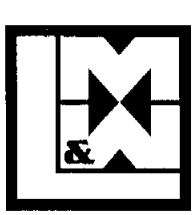
ABBEVILLE GENERAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2017, 2016, AND 2015



LESTER, MILLER & WELLS
A Corporation of Certified Public Accountants

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF VERMILION, STATE OF LOUISIANA
d/b/a ABBEVILLE GENERAL HOSPITAL
HOSPITAL ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

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Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis

Our discussion and analysis of Abbeville General Hospital's (Hospital's) financial performance provides an overview of the Hospital's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the Hospital's financial statements, which begin on page 4.

Financial Highlights

- The Hospital's total assets increased by approximately $9,144,000 or roughly 23.4%. The Hospital's total liabilities increased by approximately $3,698,000, or roughly 34.9%.
- During the year, the Hospital's net operating revenue increased by approximately $5,703,000 due to an increase in Net Patient Service Revenues. Expenses were up 7.6% or approximately $3,296,000. The Hospital had a net operating income of $4,043,774.

Using This Annual Report

The Hospital's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

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

Our analysis of the Hospital finances begins on page 4. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received and paid.

These two statements report the Hospital's net position and changes in them. You can think of the Hospital's net position – the difference between assets and liabilities – as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measure of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

The Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheet on page 4. The Hospital's net position increased in 2017 by $5,445,893 while it increased by $1,695,002 (6.3% in 2016) and increased by $4,151,175 (18.4% in 2015), as indicated in **Table 1.**

Table 1: Assets, Liabilities and Net Assets

	December 31		
	2017	2016	2015
Total Current Assets	$17,448,896	$12,968,634	$11,704,817
Land	875,780	881,280	881,280
Capital Assets – Net	20,198,841	18,307,024	16,255,285
Other Assets, Including Board - Designated Investments	9,674,848	6,897,534	3,801,510
Total Assets	$48,198,365	$39,054,472	$32,642,892
Current Liabilities	$ 7,033,822	$ 4,345,079	$ 3,668,994
Long-term Debt/Liabilities	7,260,492	6,251,235	2,210,742
Total Liabilities	14,294,314	10,596,314	5,879,736
Net Position	33,904,051	28,458,158	26,763,156
Total Liabilities and Net Position	$48,198,365	$39,054,472	$32,642,892

A significant component of the change in the Hospital's current assets is the increase in cash, accounts receivable and other receivables. During the latter part of fiscal year 2017, the Hospital converted to a new electronic health records system, which delayed the process of claims. In fiscal year 2017, other receivables increased by roughly $2,105,000, while cash increased by $1,315,304. The increase in other receivables is related to the timing of a capital grant. In fiscal year 2016, other receivables increased by roughly $1,970,000 compared to a decrease of roughly $1,210,000 in 2015.

Revenues, Expenses and Changes in the Hospital's Net Position

The following table presents a summary of the Hospital's revenues, expenses and changes in net position for the fiscal years ended December 31, 2017, 2016, and 2015.

Table 2: Revenues, Expenses and Changes in Net Position

	2017	2016	2015
Revenues:			
Net Patient Svc Revenue	$42,325,311	$36,556,740	$33,367,904
Other Revenue	8,587,362	8,652,482	10,527,958
Total Revenues	50,912,673	45,209,222	43,895,862
Expenses:			
Salaries & Benefits	27,481,355	25,478,489	23,360,382
Medical Supplies	5,596,863	4,422,285	4,172,456
Professional Fees	2,931,596	3,420,229	3,102,635
Other Operating Expense	8,908,969	8,400,225	7,275,987
Depr & Amort	1,950,116	1,852,127	1,907,073
Total Operating Expense	46,868,899	43,573,355	39,818,533
Net Operating Income	4,043,774	1,635,867	4,077,329
Investment Income	24,988	26,167	15,901
Interest Expense	(114,947)	(92,807)	(130,572)
Non Operating Income	1,492,078	125,775	188,527
Changes is Net Position	5,445,893	1,695,002	4,151,185
Net Position – Beginning of Year	28,458,158	26,763,156	22,611,971
Net Position – End of Year	$33,904,051	$28,458,158	$26,763,156

Operating Income

The first component of the overall change in the Hospital's net position is its operating income (loss) – generally, the difference between net patient service revenue and other revenue, and the expenses incurred to perform those services. In the past three years, the Hospital has reported a positive operating income. In each of the past three years, operating revenues have increased in large part due to the net patient revenue and grant revenue increases. Operating revenue for 2017 increased by $5,703,451 or 12.6% compared to an increase of $1,313,360 or 3.0% in 2016 and an increase of $6,330,644 or 16.9% in 2015.

Operating Income (continued)

The Hospital has experienced an increase in inpatient services as seen in **Table 5**. While inpatient services have increased slightly in the past three years, the Hospital's outpatient procedures, visits and tests have increased more significantly. Such increases have occurred in the operating room, radiology, laboratory, pharmacy and rural health clinic. Over the past several years the Hospital industry has experienced the trend of inpatient services shifting towards outpatient. This trend is attributed to advances in medicine and the changes in third-party payors requiring more stringent criteria for inpatient admissions and length of stay.

Total salaries and benefits expense increased $2,002,866 or 7.9% in 2017, $2,118,107 or 9.1% in 2016, and $374,744 or 1.6% in 2015. Total salaries and benefits increased significantly from 2016 to 2017. As a percentage of net patient service revenue, salary and benefit expense was approximately 64.9%, 69.7% and 70.0% for the fiscal years ended December 2017, 2016 and 2015, respectively. The Hospital employs various physicians. The total salaries of physicians are $2,438,489, $2,113,166 and $2,112,409 for 2017, 2016 and 2015, respectively.

The rate of health care inflation has a direct effect on the cost of services provided by the Hospital. A component of the Hospital's costs is expenses for medical and professional services. In 2017, medical and professional services costs totaled $2.9 million. In 2016, they totaled $3.4 million or 7.8 percent of total expenses and an increase of 10.2 percent over 2015.

Source of Revenue

During fiscal year 2017, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes operating grants, sales tax support, cafeteria sales, rental income and other miscellaneous services.

Source of Revenue (continued)

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2017, 2016 and 2015.

Table 3: Payor Mix by Percentage

	Year-end December 31		
	2017	2016	2015
Medicare	38.0%	41.9%	42.1%
Medicaid	37.3%	25.4%	21.8%
Blue Cross Blue Shield	10.7%	10.7%	11.4%
Commercial Insurance	8.2%	11.9%	13.3%
Self-Pay and Other	5.8%	10.1%	11.4%
Total Patient Revenues	100.0%	100.0%	100.0%

Other Revenue

Other revenue includes operating grants, sales tax revenue, cafeteria sales, rental income and other miscellaneous services. Other revenue decreased by $65,120 or 0.8%.

Table 4: Other Revenue

	Year-end December 31		
	2017	2016	2015
Other Revenue:			
Sales Tax Revenue	$ 2,743,413	$ 2,634,016	$ 2,903,237
Cafeteria Sales	300,233	280,581	256,083
Joint Venture Revenue	-0-	586	48,902
Vending Machine Commission	12,242	12,774	13,295
Grants	5,336,630	5,528,649	7,198,929
Physician Office Rentals	85,820	85,501	84,061
Medical Records Abstract Fees	9,824	11,387	9,881
Other	99,200	98,988	13,570
Total Other Revenue	$ 8,587,362	$ 8,652,482	$ 10,527,958

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of capital grants and interest income. The capital grant of $1,492,078 was for the purpose of constructing a dual-purpose safe room. The dual-purpose safe room will become the new inpatient psychiatric facility. However, during a hurricane it will be utilized as a safe shelter for essential Hospital personnel and emergency first responders. Investment income decreased 4.5% to $24,988 in fiscal year 2017 from $26,167 in 2016.

Operating and Financial Performance

The following summarizes the Hospital's statements of changes in net position between 2017, 2016, and 2015.

Overall, activity at the Hospital, as measured by admissions of adults, pediatrics, and newborns, increased by 9.7% to 1,658 admissions in 2017 from 1,511 admissions in 2016. Patient days increased 2.2% from 6,026 in fiscal year 2016 to 6,161 in fiscal year 2017, and decreased 5.3% from fiscal year 2015 to 2016. The average length of stay for acute care patients (excluding newborns) decreased 8.6% from 2016 to 2017.

Table 5: Patient and Hospital Statistical Data

	Year-end December 31		
	2017	2016	2015
Admissions:			
Adult and Pediatric	1,403	1,261	1,286
Newborn	255	250	266
BMC	531	561	587
Patient Days:			
Adult and Pediatric	5,685	5,582	5,893
BMC	5,101	5,252	4,600
Medicare (Included in Adult & Pediatric)	3,057	3,283	3,296
Medicaid (Included in Adult & Pediatric)	103	118	227
Medicaid Managed Care	1,556	1,239	1,512
Newborn	476	444	469
Operating Room Procedures	2,028	1,848	1,736
Emergency Room Visits	20,468	18,280	16,995
Average Daily Census (Excluding Newborn):			
Adult and Pediatric	15.53	15.25	16.15
BMC	13.94	14.35	12.60
Average Length of Stay (Excluding Newborn):			
All Acute Care Patients	4.05	4.43	4.58
Medicare Patients	5.01	5.38	5.50
Medicaid Patients	5.15	5.90	5.04
Percentage of Acute-Care Patient Days:			
Medicare	53.77%	58.81%	55.93%
Medicaid	29.18%	24.31%	29.51%
Full-Time Equivalents (FTE's)	425	397	376

Operating and Financial Performance (continued)

Allowances increased over prior year as described in the table below:

Table 6: Allowance Summary

	Year-end December 31		
	2017	2016	2015
Allowances:			
Medicare Contractual Allowances	$38,281,367	$36,033,474	$33,433,507
Medicaid Contractual Allowances	30,219,426	20,491,778	14,423,328
Blue Cross, Louisiana State Employees, and other Contractual Allowances	23,265,932	18,318,694	19,450,013
Provision for Bad Debt	5,030,318	5,846,742	6,100,762
Other Adjustments	804,685	987,456	480,856
Charity Care	1,363,469	2,680,274	4,074,790
Total Allowances	$98,965,197	$84,358,418	$77,963,256

The Hospital experienced a decrease in accounts receivable collection efforts as days of revenue in accounts receivable increased from 58 days in 2016 to 64 days in 2017. The days of revenue in accounts receivable for 2015 was 61 days. Excluded from net patient service revenue are charges forgone for patient services falling under the Hospital's charity care policy. Based on established rates, gross charges of $1,363,469 were forgone during 2017, compared to $2,680,274 in 2016, and $4,074,790 in 2015.

Capital Asset and Debt Administration

Capital Assets

At the end of 2017, the Hospital had $20.2 million invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2017, the Hospital purchased capital assets costing $3,841,933. Of this, $3,097,000 (66.4%) was the acquisition of new equipment and building repairs as can be seen in **Table 8.**

Capital Asset and Debt Administration (continued)

Table 7: Capital Assets

	2017	2016	2015
Land Improvements	$ 1,070,509	$ 780,079	$ 770,579
Building & Equipment	53,902,276	51,441,804	50,735,565
Subtotal	54,972,785	52,221,883	51,506,144
Less Accumulated Depr.	37,964,982	37,093,697	35,635,857
Construction in Progress	3,191,038	3,178,838	384,998
Net Property, Plant & Equipment	$20,198,841	$18,307,024	$16,255,285

Table 8: Major Purchases over $100,000

Capital Investment	2017 Cost
Elevator	392,000
Erath/Delcambre clinic (remaining construction cost)	314,000
Safe room/behavioral medicine center (under construction)	2,391,000

Debt

At year-end, the Hospital had $7,951,235 in short-term and long-term debt. Long-term debt increased by approximately $1,176,000 in fiscal year 2017. More detailed information about the Hospital's long-term liabilities is presented in the note 9 to basic financial statements. Total debt outstanding represents approximately 16.5% of the Hospital's total assets at December 31, 2017 versus prior years of 17.3% and 7.0% respectfully.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital administration.

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Independent Auditors' Report

To the Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Hospital Service District No. 2, Parish of Vermilion, State of Louisiana, Abbeville General Hospital (the Hospital), a component unit of the Vermilion Parish Police Jury, as of and for the years ended December 31, 2017, 2016 and 2015, 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.

Auditors' Responsibility

Our responsibility is to express 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 audits to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital, as of December 31, 2017, 2016 and 2015, and the respective changes in financial position and cash flows thereof 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 Vermilion Parish Hospital Service District No. 2 and do not purport to, and do not, present fairly the financial position of Vermilion Parish Police Jury as of December 31, 2017, 2016 and 2015, 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 "viii" 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 response 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 an opinion on the financial statements that collectively comprise the Hospital'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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were 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 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 June 18, 2018, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Hospital's internal control over financial reporting and compliance.

Lester, Mills & Wells

Certified Public Accountants
Alexandria, Louisiana

June 18, 2018

ABBEVILLE GENERAL HOSPITAL
STATEMENTS OF NET POSITION
DECEMBER 31,

	2017	2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents (Note 3)	$ 2,365,185	$ 1,049,881	$ 2,474,032
Short-term investments	460,018	456,587	450,466
Limited use assets (Note 7)	16,540	2,346	3,388
Accounts receivable, net of allowances for uncollectibles (Note 4)	7,428,076	5,750,100	5,568,524
Estimated third-party payor settlements	337,093	1,130,735	617,534
Other receivables	5,384,544	3,279,075	1,308,803
Inventories	977,875	885,333	923,492
Prepaid expenses	479,565	414,577	358,578
Total Current Assets	17,448,896	12,968,634	11,704,817
Non-Current Assets			
Land	875,780	881,280	881,280
Capital assets, net (Note 5)	20,198,841	18,307,024	16,255,285
Limited use assets (Note 7)	6,220,103	6,717,480	3,705,387
Other (Note 6)	3,454,745	180,054	96,123
Total Assets	$ 48,198,365	$ 39,054,472	$ 32,642,892
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	$ 3,089,795	$ 1,260,168	$ 1,024,419
Accrued salary and payroll taxes	640,449	490,129	592,934
Accrued vacation payable (Note 8)	1,200,141	1,117,561	996,160
Estimated third-party payor settlements	576,226	193,240	322,965
Accrued retirement	791,535	726,875	655,601
Other liabilities	44,933	33,499	5,472
Current portion of long-term debt (Note 9)	690,743	523,607	71,443
Total Current Liabilities	7,033,822	4,345,079	3,668,994
Long-term Liabilities			
Long-term debt (Note 9)	7,260,492	6,251,235	2,210,742
Net Position			
Invested in capital assets, net of related debt	20,198,841	18,307,024	16,255,285
Restricted: sales tax proceeds	1,159,243	726,002	1,675,772
Restricted: sinking funds	325,556	242,769	47,020
Restricted: bond proceeds	3,869,343	3,716,967	-0-
Unrestricted	8,351,068	5,465,396	8,785,079
Total Net Position	33,904,051	28,458,158	26,763,156
Total Liabilities and Net Position	$ 48,198,365	$ 39,054,472	$ 32,642,892

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31,

	2017	2016	2015
Revenues			
Net patient service revenues (Note 10)	$ 42,325,311	$ 36,556,740	$ 33,367,904
Sales taxes	2,743,413	2,634,016	2,903,237
Grants	72,986	3,668	5,273
Intergovernmental transfer grants	5,263,644	5,524,981	7,193,656
Other operating revenues	507,319	489,817	425,792
Total Revenues	50,912,673	45,209,222	43,895,862
Expenses			
Salaries	23,399,009	21,157,775	19,489,165
Benefits and payroll taxes	4,082,346	4,320,714	3,871,217
Supplies and drugs	5,596,863	4,422,285	4,172,456
Professional fees	2,931,596	3,420,229	3,102,635
Other expenses	7,875,839	7,397,336	6,225,879
Insurance	1,033,130	1,002,889	1,050,108
Depreciation and amortization	1,950,116	1,852,127	1,907,073
Total Expenses	46,868,899	43,573,355	39,818,533
Operating Income (Loss)	4,043,774	1,635,867	4,077,329
Nonoperating Revenues (Expenses)			
Interest income	24,988	26,167	15,901
Interest expense	(114,947)	(92,807)	(130,572)
Capital grants	1,492,078	125,775	188,527
Changes in Net Position	5,445,893	1,695,002	4,151,185
Beginning Net Position	28,458,158	26,763,156	22,611,971
Ending Net Position	$ 33,904,051	$ 28,458,158	$ 26,763,156

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	2017	2016	2015
Cash flows from operating activities:			
Cash received from patients and third-party payors	$ 41,823,963	$ 35,732,231	$ 31,301,902
Other receipts from operations	6,481,893	6,682,210	11,731,075
Cash payments to employees and for employee-related cost	(27,183,795)	(25,388,623)	(23,253,795)
Cash payments for other operating expenses	(15,753,897)	(15,996,792)	(15,510,477)
Net cash provided (used) by operating activities	5,368,164	1,029,026	4,268,705
Cash flows from investing activities:			
Cash distributions / (purchases) from investments	479,752	(3,017,172)	(2,160,940)
Acquisition of intangibles	(3,203,283)	-0-	-0-
Interest income	24,988	26,167	15,901
Net cash provided (used) by investing activities	(2,698,543)	(2,991,005)	(2,145,039)
Cash flows from capital and related financing activities:			
Acquisition of property, plant, and equipment	(3,841,933)	(3,903,866)	(1,483,404)
Acquisition of land	47,000	-0-	(200,000)
Principal payments on long-term debt	(523,607)	(507,343)	(2,068,719)
Interest payments capitalized	(71,408)	(83,931)	-0-
Proceeds from sales tax bonds	1,700,000	5,000,000	-0-
Proceeds from capital grants	1,492,078	125,775	195,080
Proceeds from sale of land	(41,500)	-0-	-0-
Interest expense	(114,947)	(92,807)	(119,853)
Net cash provided (used) by capital and related financing activities	$ (1,354,317)	$ 537,828	$ (3,676,896)

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED DECEMBER 31,

	2017	2016	2015
Net increase (decrease) in cash and cash equivalents	$ 1,315,304	$ (1,424,151)	$ (1,553,230)
Beginning cash and cash equivalents	1,049,881	2,474,032	4,027,262
Ending cash and cash equivalents	$ 2,365,185	$ 1,049,881	$ 2,474,032
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	$ 174,921	$ 148,711	$ 137,594
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	$ 4,043,774	$ 1,635,867	$ 4,077,329
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation and amortization	1,950,116	1,852,127	1,906,973
Provision for bad debts	5,030,318	5,846,742	6,100,762
Changes in current assets (increase) decrease			
Accounts receivable	(6,708,294)	(6,028,318)	(7,509,643)
Estimated third-party payor settlements	793,642	(513,201)	98,558
Other receivables	(2,105,469)	(1,970,272)	1,209,670
Inventories	(92,542)	38,159	(66,276)
Prepaid expenses	(64,988)	(55,999)	(125,965)
Changes in current liabilities increase (decrease)			
Accounts payable	1,829,627	235,749	(760,142)
Accrued salary and payroll taxes	150,320	(102,805)	54,988
Accrued vacation payable	82,580	121,401	54,545
Estimated third-party payor settlements	382,986	(129,725)	(762,241)
Accrued retirement	64,660	71,274	(2,831)
Other liabilities	11,434	28,027	(7,022)
Net cash provided (used) by operating activities	$ 5,368,164	$ 1,029,026	$ 4,268,705

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Vermilion Parish Hospital Service District No. 2 (the Hospital or the District) was created by an ordinance of the Vermilion Parish Police Jury on February 6, 1962.

The District is a political subdivision of the Vermilion Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Vermilion Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Vermilion Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Vermilion 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.

Nature of Business

The District provides outpatient, skilled nursing (through "swing-beds"), emergency, inpatient acute hospital services, inpatient and outpatient psychiatric services and three rural health clinics.

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

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

The District provides medical care primarily to Vermilion Parish residents and grants credit to patients, substantially all of whom are local residents.

The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable 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. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 10. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

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

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital 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 charge 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.

Inventory

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

Income Taxes

The District's income is exempt from taxation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Debt and Equity Securities

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

Capital Assets

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	5 to 40 years
Fixed Equipment	15 to 20 years
Major Movables	3 to 20 years

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

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

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, 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 capital assets net of related debt or restricted.

Revenue and Expenses

The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Restricted Revenues

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 operating 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.

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; and medical malpractice. 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.

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.

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the Hospital to invest in direct obligations of the U.S. 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 Hospital be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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 it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. As of December 31, 2017, 2016 and 2015, the balances reported by financial institutions were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name.

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 Hospital does not have a formal 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 Hospital's balance sheet as follows:

	2017	2016	2015
Carrying amount			
Deposits	$ 8,336,018	$ 7,505,959	$ 5,918,529
Investments	725,828	720,335	714,744
	$ 9,061,846	$ 8,226,294	$ 6,633,273
Included in the following balance sheet captions			
Cash and cash equivalents	$ 2,365,185	$ 1,049,881	$ 2,474,032
Short-term investments	460,018	456,587	450,466
Assets whose use is limited - current	16,540	2,346	3,388
Assets whose use is limited - noncurrent	6,220,103	6,717,480	3,705,387
	$ 9,061,846	$ 8,226,294	$ 6,633,273

Account balances according to banks' records at December 31, for the Hospital are as follows:

	2017	2016	2015
Cash in Bank	$ 2,957,339	$ 2,041,955	$ 3,135,739
Insured by FDIC	$ 515,005	$ 519,146	$ 515,663
Collateralization by fair market value	$ 2,442,334	$ 1,522,809	$ 2,620,076
Uncollateralized	$ -0-	$ -0-	$ -0-

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	2017	2016	2015
Patient accounts receivable	$ 12,697,076	$ 10,358,100	$ 11,118,524
Estimated allowances for uncollectibles	(5,269,000)	(4,608,000)	(5,550,000)
Net accounts receivable	$ 7,428,076	$ 5,750,100	$ 5,568,524

The following is a summary of the mix of receivables from patients and third-party payors at December 31:

	2017	2016	2015
Medicare	11%	7%	7%
Medicaid and Medicaid managed care plans	22%	24%	18%
Blue Cross	9%	8%	6%
Commercial and other third-party payors	13%	13%	13%
Patients	45%	48%	56%
Total	100%	100%	100%

NOTE 5 - CAPITAL ASSETS, NET

The following is a summary of capital assets and related accumulated depreciation at December 31:

	2016	Additions	Deductions	2017
Land improvements	$ 780,079	$ 290,430	$ -0-	$ 1,070,509
Buildings	27,396,819	1,484,891	-0-	28,881,710
Fixed equipment	6,719,679	955,548	764,447	6,910,780
Major movables	17,325,306	1,098,864	314,384	18,109,786
Construction in progress	3,178,838	5,813,451	5,801,251	3,191,038
Total	55,400,721	9,643,184	6,880,082	58,163,823
Accumulated depreciation	37,093,697	1,950,116	1,078,831	37,964,982
Net	$ 18,307,024	$ 7,693,068	$ 5,801,251	$ 20,198,841

NOTE 5 - CAPITAL ASSETS, NET (Continued)

	2015	Additions	Deductions	2016
Land improvements	$ 770,579	$ 9,500	$ -0-	$ 780,079
Buildings	27,269,632	127,187	-0-	27,396,819
Fixed equipment	6,623,421	100,998	4,740	6,719,679
Major movables	16,842,512	872,341	389,547	17,325,306
Construction in progress	384,998	2,879,755	85,915	3,178,838
Total	51,891,142	3,989,781	480,202	55,400,721
Accumulated depreciation	35,635,857	1,852,127	394,287	37,093,697
Net	$ 16,255,285	$ 2,137,654	$ 85,915	$ 18,307,024

	2014	Additions	Deductions	2015
Land improvements	$ 677,940	$ 122,572	$ 29,933	$ 770,579
Buildings	26,676,476	593,156	-0-	27,269,632
Fixed equipment	6,565,696	60,469	2,744	6,623,421
Major movables	16,253,398	793,800	204,686	16,842,512
Construction in progress	471,591	757,089	843,682	384,998
Total	50,645,101	2,327,086	1,081,045	51,891,142
Accumulated depreciation	33,966,247	1,906,973	237,363	35,635,857
Net	$ 16,678,854	$ 420,113	$ 843,682	$ 16,255,285

NOTE 6 - OTHER ASSETS

The District entered into a cloud-based software agreement for electronic health records. The District incurred approximately $3,200,000 before the software was fully implemented. This amount was capitalized as an other asset and will be amortized over the remaining life of the software agreement. The remaining payments which represent routine maintenance cost will be expensed as incurred.

NOTE 7 - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include certificates of deposit set aside by the Board of Commissioners for the following purposes:

	2017	2016	2015
By Third Parties			
Held by ordinance for use of sales tax	$ 1,159,243	$ 726,002	$ 1,675,772
Sales tax bond proceeds	3,869,343	3,716,967	-0-
Sinking fund requirements	325,556	242,769	47,020
Employee benefit trust fund	16,540	2,346	3,388
By Board			
Capital projects	865,961	2,031,742	1,982,595
Less limited use assets required for current liabilities	(16,540)	(2,346)	(3,388)
Non-current limited use assets	$ 6,220,103	$ 6,717,480	$ 3,705,387

NOTE 8 - COMPENSATED ABSENCES

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued $1,200,141, $1,117,561, and $996,160, of vacation pay at December 31, 2017, 2016 and 2015. It is impracticable to estimate the amount of compensation for future unvested sick pay 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 employees.

NOTE 9 - LONG-TERM DEBT

A summary of long-term debt, including capital leases, at December 31, follows:

	2016	Additions	Payments	2017	Due Within One Year
Revenue Bond, Series 2009	$ 2,210,842	$ -0-	$ 74,607	$ 2,136,235	$ 77,743
Sales Tax Bond, Series 2015	4,564,000	-0-	449,000	4,115,000	463,000
Sales Tax Bond, Series 2017	-0-	1,700,000	-0-	1,700,000	150,000
Total	$ 6,774,842	$ 1,700,000	$ 523,607	$ 7,951,235	$ 690,743

NOTE 9 - LONG-TERM DEBT (Continued)

	2015	Additions	Payments	2016	Due Within One Year
Revenue Bond, Series 2009	$ 2,282,185	$ -0-	$ 71,343	$ 2,210,842	$ 74,607
Sales Tax Bond, Series 2015	-0-	5,000,000	436,000	4,564,000	449,000
Total	$ 2,282,185	$ 5,000,000	$ 507,343	$ 6,774,842	$ 523,607

	2014	Additions	Payments	2015	Due Within One Year
Revenue Bond, Series 2009	$ 2,350,904	$ -0-	$ 68,719	$ 2,282,185	$ 71,443
2014 Revenue Anticipation Note	2,000,000	-0-	2,000,000	-0-	-0-
Total	$ 4,350,904	$ -0-	$ 2,068,719	$ 2,282,185	$ 71,443

The following are the terms and due dates of the Hospital's long-term debt at December 31:

- Sales Tax Bond, Series 2015 at 2.00% collateralized by the proceeds of sales taxes, with principal payable annually and interest semi-annually, starting March 1, 2016 through September 1, 2025.
- Revenue Bond, Series 2009 at 4.125% collateralized by pledge and dedication of hospital revenue, with principal and interest payable in monthly installments of $13,700, starting September 9, 2012, through August 9, 2036.
- Sales Tax Bond, Series 2017 at 2.24% collateralized by the proceeds of sales taxes, with principal payable annually and interest semi-annually, starting March 1, 2018 through September 1, 2027.

The Hospital has covenanted to establish a Reserve Fund and Contingency Fund with required monthly deposits for its Revenue Bond, Series 2009. The required monthly deposits are $685 to each the Reserve Fund and Contingency Fund. Once the Reserve Fund reaches a balance of $164,400 the monthly deposits cease and the required monthly deposits for the Contingency Fund will increase to $1,370.

The Hospital has covenanted to establish a Sinking Fund with required monthly deposits for its Sales Tax Bonds, Series 2015 and 2017. The required monthly deposits are equal to the annual debt service divided by twelve. The debt service is paid through the sinking fund.

NOTE 9 - LONG-TERM DEBT (Continued)

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

Year Ending December 31	Principal	Interest	Totals
2018	$ 690,743	$ 204,643	$ 895,386
2019	713,011	192,320	905,331
2020	735,188	178,134	913,322
2021	758,957	162,189	921,146
2022	782,653	145,183	927,836
2023 to 2027	3,076,197	440,979	3,517,176
2028 to 2032	637,869	184,131	822,000
2033 to 2036	556,617	100,983	657,600
Totals	$ 7,951,235	$ 1,608,562	$ 9,559,797

NOTE 10 - NET PATIENT SERVICE REVENUES

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.

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, if not extended by Congress. The additional payment received under the Medicare low volume add-on was $992,061, $951,167 and $946,005 for the years ended December 31, 2017, 2016 and 2015. Because the Hospital qualifies as a Medicare Dependent Hospital (MDH), it receives additional reimbursement. The additional payments received under MDH status were $403,527, $303,080 and $112,300 for the years ended December 31, 2017, 2016 and 2015. The benefits related to MDH designation are set to expire on September 30, 2022, if not extended by Congress. Additionally, in order to maintain MDH status the District's inpatient Medicare volume must be 60% or greater based on the last two out of three finalized cost report years. Outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis. Swing bed services are reimbursed based on a prospectively determined rate per patient day. Geriatric psychiatry services are reimbursed based on a prospective method based on length of stay, diagnosis, and other factors.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. Geriatric psychiatry services are reimbursed on a prospectively determined per diem rate.

NOTE 10 - NET PATIENT SERVICE REVENUES (Continued)

Commercial - The Hospital also has 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 Blue Shield "BCBS" is the largest commercial provider. BCBS charges were 11%, 11% and 11% of the total gross charges for the years ended December 31, 2017, 2016 and 2015, respectively.

The following is a summary of the Hospital's net patient revenues for the years ended December 31:

	2017	2016	2015
Gross charges	$ 139,395,351	$ 118,789,970	$ 111,331,160
Less charges associated with charity patients	1,363,469	2,680,274	4,074,790
Gross patient service revenue	138,031,882	116,109,696	107,256,370
Less deductions from revenue:			
Contractual adjustments	91,766,725	74,843,946	67,306,848
Policy discounts	804,685	987,456	480,856
Physician supplement revenue	(1,895,157)	(2,125,188)	-0-
Patient service revenue (net of contractual adjustments)	47,355,629	42,403,482	39,468,666
Less provision for bad debts	5,030,318	5,846,742	6,100,762
Net patient service revenue less provision for bad debts	$ 42,325,311	$ 36,556,740	$ 33,367,904

The Hospital receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended December 31:

	2017	2016	2015
Medicare and Medicaid patient charges	$ 104,974,501	$ 79,904,734	$ 71,159,242
Contractual adjustments	(70,209,014)	(58,125,445)	(48,956,060)
Program patient service revenue	$ 34,765,487	$ 21,779,289	$ 22,203,182
Percent of total gross patient charges	75%	67%	64%
Percent of total net patient revenues	82%	60%	67%

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. These adjustments resulted in a decrease in net patient service revenue of $123,840 in 2016.

NOTE 11 - PROFESSIONAL LIABILITY RISK

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

NOTE 12 - 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 10) - The Hospital 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.

Further, in order to continue receiving reimbursement from the Medicare program, 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 determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

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, 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 Hospital 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 11) - The Hospital 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.

NOTE 13 - PENSION PLAN

The District has a defined contribution pension plan. The Abbeville General Hospital retirement and 403(b) plans are administered by The Standard Insurance Company who holds all plan assets. Any eligible employee who is credited with at least one year of preliminary service, in which the employee has 1,000 hours of service during that time period, will qualify to participate in the plan. The District contributions are five percent of the covered payroll. The District holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in their contributions. The District has a five year vesting schedule that applies to the employer contributions. Actual contributions made by the District for the years ended December 31, 2017, 2016 and 2015 were $778,194, $718,594, and $630,826. The employees of the District contributed $728,888, $631,111 and $577,938 for the years ended December 31, 2017, 2016 and 2015, respectively.

NOTE 14 - 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 December 31, 2017, that have initial or remaining lease terms in excess of one year.

Year Ending December 31,		Amount
2018	$	268,988
2019		200,611
2020		80,508
2021		40,254
2022		-0-
Total minimum lease payments	$	590,361

NOTE 15 - PURCHASE AGREEMENTS

The Hospital is committed to purchases of laboratory supplies for the next year at the then prevailing market prices. At December 31, 2017, 2016, and 2015, these committed purchases amounted to $346,935, $310,285 and $276,971.

NOTE 16 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical coverage for its employees. A third-party administers the group medical coverage for the Hospital. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of $75,000 or aggregate claims exceeding $3,071,788 per year. There were no significant changes in insurance coverage from the prior year. 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 Hospital's estimate will change by a material amount in the near term. The following is a summary of the changes in the Hospital's claims liability for the years ended December 31:

	2017	2016	2015
Beginning of the year	$ 174,686	$ 174,686	$ 174,686
Plus: Claims incurred and changes in estimate	1,598,087	2,055,571	1,831,184
Less: Claims paid	1,502,117	2,055,571	1,831,184
End of the year	$ 270,656	$ 174,686	$ 174,686

NOTE 17 - CHARITY CARE

The Hospital 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 reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 200% scale. Accordingly, the Hospital does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The costs of caring for charity care patients were approximately $444,000, $965,000 and $1,438,000 for the years ended December 31, 2017, 2016 and 2015, respectively. Funds received through grants, which pay part of the cost of charity and uninsured care, were approximately $938,000, $1,394,000 and $1,284,000 for the years ended December 31, 2017, 2016 and 2015, respectively.

NOTE 18 - SALES TAX REVENUE

On July 19, 2008, the voters of the District passed a half cent sales tax in perpetuity. The terms of the vote stipulated that the sales tax was in lieu of ad valorem taxes; therefore no further ad valorem taxes would be collected by the District. The sales tax collections are restricted to paying the cost of emergency room operations and acquiring, maintaining and improving hospital buildings, equipment and other capital facilities within the Hospital Service District No. 2. Sales tax revenue is approximately 5%, 6% and 7% of the total revenues in 2017, 2016, and 2015, respectively.

NOTE 19 - GRANT REVENUE

The District recognized capital grant income of approximately $1,492,000 from the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) for the construction of a dual purpose safe room for the year ended December 31, 2017.

Various other grants were received during the year for other uses.

NOTE 20 - INTERGOVERNMENTAL TRANSFER GRANTS

The Hospital entered into a cooperative endeavor agreement with a regional public 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 Hospital's service population subject to the availability of such grant funds. The IGT grant income is $5,263,644, $5,524,981 and $7,464,825 for the years ended December 31, 2017, 2016 and 2015, respectively.

NOTE 21 - COMMITMENTS

The Hospital entered into various construction contracts, which totaled $7,450,176, including change orders as of December 31, 2017. The Hospital paid $1,591,751 towards these commitments as of December 31, 2017. One of the construction contracts is partially funded through a federal grant award. The federal share is $3,889,457.

The Hospital has also entered into software contracts, which totaled $7,571,744 as of December 31, 2017. The Hospital paid $2,421,789 towards these commitments as of December 31, 2017.

NOTE 22 - SUBSEQUENT EVENTS

Events have been evaluated through June 18, 2018 for subsequent event disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF NET PATIENT SERVICE REVENUES
YEARS ENDED DECEMBER 31,

	2017	2016	2015
Routine Services:			
Adults and pediatric	$ 5,496,189	$ 5,078,878	$ 5,140,292
Intensive care unit	3,147,027	2,461,527	2,503,271
Swing bed	16,347	7,784	31,675
Psychiatric	7,019,509	6,936,619	5,822,586
Nursery	421,966	382,345	345,921
Total	16,101,038	14,867,153	13,843,745
Other Professional Services:			
Operating room			
Inpatient	3,189,853	2,834,861	2,034,089
Outpatient	5,487,224	4,896,890	4,935,300
Total	8,677,077	7,731,751	6,969,389
Recovery room			
Inpatient	165,312	124,829	100,112
Outpatient	473,180	413,378	399,392
Total	638,492	538,207	499,504
Anesthesia			
Inpatient	939,110	818,402	791,671
Outpatient	1,949,819	1,842,586	1,777,210
Total	2,888,929	2,660,988	2,568,881
Diagnostic imaging			
Inpatient	3,348,166	2,565,658	2,369,007
Outpatient	23,703,319	19,794,070	18,388,831
Total	27,051,485	22,359,728	20,757,838
Laboratory			
Inpatient	5,013,802	4,230,794	3,845,095
Outpatient	25,275,904	22,318,572	20,202,900
Total	$ 30,289,706	$ 26,549,366	$ 24,047,995

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)
YEARS ENDED DECEMBER 31,

	2017	2016	2015
Blood			
Inpatient	$ 268,762	$ 228,930	$ 282,154
Outpatient	191,349	183,102	166,988
Total	460,111	412,032	449,142
Cardiopulmonary			
Inpatient	3,045,492	2,661,467	4,326,434
Outpatient	984,544	986,605	954,002
Total	4,030,036	3,648,072	5,280,436
Physical therapy			
Inpatient	279,256	309,333	244,732
Outpatient	40,054	36,268	33,256
Total	319,310	345,601	277,988
EKG			
Inpatient	837,950	637,619	539,507
Outpatient	2,034,760	1,775,803	1,582,805
Total	2,872,710	2,413,422	2,122,312
Central supply			
Inpatient	1,186,733	1,006,333	1,049,108
Outpatient	1,050,063	1,026,933	959,602
Total	2,236,796	2,033,266	2,008,710
Pharmacy			
Inpatient	6,071,700	5,507,247	5,339,050
Outpatient	15,051,931	10,557,547	9,147,886
Total	21,123,631	16,064,794	14,486,936
Dialysis			
Inpatient	233,014	180,568	176,376
Outpatient	72,725	59,040	43,948
Total	$ 305,739	$ 239,608	$ 220,324

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)
YEARS ENDED DECEMBER 31,

	2017	2016	2015
Sleep center	$ 1,120,778	$ 1,018,158	$ 1,129,538
Outpatient psychiatric program	1,070,581	1,233,105	1,140,512
Infusion/oncology services			
Inpatient	7,522	2,842	2,617
Outpatient	1,094,570	896,051	742,132
Total	1,102,092	898,893	744,749
Emergency department			
Inpatient	1,583,148	1,004,448	860,329
Outpatient	9,221,304	7,453,870	6,774,395
Total	10,804,452	8,458,318	7,634,724
Observation room			
Inpatient	539,410	706,056	875,954
Outpatient	1,585,818	1,410,548	1,414,668
Total	2,125,228	2,116,604	2,290,622
Rural health clinics	6,177,160	5,200,904	4,857,815
Total Other Professional Services	123,294,313	103,922,817	97,487,415
Gross Charges	139,395,351	118,789,970	111,331,160
Less charges associated with charity patients	(1,363,469)	(2,680,274)	(4,074,790)
Gross patient service revenue	$ 138,031,882	$ 116,109,696	$ 107,256,370

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)
YEARS ENDED DECEMBER 31,

	2017	2016	2015
Less deductions from revenue:			
Contractual adjustments	$ (91,766,725)	$ (74,843,946)	$ (67,306,848)
Policy discounts	(804,685)	(987,456)	(480,856)
Physician supplemental revenue	1,895,157	2,125,188	-0-
Patient service revenue	47,355,629	42,403,482	39,468,666
Less provision for bad debts	(5,030,318)	(5,846,742)	(6,100,762)
Net Patient Service Revenue	$ 42,325,311	$ 36,556,740	$ 33,367,904

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF OTHER OPERATING REVENUES
YEARS ENDED DECEMBER 31,

	2017	2016	2015
Cafeteria sales	$ 300,233	$ 280,581	$ 256,083
MRI lease and ancillary support	-0-	-0-	10,400
Joint venture revenue	-0-	586	38,502
Vending machine commission	12,242	12,774	13,295
Physician office rentals	85,820	85,501	84,061
Medical records abstract fees	9,824	11,387	9,881
340B revenue	14,363	-0-	-0-
Miscellaneous revenue	84,837	98,988	13,570
Total other operating revenue	$ 507,319	$ 489,817	$ 425,792

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED DECEMBER 31,

	2017	2016	2015
Human resources	$ 98,950	$ 78,909	$ 72,638
Administration	2,705,061	2,500,885	2,072,323
Facility maintenance	522,497	482,690	487,828
Laundry and linen	28,112	29,731	20,850
Housekeeping	556,309	512,276	485,674
Food and nutrition	642,203	616,128	605,552
Nursing administration	627,167	633,072	725,938
Materials management	238,219	167,769	157,057
Pharmacy	711,832	656,265	609,599
Health information management	1,529,378	977,889	1,048,044
Social service	(3,124)	304,278	11,270
Nursing services, acute care	1,887,737	1,765,518	1,486,169
Nursing services, intensive care unit	844,598	753,415	674,481
Nursing services, psychiatric unit	1,176,470	1,026,390	1,024,151
Nursing services, nursery	178,249	162,691	176,417
Operating room	1,097,199	1,078,713	938,886
Recovery room	463,668	398,498	341,276
Anesthesiology	1,399,247	1,365,711	1,290,956
Diagnostic imaging	1,116,412	1,024,233	975,562
Laboratory	1,007,289	894,786	852,942
Cardiopulmonary	569,976	554,152	533,210
Dialysis	130,608	118,861	121,743
Outpatient psychiatric program	155,890	177,814	175,219
Infusion/oncology services	269,107	199,308	185,931
Emergency department	1,675,907	1,548,571	1,401,899
Rural health clinics	3,746,124	3,113,682	2,999,801
Specialty clinic	23,924	15,540	13,749
Total salaries	23,399,009	21,157,775	19,489,165
Payroll taxes	1,611,000	1,462,194	1,329,904
Health insurance	1,598,087	2,055,571	1,831,184
Pension plan	778,194	718,594	630,826
Other	95,065	84,355	79,303
Total benefits	4,082,346	4,320,714	3,871,217
Total salaries and benefits	$ 27,481,355	$ 25,478,489	$ 23,360,382

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
YEARS ENDED DECEMBER 31,

	2017	2016	2015
Nursing service	$ 231,795	$ 320,788	$ 436,555
Intensive care unit	101,190	114,134	83,799
Psychiatric unit	155,060	427,403	276,811
Nursery	13,419	41,690	55,287
Operating room	238,921	233,757	168,290
Anesthesiology	39,088	37,885	40,344
Diagnostic imaging	203,693	138,523	107,877
Laboratory	421,479	402,092	450,780
Cardiopulmonary	3,297	68,451	186,304
Physical therapy	76,915	62,493	64,135
EKG	151,821	145,230	118,496
Sleep center	229,113	200,097	204,342
Outpatient psychiatric program	23,680	50,540	82,707
Infusion/oncology services	236,506	171,334	157,443
Emergency department	203,752	358,305	106,509
Rural health clinics	601,867	647,507	562,956
Total professional fees	$ 2,931,596	$ 3,420,229	$ 3,102,635

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED DECEMBER 31,

	2017	2016	2015
Management fees	$ 104,667	$ 88,148	$ 105,905
Miscellaneous service fees	812,864	887,297	681,299
Legal and accounting	148,691	181,455	147,995
Supplies	1,479,530	1,460,796	1,386,605
Repairs and maintenance	1,524,372	1,031,720	771,723
Utilities	743,168	744,472	699,601
Telephone	99,736	102,723	83,114
Travel and education	59,546	86,491	112,962
Rentals	583,223	1,127,035	1,054,487
Dues and subscriptions	-0-	51,614	48,049
Recruitment and advertising	133,197	174,121	105,824
Intergovernmental transfer	1,600,000	973,080	657,927
Miscellaneous	586,845	488,384	370,388
Total other expenses	$ 7,875,839	$ 7,397,336	$ 6,225,879

ABBEVILLE GENERAL HOSPITAL
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
YEARS ENDED DECEMBER 31,

	2017	2016	2015
Robert Leblanc	$ 950	$ 1,000	$ 1,050
John Boudreaux	1,100	1,000	1,050
Corbett Lebouef, MD	1,100	850	1,000
Jody Landry	1,250	900	1,000
Oswald Broussard	1,050	850	950
Anita Levy	1,100	1,000	1,000
Daleon Primeaux	900	750	950
Totals	$ 7,450	$ 6,350	$ 7,000

ABBEVILLE GENERAL HOSPITAL
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2017

Agency Head Name: Ray Landry
Position: CEO

Purpose	Amount
Salary	275,703
Health insurance	9,131
Retirement	11,058
Car allowance	4,900
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	545
Conference travel	722
Continuing professional education fees	1,181
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	325
Cell phone	1,632

ABBEVILLE GENERAL HOSPITAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor	Federal CFDA Number	Pass-through Grant Number	Federal Expenditures
United States Department of Homeland Security			
Passed-through the Governor's Office of Homeland Security and Emergency Preparedness			
Hazard Mitigation Grant	97.039	Grant 1786-113-0006	$ 1,492,078
Total Expenditures of Federal Awards			$ 1,492,078

ABBEVILLE GENERAL HOSPITAL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Abbeville General Hospital under programs of the federal government for the year ended December 31, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Abbeville General Hospital, it is not intended to and does not present the financial position, changes in net position, or cash flows of Abbeville General Hospital.

NOTE B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – Indirect Cost Rate

Abbeville General Hospital has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – Subrecipients

Abbeville General Hospital had no subrecipients in 2017.

ABBEVILLE GENERAL HOSPITAL
SCHEDULE OF INSURANCE POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Risk Covered	Coverage Limits Per Occurrence	Coverage Limits In Aggregate	Beginning	Ending
General Liability	$ 500,000	$ 2,000,000	11/1/2016	11/1/2017
General Liability	$ 500,000	$ 2,000,000	11/1/2017	11/1/2018
Directors and Officers	$ 250,000	$ 2,000,000	2/27/2016	2/27/2017
Directors and Officers	$ 250,000	$ 2,000,000	2/27/2017	2/27/2018
Professional Liability	$ 100,000	$ 2,000,000	11/1/2016	11/1/2017
Professional Liability	$ 100,000	$ 2,000,000	11/1/2017	11/1/2018
Patient Compensation Fund	$ 400,000		11/1/2016	11/1/2017
Patient Compensation Fund	$ 400,000		11/1/2017	11/1/2018
Cyber Liability	$ 100,000	$ 100,000	12/15/2016	11/1/2017
Cyber Liability	$ 100,000	$ 100,000	11/1/2017	11/1/2018
Property Insurance		$ 74,921,274	5/31/2016	5/31/2017
Property Insurance		$ 78,842,183	5/31/2017	5/31/2018
Flood Insurance		$ 500,000	7/29/2016	7/29/2017
Flood Insurance		$ 500,000	7/29/2017	7/29/2018

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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 Vermilion, State of Louisiana
Abbeville, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 2, Parish of Vermilion ("the District"), a component unit of the Vermilion Parish Police Jury, as of and for the years ended December 31, 2017, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2017-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 or other matter that is required to be reported under *Government Auditing Standards*.

District's Response to Findings

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

Purpose of this Report

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

Lester, Miller & Wells
Certified Public Accountant
Alexandria, Louisiana

June 18, 2018

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Hospital Service District No. 2, Parish of Vermilion ("the District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

June 18, 2018

ABBEVILLE GENERAL HOSPITAL
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:
- Material weaknesses identified – No
- Significant deficiencies identified – Yes

Compliance:
- Noncompliance issues noted – None

Management letter issued – No

Federal Awards
- Material weaknesses identified – No
- Significant deficiencies identified – No
- Type of auditor's report issued on compliance for major program: unmodified
- Any audit findings which are required to be reported under Uniform Guidance – No
- Any instances of material noncompliance in major programs disclosed during the audit – No
- Identification of Major Program:
  CFDA# 97.039 Hazard Mitigation Grant
- Dollar threshold to distinguish between Type A and Type B Programs - $750,000
- Auditee qualified as a low-risk auditee - No

Section II. Financial Statement Findings

Finding 2017-1 – Medicare and Medicaid Cost Settlements

Finding: An estimate for Medicare and Medicaid cost report settlements did not include all areas of reimbursement. Therefore, patient service revenue was overstated by approximately $394,000 and liabilities were understated by the same amount.

Recommendation: Management should prepare an interim estimate of the Medicare and Medicaid cost report settlements and record periodically.

Response: See Management's Corrective Action Plan (page 44).

Section III. Federal Awards Findings and Questioned Costs

None Reported

Section IV. Management Letter

Not Applicable

ABBEVILLE GENERAL HOSPITAL
AUDITORS' SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

Section I. Financial Statement Findings

2016-1 – Financial Statement Preparation

Fiscal Year Initially Reported: December 31, 2006

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 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.

Resolution: Resolved.

Section II. Federal Awards Findings and Questioned Costs

Not Applicable

Section III. Management Letter

Not Applicable

Abbeville GENERAL
ACCESS TO QUALITY CARE CLOSE TO HOME

118 North Hospital Drive
P.O. Box 580
Abbeville, Louisiana 70511-0580
Voice: (337) 893-5466
Fax: (337) 893-2801

June 21, 2018

Legislative Audit Advisory Council
PO Box 94397
Baton Rouge, LA 70804-9397

Re: **Abbeville General Hospital**
FYE 12/31/17 Financial Audit
Management Corrective Action Plan

Dear Council Members,

The hospital has taken the following action in response to the finding of our auditors, Lester, Miller and Wells, CPAs for the fiscal year ending 12/31/17.

Finding 2017-1 – Medicare and Medicaid Cost Settlements: An estimate for Medicare and Medicaid cost report settlements did not include all areas of reimbursement. Therefore, patient service revenue was overstated by approximately $394,000 and liabilities were understated by the same amount.

Position(s) of Agency Personnel taking corrective action:

Chief Financial Officer
Accounting Director
Assistant Accounting Director

Corrective Action:

The Hospital created a new position, an Assistant Accounting Director, whereby this additional Accounting resource will allow for implementing a cost report estimation process that should allow for more accurate year end cost report settlement values.

Date Corrective Action Complete:

9/30/18 GL close

Hopefully, the above provides adequate explanation of the remedial actions taken as a result of the auditor's comments. However, should you require additional information or need further clarification, please do not hesitate to contact me at (337) 898-6377.

Sincerely,

W. Troy Hair
Chief Financial Officer

LESTER, MILLER & WELLS
A Corporation of Certified Public Accountants

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Karlie P. Brister, CPA
Joseph M. Chevalier, CPA

Retired 2015
Bobby G. Lester, CPA

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the Vermilion Parish Hospital Service District No. 2 (the Hospital) 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 January 1, 2017 through December 31, 2017. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted 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 for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
   a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
   b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
   c) ***Disbursements***, including processing, reviewing, and approving
   d) ***Receipts***, including receiving, recording, and preparing deposits
   e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
   f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

g) ***Credit Cards (and debit cards, fuel cards, P-cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
j) ***Debt Service***, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings: The Hospital had written policies and procedures for each of the following financial/business functions: budgeting, purchasing, disbursements, receipts, payroll/personnel, credit cards, travel and expense reimbursement, ethics, and debt service. Although the policies and procedures do mention that the Board reviews all contracts annually, they do not cover the following areas relating to contracting: types of services requiring written contracts, standard terms and conditions, legal review, and approval process.

Management's Response: The Hospital has revised the contracting policy and procedure wording to reflect historical and current practice which includes legal review and appropriate board approval process.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:
   a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
   b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
      - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
   c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Findings: The Board meets on a monthly basis based on its bylaws. During the 2017 year, the Board met all twelve months.

Based on a review of the board packet and attachments, financials for all twelve months were present. Each financial showed a budget versus actual comparison.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

   Findings: We obtained a list of bank accounts, and management provided representation that the list was complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
   a) Bank reconciliations have been prepared;
   b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
   c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

   Findings: All bank reconciliations tested were prepared monthly. Four (4) of the five (5) bank reconciliations did not include evidence that a member of management or a board member reviewed the reconciliations. Management had documentation reflecting that reconciling items outstanding for six months or more had been researched.

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

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

   Findings: We obtained a list of the cash locations, and management provided representation that the list was complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
   a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if

there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

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

c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
   - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
   - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Findings: Each person responsible for collecting cash is bonded, not responsible for depositing the cash in the bank or reconciling the related bank account, and not required to share the same cash register with another employee. Compensating controls are in place to verify the accuracy of transactions posted by persons responsible for both collecting and recording transactions. Of the seven (7) deposits tested, two (2) deposits were made two days after receipt.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

   Findings: The Hospital has written documentation detailing a process specifically defined to determine the completeness of all collections, including electronic transfers, for each revenue source and agency fund addition.

Disbursements – General (excluding credit card/debit card/fuel card/P-card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

   Findings: We obtained a listing of all of the entity's disbursements and management provided representation that the listing was complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Findings: Of the twenty-five (25) disbursements selected for testing, fourteen (14) transactions were initiated using a purchase order. Eleven (11) of the transactions were items other than supplies and did not require a purchase order. All purchase orders were approved by a person who did not initiate the purchase. All payments for purchases were processed with an approved purchase order, receiving report, and invoice.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

    Findings: The person(s) responsible for processing payments is not prohibited from adding vendors to the entity's purchasing/disbursement system, however, compensating controls are in place.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

    Findings: No exceptions were noted in applying the above procedures.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

    Findings: No exceptions were noted in applying the above procedures.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

    Findings: No exceptions were noted in applying the above procedures.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Findings: We obtained a listing of all of the credit cards and management provided representation that the listing was complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

    Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:
    a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
    b) Report whether finance charges and/or late fees were assessed on the selected statements.

    Findings: The credit card selected for testing included evidence that the monthly statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. There were no finance charges or late fees associated with the selected statement.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
    a) For each transaction, report whether the transaction is supported by:
        - An original itemized receipt (i.e., identifies precisely what was purchased)
        - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
        - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
    b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
    c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless of whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

    Findings: Of the nine (9) transactions tested on the selected statement, one (1) transaction was not supported by an original itemized receipt that identifies precisely what was purchased and the same transaction included meal purchases totaling $66.78 but did not include documentation of the individuals participating. None of the transactions were subject to public bid-law or violated the requirement of Article 7, section 14 of the Louisiana Constitution.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

    Findings: We obtained a listing of all of the entity's travel and related expense reimbursements and management provided representation that the listing was complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

    Findings: The policy of the Hospital is to use the Louisiana Travel Guide. In all instances reviewed, the Hospital was in-line with the policy. The Louisiana Travel Guide reimbursed with lower rates than the GSA.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
    a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
    b) Report whether each expense is supported by:
        - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
        - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
        - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
    c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
    d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

    Findings: All expense reports were properly supported based on the policy of the Hospital and all were supported by business purposes.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

    Findings: We obtained a listing of all of the entity's contracts in effect during the fiscal period and management provided representation that the listing was complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
    a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
    b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
        - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
        - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
    c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
    d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
    e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

    Findings: All contracts tested were supported by written contracts that support the service arrangements and amounts paid. Three (3) of the vendors' contracts selected for testing were subject to Louisiana Public Bid Law and the Hospital complied with all legal requirements. One (1) contract required a Request for Proposal as prescribed under The Procurement Code and the Hospital Complied with all legal requirements. Of the contracts selected for testing, three (3) construction contracts were amended, as allowed by the original contract, for change orders for a grand total of $73,209. One (1) contract for software was amended, as allowed by the original contract, for sales concessions and removal of certain equipment resulting in a reduction of $60,460. Invoices and payments for all vendors tested complied with the terms and conditions of the related contracts. Board approval was present for all contracts tested.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
    a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Findings: We obtained a listing of employees and their related salaries, and management provided representation that the list was complete. The five (5) employees selected for testing were paid in strict accordance with the terms and conditions of their pay rate structure. Four (4) employees experienced changes to hourly pay during the period, and the changes were approved in writing.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
    a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
    b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
    c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

    Findings: All twenty-five (25) employees selected documented their daily attendance and leave. Written documentation was provided showing evidence that all attendance and leave was approved by an appropriate supervisor. Electronic reports were provided which documented hours of leave earned, used, and available for those employees who earn leave.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

    Findings: We obtained a list of employees terminated during the period, and management provided representation that the list was complete. The two largest termination payments were made in accordance with the policy. The payments were approved by management.

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

    Findings: Employee and Employer portion of payroll taxes for normal payroll periods were submitted timely; however, payroll taxes for manual payroll checks processed in-between normal payroll periods were not submitted timely. All payments for retirement contributions were submitted timely. All required reporting forms were submitted to the applicable agencies by the required deadlines.

    Management's Response: The Hospital will ensure that payroll taxes for manual payroll checks processed in-between normal payroll periods are submitted timely.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

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

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

    Findings: Management received two (2) alleged ethics violations during the fiscal period. Management provided documentation that demonstrates that: the alleged violations were investigated, corrective actions were taken, and that management's actions complied with the Hospital's ethics policy. All allegations received by management were investigated and addressed in accordance with policy.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

    Findings: State Bond Commission approval was obtained for all debt issued during the fiscal period.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

    Findings: The Hospital made scheduled debt service payments and maintained debt reserves as required by debt covenants for all outstanding debt during the fiscal period.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

    Findings: The above procedure is not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

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

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

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

We were not engaged to 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.

Lester, Mills & Wells

Certified Public Accountants
Alexandria, Louisiana

June 15, 2018