

HOSPITAL SERVICE DISTRICT NO. 2
D/B/A
LASALLE GENERAL HOSPITAL
AND
LASALLE NURSING HOME

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2018, 2017, AND 2016



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Financial Statements
And
Independent Auditors' Report
Years Ended September 30, 2018, 2017, and 2016

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Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis

This section of the Hospital Service District's (the District) annual financial report presents background information and management's analysis of the Hospital Service District's financial performance during the fiscal year that ended on September 30, 2018. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The District's total assets increased by \$3,118,446 and \$977,545 during fiscal years (FY) 2018 and 2017, respectively, versus a decrease of \$1,611,692 or 9%, during fiscal year 2016. Accounts receivable, net, increased by \$760,748 and \$1,181,008 in fiscal years 2018 and 2017 respectively. This is partially due to certification issues with the new Behavioral Health Unit and changes in billing companies. Total assets increased partially due to additional money from the limited use asset of \$822,000 for the escrow account related to the Siemens lease purchase project.
- During the year, the District's total operating revenues increased by \$1,906,414. In 2017 there was an increase of \$4,171,719 or 20% compared to a decrease of \$688,538 or 3% in fiscal year 2016. Increases in patient volume as well as increases in intergovernmental transfer grants contributed to the increase in operating revenues.
- Total expenses increased by \$2,266,919 or 9% compared to FY 2017 increase of \$1,595,453 or 7%. Increases in salaries and benefits of \$405,974 or 3% in FY 2018 is higher than FY 2017 increase of \$246,608 or 2%. Other expenses (including insurance) caused the overall increase. They increased due to the Behavioral Health Unit with higher consultant fees of \$567,611 due to higher volume in FY 2018 and over all consultant expense, including New Vision increased by \$625,826.
- The District had a gain from operations of \$1,032,280 in fiscal year 2018. An increase in net patient service revenue of \$2,585,857 explains most of this gain. The District received an Office of Inspector General (OIG) settlement of previously denied and recouped claims in the amount of \$1,343,029.

Required Financial Statements

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

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Required Financial Statements (Continued)

The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?" and "What was the change in cash balance during the reporting period"?

Financial Analysis of the Hospital Service District

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

Net Position

Table 1 presents a condensed Statements of Net Position for the Hospital Service District.

TABLE 1
Condensed Statements of Net Position

	September 30,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total current assets	\$ 6,977,588	\$ 6,039,278	\$ 4,580,288	\$ 5,955,734
Capital assets - net	11,057,670	9,706,018	9,994,196	10,142,759
Assets limited to use	2,335,817	1,505,055	1,718,822	1,801,902
Other assets	<u>18,247</u>	<u>20,525</u>	<u>25</u>	<u>4,628</u>
 Total Assets	 \$ <u>20,389,322</u>	 \$ <u>17,270,876</u>	 \$ <u>16,293,331</u>	 \$ <u>17,905,023</u>
 Current liabilities	 \$ 5,011,899	 \$ 6,056,942	 \$ 5,106,598	 \$ 5,194,554
Long-term debt	3,331,124	99,285	1,425,761	1,735,092
Invested in capital assets, net of related debt	7,292,196	8,141,851	8,250,885	-0-
Restricted: debt reserve fund	2,335,817	1,505,055	1,718,822	1,801,902
Unrestricted	<u>2,418,286</u>	<u>1,467,743</u>	<u>(208,735)</u>	<u>1,097,771</u>
 Total Liabilities and Net Position	 \$ <u>20,389,322</u>	 \$ <u>17,270,876</u>	 \$ <u>16,293,331</u>	 \$ <u>17,905,023</u>

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Summary of Revenues, Expenses, and Changes in Net Position

Table 2 presents a summary of the District's historical revenues and expenses.

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

	<u>2018</u>	September 30, <u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues				
Net patient service revenue	\$ 26,137,694	\$ 23,551,837	\$ 19,615,136	\$ 19,195,328
Operating grants	768,390	1,342,687	1,155,729	2,355,516
Other revenue	<u>583,985</u>	<u>689,131</u>	<u>641,071</u>	<u>549,630</u>
Total Revenues	<u>27,490,069</u>	<u>25,583,655</u>	<u>21,411,936</u>	<u>22,100,474</u>
Expenses				
Salaries and benefits	13,812,390	13,406,416	13,159,808	12,998,359
Medical supplies and drugs	1,529,704	1,541,483	1,339,370	1,493,546
Professional fees	2,162,039	2,256,579	2,533,072	2,721,902
Other expenses	7,996,534	6,037,803	4,573,700	4,511,284
Depreciation and amortization	<u>957,122</u>	<u>948,589</u>	<u>989,467</u>	<u>1,019,353</u>
Total Expenses	<u>26,457,789</u>	<u>24,190,870</u>	<u>22,595,417</u>	<u>22,744,444</u>
Operating Income (Loss)	<u>1,032,280</u>	<u>1,392,785</u>	<u>(1,183,481)</u>	<u>(643,970)</u>
Nonoperating Revenues (Expenses)				
Interest income	10,939	11,196	9,954	14,879
Interest expense	(31,730)	(46,031)	(51,480)	(27,618)
Gain on disposal of assets	<u>(79,839)</u>	<u>(8,140)</u>	<u>8,661</u>	<u>(33,520)</u>
Changes in Net Position before Capital Grants	931,650	1,349,810	(1,216,346)	(690,229)
Capital grants	<u>-0-</u>	<u>3,867</u>	<u>1,941</u>	<u>-0-</u>
Increase (Decrease) in Net Position	931,650	1,353,677	(1,214,405)	(690,229)
Net Position at Beginning of Year	<u>11,114,649</u>	<u>9,760,972</u>	<u>10,975,377</u>	<u>11,665,606</u>
Net Position at End of Year	<u>\$ 12,046,299</u>	<u>\$ 11,114,649</u>	<u>\$ 9,760,972</u>	<u>\$ 10,975,377</u>

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Sources of Revenue

Operating Revenue

During fiscal year 2018, the District derived the majority of its total revenue from patient services. Patient service revenue includes revenue from the Medicare and Medicaid programs, commercial insurance, other various third-party payors, and patients who receive care in the District's facilities. Reimbursement for the Medicare and Medicaid programs, commercial insurance, and other third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance.

Table 3 presents the percentages by payor. The Hospital's is a percentage of gross charges billed for patient services. The Nursing Home's is based on the census.

**TABLE 3
Payor Mix by Percentage**

	LaSalle General Hospital September 30,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	45%	46%	43%	42%
Medicaid	28%	23%	16%	16%
Commercial Insurance	25%	27%	36%	36%
Self Pay	2%	4%	5%	6%
	LaSalle Nursing Home September 30,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	12%	13%	11%	11%
Medicaid	80%	75%	78%	82%
Commercial Insurance	N/A	N/A	N/A	N/A
Self Pay	8%	12%	11%	6%

Non-operating Income

The District has funds invested primarily in a Certificate of Deposit (CD) held during FY 2018 with Sabine State Bank which has a security interest in the CD which is collateral for a loan of \$1,160,176. The difference is secured by pledged securities and FDIC insurance. Investments at year end include a restricted CD of approximately \$1,513,349.

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Operating and Financial Performance

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between 2018, 2017, and 2016:

Overall activity at the Hospital, as measured by acute (including new unit) patient discharges, was 971 in 2018, compared to 649 in 2017, and 500 in 2016. Acute patient days were 6,185 in 2018, compared to 4025 in 2017, and 1,886 in 2016. The new Behavioral Health Unit and new detox services offered in 2018 and 2017 led to the increase in inpatient volume. This increase in volume contributed to the overall operating gain for the District. Average length of stay was 6.37 for 2018, compared to 6.20 in 2017, and 3.77 in 2016.

For Swing Bed activity at the Hospital during 2018, discharges were 16 compared to 18 for 2017, and 27 for 2016. Swing Bed patient days were 144 compared to 154 in 2017 and 234 in 2016.

The Nursing Home average census decreased from 90 to 78 residents in FY 2018 compared to the slight increase of an average of 95 residents during the fiscal year 2016.

Net Patient Service Revenue for the District increased by \$2,585,857 or 11% compared to fiscal year 2017's increase of \$3,936,701 or 20% compared to an increase of \$419,808 or 2% in fiscal year 2016. The Jonesville clinic was closed in fiscal year 2016 as well as the Operating Room department. These two closures were due to low volume for both departments. The District is actively recruiting additional physicians for the Jena rural health clinic. A Behavioral Health unit was opened in October 2016 and detox inpatient services were also offered in fiscal year 2017 in an effort to increase services at the Hospital.

With continued efforts to expand our market through both new patient services and new infrastructure, the District is positioned to move forward. The District will continue to aggressively develop, sustain and enhance access to high quality, affordable healthcare.

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Capital Assets

Table 4 presents a condensed schedule of capital assets.

TABLE 4
Capital Assets

	September 30,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 278,893	\$ 278,893	\$ 278,893	\$ 278,893
Land improvements	305,258	299,446	299,446	268,226
Buildings and fixed equipment	18,069,986	17,971,668	17,243,391	16,896,710
Moveable equipment	7,508,293	8,495,628	8,357,625	8,373,475
Construction in progress	<u>1,440,440</u>	<u>-0-</u>	<u>386,053</u>	<u>15,643</u>
 Total	 27,602,870	 27,045,635	 26,565,408	 25,832,947
Less: accumulated depreciation	<u>16,545,200</u>	<u>17,339,617</u>	<u>16,571,212</u>	<u>15,690,188</u>
 Net Capital Assets	 \$ <u>11,057,670</u>	 \$ <u>9,706,018</u>	 \$ <u>9,994,196</u>	 \$ <u>10,142,759</u>

The District's net capital assets increased in 2018 by \$1,351,652, decreased in 2017 by \$288,178 following a decrease in 2016 by \$148,563 partially due to increase in accumulated depreciation. The District removed assets from the depreciation schedule totaling \$1,811,005 with related accumulated depreciation of \$1,734,766. These assets were mainly information technology equipment. One construction in progress project was ongoing at September 30, 2018.

Long-term Debt

At year-end, the District had \$3,331,124 in long-term debt. The District took out a \$2,500,000 loan in 2009 for construction of the Physician Office Building, which opened September 1, 2009. This loan was refinanced in fiscal year 2018 at Sabine State Bank with a balloon payment due March 23, 2023. The balance at year end is \$1,160,176. Two capital leases totaling \$441,827 were entered into in fiscal year 2018. More detailed information about the District's long-term debt is presented in Note 11 to the basic financial statements.

In July 2017, it became apparent that some major renovations were necessary to the heating/cooling system in the hospital building. Part of the equipment was installed in the original build of the hospital in 1969-1970 and the other part was installed when the second floor was added in 1979-1980. When we started determining what would have to be replaced, we were told of the guaranteed energy savings contract.

In a performance-based, guaranteed energy savings contract, the Energy Services Company (ESCO) guarantees a specific reduction in energy use if required operations and maintenance procedures are

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Long-term Debt (Continued)

followed and contractually specified operating schedules and control set points are adhered to, not necessarily tied to cost savings as utility rates and building operations may change over a defined length of time. If the guarantee is not met due to the failure of ESCO specified and installed equipment and software to reduce consumption, then the ESCO pays the owner the difference based upon agreed-upon contractual utility rates for the annual performance period. Normally the ESCO will investigate the reason for the performance failure and take steps to reduce or eliminate the consumption savings shortfall so that it does not reoccur in future years.

The Siemens Company came in and did a free in-depth study and review of all of our energy consumption (nursing home too). This included a review of the existing equipment, water bills, electricity bills, and gas bills. Siemens determined that we would qualify for an emergency savings contract. During this time, we contacted Foley and Judell, Attorneys, to determine what was needed to seek Bond Commission approval. After review, it was determined that Bond Commission approval was not needed for this lease agreement since it met certain requirements. The Board gave permission to proceed with the project, hire an independent engineer to develop project specification and then advertise for Requests for Proposals. The Siemens proposal was the only one that was submitted, therefore, the job was awarded to Siemens.

Contacting the Hospital Service District's Financial Manager

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



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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 2,
Parish of LaSalle, State of Louisiana
Jena, Louisiana

Report on Financial Statements

We have audited the accompanying statements of net position of Hospital Service District No. 2, Parish of LaSalle, State of Louisiana (the "District"), a component unit of the LaSalle Parish Police Jury, Jena, Louisiana, as of and for the years ended September 30, 2018, 2017, and 2016, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 2, Parish of LaSalle as of September 30, 2018, 2017, and 2016, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Hospital Service District No. 2 and do not purport to, and do not, present fairly the financial position of the LaSalle Parish Police Jury as of September 30, 2018, 2017, and 2016, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "vi" be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Hospital Service District No. 2, Parish of LaSalle's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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



Board of Commissioners
Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
Jena, Louisiana
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underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Jester, Mullen & Wells

Certified Public Accountants
Alexandria, Louisiana

March 29, 2019



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Net Position
September 30,

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current Assets			
Cash and cash equivalents (Note 3)	\$ 938,974	\$ 950,336	\$ 973,775
Limited use assets - required for current liabilities (Note 4)	13,496	22,482	22,546
Investments (Note 3)	5,739	12,411	11,495
Estimated third-party payor settlements	1,301,961	1,107,852	774,438
Accounts receivable, net (Note 5)	4,198,490	3,437,742	2,256,734
Other receivables	213,523	203,575	145,397
Inventory	214,000	216,920	252,251
Prepaid expenses	91,405	87,960	143,652
Total Current Assets	<u>6,977,588</u>	<u>6,039,278</u>	<u>4,580,288</u>
Capital assets, net (Note 6)	11,057,670	9,706,018	9,994,196
Limited use assets (Note 4)	2,335,817	1,505,055	1,718,822
Other assets (Note 7)	18,247	20,525	25
Total Assets	<u>\$ 20,389,322</u>	<u>\$ 17,270,876</u>	<u>\$ 16,293,331</u>
 <u>LIABILITIES AND NET POSITION</u> 			
Current Liabilities			
Accounts payable	\$ 1,190,472	\$ 1,176,046	\$ 993,122
Cash overdraft	-	6,678	-
Accrued expenses and withholdings (Note 8)	1,130,783	1,175,823	1,154,447
Estimated third-party payor settlements	272,340	272,340	370,133
Limited use assets	1,268,794	1,277,740	1,277,796
Retirement plan payable	715,160	683,433	993,550
Current portion of long-term debt (Note 11)	434,350	1,464,882	317,550
Total Current Liabilities	<u>5,011,899</u>	<u>6,056,942</u>	<u>5,106,598</u>
Long-term debt, net of current maturities (Note 11)	<u>3,331,124</u>	<u>99,285</u>	<u>1,425,761</u>
Total Liabilities	<u>8,343,023</u>	<u>6,156,227</u>	<u>6,532,359</u>
Net Position			
Invested in capital assets, net of related debt	7,292,196	8,141,851	8,250,885
Restricted (Note 4)	2,335,817	1,505,055	1,718,822
Unrestricted	2,418,286	1,467,743	(208,735)
Total Net Position	<u>12,046,299</u>	<u>11,114,649</u>	<u>9,760,972</u>
Total Liabilities and Net Position	<u>\$ 20,389,322</u>	<u>\$ 17,270,876</u>	<u>\$ 16,293,331</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues			
Net patient service revenue (Note 12)	\$ 26,137,694	\$ 23,551,837	\$ 19,615,136
Operating grants	768,390	1,342,687	1,155,729
Ad valorem taxes	255,800	245,149	249,675
Other revenue	<u>328,185</u>	<u>443,982</u>	<u>391,396</u>
Total Revenues	<u>27,490,069</u>	<u>25,583,655</u>	<u>21,411,936</u>
Expenses			
Salaries and benefits	13,812,390	13,406,416	13,159,808
Medical supplies and drugs	1,529,704	1,541,483	1,339,370
Insurance	303,202	307,674	463,928
Professional fees	2,162,039	2,256,579	2,533,072
Other expenses	7,693,332	5,730,129	4,109,772
Depreciation and amortization	<u>957,122</u>	<u>948,589</u>	<u>989,467</u>
Total Expenses	<u>26,457,789</u>	<u>24,190,870</u>	<u>22,595,417</u>
Operating Income (Loss)	<u>1,032,280</u>	<u>1,392,785</u>	<u>(1,183,481)</u>
Nonoperating Revenues (Expenses)			
Interest income	10,939	11,196	9,954
Interest expense	(31,730)	(46,031)	(51,480)
Gain (loss) on disposal of assets	<u>(79,839)</u>	<u>(8,140)</u>	<u>8,661</u>
Changes in Net Position before Capital Grants	931,650	1,349,810	(1,216,346)
Capital grants	<u>-0-</u>	<u>3,867</u>	<u>1,941</u>
Increase (Decrease) in Net Position	931,650	1,353,677	(1,214,405)
Net Position at Beginning of Year	<u>11,114,649</u>	<u>9,760,972</u>	<u>10,975,377</u>
Net Position at End of Year	<u>\$ 12,046,299</u>	<u>\$ 11,114,649</u>	<u>\$ 9,760,972</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Cash Flows
Years Ended September 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 25,182,837	\$ 21,939,622	\$ 19,427,283
Other receipts from operations	1,342,427	1,973,640	2,392,043
Cash payments to employees and for employee-related cost	(13,825,703)	(13,695,157)	(12,909,418)
Cash payments for other operating expenses	<u>(11,681,054)</u>	<u>(9,555,240)</u>	<u>(8,659,126)</u>
Net cash provided (used) by operating activities	<u>1,018,507</u>	<u>662,865</u>	<u>250,782</u>
Cash flows from investing activities:			
Proceeds from investing activities	15,658	(852)	31,974
Proceeds from limited use assets	(8,946)	213,711	83,056
Interest income	<u>10,939</u>	<u>11,196</u>	<u>9,954</u>
Net cash provided (used) by investing activities	<u>17,651</u>	<u>224,055</u>	<u>124,984</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,306,496)	(680,911)	(836,300)
Proceeds from long-term debt	3,780,673	149,977	-0-
Principal payments on long-term debt	(1,579,366)	(329,121)	(323,744)
Interest expense on long-term debt	(31,730)	(46,031)	(51,480)
Proceeds from limited use assets	(2,094,623)	-0-	-0-
Escrow withdrawals for lease purchase	1,263,861	-0-	-0-
Proceeds from capital grants	-0-	3,867	1,941
Proceeds from disposal of capital assets	<u>(79,839)</u>	<u>(8,140)</u>	<u>8,661</u>
Net cash provided (used) by capital and related financing activities	<u>(1,047,520)</u>	<u>(910,359)</u>	<u>(1,200,922)</u>
Net increase (decrease) in cash and cash equivalents	(11,362)	(23,439)	(825,156)
Beginning cash and cash equivalents	<u>950,336</u>	<u>973,775</u>	<u>1,798,931</u>
Ending cash and cash equivalents	\$ <u>938,974</u>	\$ <u>950,336</u>	\$ <u>973,775</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Cash Flows (Continued)
Years Ended September 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>31,730</u>	\$ <u>46,031</u>	\$ <u>51,480</u>
Equipment acquired under capital lease	\$ <u>441,827</u>	\$ <u>149,977</u>	\$ <u>-0-</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 1,032,280	\$ 1,392,785	\$ (1,183,481)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	957,122	948,589	989,467
Change in current assets (increase) decrease:			
Net patient accounts receivable	(760,748)	(1,181,008)	858,085
Other receivables	(9,948)	(58,178)	(5,253)
Estimated third-party payor settlements	(194,109)	(431,207)	(445,457)
Inventory	2,920	35,331	49,604
Prepaid expenses	(3,445)	55,692	(58,219)
Change in current liabilities (increase) decrease:			
Accounts payable	14,426	182,924	(204,354)
Cash overdraft	(6,678)	6,678	-0-
Accrued expenses and withholdings payable	(45,040)	21,376	(103,043)
Retirement plan payable	<u>31,727</u>	<u>(310,117)</u>	<u>353,433</u>
Net cash provided (used) by operating activities	\$ <u>1,018,507</u>	\$ <u>662,865</u>	\$ <u>250,782</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2018, 2017, and 2016

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Hospital Service District No. 2, of the Parish of LaSalle, State of Louisiana (referred to as "the District") was created in 1968 by the LaSalle Parish Police Jury.

The District is a political subdivision of the LaSalle Parish Police Jury whose jurors are elected officials. The District's five Commissioners are appointed by the LaSalle Parish Police Jury. As the governing authority of the Parish for reporting purposes, the LaSalle Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the LaSalle Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

On April 18, 2001, the District resumed control of LaSalle Nursing Home. LaSalle General Hospital and LaSalle Nursing Home are both enterprise funds within the District.

Nature of Business

The District provides acute inpatient services, behavioral health inpatient services, skilled nursing (through "Swing Beds"), emergency, home health, and outpatient services, including rural health clinics and private physician offices. Long-term intermediate care is also provided.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

Basis of Accounting

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2018, 2017, and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The entity is a political subdivision and is exempt from taxation.

Principles of Combination

The accompanying combined financial statements include the accounts of the Hospital Service District No. 2 of the Parish of LaSalle including LaSalle General Hospital and LaSalle Nursing Home. These are two separate enterprise funds. The District has one board. All intercompany transactions and balances have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Credit Risk

The District provides medical care primarily to LaSalle Parish residents and grants credit to patients, substantially all of whom are local residents. The District's estimate of collectability is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Accordingly, changes in federal and state legislation or interpretations of rules have a significant impact on the District.

Inventory

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market value.

Net Patient Service Revenue

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the District is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates or discounts from established charges.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2018, 2017, and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are recorded at estimated amounts due from patients and third-party payors for the District services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges for the services provided, less an estimate made for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by utilizing a historical experience applied to an aging of accounts. Patient accounts receivable are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expense are recorded as a reduction of bad debt expense when received.

Capital Assets

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. The District uses straight-line depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations when incurred.

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Net Position

The District classifies net position into three components: invested in capital assets, net of related debt; restricted, and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, or contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted. When both restricted and unrestricted resources are

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2018, 2017, and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues and Expenses

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

Grants and Contributions

From time to time, the District receives grants and contributions from individuals or private and public organizations. Revenues from grants and contributions, including contributions of capital assets, are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Use of Estimates

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

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classification.

Resident Deposits

The Nursing Home manages residents' personal funds that are shown on the financial statements as "Limited use assets" with a related liability, "Limited use assets".

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2018, 2017, and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charity Care

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

Risk Management

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the District to invest in direct obligations of the United States Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the District be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Account balances according to bank's records at September 30, 2018, for the District are as follows:

	<u>Catahoula LaSalle Bank</u>	<u>Sabine State Bank</u>
Cash in banks	\$ <u>1,171,531</u>	\$ <u>1,513,349</u>
Insured by FDIC	\$ <u>500,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>671,531</u>	\$ <u>119,005</u>
Collateralized by note payable	\$ <u>-0-</u>	\$ <u>1,144,344</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2018, 2017, and 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

the deposits not covered by insurance. The District's deposits were entirely insured, entirely collateralized by securities held by the pledging bank's trust department in the District's name, or collateralized by the note payable, at September 30, 2018, 2017, and 2016. At September 30, 2017 the District's deposits were under collateralized by \$3,734.

Concentration of Credit Risks - The District has 44% of its cash and cash equivalents at Catahoula LaSalle Bank in checking accounts. The District has 56% of its cash and cash equivalents at Sabine State Bank in a certificate of deposit.

Interest Rate Risks - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

The carrying amounts of deposits and investments are included in the District's statements of net position as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Carrying amounts			
Deposits	\$ 938,974	\$ 950,336	\$ 973,775
Limited use escrow	822,468	-0-	-0-
Investments	<u>1,532,584</u>	<u>1,539,948</u>	<u>1,752,863</u>
 Total	 <u>\$ 3,294,026</u>	 <u>\$ 2,490,284</u>	 <u>\$ 2,726,638</u>
 Included in the following balance sheet captions			
Cash and cash equivalents	\$ 938,974	\$ 950,336	\$ 973,775
Limited use assets - required for current liabilities	13,496	22,482	22,546
Investments	5,739	12,411	11,495
Limited use assets	<u>2,335,817</u>	<u>1,505,055</u>	<u>1,718,822</u>
 Total	 <u>\$ 3,294,026</u>	 <u>\$ 2,490,284</u>	 <u>\$ 2,726,638</u>

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2018, 2017, and 2016

NOTE 4 - LIMITED USE ASSETS

Limited use assets consist of the following items at September 30:

	<u>2018</u>		<u>2017</u>		<u>2016</u>
Debt reserve fund	\$ 1,513,349	\$	1,505,055	\$	1,718,822
Escrow for lease purchase	822,468		-0-		-0-
Residents' deposits	13,496		22,482		22,546
Required for current liabilities	<u>(13,496)</u>		<u>(22,482)</u>		<u>(22,546)</u>
Limited use assets	<u>\$ 2,335,817</u>	\$	<u>1,505,055</u>	\$	<u>1,718,822</u>

A certificate of deposit is being used to collateralize the refinancing of the Medical Office Building debt. It is included as part of the debt reserve fund. According to debt covenants, this amount must remain on deposit to fully collateralize the amount borrowed until the loan is paid in full. The escrow account was set up to pay the amounts due during the construction phase of the lease purchase energy saving project. Both of these assets are restricted as to use.

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable as of September 30, is presented below:

	<u>2018</u>		<u>2017</u>		<u>2016</u>
Patient accounts receivable	\$ 5,410,169	\$	4,543,686	\$	4,465,857
Estimated uncollectibles	<u>(1,211,679)</u>		<u>(1,105,944)</u>		<u>(2,209,123)</u>
Net accounts receivable	<u>\$ 4,198,490</u>	\$	<u>3,437,742</u>	\$	<u>2,256,734</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2018, 2017, and 2016

NOTE 5 - ACCOUNTS RECEIVABLE (Continued)

The following is a summary of the mix of accounts receivable from patients and third-party payors at September 30:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare	27%	27%	25%
Medicaid	37%	29%	17%
Blue Cross	6%	8%	7%
Commercial and other third-party payors	19%	23%	21%
Patients	<u>11%</u>	<u>13%</u>	<u>30%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Medicare, Medicaid, and third-party payors are shown net of contractual allowances.

NOTE 6 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation for the year ended September 30:

	<u>2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>2018</u>
Land	\$ 278,893	\$ -0-	\$ -0-	\$ 278,893
Land improvements	299,446	5,812	-0-	305,258
Buildings and fixed equipment	17,971,668	149,916	51,598	18,069,986
Moveable equipment	8,495,628	825,973	1,813,308	7,508,293
Construction in progress	<u>-0-</u>	<u>1,643,541</u>	<u>203,101</u>	<u>1,440,440</u>
Total	27,045,635	2,625,242	2,068,007	27,602,870
Accumulated depreciation	<u>17,339,617</u>	<u>955,077</u>	<u>1,749,494</u>	<u>16,545,200</u>
Net	\$ <u>9,706,018</u>	\$ <u>1,670,165</u>	\$ <u>318,513</u>	\$ <u>11,057,670</u>

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2018, 2017, and 2016

NOTE 6 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets and related accumulated depreciation for the year ended September 30:

	<u>2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>2017</u>
Land	\$ 278,893	\$ -0-	\$ -0-	\$ 278,893
Land improvements	299,446	-0-	-0-	299,446
Buildings and fixed equipment	17,243,391	806,855	78,578	17,971,668
Moveable equipment	8,357,625	327,898	189,895	8,495,628
Construction in progress	<u>386,053</u>	<u>354,176</u>	<u>740,229</u>	<u>-0-</u>
Total	26,565,408	1,488,929	1,008,702	27,045,635
Accumulated depreciation	<u>16,571,212</u>	<u>946,310</u>	<u>177,905</u>	<u>17,339,617</u>
Net	\$ <u>9,994,196</u>	\$ <u>542,619</u>	\$ <u>830,797</u>	\$ <u>9,706,018</u>
	<u>2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>2016</u>
Land	\$ 278,893	\$ -0-	\$ -0-	\$ 278,893
Land improvements	268,226	31,220	-0-	299,446
Buildings and fixed equipment	16,896,710	346,681	-0-	17,243,391
Moveable equipment	8,373,475	87,990	103,840	8,357,625
Construction in progress	<u>15,643</u>	<u>386,053</u>	<u>15,643</u>	<u>386,053</u>
Total	25,832,947	851,944	119,483	26,565,408
Accumulated depreciation	<u>15,690,188</u>	<u>984,864</u>	<u>103,840</u>	<u>16,571,212</u>
Net	\$ <u>10,142,759</u>	\$ <u>(132,920)</u>	\$ <u>15,643</u>	\$ <u>9,994,196</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2018, 2017, and 2016

NOTE 7 - OTHER ASSETS

Other assets at September 30, consists of the following:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Start up costs for Behavioral Health Unit, net of straight-line amortization over 120 months	\$ 18,222	\$ 20,500	\$ -0-
Deposits	<u>25</u>	<u>25</u>	<u>25</u>
Total	\$ <u>18,247</u>	\$ <u>20,525</u>	\$ <u>25</u>

NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30 consist of the following:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Accrued employee insurance payable (net of accrued stop loss receivable)	\$ 304,370	\$ 350,018	\$ 394,339
Accrued interest payable	222,841	189,081	157,239
Accrued salaries and fees payable	157,764	118,916	78,053
Accrued compensated absences	393,589	410,488	423,993
Payroll withholdings	27,777	76,932	63,646
Provider tax payable	<u>24,442</u>	<u>30,388</u>	<u>37,177</u>
Total	\$ <u>1,130,783</u>	\$ <u>1,175,823</u>	\$ <u>1,154,447</u>

NOTE 9 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to the employee. However, vested vacation, sick, and paid days off have been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

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 Of the Parish of LaSalle, State of Louisiana
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 Years Ended September 30, 2018, 2017, and 2016

NOTE 10 - RETIREMENT PLAN

The Hospital has a qualified contributory defined contribution plan "LaSalle General Hospital Money Purchase Pension Plan" under Internal Revenue code of 1986, including any later amendments to the code providing retirement benefits for substantially all of its employees. The plan was restated August 15, 2013. The Plan administrator is the Hospital. The Hospital expects to continue the plan indefinitely but reserves the right to terminate the plan in whole or in part at any time upon giving written notice to all parties concerned. Annually, the Hospital contributes 5.1 percent of the aggregate compensation of eligible employees to the Plan. The Hospital has not funded the Plan liability for fiscal year 2017. The liability recorded as "Retirement Plan Payable" on the Combined Statements of Net Position includes employer matching contributions for fiscal years 2018 and 2017. No liability has been recorded for potential penalties and interest billed by the Plan investment insurer due to untimely submission. Mandatory contributions by the employee consist of 6.2 percent of their compensation. An employee must be age 18 or older to participate in the plan. An employee is 100 percent vested upon entry to the plan with normal retirement age being 65 years of age. The Principal is the plan trustee.

The Hospital also has a deferred compensation plan "LaSalle General Hospital Deferred Compensation Plan". The plan was intended to meet the requirements of Section 457 of the Internal Revenue Code of 1986, including any later amendments. The plan was restated, effective August 15, 2013. The Plan administrator is the Hospital. Employee voluntary salary contributions have a discretionary match of up to 2.5 percent by the employer. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 ½ years of age. The employer discretionary match is determined by the employer and can be amended by the employer at their discretion. The Principal is the plan trustee.

Employee and employer contributions were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employee	\$ <u>687,845</u>	\$ <u>695,320</u>	\$ <u>750,362</u>
Employer	\$ <u>509,326</u>	\$ <u>513,785</u>	\$ <u>539,809</u>

The Nursing Home sponsors a tax-deferred annuity arrangement "Security Benefits 457 Deferred Compensation Plan", exempt under Section 457 of the Internal Revenue Code that covers all employees who have completed at least 1,000 hours of service per year. The employees must be 21 years of age or older to participate. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 1/2 years of age. Employees may elect to make contributions of up to \$10,000 to the annuity through a salary reduction agreement. The Nursing Home pays participating employees 50% of their contributions currently. This percentage is at the Board's discretion and is reviewed each year. For the years ended September 30, 2018, 2017, and 2016, the amount of pension expense was \$31,718, \$30,426, and \$43,972, respectively. Security Benefits administers the above plan.

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2018, 2017, and 2016

NOTE 11 - LONG-TERM DEBT

A summary of long-term debt at September 30 follows:

	<u>2017</u>		<u>Additions</u>		<u>Payments</u>		<u>2018</u>		<u>Due Within One Year</u>
Lease Purchase	\$ -0-	\$	2,086,329	\$	-0-	\$	2,086,329	\$	90,429
Note Payable - SSB	1,344,181		1,252,517		1,436,522		1,160,176		186,869
Capital Leases	<u>219,986</u>		<u>441,827</u>		<u>142,844</u>		<u>518,969</u>		<u>157,052</u>
 Total	 \$ <u>1,564,167</u>	\$	 <u>3,780,673</u>	\$	 <u>1,579,366</u>	\$	 <u>3,765,474</u>	\$	 <u>434,350</u>

	<u>2016</u>		<u>Additions</u>		<u>Payments</u>		<u>2017</u>		<u>Due Within One Year</u>
Note Payable - SSB	\$ 1,510,716	\$	-0-	\$	166,535	\$	1,344,181	\$	1,329,018
Capital Leases	<u>232,595</u>		<u>149,977</u>		<u>162,586</u>		<u>219,986</u>		<u>135,864</u>
 Total	 \$ <u>1,743,311</u>	\$	 <u>149,977</u>	\$	 <u>329,121</u>	\$	 <u>1,564,167</u>	\$	 <u>1,464,882</u>

	<u>2015</u>		<u>Additions</u>		<u>Payments</u>		<u>2016</u>		<u>Due Within One Year</u>
Note Payable - SSB	\$ 1,681,610	\$	-0-	\$	170,894	\$	1,510,716	\$	181,686
Capital Leases	<u>385,445</u>		<u>-0-</u>		<u>152,850</u>		<u>232,595</u>		<u>135,864</u>
 Total	 \$ <u>2,067,055</u>	\$	 <u>-0-</u>	\$	 <u>323,744</u>	\$	 <u>1,743,311</u>	\$	 <u>317,550</u>

The following are the terms and due dates of the District's long-term debt at September 30:

- Capital lease with Martin Business Bank at 10.7%, due in monthly payments of \$720 until May 31, 2016, secured by information technology equipment.
- Capital lease with GE at 1.04% due in monthly payments of \$4,058 until September 15, 2019, secured with Mammography machine.
- Capital lease with GE at 1.04%, due in monthly payments of \$8,319 until July 25, 2017, secured by Cat Scan equipment.
- Capital lease with GE Capital at 1.825%, due in monthly payments of \$700 until July 1, 2022, secured by Bone Density equipment.

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NOTE 11 - LONG-TERM DEBT (Continued)

- Capital lease with GE at 6.25%, due in monthly payments of \$6,964 until June 1, 2023, secured by Cat Scan equipment.
- Capital lease with Stryker Flex Financial at imputed interest rate of 5.8%, due in annual payments of \$20,153 until May 1, 2019, secured by two LifePak defibrillators.
- Secured Note Payable at Sabine State Bank (SSB) at 1.4%, secured by certificate of deposit of \$1,505,054, due in monthly payments of \$16,807 until March 2018, when a balloon payment of \$1,251,363 is due.
- Secured Note Payable (MOB) at 1.4%, secured by mortgage on Medical Office Building, due in monthly payments of \$16,807 until March 23, 2023, when a balloon payment of \$298,169 is due. This note was refinanced with the Secured Note Payable at Sabine State Bank.
- Lease Purchase Energy Savings agreement with Siemens at 4.6%, entered into May 24, 2018, due in variable quarterly payments until May 24, 2023, secured by various equipment. Energy savings should be available to pay lease payments.

Scheduled principal and interest repayments on the long-term debt follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Long-Term Debt</u>		<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 277,298	\$ 132,916	\$ 157,052	\$ 21,152
2020	268,929	102,630	92,726	16,645
2021	284,844	96,081	97,503	11,867
2022	295,536	88,975	100,513	6,802
2023 - 2027	639,509	333,379	71,715	1,653
2028 and thereafter	<u>1,083,627</u>	<u>158,903</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>2,849,743</u>	\$ <u>912,884</u>	\$ <u>519,509</u>	\$ <u>58,119</u>

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$88,147 is included in the depreciation expense. Net book value of capital leases is \$544,000 in 2018.

NOTE 12 - NET PATIENT SERVICE REVENUE

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

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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2022, as extended by Congress. The additional payments received under the Medicare low volume add-on were approximately \$399,462, \$325,625, and \$367,072, for the years ended September 30, 2018, 2017, and 2016. The District qualifies as a Medicare Dependent Hospital. This designation provides for enhanced Medicare reimbursement rates, including increased reimbursement for decreases in volume greater than 5%. The District received \$608,225 during FY 2017 related to the FY 2013 volume adjustment. This designation was extended by Congress to September 30, 2022. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors. Inpatient behavioral health services are reimbursed based upon a prospective methodology based upon length of stay, diagnosis, and other factors. Home health services are paid by Medicare under a per episode prospective payment system (PPS). 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 Medicare fiscal intermediary.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid based on a prospectively determined fee schedule. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. Home health services are paid by Medicaid under a PPS per visit method.

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates. Blue Cross is the largest commercial provider. Blue Cross charges were 10%, 11%, and 17%, of total charges for the years ended September 30, 2018, 2017, and 2016, respectively.

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. In fiscal year 2017 and 2016, respectively, the adjustments were increases of \$545,000 and \$293,000 in net patient service revenue. There were no differences during fiscal year 2018.

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

The District d/b/a LaSalle Nursing Home entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of the "Non State Governmental Organization Nursing

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 Of the Parish of LaSalle, State of Louisiana
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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

Facilities Medicaid Upper Payment Limit Program (SPA)". This Medicaid supplemental payment is to be used as a match within the Medicaid program. In fiscal year 2018 the District received a total of \$1,187,549 of which \$648,633 was submitted to LDH as an IGT. In fiscal year 2017 the District received a total of \$735,324 of which \$334,120 was submitted to LDH as an IGT. In fiscal year 2016 the District received a total of \$595,225 of which \$258,676 was submitted to LDH as an IGT.

The District d/b/a LaSalle General Hospital entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of Louisiana Physician IPA, Inc. which is a physician supplemental program. The District received a net amount of \$151,854 and \$177,500 in fiscal years 2018 and 2017, respectively.

The following is a summary of the District's net patient service revenue for the years ended September 30:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Gross charges	\$ 53,759,155	\$ 49,284,704	\$ 43,726,577
Less charges associated with charity patients	<u>(23,398)</u>	<u>(10,391)</u>	<u>(47,497)</u>
Gross patient service revenues	53,735,757	49,274,313	43,679,080
Less deductions from revenue:			
Contractual adjustments	(23,459,156)	(22,845,445)	(19,560,540)
Uncompensated cost reimbursement	-0-	257,940	-0-
Medicare volume adjustment	-0-	608,225	-0-
OIG settlement	(1,343,029)	-0-	-0-
Policy and other discounts	<u>(1,409,690)</u>	<u>(1,102,884)</u>	<u>(1,463,445)</u>
Patient service revenue (net of contractual adjustments and discounts)	27,523,882	26,192,149	22,655,095
Less provision for bad debts	<u>(1,386,188)</u>	<u>(2,640,312)</u>	<u>(3,039,959)</u>
Net patient service revenue less provision for bad debts	\$ <u>26,137,694</u>	\$ <u>23,551,837</u>	\$ <u>19,615,136</u>

Hospital Service District No. 2
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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

The District receives a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. The following is a summary of gross Medicare and Medicaid patient revenues for the years ended September 30:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare and Medicaid gross patient charges	\$ 40,291,905	\$ 35,430,430	\$ 27,100,877
Contractual adjustments	<u>(17,398,690)</u>	<u>(18,006,915)</u>	<u>(14,622,759)</u>
Program patient service revenues	<u>\$ 22,893,215</u>	<u>\$ 17,423,515</u>	<u>\$ 12,478,118</u>
Percent of total gross patient charges	<u>75%</u>	<u>72%</u>	<u>62%</u>
Percent of total net patient revenue	<u>88%</u>	<u>74%</u>	<u>64%</u>

NOTE 13 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

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

NOTE 14 - WORKMEN'S COMPENSATION RISK

The District participates in the Louisiana Hospital Association Self-Insurance Worker's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The trust fund presumes to be a "Grantor Trust" and, accordingly, income

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Years Ended September 30, 2018, 2017, and 2016

NOTE 14 - WORKMEN'S COMPENSATION RISK (Continued)

and expenses are prorated to member hospitals. The District has included these allocations or equity amounts assigned to the District by the trust fund in its financial statements.

NOTE 15 - EMPLOYEE MEDICAL BENEFIT PLAN

The District is self-insured to provide group medical and drug coverage for its employees. The District entered into an agreement on November 1, 1997, with a third-party administrator to administer the plan. The third-party administrator is Insurance Management Services (IMS). The plan year runs from December 1 through November 30. The District funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier provides for payment of 100% of claims in excess of \$75,000 per covered individual. A liability 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, and frequency of claims. It is reasonably possible that the District's estimate will change by a material amount in the near term.

The following is a summary of changes in the Hospital's claims liability for the year ended September 30:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Beginning of the year	\$ 350,018	\$ 394,339	\$ 256,921
Plus: Claims incurred and changes in estimate, net of reinsurance	928,271	907,718	1,133,548
Less: Claims paid	<u>973,919</u>	<u>952,039</u>	<u>996,130</u>
End of the year	\$ <u>304,370</u>	\$ <u>350,018</u>	\$ <u>394,339</u>

NOTE 16 - 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.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 12) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

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NOTE 16 - CONTINGENCIES (Continued)

Further, in order to continue receiving reimbursement from the Medicare programs, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determination. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

The District received an Office of Inspector General (OIG) settlement in the amount of \$1,343,029 during fiscal year 2018, related to claims that were originally denied and recouped by the Medicare intermediary during fiscal year 2013.

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

Professional Liability Risk (Note 13) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk (Note 14) - The district is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Self-Funded Health Insurance Risk (Note 15) - The Hospital has a self-funded health insurance plan administered by Insurance Management Services. Provision has been made for incurred but non-reported claims in the amount of \$300,000. Accordingly, the Hospital is contingently liable for claims that may be reported subsequent to the balance sheet date. The Hospital has acquired stop-loss insurance to cover individual claims exceeding \$75,000.

NOTE 17 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a per-diem based on the patient's level of income. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
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 Years Ended September 30, 2018, 2017, and 2016

NOTE 17 - CHARITY CARE (Continued)

cost associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The cost of caring for charity care patients was approximately \$11,000, \$5,000, and \$25,000 in 2018, 2017, and 2016, respectively. The amount of charges foregone for services and supplies furnished under the District's charity care policy aggregated approximately \$23,000, \$10,000, and \$48,000 in 2018, 2017, and 2016, respectively.

NOTE 18 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred.

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2018, that have initial or remaining lease terms in excess of one year.

Year Ending September 30,	<u>Amount</u>
2019	\$ 9,710
2020	10,088
2021	10,481
2022	<u>4,487</u>
Total minimum future lease payments	\$ <u>34,766</u>

NOTE 19 - AD VALOREM TAXES

The District levies a property tax on all property subject to taxation in the service district. A 10 year 10.45 mill tax was effective thru 2012, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. This tax was renewed for a maximum of 5.0 mills for 10 years in October 2012 and will be effective until the year 2022. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15 each year, are due by December 31, and become delinquent on January 31.

NOTE 20 - INTERGOVERNMENTAL TRANSFER GRANTS

The District entered into a cooperative endeavor agreement with a regional hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant ("IGT") to be used solely to provide adequate and essential medically necessary and available healthcare services to the District's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$761,962, \$1,322,161, and \$1,153,425 for the fiscal years 2018, 2017, and 2016, respectively.

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NOTE 21 - SUBSEQUENT EVENTS

Events have been evaluated through March 29, 2019 for subsequent event disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Net Patient Service Revenue
Years Ended September 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Routine services:			
Adult and pediatric	\$ 5,508,263	\$ 3,877,976	\$ 3,294,721
Swing bed	288,000	310,649	409,700
Behavioral health unit	6,793,160	4,267,974	-0-
Nursing home services	<u>6,488,551</u>	<u>7,051,071</u>	<u>6,280,623</u>
Total routine services	<u>19,077,974</u>	<u>15,507,670</u>	<u>9,985,044</u>
Other professional services:			
Operating room	-0-	26,563	164,439
Radiology	5,793,182	5,864,364	6,027,039
Laboratory and blood	9,038,102	8,758,958	8,626,236
IV therapy	931,381	886,534	984,812
Respiratory therapy, EEG, & EKG	2,735,697	2,463,502	2,382,417
Physical therapy	764,788	732,967	648,355
Occupational therapy	331,166	347,805	217,786
Speech therapy	402,637	268,866	312,829
Medical supply	612,791	486,559	632,180
Pharmacy	2,112,761	1,832,201	1,480,720
Wellness center	10,519	27,494	43,788
Emergency service	4,823,633	4,946,285	5,274,267
Observation room	286,809	286,809	276,158
Ambulance service	2,487,248	2,609,518	2,617,020
Home health services	552,013	531,612	462,221
Jonesville Rural Health Clinic	-0-	-0-	97,187
Jena Rural Health Clinic	<u>3,798,454</u>	<u>3,706,997</u>	<u>3,494,079</u>
Total other professional services	<u>34,681,181</u>	<u>33,777,034</u>	<u>33,741,533</u>
Gross charges	\$ <u>53,759,155</u>	\$ <u>49,284,704</u>	\$ <u>43,726,577</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Net Patient Service Revenue (Continued)
Years Ended September 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Less charges associated with charity patients	\$ <u>(23,398)</u>	\$ <u>(10,391)</u>	\$ <u>(47,497)</u>
Gross patient service revenue	53,735,757	49,274,313	43,679,080
Less deductions from revenue:			
Medicare and Medicaid contractual adjustments	(17,398,690)	(18,006,915)	(14,622,759)
Uncompensated cost reimbursement	-0-	257,940	-0-
Medicare volume adjustment	-0-	608,225	-0-
OIG settlement	(1,343,029)	-0-	-0-
Other contractual adjustments	(6,060,466)	(4,838,530)	(4,937,781)
Policy and other discounts	<u>(1,409,690)</u>	<u>(1,102,884)</u>	<u>(1,463,445)</u>
Patient service revenue (net of contractual adjustments and discounts)	27,523,882	26,192,149	22,655,095
Less provision for bad debts	<u>(1,386,188)</u>	<u>(2,640,312)</u>	<u>(3,039,959)</u>
Net patient service revenue	\$ <u><u>26,137,694</u></u>	\$ <u><u>23,551,837</u></u>	\$ <u><u>19,615,136</u></u>

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Schedules of Other Revenue
 Years Ended September 30,

	<u>2018</u>		<u>2017</u>		<u>2016</u>
Purchase discounts taken	\$ -0-	\$	20,162	\$	-0-
Cafeteria	119,103		88,085		126,280
Cot rentals	-0-		78		154
Medical record abstracts	1,848		2,601		1,216
Vending	2,271		2,085		2,207
Ambulance reimbursement	101,008		62,266		234,569
Medical office rent	18,230		13,087		13,418
Pharmacy 340B	62,164		229,314		-0-
Miscellaneous revenue	<u>23,561</u>		<u>26,304</u>		<u>13,552</u>
 Total other revenue	 \$ <u>328,185</u>	\$	 <u>443,982</u>	\$	 <u>391,396</u>

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Schedules of Expenses - Salaries and Benefits
 Years Ended September 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Salaries:			
Administration	\$ 1,145,356	\$ 1,120,927	\$ 1,132,320
Plant operations and maintenance	201,264	191,056	212,552
Laundry	10,146	19,911	37,660
Housekeeping	420,381	371,891	342,248
Dietary and cafeteria	422,798	416,492	442,127
Nursing administration	417,384	381,490	351,521
Medical records	264,331	244,726	254,365
Social services	123,985	104,212	95,491
Nursing services - acute	1,030,706	875,481	797,648
Nursing services - long-term care	2,237,600	2,173,884	2,119,239
Behavioral health	40,763	58,563	-0-
Wellness center	-0-	31,577	60,287
Operating room	-0-	10,748	36,863
Radiology	531,963	523,771	516,621
Laboratory	300,461	285,901	271,396
Respiratory therapy	219,795	223,174	227,204
Physical therapy	194,487	198,740	195,337
Occupational therapy	105,246	97,737	86,781
Speech therapy	82,671	84,598	63,350
Central supply	144,068	129,951	108,452
Pharmacy	242,314	242,185	247,189
Emergency room	1,024,726	925,712	942,164
Ambulance	541,412	532,484	431,216
Home health	318,807	298,966	286,563
Jonesville Rural Health Clinic	-0-	-0-	65,370
Jena Rural Health Clinic	<u>1,459,156</u>	<u>1,552,790</u>	<u>1,541,635</u>
Total salaries	<u>11,479,820</u>	<u>11,096,967</u>	<u>10,865,599</u>
Benefits:			
Payroll taxes	436,120	426,628	382,515
Health insurance	1,185,318	1,186,379	996,130
Other	<u>711,132</u>	<u>696,442</u>	<u>915,564</u>
Total benefits	<u>2,332,570</u>	<u>2,309,449</u>	<u>2,294,209</u>
Total salaries and benefits	<u>\$ 13,812,390</u>	<u>\$ 13,406,416</u>	<u>\$ 13,159,808</u>

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Schedules of Expenses - Medical Supplies and Drugs
 Years Ended September 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Nursing services	\$ 41,636	\$ 37,167	\$ 14,822
Behavioral health	6,976	8,081	-0-
Wellness center	509	1,049	1,494
Operating room	905	1,535	23,445
Radiology	83,569	41,859	57,648
Laboratory and blood	351,283	289,270	316,600
IV therapy	252	-0-	27,828
Respiratory therapy	35,234	33,923	37,231
Physical therapy	11,641	5,236	2,974
Occupational therapy	2,143	1,969	664
Central supply	2,938	5,461	-0-
Pharmacy	398,845	345,281	243,008
Pharmacy 340B	1	82,024	-0-
Emergency room	62,407	63,304	46,797
Ambulance	36,479	22,230	12,159
Home health	13,599	7,618	7,585
Jonesville Rural Health Clinic	-0-	-0-	9,369
Jena Rural Health Clinic	134,918	172,383	218,025
Nursing home supplies	<u>346,369</u>	<u>423,093</u>	<u>319,721</u>
 Total medical supplies and drugs	 \$ <u>1,529,704</u>	 \$ <u>1,541,483</u>	 \$ <u>1,339,370</u>

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Schedules of Expenses - Professional Fees
 Years Ended September 30,

	<u>2018</u>		<u>2017</u>		<u>2016</u>
Anesthesiology	\$ -0-	\$	-0-	\$	21,400
Radiology	190,146		223,156		217,700
Laboratory	158,402		109,893		133,908
Physical therapy	570,697		737,581		743,603
EKG, EEG	500		515		1,505
Emergency room	605,046		581,160		815,919
Pharmacy	6,875		7,500		7,450
Jonesville Rural Health Clinic	-0-		-0-		4,479
Jena Rural Health Clinic	<u>630,373</u>		<u>596,774</u>		<u>587,108</u>
 Total professional fees	 \$ <u>2,162,039</u>	\$	 <u>2,256,579</u>	\$	 <u>2,533,072</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Expenses - Other Expenses
Years Ended September 30,

	<u>2018</u>		<u>2017</u>		<u>2016</u>
Contract services	\$ 166,273	\$	149,816	\$	166,891
Consultants	1,379,160		753,334		607,350
Behavioral health unit consultants	1,719,120		1,151,509		-0-
Legal and accounting	-0-		25,493		18,677
Supplies	794,276		701,566		606,401
Laundry contract services	138,568		115,772		138,751
Repairs and maintenance	645,790		648,238		604,799
Utilities	564,608		593,085		617,762
Telephone	48,789		37,712		74,287
Travel	112,861		103,345		86,611
Rentals	186,872		162,733		144,786
Advertising	101,957		89,906		84,678
Recruitment	54,206		18,719		16,097
Dues and subscriptions	545,619		238,067		225,248
Inter-governmental transfer expense	755,729		444,120		270,778
Miscellaneous	102,342		89,797		115,906
Provider tax	<u>377,162</u>		<u>406,917</u>		<u>330,750</u>
 Total other expenses	 \$ <u>7,693,332</u>	\$	 <u>5,730,129</u>	\$	 <u>4,109,772</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position
September 30, 2018

	<u>LaSalle General Hospital</u>	<u>LaSalle Nursing Home</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 71,710	\$ 867,264	\$ -0-	\$ 938,974
Assets whose use is limited - required for current liabilities	-0-	13,496	-0-	13,496
Investments	5,739	-0-	-0-	5,739
Estimated third-party payor settlements	1,187,152	114,809	-0-	1,301,961
Accounts receivable, net of estimated uncollectibles	3,599,981	598,509	-0-	4,198,490
Other receivables	74	5,486,014	(5,272,565)	213,523
Inventory	214,000	-0-	-0-	214,000
Prepaid expenses	41,686	49,719	-0-	91,405
Total Current Assets	<u>5,120,342</u>	<u>7,129,811</u>	<u>(5,272,565)</u>	<u>6,977,588</u>
Capital assets, net	9,677,383	1,380,287	-0-	11,057,670
Assets limited as to use	2,335,817	-0-	-0-	2,335,817
Other assets	<u>18,222</u>	<u>25</u>	<u>-0-</u>	<u>18,247</u>
Total Assets	<u>\$ 17,151,764</u>	<u>\$ 8,510,123</u>	<u>\$ (5,272,565)</u>	<u>\$ 20,389,322</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 1,041,783	\$ 148,689	\$ -0-	\$ 1,190,472
Cash overdraft	-0-	-0-	-0-	-0-
Accrued expenses and withholdings payable	1,000,676	163,867	(33,760)	1,130,783
Estimated third-party payable	272,340	-0-	-0-	272,340
Liabilities of limited use assets	1,255,298	13,496	-0-	1,268,794
Retirement plan payable	715,160	-0-	-0-	715,160
Current maturities of long-term debt	434,350	-0-	-0-	434,350
Total Current Liabilities	<u>4,719,607</u>	<u>326,052</u>	<u>(33,760)</u>	<u>5,011,899</u>
Long-term debt, net of current maturities	8,569,929	-0-	(5,238,805)	3,331,124
Total Liabilities	<u>13,289,536</u>	<u>326,052</u>	<u>(5,272,565)</u>	<u>8,343,023</u>
Net Position				
Invested in capital assets, net of related debt	673,104	1,380,287	5,238,805	7,292,196
Restricted	2,335,817	-0-	-0-	2,335,817
Unrestricted	853,307	6,803,784	(5,238,805)	2,418,286
Total Net Position	<u>3,862,228</u>	<u>8,184,071</u>	<u>-0-</u>	<u>12,046,299</u>
Total Liabilities and Net Position	<u>\$ 17,151,764</u>	<u>\$ 8,510,123</u>	<u>\$ (5,272,565)</u>	<u>\$ 20,389,322</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position
September 30, 2017

	LaSalle General <u>Hospital</u>	LaSalle Nursing <u>Home</u>	Eliminating <u>Entries</u>	<u>Combined</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 132,870	\$ 817,466	\$ -0-	\$ 950,336
Assets whose use is limited - required for current liabilities	-0-	22,482	-0-	22,482
Investments	12,411	-0-	-0-	12,411
Estimated third-party payor settlements	946,368	161,484	-0-	1,107,852
Accounts receivable, net of estimated uncollectibles	2,792,210	645,532	-0-	3,437,742
Other receivables	26,699	5,449,441	(5,272,565)	203,575
Inventory	216,920	-0-	-0-	216,920
Prepaid expenses	43,482	44,478	-0-	87,960
Total Current Assets	<u>4,170,960</u>	<u>7,140,883</u>	<u>(5,272,565)</u>	<u>6,039,278</u>
Capital assets, net	8,333,047	1,372,971	-0-	9,706,018
Assets limited as to use	1,505,055	-0-	-0-	1,505,055
Other assets	20,500	25	-0-	20,525
Total Assets	<u>\$ 14,029,562</u>	<u>\$ 8,513,879</u>	<u>\$ (5,272,565)</u>	<u>\$ 17,270,876</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 999,359	\$ 176,687	\$ -0-	\$ 1,176,046
Accrued expenses and withholdings payable	1,031,958	177,625	(33,760)	1,175,823
Cash overdraft	6,678	-0-	-0-	6,678
Estimated third-party payable	272,340	-0-	-0-	272,340
Liabilities of limited use assets	1,255,298	22,442	-0-	1,277,740
Retirement plan payable	683,433	-0-	-0-	683,433
Current maturities of long-term debt	1,464,882	-0-	-0-	1,464,882
Total Current Liabilities	<u>5,713,948</u>	<u>376,754</u>	<u>(33,760)</u>	<u>6,056,942</u>
Long-term debt, net of current maturities	5,338,090	-0-	(5,238,805)	99,285
Total Liabilities	<u>11,052,038</u>	<u>376,754</u>	<u>(5,272,565)</u>	<u>6,156,227</u>
Net Position				
Invested in capital assets, net of related debt	1,530,075	1,372,971	5,238,805	8,141,851
Restricted	1,505,055	-0-	-0-	1,505,055
Unrestricted	(57,606)	6,764,154	(5,238,805)	1,467,743
Total Net Position	<u>2,977,524</u>	<u>8,137,125</u>	<u>-0-</u>	<u>11,114,649</u>
Total Liabilities and Net Position	<u>\$ 14,029,562</u>	<u>\$ 8,513,879</u>	<u>\$ (5,272,565)</u>	<u>\$ 17,270,876</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position
September 30, 2016

	<u>LaSalle General Hospital</u>	<u>LaSalle Nursing Home</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 211,900	\$ 761,875	\$ -0-	\$ 973,775
Assets whose use is limited - required for current liabilities	-0-	22,546	-0-	22,546
Investments	11,495	-0-	-0-	11,495
Estimated third-party payor settlements	774,438	-0-	-0-	774,438
Accounts receivable, net of estimated uncollectibles	1,619,644	680,370	(43,280)	2,256,734
Other receivables	53,240	5,184,202	(5,092,045)	145,397
Inventory	252,251	-0-	-0-	252,251
Prepaid expenses	<u>106,626</u>	<u>37,026</u>	<u>-0-</u>	<u>143,652</u>
Total Current Assets	<u>3,029,594</u>	<u>6,686,019</u>	<u>(5,135,325)</u>	<u>4,580,288</u>
Capital assets, net	8,503,543	1,490,653	-0-	9,994,196
Assets limited as to use	1,718,822	-0-	-0-	1,718,822
Other assets	<u>-0-</u>	<u>25</u>	<u>-0-</u>	<u>25</u>
Total Assets	<u>\$ 13,251,959</u>	<u>\$ 8,176,697</u>	<u>\$ (5,135,325)</u>	<u>\$ 16,293,331</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts payable	\$ 873,411	\$ 184,389	\$ (64,678)	\$ 993,122
Accrued expenses and withholding payable	1,035,670	150,619	(31,842)	1,154,447
Estimated third-party payables	271,097	99,036	-0-	370,133
Liabilities of limited use assets	1,255,298	22,498	-0-	1,277,796
Retirement plan payable	993,550	-0-	-0-	993,550
Current maturities of long-term debt	<u>317,550</u>	<u>-0-</u>	<u>-0-</u>	<u>317,550</u>
Total Current Liabilities	<u>4,746,576</u>	<u>456,542</u>	<u>(96,520)</u>	<u>5,106,598</u>
Long-term debt, net of current maturities	<u>6,464,566</u>	<u>-0-</u>	<u>(5,038,805)</u>	<u>1,425,761</u>
Total Liabilities	<u>11,211,142</u>	<u>456,542</u>	<u>(5,135,325)</u>	<u>6,532,359</u>
Net Position				
Invested in capital assets, net of related debt	1,721,427	1,490,653	5,038,805	8,250,885
Restricted	1,718,822	-0-	-0-	1,718,822
Unrestricted	<u>(1,399,432)</u>	<u>6,229,502</u>	<u>(5,038,805)</u>	<u>(208,735)</u>
Total Net Position	<u>2,040,817</u>	<u>7,720,155</u>	<u>-0-</u>	<u>9,760,972</u>
Total Liabilities and Net Assets	<u>\$ 13,251,959</u>	<u>\$ 8,176,697</u>	<u>\$ (5,135,325)</u>	<u>\$ 16,293,331</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2018

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Revenues				
Net patient service revenue	\$ 19,729,288	\$ 6,408,406	\$ -0-	\$ 26,137,694
Operating grants	768,390	-0-	-0-	768,390
Ad valorem taxes	255,800	-0-	-0-	255,800
Other operating revenue	<u>986,683</u>	<u>581</u>	<u>(659,079)</u>	<u>328,185</u>
 Total Revenues	 <u>21,740,161</u>	 <u>6,408,987</u>	 <u>(659,079)</u>	 <u>27,490,069</u>
Expenses				
Salaries and benefits	10,225,328	3,587,062	-0-	13,812,390
Medical supplies and drugs	1,183,335	346,369	-0-	1,529,704
Insurance	231,129	72,073	-0-	303,202
Professional fees	1,584,497	577,542	-0-	2,162,039
Other expenses	6,671,962	1,680,449	(659,079)	7,693,332
Depreciation and amortization	<u>823,481</u>	<u>133,641</u>	<u>-0-</u>	<u>957,122</u>
 Total Expenses	 <u>20,719,732</u>	 <u>6,397,136</u>	 <u>(659,079)</u>	 <u>26,457,789</u>
 Operating Income (Loss)	 <u>1,020,429</u>	 <u>11,851</u>	 <u>-0-</u>	 <u>1,032,280</u>
Nonoperating Revenues				
Interest income	10,939	35,097	(35,097)	10,939
Interest expense	(66,827)	-0-	35,097	(31,730)
Gain (loss) on disposal of assets	<u>(79,839)</u>	<u>-0-</u>	<u>-0-</u>	<u>(79,839)</u>
 Changes in Net Position before Capital Grants	 884,702	 46,948	 -0-	 931,650
Capital grants	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Changes in Net Position	 884,702	 46,948	 -0-	 931,650
 Beginning Net Position	 <u>2,977,523</u>	 <u>8,137,126</u>	 <u>-0-</u>	 <u>11,114,649</u>
 Ending Net Position	 <u>\$ 3,862,225</u>	 <u>\$ 8,184,074</u>	 <u>\$ -0-</u>	 <u>\$ 12,046,299</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2017

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Revenues				
Net patient service revenue	\$ 16,586,614	\$ 6,965,223	\$ -0-	\$ 23,551,837
Operating grants	1,342,687	-0-	-0-	1,342,687
Ad valorem taxes	245,149	-0-	-0-	245,149
Other operating revenue	<u>1,101,816</u>	<u>491</u>	<u>(658,325)</u>	<u>443,982</u>
Total Revenues	<u>19,276,266</u>	<u>6,965,714</u>	<u>(658,325)</u>	<u>25,583,655</u>
Expenses				
Salaries and benefits	9,920,916	3,485,500	-0-	13,406,416
Medical supplies and drugs	1,118,390	423,093	-0-	1,541,483
Insurance	238,515	69,159	-0-	307,674
Professional fees	1,511,573	745,006	-0-	2,256,579
Other expenses	4,669,481	1,718,973	(658,325)	5,730,129
Depreciation and amortization	<u>806,682</u>	<u>141,907</u>	<u>-0-</u>	<u>948,589</u>
Total Expenses	<u>18,265,557</u>	<u>6,583,638</u>	<u>(658,325)</u>	<u>24,190,870</u>
Operating Income (Loss)	<u>1,010,709</u>	<u>382,076</u>	<u>-0-</u>	<u>1,392,785</u>
Nonoperating Revenues				
Interest income	11,196	34,894	(34,894)	11,196
Interest expense	(80,925)	-0-	34,894	(46,031)
Gain (loss) on disposal of assets	<u>(8,140)</u>	<u>-0-</u>	<u>-0-</u>	<u>(8,140)</u>
Changes in Net Position before Capital Grants	932,840	416,970	-0-	1,349,810
Capital grants	<u>3,867</u>	<u>-0-</u>	<u>-0-</u>	<u>3,867</u>
Changes in Net Position	<u>936,707</u>	<u>416,970</u>	<u>-0-</u>	<u>1,353,677</u>
Beginning Net Position	<u>2,040,816</u>	<u>7,720,156</u>	<u>-0-</u>	<u>9,760,972</u>
Ending Net Position	<u>\$ 2,977,523</u>	<u>\$ 8,137,126</u>	<u>\$ -0-</u>	<u>\$ 11,114,649</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2016

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Revenues				
Net patient service revenue	\$ 13,375,445	\$ 6,239,691	\$ -0-	\$ 19,615,136
Operating grants	1,155,729	-0-	-0-	1,155,729
Ad valorem taxes	249,675	-0-	-0-	249,675
Other operating revenue	<u>1,059,815</u>	<u>609</u>	<u>(669,028)</u>	<u>391,396</u>
 Total Revenues	 <u>15,840,664</u>	 <u>6,240,300</u>	 <u>(669,028)</u>	 <u>21,411,936</u>
 Expenses				
Salaries and benefits	9,678,442	3,481,366	-0-	13,159,808
Medical supplies and drugs	1,019,649	319,721	-0-	1,339,370
Insurance	387,676	76,252	-0-	463,928
Professional fees	1,782,019	782,553	(31,500)	2,533,072
Other expenses	3,137,800	1,609,500	(637,528)	4,109,772
Depreciation and amortization	<u>838,470</u>	<u>150,997</u>	<u>-0-</u>	<u>989,467</u>
 Total Expenses	 <u>16,844,056</u>	 <u>6,420,389</u>	 <u>(669,028)</u>	 <u>22,595,417</u>
 Operating Income (Loss)	 <u>(1,003,392)</u>	 <u>(180,089)</u>	 <u>-0-</u>	 <u>(1,183,481)</u>
 Nonoperating Revenues				
Interest income	9,954	33,380	(33,380)	9,954
Interest expense	(84,860)	-0-	33,380	(51,480)
Gain (loss) on disposal of assets	<u>7,911</u>	<u>750</u>	<u>-0-</u>	<u>8,661</u>
 Changes in Net Position before Capital Grants	 <u>(1,070,387)</u>	 <u>(145,959)</u>	 <u>-0-</u>	 <u>(1,216,346)</u>
Capital grants	<u>1,941</u>	<u>-0-</u>	<u>-0-</u>	<u>1,941</u>
 Changes in Net Position	 <u>(1,068,446)</u>	 <u>(145,959)</u>	 <u>-0-</u>	 <u>(1,214,405)</u>
 Beginning Net Position	 <u>3,109,262</u>	 <u>7,866,115</u>	 <u>-0-</u>	 <u>10,975,377</u>
 Ending Net Position	 <u>\$ 2,040,816</u>	 <u>\$ 7,720,156</u>	 <u>\$ -0-</u>	 <u>\$ 9,760,972</u>

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Schedules of Per Diem and
 Other Compensation Paid to Board Members
 Years Ended September 30, 2018, 2017, and 2016

Board Members	TERM	-Compensation-		
	<u>EXPIRES</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
I.C. Turnley, Jr., M.D.	April 2024	NONE	NONE	NONE
Charles O. Williams, C.P.A.	April 2024	NONE	NONE	NONE
Janice Doshier	April 2020	NONE	NONE	NONE
Steve Crooks	April 2022	NONE	NONE	NONE
Sandra Webster	April 2022	NONE	NONE	NONE

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Schedule of Compensation, Benefits, and Other Payments
 to Chief Executive Officers
 Year Ended September 30, 2018

Agency Head Name: Lana Francis
 Position: Chief Executive Officer
 Time Period: October 1, 2017 to September 30, 2018

<u>Purpose</u>	<u>Amount</u>
Salary	112,539
Health insurance	819
Retirement (FICA replacement plan)	2,800
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	-0-
Conference travel	137
Continuing professional education fees	210
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-

Agency Head Name: Phyllis Bryan
 Position: Administrator
 Time Period: October 1, 2017 to September 30, 2018

<u>Purpose</u>	<u>Amount</u>
Salary	109,578
Health insurance	14,556
Retirement (FICA replacement plan)	1,650
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	801
Registration fees	-0-
Conference travel	2,282
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	38



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
Jena, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Hospital Service District No. 2, Parish of LaSalle, the ("District"), a component unit of the LaSalle Parish Police Jury, as of and for the years ended September 30, 2018, 2017, and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 opinion 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control,

Board of Commissioners
Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
Jena, Louisiana
Page Two

described in the accompanying schedule of findings that we consider to be significant deficiencies: 2018-01, 2018-02, 2018-03, 2018-04, and 2018-05.

Compliance and Other Matters

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

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Commissioners, management and others within the organization and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Alexandria, Louisiana

March 29, 2019



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Current Year Findings and Responses
Year Ended September 30, 2018

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

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

Compliance

- Noncompliance issues noted - No

Management letter issued - No

Federal Awards - Not applicable

Section II. Financial Statement Findings

FINDING 2018-01 - Draft of Financial Statements

Fiscal Year Initially Reported: September 30, 2007

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

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

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

FINDING 2018-02 - Segregation of Duties

Fiscal Year Initially Reported: September 30, 2007

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



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Current Year Findings and Responses
Year Ended September 30, 2018

Section II. Financial Statement Findings (Continued)

FINDING 2018-02 - Segregation of Duties (Continued)

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

Response: Due to the size of our organization, and the abilities of current staff, we will continue to closely supervise and review the accounting, recording, and custody functions.

FINDING 2018-03 - Third-party Payor Settlements

Fiscal Year Initially Reported: September 30, 2015

Finding: Management is responsible for calculating and recording estimates of interim (Medicare and Medicaid) cost settlements. Various third-party receivables/payables were found to be inaccurately recorded on the general ledger during fiscal year 2018.

Recommendation: Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefits. Establishing separate general ledger accounts for each cost report settlement year should be helpful in managing the settlements.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end. Management will record differences between interim payments and actual cost report settlements. These differences will be charged against income in future periods when determinable. Contract Chief Financial Officer will review interim adjustments on a monthly basis. District staff will ensure during each month that all third-party payor settlements are recorded to correct general ledger accounts.

FINDING 2018-04 - Pension Plan

Fiscal Year Initially Reported: September 30, 2017

Finding: Management did not submit employer matching contributions for fiscal year 2017 in a timely manner in accordance with plan documents.

Recommendation: Employer contributions should be remitted to the plan in accordance with plan documents.

Response: Management plans to submit the fiscal year 2017 employer contributions in fiscal year 2019.



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Current Year Findings and Responses
Year Ended September 30, 2018

Section II. Financial Statement Findings (Continued)

FINDING 2018-05 - Leases

Finding: Management did not record a capital lease and a lease purchase during fiscal year 2018.

Recommendation: Management should refer to generally accepted accounting standards to determine correct method of recording leases when incurred.

Response: Management will refer to generally accepted accounting standards and follow them in the future.

Section III. Federal Awards Findings and Questioned Costs

Not applicable

Section IV. Management Letter

Not applicable



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Prior Year Findings and Responses
Year Ended September 30, 2018

Section I. Financial Statement Findings

FINDING 2017-01 - Draft of Financial Statements

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

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

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

Resolution: Not resolved - See Finding 2018-01

FINDING 2017-02 - Segregation of Duties

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

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

Response: Due to the size of our organization, and the abilities of current staff, we will continue to closely supervise and review the accounting, recording, and custody functions.

Resolution: Not resolved - See Finding 2018-02

FINDING 2017-03 - Third-party Payor Settlements

Finding: Various third-party receivables/payables were found to be inaccurately recorded on the general ledger during fiscal year 2017. Misclassified recoupments and payments from third-party payors were found to be the primary cause of these inaccuracies.



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Prior Year Findings and Responses
Year Ended September 30, 2018

Section I. Financial Statement Findings (Continued)

FINDING 2017-03 - Third-party Payor Settlements (Continued)

Recommendation: Third-party payor documentation should be obtained from intermediaries for each payment and/or recoupment and the resulting amounts reconciled to general ledger postings. Establishing separate general ledger accounts for each cost report settlement year should be helpful in managing these intermediary activities.

Response: Contract Chief Financial Officer will review on a monthly basis. District staff will ensure during each month that all third-party payor settlements are recorded to correct general ledger accounts. Documentation will be obtained from third parties for Contract Chief Financial Officer to review.

Resolution: Partially resolved - See Finding 2018-03

FINDING 2017-04 - Pension Plan

Finding: Management did not submit employer matching contributions for fiscal years 2016 in a timely manner in accordance with plan documents.

Recommendation: Employer contributions should be remitted to the plan in accordance with plan documents.

Response: Management plans to submit the fiscal year 2016 employer contributions in fiscal year 2017.

Resolution: Partially resolved - See Finding 2018-04

FINDING 2017-05 - Note Receivable

Finding: Management failed to record a note receivable and posted the amortization to an expense account in error.

Recommendation: Management should record the remaining balance and record the amortization correctly in accordance with the signed agreement.

Response: Management will record the balance at year end and correct the posting of the amortization.

Resolution: Resolved



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Prior Year Findings and Responses
Year Ended September 30, 2018

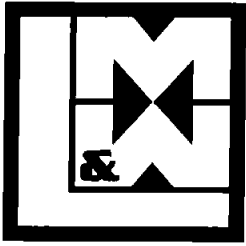
Section II. Federal Awards Findings and Questioned Costs

Not applicable

Section III. Management Letter

Not applicable





LESTER, MILLER & WELLS

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
of Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Hospital Service District No. 2 and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2017 through September 30, 2018. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

The agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose of which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of

To the Board of Commissioners
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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.

Exceptions: Out of eighteen (18) policies tested, nine (9) were not approved by Board until after current fiscal year end.

Management's Response: Board approved policies and procedures on January 24, 2019.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2018, since fiscal year 2017 did not contain any exceptions.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:



To the Board of Commissioners
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- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exceptions: No exceptions noted in applying the above procedures.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.



To the Board of Commissioners
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- 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.

Exceptions: Employees responsible for collecting cash share a cash drawer. Employees responsible for collecting cash are responsible for preparing deposits and posting deposits to the general ledger accounts.

Management's Response: Management has enacted policies and procedures to address control and compliance areas identified. The process for the receipt of payments in the Admitting Department will be revised so that only one person per shift serves as the cashier and accesses the cash drawer. Employees will be educated on the change. However, due to small staff in the nursing home, there will always be issues with segregation of duties in that department within the District.

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Exceptions: The employee involved in initiating purchase request also approves all purchases.

Management's Response: Management will require department heads to initiate orders. The administrator will approve all orders.



To the Board of Commissioners
of Hospital Service District No. 2
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Credit Cards/Debit Cards/Fuel Cards/P-Cards

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

Exceptions: Out of three (3) credit cards tested, one (1) credit card statement had finance charges. Out of twenty-two (22) transactions tested, thirteen (13) did not state business purpose of purchase and one (1) was approved by authorized card holder.

Management's Response: Employees will be educated again on the timeliness of implementing the accounts payable process and the necessity of avoiding late charges. Going forward, the purpose of the purchase will be written on the original receipt. The purchase order will list the purchases and the department of use. The person who made the purchase will sign the receipt. Credit card purchases made by the administrator will require a secondary approval.

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

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



To the Board of Commissioners
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- 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.

Exceptions: No exceptions noted in applying the above procedures.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Exception: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2018, since fiscal year 2017 did not contain any exceptions.

Payroll and Personnel

16. 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.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 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.



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of Hospital Service District No. 2
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18. 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' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. 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.

Exceptions: No exceptions noted in applying the above procedures.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2018, since fiscal year 2017 did not contain any exceptions.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2018, since fiscal year 2017 did not contain any exceptions.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.



To the Board of Commissioners
of Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
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24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exceptions: No exceptions noted in applying the above procedures.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Certified Public Accountants
Alexandria, Louisiana

March 29, 2019

