

**ST. JAMES PARISH
HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana**

Financial Statements
As of and for the Years Ended
March 31, 2020 and 2019

CONTENTS

Independent Auditor's Report	1 - 2
<hr/>	
Management's Discussion and Analysis	3 - 7
<hr/>	
Financial Statements	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11 - 30
<hr/>	
Required Supplementary Information	
Schedule of Employer Contributions and Proportionate Share of Net Pension Liability	31
<hr/>	
Supplementary Information	
Schedule of Compensation, Benefits and Other Payments to Agency Head	32
<hr/>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33 - 34



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
St. James Parish Hospital Service District
Lutcher, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of St. James Parish Hospital Service District (the "Hospital"), a component unit of St. James Parish Council, as of and for the years ended March 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Hospital, as of March 31, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages three through seven and the Schedule of Employer Contributions and Proportionate Share of Net Pension Liability on page 31 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 Supplementary Information

The Schedule of Compensation, Benefits and Other Payments to Agency Head on page 32 is presented for the purpose of additional analysis, as required by Louisiana Revised Statute 24:513A(3) and is not a required part of the financial statements.

The Schedule of Compensation, Benefits and Other Payments to Agency Head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head 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 September 24, 2020, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.



Ridgeland, Mississippi
September 24, 2020

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2020 and 2019

Management's Discussion and Analysis of St. James Parish Hospital's (the "Hospital") financial performance provides important background information and management's analysis of the Hospital's financial performance during the years ended March 31, 2020 and 2019. Please read it in conjunction with the Hospital's financial statements, which begin on page eight.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements contained in this report are presented using Governmental Accounting Standards Board ("GASB") accounting principles. These financial statements offer short-term and long-term financial information about the Hospital's activities.

The statements of net position include all of the Hospital's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenue and expenses are accounted for in the statement of revenues, expenses, and change in net position. This statement measures changes in the Hospital's operations over the past year and can be used to determine whether the Hospital has been able to recover all of its costs through its net patient service revenue and other revenue sources.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash from operating, investing and financing activities and to provide answers to questions such as where did cash come from, what was the cash used for and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE HOSPITAL

The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's activities. Increases or decreases in the Hospital'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 healthcare industry, changes in Medicare and Medicaid regulations and changes in managed care contracting should also be considered.

FINANCIAL HIGHLIGHTS

For the year ended March 31, 2020, the Hospital's general financial highlights were:

- During the fiscal year 2020, the Hospital continued to focus on Hospital-owned clinics by expanding coverage in the existing clinics with the use of nurse practitioners. The Hospital also continued to focus on rehab services, surgical services and swing bed utilization. The Hospital continued to enhance revenue cycle processes to sustain positive financial performance.
- Net patient services revenue decreased 2.9 percent from 2019 to 2020 and increased 7.3 percent from 2018 to 2019.
- The Hospital's payor mix is continuing to fluctuate slightly. From 2019 to 2020, the commercial mix decreased by 1 percent, Medicaid decreased 1 percent and the uninsured mix remained the same. From 2018 to 2019, commercial mix decreased by 1 percent, Medicaid increased 1 percent, and the uninsured mix remained the same. During 2017, the State of Louisiana expanded its Medicaid program. This allowed the Hospital to assist patients with enrolling in Medicaid.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2020 and 2019

- The Hospital's total net position increased \$4,562,818 from 2019 to 2020, and \$3,827,534 from 2018 to 2019. As of 2020, the total net position was \$41,544,055 which consists of \$32,402,836 in unrestricted, \$6,734,940 in net investments in capital assets, \$1,786,578 in restricted funds related to debt obligations and \$619,701 in restricted funds related to pension benefits. As of 2019, the total net position was \$36,981,237 which consists of \$29,819,417 in unrestricted, \$5,508,525 in net investments in capital assets, and \$1,653,295 in restricted funds related to debt obligations.

NET POSITION

A summary of the Hospital's statements of net position is presented in the following table:

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Current and other assets	\$ 23,482,871	\$ 16,647,458	\$ 15,221,506
Restricted Assets	13,544,333	16,577,419	13,696,308
Capital assets, net	18,219,068	17,571,301	17,869,736
Net pension asset	619,701	-	1,073,503
Total assets	55,865,973	50,796,178	47,861,053
Total deferred outflows of resources	1,274,267	3,310,875	1,664,181
Current and other liabilities	3,134,140	2,699,116	2,485,169
Long-term debt	10,885,691	11,483,755	12,062,776
Net pension liability	-	2,406,711	-
Total liabilities	14,019,831	16,589,582	14,547,945
Total deferred inflows of resources	1,576,354	536,234	1,823,586
Net Position			
Net invested in capital assets	6,734,940	5,508,525	5,246,715
Restricted	2,406,279	1,653,295	2,653,170
Unrestricted	32,402,836	29,819,417	25,253,818
Total net position	\$ 41,544,055	\$ 36,981,237	\$ 33,153,703

Some significant components of the change in the Hospital's net position are related to the increase in current assets, increase in restricted assets, and the decrease in long-term debt.

- In fiscal year 2020, current assets increased by \$6,835,413 or 41 percent due to the receipt of property tax revenue and grant funds received for the cost of providing services to uncompensated patients. In fiscal year 2019, current assets increased by \$1,425,952 or 9 percent. The increase is related to an increase in net patient accounts receivable, an increase in estimated third party settlements and an increase in receivable from subsidiary.
- In fiscal year 2020, restricted assets decreased by \$3,033,086 or 18 percent due to securities maturing at fiscal year-end that were being held in cash accounts until reinvested. In fiscal year 2019, restricted assets increased by \$2,881,111 or 21 percent. Of this increase, \$2,807,483 was internally designated for capital acquisitions.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2020 and 2019

- As of 2020, deferred outflows of resources include \$719,100 of refunding debt and \$555,167 to the Hospital's pension obligation. As of 2019, deferred outflows of resources include \$797,547 of refunding debt and \$2,513,328 to the Hospital's pension obligation. During fiscal year 2017, the refunding resulted in a difference in the reacquisition and carrying value of the old bonds. These deferred outflows on debt refundings will be amortized and expensed to operations over the life of the new bonds which is through 2030. The pension obligation resulted in changes due to implementing GASB 68. These deferred pension outflows will be amortized and expensed to operations through 2023.
- Long-term debt including current portion decreased by \$578,648 or 5 percent from 2019 to 2020. Long-term debt including current portion decreased by \$560,245 or 4 percent from 2018 to 2019. These decreases were related to principal pay downs of existing debt.

SUMMARY OF REVENUE AND EXPENSES

The following table presents a summary of the Hospital's historical revenues and expenses and changes in net position for each of the fiscal years ended March 31, 2020, 2019 and 2018:

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Operating revenues			
Net patient service revenue	\$ 24,451,580	\$ 25,189,738	\$ 23,482,816
Other operating revenue	3,430,190	2,484,631	2,087,807
Total operating revenues	27,881,770	27,674,369	25,570,623
Operating expenses			
Salaries and benefits	15,636,391	15,902,685	14,401,260
Medical supplies and drugs	2,710,654	2,568,281	2,661,951
Provision for depreciation	1,409,064	1,368,713	1,528,832
Other operating expense	6,830,305	6,889,486	7,902,347
Total operating expenses	26,586,414	26,729,165	26,494,390
Income (loss) from operations	1,295,356	945,204	(923,767)
Nonoperating revenues (expenses)			
Property taxes	3,150,218	2,876,989	2,705,566
Investment income	567,184	503,460	94,844
Other non-operating expense, net	(449,940)	(498,119)	(434,236)
Total nonoperating revenue, net	3,267,462	2,882,330	2,366,174
Change in net position	4,562,818	3,827,534	1,442,407
Net position, beginning of year	36,981,237	33,153,703	31,711,296
Net position, end of year	<u>\$ 41,544,055</u>	<u>\$ 36,981,237</u>	<u>\$ 33,153,703</u>

Some significant components of the change in the Hospital's revenues and expenses are related to net patient service revenue, salaries and benefits, property taxes and investment income.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 Years Ended March 31, 2020 and 2019

- During fiscal year 2020, net patient service revenue decreased \$738,158 or 2.9 percent. This decrease was due to small decreases in a variety of areas including inpatient and outpatient departments including laboratory, radiology and respiratory. During fiscal year 2019, net patient service revenue increased \$1,706,922 or 7.3 percent. This increase was due to an increase in swing bed utilization, cardiopulmonary revenue, advanced imaging revenue and an increase in surgical revenue.
- Impacting the increase in other operating revenue for fiscal year 2020 was the increased reimbursement from participating in upper payment limit programs and other supplemental payment programs.
- In fiscal year 2019, the Hospital reported an increase in operating expenses of \$234,775 or 1 percent. Salary and benefit cost for the Hospital's employees increased \$1,501,425 or 10 percent. Benefits were 32.5 percent of salaries for the year ended March 31, 2019. Contract services decreased \$887,092 due to reduction of consulting services and physical therapists in rehab department transitioned from contract labor to full time employees.
- In fiscal year 2020, the Hospital experienced an increase in non-operating revenues of \$385,132 or 13 percent. This was due to increase in both property taxes and investment income. Total net non-operating revenues increased from fiscal year 2018 to 2019 by \$516,156 or 22 percent due to increases in both property taxes and investment income.
- Change in net position increased by \$735,284 or 19 percent from fiscal year 2019 to 2020 and increased \$2,385,127 or 165 percent from fiscal year 2018 to 2019.

BUDGET TO ACTUAL RESULTS

The Hospital's budget to actual results are presented below for the year ended March 31, 2020:

	Actual	Budget	Favorable (Unfavorable) Variance	
Operating revenues				
Net patient service revenue	\$ 24,451,580	\$ 24,663,562	\$ (211,982)	-0.9%
Other operating revenue	3,430,190	1,858,670	1,571,520	84.6%
Total operating revenue	<u>27,881,770</u>	<u>26,522,232</u>	<u>1,359,538</u>	<u>5.1%</u>
Operating expenses				
Salaries and benefits	15,636,391	16,372,600	736,209	4.5%
Medical supplies and drugs	2,710,654	3,114,744	404,090	13.0%
Provision for depreciation	1,409,064	1,558,838	149,774	9.6%
Other operating expenses	6,830,305	7,224,195	393,890	5.5%
Total operating expense	<u>26,586,414</u>	<u>28,270,377</u>	<u>1,683,963</u>	<u>6.0%</u>
Operating income (loss)	<u>1,295,356</u>	<u>(1,748,145)</u>	<u>3,043,501</u>	<u>174.1%</u>
Non-operating revenue (expense)				
Property taxes	3,150,218	2,806,251	343,967	12.3%
Investment income	567,184	363,054	204,130	56.2%
Other non-operating expense, net	(449,940)	(488,320)	38,380	7.9%
Total non-operating revenue, net	<u>3,267,462</u>	<u>2,680,985</u>	<u>586,477</u>	<u>21.9%</u>
Change in net position	<u>\$ 4,562,818</u>	<u>\$ 932,840</u>	<u>\$ 3,629,978</u>	<u>389.1%</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2020 and 2019

- The favorable variance in other operating revenue was due to the state's increased reimbursement in upper payment limit programs.
- Operating expenses had a favorable variance. The variance in other operating expenses is due to the estimation of group insurance claims expense being higher than actual claims paid.
- Property tax revenue was over budget due to the increase in the allocated assessments from the tax rolls. Investment income was more than budget due to improved investment market through most of fiscal year 2020.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Hospital's appointed officials and management considered many factors when setting the budget for the fiscal year ended March 31, 2020. Included in those factors are the status of the economy and the healthcare environment, which take into account market forces and environmental factors such as:

- Medicare reimbursement, including Disproportionate Share and Supplemental Payment Programs
- Increased number of uninsured and working poor
- Ongoing competition for services
- Workforce issues
- Cost of supplies, including pharmaceuticals
- Ability to recruit medical staff physicians to enhance services offered to the service area
- Combined growth of existing services
- Impact of Healthcare Reform as it relates to reimbursement and employee health insurance coverage

CONTACTING THE HOSPITAL FINANCIAL MANAGER

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

Tracy George, Chief Financial Officer
St. James Parish Hospital
1645 Lutcher Avenue
Lutcher, LA 70071
tgeorge@sjph.org

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL

Statements of Net Position
March 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,804,244	\$ 10,783,673
Patient receivables, net of allowance for doubtful accounts of \$679,460 and \$714,512, respectively	2,279,878	2,563,892
Estimated third-party payor settlements	3,525,113	2,547,815
Inventories	543,914	466,192
Other current assets	329,722	285,886
Total current assets	23,482,871	16,647,458
Restricted and internally designated assets		
Held by trustee for debt service	1,786,578	1,653,295
Internally designated by Board for capital improvements	11,757,755	14,924,124
Total restricted and internally designated assets	13,544,333	16,577,419
Capital assets, net	18,219,068	17,571,301
Net pension asset	619,701	-
Total assets	55,865,973	50,796,178
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows on debt refundings	719,100	797,547
Deferred pension outflows	555,167	2,513,328
Total deferred outflows of resources	1,274,267	3,310,875
Total assets and deferred outflow of resources	57,140,240	54,107,053
LIABILITIES		
Current liabilities		
Current maturities of long-term debt	598,437	579,021
Accounts payable	994,172	663,101
Accrued salaries and wages	1,541,531	1,456,994
Total current liabilities	3,134,140	2,699,116
Long-term debt, less current maturities	10,885,691	11,483,755
Net pension liability	-	2,406,711
Total liabilities	14,019,831	16,589,582
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	1,576,354	536,234
NET POSITION		
Net investment in capital assets	6,734,940	5,508,525
Restricted for debt service	1,786,578	1,653,295
Restricted for pension benefits	619,701	-
Unrestricted	32,402,836	29,819,417
Total net position	\$ 41,544,055	\$ 36,981,237
See accompanying notes.		

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Statements of Revenues, Expenses and Changes in Net Position
Years Ended March 31, 2020 and 2019

	2020	2019
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$1,392,468 and \$1,492,154, respectively	\$ 24,451,580	\$ 25,189,738
Other operating revenue	3,430,190	2,484,631
Total operating revenues	27,881,770	27,674,369
Operating expenses		
Salaries and wages	12,540,074	12,006,385
Employee benefits	3,096,317	3,896,300
Professional fees	1,555,598	1,550,837
Contracted services	2,584,246	2,626,416
Supplies and other	2,710,654	2,568,281
Noncapital equipment, rental, and maintenance contracts	1,141,960	1,201,371
Telephone and utilities	509,131	467,798
Insurance	482,408	476,623
Other operating expenses	556,962	566,441
Provision for depreciation	1,409,064	1,368,713
Total operating expenses	26,586,414	26,729,165
Income from operations	1,295,356	945,204
Nonoperating revenues (expenses)		
Property taxes	3,150,218	2,876,989
Investment income	567,184	503,460
Grants and donations	61,996	35,480
Interest expense	(511,936)	(533,599)
Total nonoperating revenues	3,267,462	2,882,330
Increase in net position	4,562,818	3,827,534
Net position, beginning of year	36,981,237	33,153,703
Net position, end of year	\$ 41,544,055	\$ 36,981,237

See accompanying notes.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL

Statements of Cash Flows
Years Ended March 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 27,188,486	\$ 26,663,840
Payments to suppliers and contractors	(9,349,757)	(9,840,367)
Payments to employees	(15,602,170)	(15,140,660)
Net cash provided by operating activities	2,236,559	1,682,813
Cash flows from noncapital financing activities		
Property taxes	3,150,218	2,876,989
Noncapital grants and contributions	61,996	35,480
Net cash provided by noncapital financing activities	3,212,214	2,912,469
Cash flows from capital and related financing activities		
Principal paid on long-term debt	(578,648)	(560,245)
Interest paid on long-term debt	(511,936)	(533,599)
Purchases of capital assets	(2,071,171)	(1,070,278)
Net cash used in capital and related financing activities	(3,161,755)	(2,164,122)
Cash flows from investing activities		
Purchases of investments	(26,027,660)	(8,009,286)
Proceeds from sale of investments	29,317,516	5,341,061
Interest on investments	443,697	364,202
Net cash provided by (used in) investing activities	3,733,553	(2,304,023)
Net increase in cash and cash equivalents	6,020,571	127,137
Cash and cash equivalents, beginning of year	10,783,673	10,656,536
Cash and cash equivalents, end of year	\$ 16,804,244	\$ 10,783,673
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	\$ 1,295,356	\$ 945,204
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	1,409,064	1,368,713
Provision for bad debts	1,392,468	1,492,154
Loss on disposal of fixed assets	14,340	-
Changes in assets and liabilities		
Patient receivables	(1,108,454)	(1,805,108)
Inventories	(77,722)	(40,153)
Estimated third-party payor settlements	(977,298)	(697,575)
Other current assets	(177,119)	(321,761)
Accounts payable	331,071	(94,314)
Accrued salaries and compensated absences	84,537	289,485
Net pension liability and related accounts	50,316	546,168
Net cash provided by operating activities	\$ 2,236,559	\$ 1,682,813

See accompanying notes.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The St. James Parish Hospital Service District of St. James Parish, Louisiana, d/b/a St. James Parish Hospital (the "Hospital") or ("SJPH"), is an acute care hospital established in 1953. Effective August 1, 2001, the Hospital met the Medicare participation requirements to be classified as a critical access hospital. The Hospital was created by the St. James Parish Police Jury and is a political subdivision of the St. James Parish Council/Police Jury. The St. James Parish Council approves all tax elections. The Hospital Service District is a component unit of the St. James Parish Council.

In fiscal year 2014, operations began for St. James Physician Alliance ("SJPA"). SJPA was formed as a nonprofit corporation whose sole member is the Hospital. Under Governmental Accounting Standards Board ("GASB") Statement No. 61, SJPA's financial data is combined as a blended component unit with the Hospital.

St. James Foundation (the "Foundation") is a nonstock, nonprofit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is organized and operated exclusively for charitable scientific and educational purposes for the benefit of the Hospital. The primary sources of financial support for the Foundation are gifts, grants and contributions from the general public, corporations and charitable organizations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most sensitive estimates included in these financial statements relate to contractual discounts under third-party contracts and the allowance for uncollectible accounts.

Basis of Presentation

The Hospital reports in accordance with accounting principles generally accepted in the United States in accordance with accounting principles promulgated by the GASB. The accompanying financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and highly liquid investments with maturities of three months or less when purchased, excluding amounts whose use is limited by the Board of Commissioners' designation or under trust agreements.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Patient Receivables

Patient accounts receivable are reported at their outstanding unpaid balance adjusted for any write-offs and the allowance for doubtful accounts. Interest income is not accrued on any unpaid balances.

Accounts are considered past due at the time that the balance is 30 days delinquent. Accounts are written off when no payment has been received on the account for 120 days.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for doubtful accounts charged to earnings. Losses are charged against the allowance when management believes the uncollectability of an account is confirmed. Subsequent recoveries, if any, are recognized as income.

The allowance for doubtful accounts is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the accounts in light of historical experience, the nature and volume of the accounts, and the agreements with the respective third-party payors.

Inventories

Inventories are valued using an average cost method.

Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

Restricted and Internally Designated Assets

Noncurrent restricted and internally designated assets include cash and investments set aside by the Board of Commissioners for future capital improvements as well as assets externally restricted for debt service. The Board retains control of the funds set aside for future capital improvements and may, at its discretion, subsequently use them for other purposes.

The Hospital's investments consist of debt and equity securities and are carried at fair value. Interest, dividends and gains and losses on investments, both realized and unrealized, are included in non-operating income when earned.

Capital Assets, Net

Capital asset additions are recorded at cost. Depreciation is computed using the straight-line method with useful lives of the property ranging from three to 40 years. Maintenance, repairs, replacement and improvements of minor importance are expensed. Major replacements and improvements are capitalized. Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Property Taxes

The Hospital receives a 4.75 mills property tax, which is levied in November each year, payable by December 31 of that year. The Hospital records the expected revenues to be received based on factors such as previous years' collections to assessments and the estimated taxable assessed value for the current year. Adjustments are made upon final receipts. The millage is in effect through December 31, 2026.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense or expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Hospital has the following items that are reported as deferred inflows or outflows of resources: deferred amounts on debt refunding and deferred inflows/outflows of resources related to pensions.

Pensions

The Hospital follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") on the financial statements to recognize the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans. The Hospital recognizes benefit payments when due and payable in accordance with benefit terms. Invested assets are reported at fair value. More information on pension activity for the Hospital is included in Note 7.

Compensated Absences

The Hospital's employees earn paid time off and extended illness at varying rates depending on years of service. Employees may accumulate paid time off and be paid if they leave before they exhaust this accumulation. Employees may accumulate extended illness hours but upon termination are not paid for any accumulated extended illness hours.

Risk Management

The Hospital 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, 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.

Self-Insurance Claims

Accrued self-insurance claims represent the Hospital's best estimate of incurred but unpaid expenses for employees' health insurance expense.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Income Taxes

The Hospital is exempt from federal income taxation as a political subdivision of the state of Louisiana, and accordingly, the accompanying basic financial statements do not include any provision for income taxes.

Net Position

The net position of the Hospital is classified in components. Net investment in capital assets net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used to finance the purchase, improvements or construction of those assets. Restricted net position reflects limitations imposed on the assets use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted for debt service represents those assets that are externally restricted by creditors for debt service. Restricted for pension benefits represents assets restricted for providing contributions to the cost-sharing defined benefit pension plan which provides pensions in accordance with the benefit terms of the plan. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are considered in the recognition and accrual of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such reviews may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Management believes it has complied with the requirements of these programs.

Charity Care

The Hospital 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 Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Records of charges foregone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Operating Revenue and Expenses

The Hospital'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 healthcare services, which is the Hospital's principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition and interest income are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Accounting Pronouncements Issued Not Yet Adopted

Governmental Accounting Standards Board Statement No. 84 ("GASB 84")

The Hospital will adopt GASB 84, *Fiduciary Activities*. This statement is meant to provide guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. Fiduciary activities meeting certain criteria (i.e., pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds) will now be reported in a fiduciary fund as part of the basic financial statements. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

Governmental Accounting Standards Board Statement No. 87 ("GASB 87")

The Hospital will adopt GASB 87, *Leases*. This statement will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. Under this statement all leases are required to be recognized as assets and liabilities with associated deferred inflows and outflows of resources on the financial statements. Furthermore, the statement defines a lease and details the considerations for determining the lease term. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

Governmental Accounting Standards Board Statement No. 89 ("GASB 89")

The Hospital will adopt GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement will improve financial reporting by (1) enhancing the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) simplifying accounting for interest cost incurred before the end of a construction period. This statement will supersede GASB 62, requiring that interest cost incurred before the end of a construction period to be recognized as an expense in the period in which the cost was incurred. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

Governmental Accounting Standards Board Statement No. 95 ("GASB 95")

The Hospital will adopt GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement postpones by one year the effective dates of certain GASB pronouncements including GASB 84 and 89 to fiscal years 2022 and 2023, respectively. This statement also postpones the effective date for GASB 87 by eighteen months to fiscal year 2024.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash Deposits and Investments

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law, which are to be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Hospital.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to them. As of March 31, 2020, \$7,052,468 of the Hospital's bank balance totaling \$7,562,035 was exposed to custodial credit risk. \$250,000 of deposits, at each institution, was secured by federal deposit insurance coverage, which was not exposed to custodial credit risk. The remaining deposits, which were exposed to custodial credit risk, were secured by the pledge of securities owned by the fiscal agent bank.

The Hospital's investments generally are reported at fair value, as discussed in Note 1. The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Hospital had the following recurring fair value measurements as of March 31, 2020 and 2019:

Investments by Fair Value Level	2020	Level 1	Level 2	Level 3
U.S. Agencies	\$ 11,757,755	\$ 4,994,750	\$ 6,763,005	\$ -
Total	\$ 11,757,755	\$ 4,994,750	\$ 6,763,005	\$ -

Investments by Fair Value Level	2019	Level 1	Level 2	Level 3
U.S. Agencies	\$ 14,924,124	\$ 5,477,070	\$ 9,447,054	\$ -
Total	\$ 14,924,124	\$ 5,477,070	\$ 9,447,054	\$ -

The Hospital had the following investment maturities as of March 31, 2020 and 2019:

March 31, 2020	Carrying Amount	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Investment Type					
U.S. Agencies	\$ 11,757,755	\$ 8,772,060	\$ 2,985,695	\$ -	\$ -
Total	\$ 11,757,755	\$ 8,772,060	\$ 2,985,695	\$ -	\$ -

March 31, 2019	Carrying Amount	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Investment Type					
U.S. Agencies	\$ 14,924,124	\$ 6,159,116	\$ 8,765,008	\$ -	\$ -
Total	\$ 14,924,124	\$ 6,159,116	\$ 8,765,008	\$ -	\$ -

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 2. Continued

Interest Rate Risk

The Hospital's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk

The Hospital's investment policy, in compliance with Louisiana Revised Statute 33:2955, allows the Hospital to invest in United States Treasuries, United States Agency securities and certificates of deposit. As of March 31, 2020, the Hospital's investment in U.S. Agencies were rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's.

Concentration of Credit Risk

The Hospital's investment policy does not limit the amount the Hospital may invest in any one issuer. More than 5 percent of the Hospital's investments are in the Federal Credit Bank, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal Agricultural Mortgage Corporation and the Federal National Mortgage Association. These investments are 16 percent, 23 percent, 19 percent, 4 percent, and 38 percent of total investments, respectively, as of March 31, 2020.

Note 3. Restricted and Internally Designated Assets

The amounts reported as restricted assets are comprised of cash held by the trustee bank for debt service on behalf of the Hospital related to their required long-term debt described in Note 6. In addition, internally designated funds for capital acquisitions are set aside under the control of the Board of Commissioners and may, at its discretion, use these funds for other purposes.

The restricted and internally designated assets, which consist of cash, certificates of deposits and U.S. Agencies, as of March 31 are as follows:

	2020	2019
Held by trustee for debt service		
Sinking fund	\$ 137	\$ 133
Reserve fund – rural development	1,055,935	988,332
Contingency fund	661,477	600,445
Rural Development transfer account	69,029	64,385
Internally designated for capital acquisitions	11,757,755	14,924,124
Total	\$ 13,544,333	\$ 16,577,419

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 4. Patient Accounts Receivable

Patient accounts receivable consist of the following:

	2020	2019
Receivable from patients and their insurance carriers	\$ 2,139,419	\$ 2,279,158
Receivable from Medicare	2,597,686	2,553,524
Receivable from Medicaid	963,273	1,449,904
Total patient receivables	5,700,378	6,282,586
Less: allowance for contractual adjustments and doubtful accounts	3,420,500	3,718,694
Patient accounts receivable, net	<u>\$ 2,279,878</u>	<u>\$ 2,563,892</u>

Note 5. Capital Assets

Capital assets and depreciation activity for the year ended March 31, 2020, follows:

	March 31, 2019	Additions	Disposals	March 31, 2020
Capital assets not being depreciated:				
Land	\$ 1,227,036	\$ 253,879	\$ -	\$ 1,480,915
Construction in progress	92,939	1,181,209	(93,727)	1,180,421
Total capital assets not being depreciated	<u>1,319,975</u>	<u>1,435,088</u>	<u>(93,727)</u>	<u>2,661,336</u>
Capital assets being depreciated:				
Buildings and improvements	24,702,529	-	-	24,702,529
Equipment	10,255,357	729,809	(264,300)	10,720,866
Total capital assets being depreciated	<u>34,957,886</u>	<u>729,809</u>	<u>(264,300)</u>	<u>35,423,395</u>
Less: total accumulated depreciation	<u>(18,706,560)</u>	<u>(1,409,064)</u>	<u>249,961</u>	<u>(19,865,663)</u>
Total capital assets being depreciated, net	<u>16,251,326</u>	<u>(679,255)</u>	<u>(14,339)</u>	<u>15,557,732</u>
Capital assets, net	<u>\$ 17,571,301</u>	<u>\$ 755,833</u>	<u>\$ (108,066)</u>	<u>\$ 18,219,068</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

Capital assets and depreciation activity for the year ended March 31, 2019, follows:

	March 31, 2018	Additions	Disposals	March 31, 2019
Capital assets not being depreciated:				
Land	\$ 1,227,036	\$ -	\$ -	\$ 1,227,036
Construction in progress	-	92,939	-	92,939
Total capital assets not being depreciated	1,227,036	92,939	-	1,319,975
Capital assets being depreciated:				
Buildings and improvements	24,635,683	66,846	-	24,702,529
Equipment	9,558,499	910,493	(213,635)	10,255,357
Total capital assets being depreciated	34,194,182	977,339	(213,635)	34,957,886
Less: total accumulated depreciation	(17,551,482)	(1,368,713)	213,635	(18,706,560)
Total capital assets being depreciated, net	16,642,700	(391,374)	-	16,251,326
Capital assets, net	\$ 17,869,736	\$ (298,435)	\$ -	\$ 17,571,301

For the years ended March 31, 2020 and 2019, depreciation expense was \$1,409,064 and \$1,368,713, respectively.

Note 6. Long-Term Debt

A schedule of changes in the Hospital's long-term debt for the year ended March 31, 2020, follows:

	Balance March 31, 2019	Additions	Retirements	Balance March 31, 2020	Due Within One Year
Revenue Bonds					
Series 2008 R-1	\$ 6,597,047	\$ -	\$ (118,237)	\$ 6,478,810	\$ 123,596
Series 2014	5,465,729	-	(460,411)	5,005,318	474,841
Total debt	\$ 12,062,776	\$ -	\$ (578,648)	\$ 11,484,128	\$ 598,437

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 6. Continued

A schedule of changes in the Hospital's long-term debt for the year ended March 31, 2019, follows:

	Balance March 31, 2018	Additions	Retirements	Balance March 31, 2019	Due Within One Year
Revenue Bonds					
Series 2008 R-1	\$ 6,710,872	\$ -	\$ (113,825)	\$ 6,597,047	\$ 118,610
Series 2014	5,912,149	-	(446,420)	5,465,729	460,411
Total debt	<u>\$ 12,623,021</u>	<u>\$ -</u>	<u>\$ (560,245)</u>	<u>\$ 12,062,776</u>	<u>\$ 579,021</u>

On July 2, 2008, the Hospital issued \$7,600,000 of Revenue Bonds, Series 2008 R-1, as a single, fully registered bond issue, payable through July 2, 2048, at an interest rate of 4.125 percent.

On June 4, 2014, the Hospital issued \$7,470,000 of Hospital Revenue Refunding Bonds, Series 2014, as a single, fully registered bond issue, payable through June 2, 2029, at an interest rate of 3.09 percent to current refund \$8,185,000 of outstanding 2008 Series A-D bonds with an average interest rate of 7.80 percent. The proceeds of \$7,470,000, together with internal funds of \$1,856,370 (which includes monies in the existing sinking fund, a call premium, a forward fee and accrued interest), were used to secure the repayment of the outstanding 2008 Series bonds. As a result, the 2008 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,176,708. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2030 using the straight-line method. For the years ended March 31, 2020 and 2019, the deferred amount on refunding totaled \$719,100 and \$797,547, respectively.

The bonds are collateralized by a pledge of the Hospital Service District's revenue, land, building and improvements, and personal property thereon. Under the terms of the revenue note indenture, the Hospital is required to maintain certain deposits with a trustee, as mentioned in Note 3. Such deposits are included in restricted and internally designated assets in the statements of net position. These funds are maintained at the trustee and require monthly funding by the Hospital Service District. The revenue note indenture also requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding. The Hospital was in compliance with all covenants of its outstanding bond issues at March 31, 2020 and 2019.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 6. Continued

Scheduled interest and principal payments on long-term debt at March 31, 2020 are as follows:

Year Ending March 31,	Principal	Interest
2021	\$ 598,437	\$ 412,893
2022	618,516	392,815
2023	639,278	372,052
2024	660,750	350,581
2025	682,954	328,376
2026 – 2030	3,303,394	1,286,144
2031 – 2035	1,014,653	927,907
2036 – 2040	1,246,627	695,933
2041 – 2045	1,531,639	410,921
2046 – 2049	1,187,880	84,008
	\$ 11,484,128	\$ 5,261,630

Note 7. Pension Plan

Plan Description

The Hospital is a member of the Parochial Employees' Retirement System of Louisiana ("PERS" or the "System"), a cost-sharing multiple-employer defined benefit pension plan. All full-time, permanent employees working at least 28 hours per week who are paid wholly or in part from the Hospital's funds are eligible to participate in PERS Plan B ("Plan B").

Under PERS Plan B, any member can retire providing he/she meets one of the following:

For employees hired prior to January 1, 2007:

1. Age 55 with thirty (30) years of creditable service
2. Age 60 with a minimum of ten (10) years of creditable service
3. Age 65 with a minimum of seven (7) years of creditable service

For employees hired after January 1, 2007:

1. Age 55 with thirty (30) years of service
2. Age 62 with ten (10) years of service
3. Age 67 with seven (7) years of service

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to 2 percent of the member's final average compensation multiplied by his years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues a publicly available financial report that includes financial statements and required supplementary information.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, accessed via internet at www.persla.gov, or by calling (225) 928-1361.

Contributions

Contributions to Plan B include one-fourth of 1 percent of the taxes shown to be collectible by the tax rolls of each parish except Orleans and East Baton Rouge parishes. Plan B members are required to contribute 3 percent of their annual covered salary. The Hospital is required to contribute at an actuarially determined rate. The current rate is 7.50 percent of annual covered salary for the years ended March 31, 2020 and 2019. As provided by LRS 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation of the prior year. The Hospital's contributions to Plan B for the years ended March 31, 2020 and 2019, were \$720,500 and \$736,059, respectively, which is equal to the required contribution.

Net Pension Asset (Liability)

At March 31, 2020 and 2019, the Hospital reported an asset (liability) of \$619,701 and (\$2,406,711), respectively, for its proportionate share of the net pension asset (liability). The net pension asset (liability) was measured as of December 31, 2019 and 2018 and was determined by actuarial valuation as of that date. The Hospital's proportion of the net pension asset (liability) was based on a projection of the Hospital's long-term share of contributions to the pension plan relative to the projected contributions of all municipalities, actuarially determined. At December 31, 2019 and 2018, the Hospital's proportion was 8.565762 percent and 8.908301 percent, respectively.

For the years ended March 31, 2020 and 2019, the Hospital recognized pension expense of \$700,210 and \$1,181,763, respectively. At March 31, 2020 and 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to its pension from the following sources:

	2020	2019
Deferred outflows of resources		
Pension contributions subsequent to measurement date	\$ 167,966	\$ 190,748
Difference between expected and actual experience	18,340	-
Net difference between projected and actual earnings on pension plan investments	-	1,648,024
Changes of assumptions	365,599	668,739
Changes in proportion and differences between Hospital change in proportion	3,262	5,817
Total deferred outflows of resources	<u>\$ 555,167</u>	<u>\$ 2,513,328</u>
Deferred inflows of resources		
Difference between expected and actual experience	\$ 264,293	\$ 536,234
Net difference between projected and actual earnings on pension plan investments	1,294,003	-
Changes in proportion and differences between Hospital change in proportion	18,058	-
Total deferred inflows of resources	<u>\$ 1,576,354</u>	<u>\$ 536,234</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

In the years ended March 31, 2020 and 2019, respectively, \$167,966 and \$190,748, reported as deferred outflows of resources related to pensions resulting from the Hospital's contributions subsequent to the measurement date, will be recognized as an addition (reduction) to net pension asset (liability).

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an expense in pension expense/(benefit) as follows:

2021	\$ (341,118)
2022	(361,614)
2023	103,631
2024	<u>(590,052)</u>
	<u>\$ (1,189,153)</u>

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining net pension liability as of March 31, 2020, is as follows:

Valuation date	December 31, 2019
Actuarial cost	Method Entry Age Normal
Investment return	6.50% (Net of Investment Expense, including inflation)
Expected remaining service lives	Four Years
Projected salary increases	4.25% (1.85% Merit/2.40% Inflation)
Cost of living adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Mortality	PUB-2010 Public Retirement Plans Mortality Table for General Employees was selected for employees. Pub-2010 Public Retirement Plans Mortality Table for Healthy Retirees was selected for annuitants and beneficiaries. PUB-2010 Public Retirement Plans Mortality Table for General Disabled Retirees was selected for disabled annuitants.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	35%	1.22%
Equity	52%	3.45%
Alternatives	11%	0.65%
Real assets	2%	0.11%
	<u>100%</u>	<u>5.43%</u>
Inflation		<u>2.00%</u>
Expected arithmetic normal rate		<u>7.43%</u>

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward-looking basis in equilibrium, in which best estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00 percent and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.43 percent, for the year ended December 31, 2019.

The discount rate used to measure the total pension liability was 6.50 percent for Plan B as of March 31, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement System's Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

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

The following presents the net pension asset (liability) of the Hospital as of March 31, 2020 and 2019, using the discount rate of 6.50 percent as of March 31, 2020 and 2019.

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
2020	\$ (3,329,046)	\$ 619,701	\$ 3,920,141
2019	(6,331,855)	(2,406,711)	872,538

Note 8. Patient Service Revenue

The Hospital has agreements with third-party payors providing payments to the Hospital at amounts different from the Hospital's established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

Since obtaining critical access designation, inpatient and outpatient services rendered to Medicare programs beneficiaries are reimbursed under cost reimbursement methodologies. The Hospital is reimbursed by the Medicare fiscal intermediary at a tentative interim rate with final settlement determined with the submission of annual cost reports and audits. The Hospital's Medicare cost reports have been filed with the Medicare fiscal intermediary through March 31, 2020. Desk reviews have been performed on reports issued through March 31, 2017.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been filed with the fiscal intermediary through March 31, 2020. A desk review has been performed on Medicaid reports issued through March 31, 2017.

Other

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

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

A summary of patient service revenue as of March 31 follows:

	2020	2019
Gross patient service revenue	\$ 55,150,826	\$ 56,167,121
Less provisions for		
Contractual adjustments under third-party reimbursement programs and managed care contracts	29,306,778	29,485,229
Uncollectible accounts	1,392,468	1,492,154
Net patient service revenue	\$ 24,451,580	\$ 25,189,738

The Hospital is located in Litcher, Louisiana and grants credit without personal collateral to its patients and their insurance companies, most of whom are residents in the area. The mix of patient service revenues is as follows:

	2020	2019
Medicare	17%	18%
Medicare Advantage	27	24
Medicaid	26	27
Commercial Providers	26	27
Self-pay	4	4
	100%	100%

Note 9. Charity Care

The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated \$182,383 and \$187,910 for the years ended March 31, 2020 and 2019, respectively. The estimated cost of charity care, estimated using a ratio of cost-to-gross charges, totaled approximately \$88,000 and \$89,000 for the years ended March 31, 2020 and 2019, respectively.

Note 10. Insurance Programs

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self-insurance of (1) hospital professional liability and comprehensive general liability, and (2) statutory workers' compensation. The Hospital carries commercial insurance for all other risk of loss.

The trust funds for professional liability/comprehensive general liability and statutory workers' compensation are pooling arrangements whereby there is a sharing of risk among the participants of the trust funds. The Hospital reports its premiums as insurance expenditures and expenses these premiums over the pro rata periods involved.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 10. Continued

The Hospital is self-insured for its employees' health claims. The Hospital has commercial insurance that provides coverage for claims in excess of certain self-insured limits. The Hospital accrued approximately \$280,510 and \$412,451 at March 31, 2020 and 2019, respectively.

The following table summarizes the changes to self-insured liability:

Year ended March 31,	Beginning of fiscal year liability	Current year claims and changes in estimate	Claims paid	Balance at fiscal year end
2020	\$ 412,451	\$ 1,397,094	\$ (1,529,035)	\$ 280,510
2019	\$ 239,048	\$ 1,726,462	\$ (1,553,059)	\$ 412,451

Note 11. Louisiana Supplemental Payment Program

On February 3, 2015, the Hospital entered into a cooperative endeavor agreement with another provider, who delivers supplemental payments to participating hospitals to be used solely to provide adequate and essential medically necessary and available healthcare services to the participant's rural service populations. The term of this agreement is one year with automatic renewals for additional terms of one year each unless previously terminated. The agreement may be terminated by either party with thirty days' written notice.

The Hospital recognized total revenue of approximately \$2,796,000 and \$1,706,000 in 2020 and 2019, respectively. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenues, expenses and changes in net position.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 12. Blended Component Units

In accordance with GASB No. 61, see below for a reconciliation of the financial statement line items by component:

	March 31, 2020		
	SJPH	SJPA	Total
Condensed Statements of Net Position			
Assets			
Current assets	\$ 23,280,447	\$ 202,424	\$ 23,482,871
Restricted and internally designated assets	13,544,333	-	13,544,333
Capital assets	18,219,068	-	18,219,068
Net pension asset	619,701	-	619,701
Total assets	55,663,549	202,424	55,865,973
Deferred outflows of resources	1,274,267	-	1,274,267
Total assets and deferred outflows of resources	\$ 56,937,816	\$ 202,424	\$ 57,140,240
Liabilities			
Current liabilities	\$ 3,035,563	\$ 98,577	\$ 3,134,140
Long-term liabilities	10,885,691	-	10,885,691
Total liabilities	13,921,254	98,577	14,019,831
Deferred inflows of resources	1,576,354	-	1,576,354
Net position	41,440,208	103,847	41,544,055
Total liabilities and deferred inflows of resources and net position	\$ 56,937,816	\$ 202,424	\$ 57,140,240
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	\$ 25,976,108	\$ 1,905,662	\$ 27,881,770
Depreciation	1,409,064	-	1,409,064
Other operating expenses	23,289,923	1,887,427	25,177,350
Non-operating revenues	3,267,462	-	3,267,462
Change in net position	\$ 4,544,583	\$ 18,235	\$ 4,562,818
Condensed Statements of Cash Flows			
Net cash provided by (used in)			
Operating activities	\$ 2,495,581	\$ (259,022)	\$ 2,236,559
Noncapital financing activities	3,212,214	-	3,212,214
Capital and related financing activities	(3,161,755)	-	(3,161,755)
Investing activities	3,733,553	-	3,733,553
Change in cash	6,279,593	(259,022)	6,020,571
Beginning cash	10,354,130	429,543	10,783,673
Ending cash	\$ 16,633,723	\$ 170,521	\$ 16,804,244

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 12. Continued

	March 31, 2019		
	SJPH	SJPA	Total
Condensed Statements of Net Position			
Assets			
Current assets	\$ 16,545,611	\$ 101,847	\$ 16,647,458
Restricted and internally designated assets	16,577,419	-	16,577,419
Capital assets	17,571,301	-	17,571,301
Total assets	50,694,331	101,847	50,796,178
Deferred outflows of resources	3,310,875	-	3,310,875
Total assets and deferred outflows of resources	\$ 54,005,206	\$ 101,847	\$ 54,107,053
Liabilities			
Current liabilities	\$ 2,615,505	\$ 83,611	\$ 2,699,116
Long-term liabilities	13,890,466	-	13,890,466
Total liabilities	16,505,971	83,611	16,589,582
Deferred inflows of resources	536,234	-	536,234
Net position	36,963,001	18,236	36,981,237
Total liabilities and deferred inflows of resources and net position	\$ 54,005,206	\$ 101,847	\$ 54,107,053
Condensed Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues	\$ 25,797,438	\$ 1,876,931	\$ 27,674,369
Depreciation	1,368,713	-	1,368,713
Other operating expenses	23,501,757	1,858,695	25,360,452
Non-operating revenues	2,882,330	-	2,882,330
Change in net position	\$ 3,809,298	\$ 18,236	\$ 3,827,534
Condensed Statements of Cash Flows			
Net cash provided by (used in)			
Operating activities	\$ 1,500,752	\$ 182,061	\$ 1,682,813
Noncapital financing activities	2,912,469	-	2,912,469
Capital and related financing activities	(2,164,122)	-	(2,164,122)
Investing activities	(2,304,023)	-	(2,304,023)
Change in cash	(54,924)	182,061	127,137
Beginning cash	10,409,054	247,482	10,656,536
Ending cash	\$ 10,354,130	\$ 429,543	\$ 10,783,673

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Years Ended March 31, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 13. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus, and actions taken to mitigate the spread of it, have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

The Hospital applied under the Paycheck Protection Program ("PPP") within the CARES Act and on May 4, 2020, received approximately \$2,280,000 under the PPP Loan. Current rules stipulate that some or all of the PPP Loan will be forgiven if the sum of payments made during the covered period (either the eight week or twenty-four week period after the distribution date) for payroll, building rents and utilities and state taxes, is equal to or exceeds the PPP Loan amount. The Hospital tracks all costs associated with the published forgiveness criteria.

Through July 2020, the Hospital has received approximately \$6,200,000 from the Public Health and Social Services Emergency Fund for Provider Relief ("Relief Fund"). The purpose of this funding is to reimburse healthcare providers who provide or provided diagnoses, testing or care for individuals with possible or actual cases of COVID-19 and utilized such payments to prevent, prepare for and respond to COVID-19. The funding shall be used to reimburse healthcare related expenses or lost revenues attributable to COVID-19. The laws and regulations related to the funds provided via the CARES Act are complex and subject to interpretation as well as frequent changes. Due to the uncertainty, there is a possibility that government authorities may review the Hospital's compliance which may result in adjustments to funds previously received. The Hospital's management will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the impact of the pandemic on the Hospital's revenues and expenses.

Over a span of less than 30 days from March to April 2020, the Hospital experienced a 90 percent reduction in outpatient service volumes. Due to the state mandated postponement of elective procedures and decrease in outpatient services, the Hospital has experienced significant lost revenues. These lost revenues have been offset in part by relief funds received subsequent to fiscal year-end which were provided to the Hospital via the CARES Act. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial impact will be to the Hospital.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 24, 2020, and determined that no events occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ST. JAMES PARISH HOSPITAL
Schedule of Employer Contributions and Proportionate Share of Net Pension Liability
PERS Pension Plan
March 31, 2020

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2020	2019	2018	2017	2016
Statutorily required employer contribution	\$ 720,500	\$ 736,059	\$ 686,766	\$ 673,259	\$ 720,694
Contributions in relation to the statutorily required contributions	(720,500)	(736,059)	(686,766)	(673,259)	(720,694)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 9,606,662	\$ 9,419,282	\$ 8,712,618	\$ 8,415,735	\$ 8,224,215
Contributions as a percentage of covered-employee payroll	7.50%	7.81%	7.88%	8.00%	8.76%

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	2020	2019	2018	2017	2016
Proportion of the net pension asset (liability)	8.565762%	8.908301%	8.532025%	8.408189%	8.710641%
Proportionate share of the net pension asset (liability)	\$ 619,701	\$ (2,406,711)	\$ 1,073,503	\$ (1,092,285)	\$ (1,550,889)
Covered-employee payroll	\$ 9,606,662	\$ 9,419,282	\$ 8,712,618	\$ 8,415,735	\$ 8,224,215
Proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	6%	-26%	12%	-13%	-19%
Plan fiduciary net position as a percentage of the total pension liability	102%	92%	104%	96%	93%

* The amounts presented for each fiscal year were determined as of December 31.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended March 31, 2020

Agency Head

Mary Ellen Pratt, Chief Executive Officer

Purpose	Amount
Salary	\$ 231,400
Benefits – Insurance	7,537
Benefits – Retirement	16,804
Benefits – Other – Employer 457 Match	7,842
Benefits – Other – FICA Medicare	3,432
Benefits – Other – FICA OADSI	8,241
Car Allowance	6,750
Vehicle Provided by Government	-
Cellphone	-
Per Diem	-
Reimbursements	-
Travel	944
Registration Fees	-
Conference Travel	2,785
Continuing Professional Education Fees	-
Housing	-
Unvouchered Expenses	-
Other – Dues	-



**INDEPENDENT AUDITOR'S 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***

Board of Trustees
St. James Parish Hospital Service District
Lutcher, Louisiana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of St. James Parish Hospital Service District (the "Hospital"), as of March 31, 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated September 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital'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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "HORNE LLP". The letters are in a cursive, slightly slanted font.

Ridgeland, Mississippi
September 24, 2020