24, 2014. Total rent value was \$239,760.00 with a purchase agreement price of \$1.00. This lease was made by the Hospital District without being publicly bid.

**Corrective action planned:** See response to 2016-001 in Corrective Action Plan for Current Year Findings and Questioned Costs.

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

**Corrective Action Plan for Current Year Audit Findings and Questioned Cost  
As of and For the Year Ended September 30, 2016**

**Reference # and title:** **2016-001**      **Louisiana Bid Law**

**Condition:** Louisiana Revised Statute 38:2238, Used Fire and Emergency Response Vehicle Procurement by Political Subdivisions, is applicable for the procurement of used fire and emergency vehicles, including associated equipment, with a per-unit purchase cost of less than \$100,000. The statute provides that a political subdivision may procure used fire or emergency response vehicles through a request for proposal which conforms to requirements specified in the statute.

The District purchased a used ambulance and did not follow the procurement procedures described in R.S. 38:2238.

**Corrective action planned:** Management will adhere to said statute for all future EMS used purchases. *Note: The advertising in the local journals of record will likely yield no results as there are no EMS dealerships in this region of the state.* Management will likely have to seek out models via other methods such as web searches and then send RFP's as indicated.

**Person responsible for corrective action plan:**

Paul Mathews, Administrator  
Hardtner Medical Center  
1102 North Pine Road  
Olla, LA 71465

Telephone: 318-495-3131  
Fax: 318-495-3229

**Anticipated completion date:** March 22, 2017