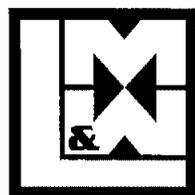


RICHARDSON MEDICAL CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
SEPTEMBER 30, 2017, 2016 AND 2015



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

HOSPITAL SERVICE DISTRICT NO. 1B
 OF THE PARISH OF RICHLAND, STATE OF LOUISIANA
 d/b/a RICHARDSON MEDICAL CENTER
 YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

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Richland Parish Hospital Service District No. 1B
d/b/a Richardson Medical Center

Management's Discussion and Analysis

This section of the annual financial report for Richland Parish Hospital Service District No. 1B d/b/a Richardson Medical Center (the Medical Center) provides background information and management's analysis of the Medical Center's financial performance during the fiscal year ended September 30, 2017. Please read it in conjunction with the financial statements beginning on page 4 and the notes to the financial statements beginning on page 8 in this report.

Required Financial Statements

The financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements provide overall information about the Medical Center's financial activities on both a short-term and long-term basis. The statements of net position present information about its assets (resources) and liabilities (the amounts obligated to its creditors). The statements of revenues, expenses, and changes in net position present information about the current and prior years' activities in revenues and expenses. This statement also provides useful information for determining whether the Medical Center's patient service revenue and other revenue sources were sufficient to allow the Medical Center to recover all of its costs. The final required financial statement is the statement of cash flows which provides information about the Medical Center's cash from operations, investing, and financing activities. In addition, this statement provides useful information to answer questions such as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Medical Center

The statements of net position and the statements of revenue, expenses, and changes in net position report information about the Medical Center's activities. These two statements report the net position of the Medical Center and changes in them. Increases or decreases in the Medical Center's net position are one of a number of indicators of whether its overall financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Richland Parish Hospital Service District No. 1B
d/b/a Richardson Medical Center

Management's Discussion and Analysis

Net Assets

A summary of the Medical Center's statements of net position are presented in Table 1 below:

TABLE 1
Condensed Statements of Net Position
(in thousands)

	September 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total current assets	\$ 7,335	\$ 7,437	\$ 5,140	\$ 5,000
Capital assets - net	4,558	5,049	3,978	3,321
Limited use assets	1,332	1,470	2,665	3,713
Other assets	<u>35</u>	<u>38</u>	<u>41</u>	<u>270</u>
 Total assets	 \$ <u>13,260</u>	 \$ <u>13,994</u>	 \$ <u>11,824</u>	 \$ <u>12,304</u>
 Current liabilities	 \$ 1,820	 \$ 2,014	 \$ 1,559	 \$ 2,273
Long-term liabilities	<u>2,883</u>	<u>3,400</u>	<u>3,934</u>	<u>4,463</u>
 Total liabilities	 <u>4,703</u>	 <u>5,414</u>	 <u>5,493</u>	 <u>6,736</u>
 Invested in capital assets, net of related debt	 1,171	 1,104	 (476)	 1,663
Restricted	432	691	1,654	2,842
Unrestricted	<u>6,954</u>	<u>6,785</u>	<u>5,153</u>	<u>1,063</u>
 Total net position	 <u>8,557</u>	 <u>8,580</u>	 <u>6,331</u>	 <u>5,568</u>
 Total liabilities and net position	 \$ <u>13,260</u>	 \$ <u>13,994</u>	 \$ <u>11,824</u>	 \$ <u>12,304</u>

As shown in Table 1, the Medical Center's total assets decreased by approximately \$734,000, or 5.2%, during fiscal year 2017, compared to an increase of approximately \$2,170,000, or 18.4%, from fiscal year 2015 to 2016. Total assets decreased by \$480,000 or 3.9% from fiscal year 2014 to 2015. The Medical Center's capital assets decreased by approximately \$491,000, or 9.7% from fiscal year 2016 to 2017, following an increase of approximately \$1,072,000 or 27.0% from fiscal year 2015 to 2016, and an increase of \$399,000 or 11.2% from fiscal year 2014 to 2015. Limited use assets decreased by approximately \$138,000, or 9.4% from fiscal year 2016 to 2017, compared to a decrease of approximately \$1,195,000 or 44.8% during fiscal year 2016, and a decrease of \$1,048,000 or 28.2% during fiscal year 2015. Total liabilities decreased by approximately \$711,000, or 13.1% during fiscal year 2017, compared to a decrease of approximately \$79,000 or 1.4% from fiscal year 2015 to 2016, and a decrease of \$1,243,000 or 18.5% from fiscal year 2014 to 2015. The decrease in limited use assets in fiscal year 2016 and 2015 was due to the progress on the construction of the new rural health clinic building.

Richland Parish Hospital Service District No. 1B
d/b/a Richardson Medical Center

Management's Discussion and Analysis

Summary of Revenue, Expenses, and Changes in Net Assets

The following table presents a summary of the Medical Center's historical revenue and expenses for each of the fiscal years ended September 30:

TABLE 2
Condensed Statements of Revenue, Expenses and Changes in Net Position
(in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenue:				
Net patient service revenue	\$ 18,065	\$ 17,244	\$ 14,571	\$ 13,962
Other revenue	<u>1,755</u>	<u>3,056</u>	<u>2,530</u>	<u>2,679</u>
Total operating revenue	<u>19,820</u>	<u>20,300</u>	<u>17,101</u>	<u>16,641</u>
Operating expenses:				
Salaries and employee benefits	11,641	10,529	9,624	9,022
Supplies, fees, and purchased services	4,177	3,673	3,516	3,433
Other expenses	4,018	3,874	3,234	3,332
Depreciation and amortization	<u>674</u>	<u>699</u>	<u>796</u>	<u>886</u>
Total operating expenses	<u>20,510</u>	<u>18,775</u>	<u>17,170</u>	<u>16,673</u>
Profit (loss) from operations	(690)	1,525	(69)	(32)
Interest income and expense, net	(138)	(180)	(97)	(110)
Gain on disposal of assets	(114)	-0-	-0-	88
Property taxes	<u>919</u>	<u>904</u>	<u>929</u>	<u>946</u>
Excess of revenue over expenses	(23)	2,249	763	892
Consolidated net income - non controlling interest	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>154</u>
Comprehensive income	(23)	2,249	763	1,046
Beginning net position	<u>8,580</u>	<u>6,331</u>	<u>5,568</u>	<u>4,522</u>
Ending net position	\$ <u>8,557</u>	\$ <u>8,580</u>	\$ <u>6,331</u>	\$ <u>5,568</u>

Richland Parish Hospital Service District No. 1B
d/b/a Richardson Medical Center

Management's Discussion and Analysis

Source of Revenue

Net Patient Revenue

During fiscal year 2017, the Medical Center derived the majority, or approximately 91%, of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or patients with other third-party coverage, who receive care in the Medical Center's facilities. Reimbursement from the Medicare and Medicaid programs and other third-party payors is based upon established contracts. The difference between the covered charges and the established contract rates is recognized as a contractual allowance. Total net patient service revenue increased by approximately \$821,000, or 4.8% compared to an increase of \$2,673,000 or 18.3% from fiscal years 2015 to 2016, and an increase of approximately \$609,000 or 4.4% from 2014 to 2015.

Table 3 presents the relative percentage of gross charges billed for patient services by payor for the fiscal years ended September 30:

TABLE 3
Payor Mix by Percentage

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Medicare	42%	44%	46%	44%
Medicaid	35%	27%	23%	24%
Blue Cross Blue Shield	11%	12%	14%	14%
Commercial insurance	8%	10%	10%	9%
Self-pay	<u>4%</u>	<u>7%</u>	<u>7%</u>	<u>9%</u>
Total patient revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Richland Parish Hospital Service District No. 1B
d/b/a Richardson Medical Center

Management's Discussion and Analysis

Other Revenue

Other revenue (Table 4) includes Richland Parish property taxes, cafeteria sales, rental income, pharmacy sales to employees, and other miscellaneous services.

TABLE 4
Other Revenue
(in thousands)

	Years Ended September 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Other revenue:				
Cafeteria	\$ 64	\$ 78	\$ 63	\$ 48
Medical records	2	1	3	2
Vending machines	5	5	5	4
Rentals	19	18	14	13
Pharmacy sales to employees	25	28	21	20
Grants	1,359	2,775	2,350	2,479
Joint venture income	47	(28)	(9)	10
Miscellaneous	<u>234</u>	<u>179</u>	<u>86</u>	<u>103</u>
 Total other revenue	 \$ <u>1,755</u>	 \$ <u>3,056</u>	 \$ <u>2,533</u>	 \$ <u>2,679</u>

Grant Income

Grant income decreased by approximately \$1,416,000, or 51.0%, during fiscal year 2017, compared to an increase of \$425,000, or 18.1%, from fiscal year 2015 to 2016, and a decrease of \$129,000, or 5.2%, in fiscal year 2015. The Hospital received grants of \$1,333,276, \$2,021,083, \$2,115,531 and \$1,391,259 in fiscal years 2017, 2016, 2015 and 2014, respectively, to be used solely to provide adequate and essential medically necessary health care services to the citizens in its community who are low income and/or indigent patients. The Hospital also received a grant/incentive payment of \$895,147 during fiscal year 2014, respectively, for the electronic health records system implementation.

Richland Parish Hospital Service District No. 1B
d/b/a Richardson Medical Center

Management's Discussion and Analysis

Adjustments to revenue increased over prior year as described in Table 5 below:

TABLE 5
Adjustment Summary
(in thousands)

	September 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Adjustments:				
Commercial and other adjustments	\$ 4,705	\$ 4,573	\$ 4,410	\$ 4,228
Medicaid contractual adjustments	9,772	7,604	5,939	5,867
Medicare contractual adjustments	12,355	13,120	12,741	11,047
Physician fee revenue	(479)	(668)	-0-	(205)
Discounts	364	262	471	560
Provision for bad debts	<u>4,439</u>	<u>3,930</u>	<u>4,785</u>	<u>3,793</u>
 Total adjustments and allowances	 \$ <u>31,156</u>	 \$ <u>28,821</u>	 \$ <u>28,346</u>	 \$ <u>25,290</u>

Medicaid contractual adjustments increased from fiscal year 2016 to 2017 by 28.5% or approximately \$2,168,000, compared to an increase of \$1,665,000 or 28.0% in 2016, and an increase of \$72,000 or 1.2% in fiscal year 2015. The recent increase in Medicaid contractual adjustments is due to the expansion of Medicaid patients.

Operating Expenses

Salaries increased by \$1,250,016 or 13.9% from fiscal year 2016 to 2017, compared to an increase of \$609,230 or 7.3% during fiscal year 2016, and an increase of \$455,913 or 5.7% in fiscal year 2015. As a percentage of net patient service revenue, salary expense was approximately 56.5%, 52.0%, 57.3% and 56.5%, for the fiscal years ended September 30, 2017, 2016, 2015 and 2014, respectively. Salaries increased in part due to a full year of employment of our two family practice physicians.

Employee benefits expense decreased \$138,785 or 8.9% during fiscal year 2017, compared to an increase of \$296,335, or 23.4% during fiscal year 2016 and an increase of \$145,751 or 12.9% in 2015 from the prior year. Employee benefit expenses represented 14.0%, 17.5%, 15.2% and 14.2% of salary expenses in the current and prior three fiscal years, respectively. Employee benefits decreased due to less health insurance claims compared to the previous year. Also, the Hospital has a self-funded health plan. The plan's cost varies according to the number of claims filed. The Hospital's plan is structured to capture and perform 90% of the claims within the facility to minimize cost.

Supplies expense increased \$232,204 or 14.4% during fiscal year 2017, compared to a decreased \$101,118 or 4.4% during fiscal year 2016 and an increase \$62,862 or 2.8% during fiscal year 2015.

Richland Parish Hospital Service District No. 1B
d/b/a Richardson Medical Center

Management's Discussion and Analysis

Professional fees increased during fiscal year 2017 by approximately \$271,000 or 13.2%, compared to an increase of approximately \$273,000 or 15.3% during the fiscal year 2016, and an increase of approximately \$21,000 or 1.2% during the fiscal year 2015.

Total overall operating expenses for 2017 increased approximately \$1,735,000 or 9.2%. In 2016, the overall operating expenses increased approximately \$1,605,000 or 9.3%. During fiscal year 2015, operating expenses increased by approximately \$497,000 or 2.9%.

Operating and Financial Performance

The following financial information summarizes the Medical Center's statements of revenue, expenses, and changes in net assets for 2017 through 2014:

Overall activity at the Medical Center, as measured by patient discharges, increased by 11 during fiscal year 2017, compared to a decrease of 66 from fiscal year 2015 to 2016, and an increase of 126 from fiscal year 2014 to 2015. Patient days decreased 12.3% in 2017, following a decrease of 7.5% in 2016, and an increase of 17.4% in 2015, and an increase of 20.3% in 2014.

TABLE 6
Patient and Hospital Statistical Data

	Year Ended September 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Discharges:				
Acute care	762	773	818	700
Swing bed	54	32	53	45
Patient days:				
Acute - Medicare	1,431	1,627	1,898	1,623
Acute - Medicaid	331	376	345	345
Acute - Commercial	737	979	809	556
Acute - Self pay	80	63	111	205
Swing bed	478	440	605	481
Operating room patients	1,631	1,243	1,263	1,618
Emergency room visits	8,916	8,245	7,453	6,420
Average daily census:				
Adult and pediatric	7.1	8.3	8.7	7.5
Swing bed	1.3	1.2	1.7	1.3

Richland Parish Hospital Service District No. 1B
d/b/a Richardson Medical Center

Management's Discussion and Analysis

TABLE 6 (Continued)
Patient and Hospital Statistical Data

	Year Ended September 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Average length of stay:				
Acute care	3.4	3.9	3.9	3.9
Swing bed	8.9	13.8	11.4	10.7
Percentage of total acute patient days:				
Medicare	55%	53%	60%	59%
Medicaid	13%	12%	11%	13%
Rural health clinic visits	26,972	22,121	18,183	16,772
Full-time equivalents (FTEs)	194.9	187.7	177.3	171.2

Capital Assets

During the 2017 fiscal year, the Medical Center invested approximately \$396,000 in capital assets, included in Table 7 below:

TABLE 7
Capital Assets
(in thousands)

	Year Ended September 30,		Dollar Change	Percentage Change
	<u>2017</u>	<u>2016</u>		
Land and improvements	\$ 80	\$ 80	\$ -0-	0.0%
Building and equipment	<u>19,076</u>	<u>19,317</u>	<u>(241)</u>	<u>-1.2%</u>
Subtotal	19,156	19,397	(241)	-1.2%
Less accumulated depreciation	<u>14,598</u>	<u>14,348</u>	<u>250</u>	<u>1.7%</u>
Net	\$ <u>4,558</u>	\$ <u>5,049</u>	\$ <u>(491)</u>	<u>-9.7%</u>

Long-Term Debt (Excluding Capital Leases)

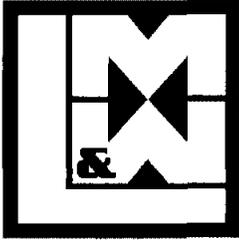
At 2017 fiscal year end, the Medical Center had \$3,387,041 in short-term and long-term debt.

Richland Parish Hospital Service District No. 1B
d/b/a Richardson Medical Center

Management's Discussion and Analysis

Contacting the Medical Center's Financial Manager

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



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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Hospital Service District No. 1B
Parish of Richland, State of Louisiana
Rayville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Hospital Service District No. 1B, Parish of Richland d/b/a Richardson Medical Center (the Hospital), a component unit of the Richland Parish Police Jury, as of and for the years ended September 30, 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital, as of September 30, 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 Richland Parish Hospital Service District No. 1B and do not purport to, and do not, present fairly the financial position of the Richland Parish Police Jury as of September 30, 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 "ix" 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.



Board of Commissioners
Hospital Service District No. 1B
Parish of Richland, State of Louisiana
Rayville, Louisiana
Page Three

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the 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 February 14, 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, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

February 14, 2018



RICHARDSON MEDICAL CENTER
STATEMENTS OF NET POSITION
SEPTEMBER 30,

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current			
Cash and cash equivalents (Note 3)	\$ 2,331,852	\$ 2,912,172	\$ 1,634,469
Short-term investments	305,441	305,441	303,607
Accounts receivable, net (Note 4)	2,645,804	2,486,026	1,990,402
Estimated third-party payor settlements	1,437,876	1,080,540	600,711
Inventory	525,975	541,548	548,039
Prepaid expenses	<u>88,060</u>	<u>111,275</u>	<u>63,063</u>
Total Current Assets	7,335,008	7,437,002	5,140,291
Capital assets, net (Note 5)	4,557,692	5,048,938	3,977,452
Limited use assets (Note 6)	1,331,795	1,470,059	2,664,946
Other assets	<u>35,494</u>	<u>38,139</u>	<u>40,856</u>
Total Assets	\$ <u>13,259,989</u>	\$ <u>13,994,138</u>	\$ <u>11,823,545</u>
<u>LIABILITIES AND NET POSITION</u>			
Current			
Accounts payable	\$ 424,680	\$ 547,890	\$ 399,092
Accrued expenses	776,846	713,462	481,200
Due to joint venture	-0-	47,337	19,677
Estimated third-party payor settlements	114,758	161,232	138,957
Current portion of long-term debt (Note 7)	<u>504,237</u>	<u>544,695</u>	<u>520,132</u>
Total Current Liabilities	1,820,521	2,014,616	1,559,058
Long-term debt, net of current maturities (Note 7)	<u>2,882,804</u>	<u>3,400,000</u>	<u>3,933,910</u>
Total Liabilities	4,703,325	5,414,616	5,492,968
Net Position			
Invested in capital assets, net of related debt	1,170,651	1,104,243	(476,590)
Restricted	431,616	690,287	1,654,389
Unrestricted	<u>6,954,397</u>	<u>6,784,992</u>	<u>5,152,778</u>
Total Net Position	8,556,664	8,579,522	6,330,577
Total Liabilities and Net Position	\$ <u>13,259,989</u>	\$ <u>13,994,138</u>	\$ <u>11,823,545</u>

See accompanying notes to financial statements.

RICHARDSON MEDICAL CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues			
Net patient service revenues	\$ 18,064,695	\$ 17,243,878	\$ 14,570,846
Grants	25,960	753,750	234,586
Intergovernmental transfer grants	1,333,276	2,021,083	2,115,531
Contributions	-0-	(1,240)	(1,668)
Other operating revenues	<u>396,254</u>	<u>282,156</u>	<u>181,834</u>
 Total Revenues	 <u>19,820,185</u>	 <u>20,299,627</u>	 <u>17,101,129</u>
Expenses			
Salaries	10,214,858	8,964,842	8,355,612
Benefits and payroll taxes	1,425,752	1,564,537	1,268,202
Supplies and drugs	1,848,989	1,616,785	1,732,010
Professional fees	2,327,924	2,056,854	1,783,884
Other expenses	3,522,280	3,357,072	2,802,134
Insurance	495,962	515,950	432,586
Depreciation and amortization	<u>674,204</u>	<u>699,148</u>	<u>795,523</u>
 Total Expenses	 <u>20,509,969</u>	 <u>18,775,188</u>	 <u>17,169,951</u>
 Operating Income (Loss)	 <u>(689,784)</u>	 <u>1,524,439</u>	 <u>(68,822)</u>
Nonoperating Revenues (Expenses)			
Interest income	12,795	11,856	3,901
Interest expense	(151,361)	(191,486)	(101,321)
Gain (loss) on disposal of assets	(113,464)	-0-	-0-
Property taxes	<u>918,956</u>	<u>904,136</u>	<u>928,715</u>
 Changes in net position	 (22,858)	 2,248,945	 762,473
 Beginning net position	 <u>8,579,522</u>	 <u>6,330,577</u>	 <u>5,568,104</u>
 Ending net position	 \$ <u>8,556,664</u>	 \$ <u>8,579,522</u>	 \$ <u>6,330,577</u>

See accompanying notes to financial statements.

RICHARDSON MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 17,501,107	\$ 16,290,700	\$ 15,650,149
Other receipts from operations	1,708,153	3,083,409	2,539,335
Cash payments to employees and for employee-related cost	(11,577,226)	(10,297,117)	(9,638,347)
Cash payments for other operating expenses	<u>(8,276,932)</u>	<u>(7,436,867)</u>	<u>(7,476,324)</u>
Net cash provided (used) by operating activities	<u>(644,898)</u>	<u>1,640,125</u>	<u>1,074,813</u>
Cash flows from investing activities:			
Cash proceeds (invested) from certificates of deposit	-0-	(1,834)	(688)
Cash proceeds (invested) from limited use assets	138,264	1,194,887	1,048,006
Interest income	<u>12,795</u>	<u>11,856</u>	<u>3,901</u>
Net cash provided (used) by investing activities	<u>151,059</u>	<u>1,204,909</u>	<u>1,051,219</u>
Cash flows from capital and related financing activities:			
Capitalized construction interest	-0-	-0-	(101,698)
Acquisition of property, plant, and equipment	(396,422)	(1,770,634)	(1,095,189)
Principal payments on long-term debt	(557,654)	(509,347)	(505,020)
Property taxes utilized for capital acquisitions	918,956	904,136	928,715
Proceeds from sale of building	100,000	-0-	-0-
Interest expense	<u>(151,361)</u>	<u>(191,486)</u>	<u>(101,321)</u>
Net cash provided (used) by capital and related financing activities	<u>(86,481)</u>	<u>(1,567,331)</u>	<u>(874,513)</u>
Net increase (decrease) in cash and cash equivalents	(580,320)	1,277,703	1,251,519
Beginning cash and cash equivalents	<u>2,912,172</u>	<u>1,634,469</u>	<u>382,950</u>
Ending cash and cash equivalents	\$ <u><u>2,331,852</u></u>	\$ <u><u>2,912,172</u></u>	\$ <u><u>1,634,469</u></u>

See accompanying notes to financial statements.

RICHARDSON MEDICAL CENTER
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (689,784)	\$ 1,524,439	\$ (68,822)
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation and amortization	674,204	699,148	795,523
Provision for bad debts	4,438,573	3,929,866	4,785,353
Change in current assets (increase) decrease			
Patient accounts receivable, net	(4,598,351)	(4,425,490)	(4,327,251)
Estimated third-party payor settlements	(357,336)	(479,829)	742,183
Inventory	15,573	6,491	(56,077)
Prepaid expenses	23,215	(48,212)	(31,713)
Change in current liabilities increase (decrease)			
Accounts payable	(123,210)	148,798	(611,958)
Accrued expenses	63,384	232,262	(14,533)
Due to joint venture	(47,337)	27,660	9,052
Estimated third-party payor settlements	(46,474)	22,275	(120,982)
Change in other assets (increase) decrease	<u>2,645</u>	<u>2,717</u>	<u>(25,962)</u>
Net cash provided (used) by operating activities	\$ <u>(644,898)</u>	\$ <u>1,640,125</u>	\$ <u>1,074,813</u>
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	\$ <u>151,361</u>	\$ <u>191,486</u>	\$ <u>203,019</u>
Equipment acquired under capital lease	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

See accompanying notes to financial statements.

RICHARDSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Richland Parish Hospital Service District No. 1B (the District or the Hospital) was created by an ordinance of the Richland Parish Police Jury on April 18, 1989. The District is comprised of the entire parish excluding Ward 1 of the Parish of Richland, State of Louisiana, as constituted as of the date of the ordinance.

Effective as of October 1, 1989, Richland Parish Hospital Service District No. 1 (which operated hospitals in Delhi and Rayville) transferred operations of the hospital in Rayville and clinic in Mangham to Richland Parish Hospital Service District No. 1B, along with all related assets, liabilities, and equity. On November 3, 1998, Richland Parish Hospital Service District No. 1B transferred operations and management of the Mangham Outpatient Clinic to Richland Parish Hospital Service District No. 1C.

The District is a political subdivision of the Richland Parish Police Jury whose jurors are elected officials. The District's commissioners are appointed by the Richland Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Richland Parish Police Jury is the financial reporting entity for the District. Accordingly, the Hospital was determined to be a component unit of the Richland 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 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") and acute inpatient hospital services. In 1995, the District began operation of a rural health clinic and opened a second rural health clinic on October 1, 2013.

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.

RICHARDSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Credit Risk

The Hospital provides medical care primarily to Richland and surrounding 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 Hospital 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 and state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

The Hospital 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.

Inventory

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

Income Taxes

The District is a political subdivision and exempt from taxation.

RICHARDSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are 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
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	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 credited or charged to operations currently.

Net Position

The Hospital 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 borrowing used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted. When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues and Expenses

The Hospital's statements 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.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges for the services provided, less an estimate made for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines that 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.

RICHARDSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Revenues

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

Grants and Contributions

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

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.

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; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

RICHARDSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the District 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 District be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Custodial Credit Risks – Custodial credit risk for deposit 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. The Hospital’s deposits were entirely insured or entirely collateralized by securities held by the pledging bank’s trust department in the Hospital’s name at September 30, 2017, 2016 and 2015.

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 sheets as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Carrying amount			
Deposits	\$ 3,663,647	\$ 4,382,231	\$ 3,020,502
Investments	<u>305,441</u>	<u>305,441</u>	<u>1,582,520</u>
	<u>\$ 3,969,088</u>	<u>\$ 4,687,672</u>	<u>\$ 4,603,022</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 2,331,852	\$ 2,912,172	\$ 1,634,469
Short-term investments	305,441	305,441	303,607
Assets whose use is limited	<u>1,331,795</u>	<u>1,470,059</u>	<u>2,664,946</u>
	<u>\$ 3,969,088</u>	<u>\$ 4,687,672</u>	<u>\$ 4,603,022</u>

RICHARDSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Account balances according to banks' records at September 30, 2017, for the Hospital are as follows:

	<u>Guaranty Bank & Trust</u>	<u>Richland State Bank</u>	<u>CrossKeys</u>
Cash in bank	\$ <u>4,283</u>	\$ <u>4,135,555</u>	\$ <u>101,854</u>
Insured by FDIC	\$ <u>4,283</u>	\$ <u>456,175</u>	\$ <u>101,854</u>
Collateralization by fair market value	\$ <u>-0-</u>	\$ <u>3,679,380</u>	\$ <u>-0-</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Patient accounts receivable	\$ 6,142,703	\$ 5,867,018	\$ 6,294,443
Other accounts receivable	<u>14,852</u>	<u>1,860</u>	<u>(10,539)</u>
	6,157,555	5,868,878	6,283,904
Estimated uncollectibles	<u>(3,511,751)</u>	<u>(3,382,852)</u>	<u>(4,293,502)</u>
Net patient accounts receivable	\$ <u>2,645,804</u>	\$ <u>2,486,026</u>	\$ <u>1,990,402</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	18%	13%	13%
Medicaid	15%	16%	10%
Blue Cross Blue Shield	5%	6%	6%
Commercial and other third-party payors	7%	9%	10%
Patients	<u>55%</u>	<u>56%</u>	<u>61%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

RICHARDSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

NOTE 5 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation at September 30:

	September 30, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	September 30, <u>2017</u>
Land	\$ 16,000	\$ -0-	\$ -0-	\$ 16,000
Land improvements	63,840	-0-	-0-	63,840
Buildings and improvements	7,385,621	150,753	637,879	6,898,495
Major movable equipment	<u>11,931,867</u>	<u>245,667</u>	<u>-0-</u>	<u>12,177,534</u>
 Total	 19,397,328	 396,420	 637,879	 19,155,869
Accumulated depreciation	<u>14,348,390</u>	<u>674,204</u>	<u>424,417</u>	<u>14,598,177</u>
 Net	 <u>\$ 5,048,938</u>	 <u>\$ (277,784)</u>	 <u>\$ 213,462</u>	 <u>\$ 4,557,692</u>

	September 30, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	September 30, <u>2016</u>
Land	\$ 16,000	\$ -0-	\$ -0-	\$ 16,000
Land improvements	29,383	34,457	-0-	63,840
Buildings and improvements	5,258,482	2,127,139	-0-	7,385,621
Major movable equipment	11,045,741	886,126	-0-	11,931,867
Construction in progress	<u>1,277,088</u>	<u>504,612</u>	<u>1,781,700</u>	<u>-0-</u>
 Total	 17,626,694	 3,552,334	 1,781,700	 19,397,328
Accumulated depreciation	<u>13,649,242</u>	<u>699,148</u>	<u>-0-</u>	<u>14,348,390</u>
 Net	 <u>\$ 3,977,452</u>	 <u>\$ 2,853,186</u>	 <u>\$ 1,781,700</u>	 <u>\$ 5,048,938</u>

RICHARDSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

NOTE 5 - CAPITAL ASSETS (Continued)

	September 30, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	September 30, <u>2015</u>
Land	\$ 16,000	\$ -0-	\$ -0-	\$ 16,000
Land improvements	29,383	-0-	-0-	29,383
Buildings and improvements	5,258,482	-0-	-0-	5,258,482
Major movable equipment	10,924,676	121,065	-0-	11,045,741
Construction in progress	<u>202,913</u>	<u>1,074,175</u>	<u>-0-</u>	<u>1,277,088</u>
Total	16,431,454	1,195,240	-0-	17,626,694
Accumulated depreciation	<u>12,853,719</u>	<u>795,523</u>	<u>-0-</u>	<u>13,649,242</u>
Net	\$ <u>3,577,735</u>	\$ <u>399,717</u>	\$ <u>-0-</u>	\$ <u>3,977,452</u>

A summary of assets held under capital leases, which are included in capital assets at September 30 follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Equipment under capital leases	\$ 2,553,162	\$ 2,553,162	\$ 2,553,162
Accumulated depreciation	<u>2,109,228</u>	<u>1,832,150</u>	<u>1,537,645</u>
Net	\$ <u>443,934</u>	\$ <u>721,012</u>	\$ <u>1,015,517</u>

NOTE 6 - ASSETS WHOSE USE IS LIMITED

The following assets are restricted as to use as designated below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Restricted by Third Parties			
Series 2014 Revenue Bonds to be disbursed	\$ 431,616	\$ 690,287	\$ 1,654,389
Restricted by Hospital Board			
To be used for asset additions and replacements - Certificates of deposits	<u>900,179</u>	<u>779,772</u>	<u>1,010,557</u>
Non-current limited use assets	\$ <u>1,331,795</u>	\$ <u>1,470,059</u>	\$ <u>2,664,946</u>

RICHARDSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

NOTE 7 - LONG-TERM DEBT

The following is a summary of the changes in long-term debt and capital lease obligations as of September 30:

	September 30, <u>2016</u>	<u>Additions</u>	<u>Payments</u>	September 30, <u>2017</u>	Due Within <u>One Year</u>
Capital lease - Siemens	\$ 89,641	\$ -0-	\$ 26,969	\$ 62,672	\$ 26,969
Capital lease - Siemens	584,308	-0-	161,214	423,094	169,142
Revenue Bonds, Series 2014	2,826,953	-0-	114,863	2,712,090	118,941
Note payable - MRI buildout	41,694	-0-	41,694	-0-	-0-
Capital lease - Stryker	34,371	-0-	34,371	-0-	-0-
Capital lease - Govt. Capital	317,234	-0-	154,828	162,406	162,406
Capital lease - GE Healthcare	50,494	-0-	23,715	26,779	26,779
Total	\$ 3,944,695	\$ -0-	\$ 557,654	\$ 3,387,041	\$ 504,237

	September 30, <u>2015</u>	<u>Additions</u>	<u>Payments</u>	September 30, <u>2016</u>	Due Within <u>One Year</u>
Capital lease - Siemens	\$ 114,062	\$ -0-	\$ 24,421	\$ 89,641	\$ 26,969
Capital lease - Siemens	737,965	-0-	153,657	584,308	161,214
Revenue Bonds, Series 2014	2,931,478	-0-	104,525	2,826,953	114,863
Note payable - MRI buildout	71,947	-0-	30,253	41,694	31,882
Capital lease - Stryker	62,555	-0-	28,184	34,371	31,224
Capital lease - Govt. Capital	464,837	-0-	147,603	317,234	154,828
Capital lease - GE Healthcare	71,198	-0-	20,704	50,494	23,715
Total	\$ 4,454,042	\$ -0-	\$ 509,347	\$ 3,944,695	\$ 544,695

	September 30, <u>2014</u>	<u>Additions</u>	<u>Payments</u>	September 30, <u>2015</u>	Due Within <u>One Year</u>
Capital lease - Siemens	\$ 136,176	\$ -0-	\$ 22,114	\$ 114,062	\$ 24,421
Capital lease - Siemens	884,421	-0-	146,456	737,965	153,658
Revenue Bonds, Series 2014	3,045,000	-0-	113,522	2,931,478	110,925
Note payable - MRI buildout	103,600	-0-	31,653	71,947	30,459
Capital lease - Stryker	91,521	-0-	28,966	62,555	30,435
Capital lease - Govt. Capital	605,551	-0-	140,714	464,837	147,603
Capital lease - GE Healthcare	92,793	-0-	21,595	71,198	22,631
Total	\$ 4,959,062	\$ -0-	\$ 505,020	\$ 4,454,042	\$ 520,132

RICHARDSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

NOTE 7 - LONG-TERM DEBT (Continued)

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

- Bancorp South Bank note payable for building renovation at 4.79%, due in 120 monthly installments of \$2,757 through January 1, 2018, secured by certificates of deposit.
- Governmental Capital capital lease for CPSI computer system at 4.895% due in 6 annual installments of \$170,357 through July 30, 2018, secured by equipment.
- GE Healthcare capital lease for ultrasound equipment at 4.69% due in 1 initial payment of \$13,800 followed by 59 monthly installments of \$2,124 through September 9, 2018, secured by equipment.
- Siemens capital lease for MRI equipment at 4.81% due in 70 monthly installments of \$15,483 through February 29, 2020, secured by equipment.
- Siemens capital lease for MRI equipment at 9.97% due in 70 monthly installments of \$2,891 through February 29, 2020.
- Series 2014 Hospital Revenue Bond at 3.25% collateralized by a pledge and dedication of hospital revenue payable in annual installments of \$215,220 which includes principal and interest through July 25, 2034.
- Stryker capital lease for Endoscopy equipment at 2.562% due in 48 monthly installments of \$2,644 through October 25, 2017, secured by equipment.

Year Ending <u>June 30,</u>	<u>Long-Term Debt</u>		<u>Capital Lease Obligation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 118,941	\$ 96,279	\$ 388,110	\$ 30,155
2019	123,163	92,057	210,348	10,139
2020	127,536	87,684	76,493	922
2021	132,063	83,157	-0-	-0-
2022	136,751	78,469	-0-	-0-
2023-2027	760,116	315,984	-0-	-0-
2028-2032	904,962	171,138	-0-	-0-
2033-2034	<u>408,558</u>	<u>21,882</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>2,712,090</u>	\$ <u>946,650</u>	\$ <u>674,951</u>	\$ <u>41,216</u>

RICHARDSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

NOTE 8 - PENSION PLAN

The District elected to withdraw from the Social Security System effective January 1, 1994. In place of Social Security, the District established a defined contribution annuity plan, called the Richardson Medical Center Retirement Plan. Employees are eligible to participate upon the date of employment and after one year of service the employee is fully vested in the employer's matching contribution. Contributions to the plan by the Hospital are determined by the Board of Commissioners. The plan requires a minimum total contribution by the Hospital and the employee of at least 7.5%. The amounts charged to pension expense under this plan were \$561,192, \$574,844, and \$453,621 for the years ended September 30, 2017, 2016, and 2015, respectively. The employees contributed \$483,104, \$446,566 and \$421,672 for the years ended September 30, 2017, 2016 and 2015, respectively.

NOTE 9 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid time off and sick days depending on length of service. The Hospital accrued \$372,606, \$355,655, and \$269,138 of paid time off at September 30, 2017, 2016, and 2015, respectively. 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 Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 10 - NET PATIENT SERVICE REVENUES

The Hospital has agreements with third-party payors that provide for payments to the Hospital 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 payments received under the Medicare low volume add-on was \$377,308, \$443,038 and \$556,249 for the years ended September 30, 2017, 2016 and 2015. Because the Hospital qualified as a Medicare Dependent Hospital (MDH), it receives additional reimbursement. The benefits related to MDH designation are set to expire on September 30, 2022, if not extended by Congress. Outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day.

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. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

RICHARDSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

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%, 14% and 14% of the total charges for the years ended September 30, 2017, 2016 and 2015, respectively.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Gross charges	\$ 49,235,629	\$ 46,075,545	\$ 42,929,434
Less charges associated with charity patients	<u>15,474</u>	<u>10,981</u>	<u>12,802</u>
Gross patient service revenue	49,220,155	46,064,564	42,916,632
Less deductions from revenue:			
Contractual adjustments	26,831,956	25,296,942	23,089,516
Discounts	363,929	261,809	470,917
Physician supplement revenue	<u>(478,998)</u>	<u>(667,931)</u>	<u>-0-</u>
Patient service revenue (net of contractual adjustments)	22,503,268	21,173,744	19,356,199
Less provision for bad debts	<u>4,438,573</u>	<u>3,929,866</u>	<u>4,785,353</u>
Net patient service revenue less provision for bad debts	\$ <u>18,064,695</u>	\$ <u>17,243,878</u>	\$ <u>14,570,846</u>

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 net patient service revenues for the years ended September 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare and Medicaid charges	\$ 37,799,998	\$ 32,836,135	\$ 29,329,685
Contractual adjustments	<u>(23,327,741)</u>	<u>(20,723,557)</u>	<u>(18,817,688)</u>
Program patient service revenue	\$ <u>14,472,257</u>	\$ <u>12,112,578</u>	\$ <u>10,511,997</u>
Percent of total gross patient charges	<u>77%</u>	<u>71%</u>	<u>68%</u>
Percent of total net patient revenues	<u>80%</u>	<u>70%</u>	<u>72%</u>

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 \$127,832 in 2015.

RICHARDSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

NOTE 11 - GRANT REVENUE

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 aggregate IGT grant income is \$1,333,276, \$2,021,083 and \$2,115,531 for the fiscal years 2017, 2016 and 2015, respectively.

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

NOTE 12 - 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 13 - CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital'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.

RICHARDSON MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

NOTE 13 - CONTINGENCIES (Continued)

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 12) - 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 Fund.

Patient Protection and Affordable Care Act (PPACA) - The PPACA was passed into law in 2010. This federal legislation is extremely complex and will substantially change the landscape of the healthcare industry. The PPACA has the potential to affect both payment rates and coverage issues for all healthcare payors. While the overall impact of the PPACA cannot currently be estimated, it could have a negative impact on the District's revenues.

NOTE 14 - 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 \$45,000. 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 year ended September 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning of the year	\$ 140,962	\$ 81,818	\$ 92,000
Plus: Claims incurred and changes in estimate	730,650	874,743	703,023
Less: Claims paid	<u>773,479</u>	<u>815,599</u>	<u>713,205</u>
End of the year	<u>\$ 98,133</u>	<u>\$ 140,962</u>	<u>\$ 81,818</u>

NOTE 15 - AD VALOREM TAXES

The District levies a property tax on all property subject to taxation in the service district. A 9.22 mill tax runs for a period of ten years, beginning with the year 2002 and ending with the year 2012, subsequently renewed for another ten years ending with the year 2022, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the Hospital. Property tax notices are mailed by November 15 each year, due by December 31, and are considered delinquent by January 31.

RICHARDSON MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017, 2016, AND 2015

NOTE 16 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2016, that have initial or remaining lease terms in excess of one year.

<u>Year Ended September 30,</u>	<u>Amount</u>
2018	\$ 233,631
2019	181,151
2020	129,371
2021	115,986
2022	<u>114,663</u>
Total minimum lease payments	\$ <u>774,802</u>

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 per-diem based on the patient's level of income. 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 cost associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The cost of caring for charity care patients were approximately \$6,000, \$4,000 and \$5,000 for the years ended September 30, 2017, 2016 and 2015, respectively. Funds received through grants, which pay part of the cost of charity and uninsured care, were approximately \$4,000, \$5,000 and \$3,000 for the years ended September 30, 2017, 2016 and 2015, respectively.

NOTE 18 - SUBSEQUENT EVENTS

Events have been evaluated through February 14, 2018, for subsequent event disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

RICHARDSON MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUES
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Routine Services:			
Adult and pediatric	\$ 1,500,172	\$ 1,739,439	\$ 1,786,824
Intensive care unit	78,015	77,463	138,947
Swing bed	<u>211,106</u>	<u>201,153</u>	<u>272,280</u>
 Total Routine Services	 <u>1,789,293</u>	 <u>2,018,055</u>	 <u>2,198,051</u>
Other Professional Services:			
Operating and recovery room			
Inpatient	567,600	718,244	825,340
Outpatient	4,459,606	4,014,263	3,392,375
Swing bed	<u>(3,480)</u>	<u>25,192</u>	<u>25,862</u>
 Total	 <u>5,023,726</u>	 <u>4,757,699</u>	 <u>4,243,577</u>
Anesthesia			
Inpatient	104,220	142,560	186,339
Outpatient	721,700	674,555	698,109
Swing bed	<u>(195)</u>	<u>5,515</u>	<u>3,250</u>
 Total	 <u>825,725</u>	 <u>822,630</u>	 <u>887,698</u>
Radiology			
Inpatient	929,967	880,022	732,288
Outpatient	12,741,154	10,870,704	9,124,340
Swing bed	<u>19,790</u>	<u>23,335</u>	<u>45,546</u>
 Total	 <u>13,690,911</u>	 <u>11,774,061</u>	 <u>9,902,174</u>
Laboratory			
Inpatient	759,733	888,181	817,989
Outpatient	4,891,555	4,864,766	4,472,194
Swing bed	<u>41,804</u>	<u>53,588</u>	<u>111,364</u>
 Total	 <u>\$ 5,693,092</u>	 <u>\$ 5,806,535</u>	 <u>\$ 5,401,547</u>

RICHARDSON MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUES (CONTINUED)
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Blood			
Inpatient	\$ 155,076	\$ 147,815	\$ 153,630
Outpatient	106,229	157,740	84,814
Swing bed	<u>929</u>	<u>5,911</u>	<u>9,596</u>
Total	<u>262,234</u>	<u>311,466</u>	<u>248,040</u>
Respiratory therapy			
Inpatient	562,747	614,280	653,421
Outpatient	267,364	303,045	383,589
Swing bed	<u>63,007</u>	<u>61,481</u>	<u>113,824</u>
Total	<u>893,118</u>	<u>978,806</u>	<u>1,150,834</u>
Occupational therapy			
Inpatient	28,787	25,810	21,214
Outpatient	85,992	108,694	1,982
Swing bed	<u>65,044</u>	<u>38,162</u>	<u>94,412</u>
Total	<u>179,823</u>	<u>172,666</u>	<u>117,608</u>
Electrocardiology			
Inpatient	94,902	93,162	88,996
Outpatient	456,704	476,014	429,481
Swing bed	<u>1,716</u>	<u>1,320</u>	<u>2,249</u>
Total	<u>553,322</u>	<u>570,496</u>	<u>520,726</u>
Central supply			
Inpatient	72,322	83,213	201,843
Outpatient	79,914	211,871	386,408
Swing bed	<u>4,814</u>	<u>3,761</u>	<u>7,492</u>
Total	\$ <u>157,050</u>	\$ <u>298,845</u>	\$ <u>595,743</u>

RICHARDSON MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUES (CONTINUED)
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Pharmacy			
Inpatient	\$ 1,216,328	\$ 1,393,358	\$ 1,547,866
Outpatient	1,691,873	1,413,734	1,562,191
Swing bed	<u>68,536</u>	<u>77,131</u>	<u>366,864</u>
 Total	 <u>2,976,737</u>	 <u>2,884,223</u>	 <u>3,476,921</u>
 Cardiac cath lab			
Inpatient	78,368	96,620	373,443
Outpatient	<u>851,050</u>	<u>744,588</u>	<u>992,613</u>
 Total	 <u>929,418</u>	 <u>841,208</u>	 <u>1,366,056</u>
 Wound care			
Inpatient	1,127	-0-	-0-
Outpatient	<u>147,283</u>	<u>-0-</u>	<u>-0-</u>
 Total	 <u>148,410</u>	 <u>-0-</u>	 <u>-0-</u>
 Emergency room			
Inpatient	366,174	400,751	522,004
Outpatient	6,619,260	6,339,027	4,888,685
Swing bed	<u>-0-</u>	<u>-0-</u>	<u>5,037</u>
 Total	 <u>6,985,434</u>	 <u>6,739,778</u>	 <u>5,415,726</u>
 Intensive outpatient program			
Outpatient	<u>308,788</u>	<u>-0-</u>	<u>-0-</u>
 Observation			
Outpatient	<u>1,489,017</u>	<u>1,624,114</u>	<u>1,464,236</u>
 Rural health clinics			
Outpatient	<u>5,386,579</u>	<u>4,415,255</u>	<u>3,806,609</u>
 Hospitalist			
Outpatient	<u>447,980</u>	<u>527,772</u>	<u>520,188</u>
 Surgery clinic			
Outpatient	\$ <u>1,494,972</u>	\$ <u>1,531,936</u>	\$ <u>1,613,700</u>

RICHARDSON MEDICAL CENTER
SCHEDULES OF NET PATIENT SERVICE REVENUES (CONTINUED)
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Other professional services			
Inpatient	\$ 4,937,351	\$ 5,484,016	\$ 6,124,373
Outpatient	35,365,469	32,330,887	28,401,205
Clinics	6,881,551	5,947,191	5,420,309
Swing bed	<u>261,965</u>	<u>295,396</u>	<u>785,496</u>
Total Other Professional Services	<u>47,446,336</u>	<u>44,057,490</u>	<u>40,731,383</u>
Gross Charges	49,235,629	46,075,545	42,929,434
Less charges associated with charity patients	<u>(15,474)</u>	<u>(10,981)</u>	<u>(12,802)</u>
Gross patient service revenue	49,220,155	46,064,564	42,916,632
Less deductions from revenue:			
Contractual adjustments	(26,831,956)	(25,296,942)	(23,089,516)
Discounts	(363,929)	(261,809)	(470,917)
Physician supplemental revenue	<u>478,998</u>	<u>667,931</u>	<u>-0-</u>
Patient service revenue	22,503,268	21,173,744	19,356,199
Less provision for bad debts	<u>(4,438,573)</u>	<u>(3,929,866)</u>	<u>(4,785,353)</u>
Net Patient Service Revenue	\$ <u>18,064,695</u>	\$ <u>17,243,878</u>	\$ <u>14,570,846</u>

RICHARDSON MEDICAL CENTER
SCHEDULES OF OTHER OPERATING REVENUES
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>		<u>2016</u>		<u>2015</u>
Cafeteria	\$ 64,417	\$	78,191	\$	63,086
Medical records	2,119		629		2,906
Vending machines	4,870		5,213		4,931
Rentals	19,000		18,400		13,740
Pharmacy sales to employees	24,581		28,143		20,635
Joint venture income	47,337		(27,660)		(9,052)
340B pharmacy program	-0-		-0-		38,374
Miscellaneous	<u>233,930</u>		<u>179,240</u>		<u>47,214</u>
 Total Other Operating Revenue	 \$ <u>396,254</u>	\$	 <u>282,156</u>	\$	 <u>181,834</u>

RICHARDSON MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Administrative and general	\$ 1,260,617	\$ 1,182,352	\$ 1,125,436
Plant operations and maintenance	117,748	118,823	94,211
Housekeeping	201,085	189,096	200,427
Dietary and cafeteria	135,383	140,928	153,174
Nursing administration	78,784	77,388	74,717
Central supply	65,137	60,401	52,396
Pharmacy	357,699	346,220	264,197
Medical records	231,298	189,467	151,239
Nursing services	1,455,431	1,377,588	1,336,245
Intensive care unit	101,571	103,939	164,853
Operating room	486,166	424,551	427,971
Radiology	468,035	518,620	506,987
Laboratory	528,551	506,464	481,582
Respiratory therapy	321,778	309,139	289,881
EKG and EEG	21,960	18,192	17,631
Wound care	11,565	-0-	-0-
Intensive outpatient program	86,255	-0-	-0-
Emergency room	747,059	704,975	692,293
Rural health clinics	2,589,206	1,747,133	1,446,319
Surgery clinic	791,711	788,105	729,183
School based health clinic	<u>157,819</u>	<u>161,461</u>	<u>146,870</u>
 Total Salaries	 <u>10,214,858</u>	 <u>8,964,842</u>	 <u>8,355,612</u>
 Payroll taxes	 133,910	 114,950	 111,558
Hospitalization insurance	730,650	874,743	703,023
Retirement	<u>561,192</u>	<u>574,844</u>	<u>453,621</u>
 Total Benefits	 <u>1,425,752</u>	 <u>1,564,537</u>	 <u>1,268,202</u>
 Total Salaries and Benefits	 \$ <u>11,640,610</u>	 \$ <u>10,529,379</u>	 \$ <u>9,623,814</u>

RICHARDSON MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>		<u>2016</u>		<u>2015</u>
Operating room	\$ 5,250	\$	2,250	\$	600
Anesthesiology	212,725		207,000		222,200
Radiology	508,007		152,372		46,332
Laboratory	177,984		180,275		128,661
EKG	22,275		24,575		26,550
Cardiac cath lab	71,000		74,980		70,132
Wound care	26,198		860		-0-
Intensive outpatient program	260		-0-		-0-
Emergency room	1,222,495		1,199,297		1,097,968
Rural health clinics	67,090		201,565		177,801
School based health clinic	14,640		13,680		13,640
	<u>14,640</u>		<u>13,680</u>		<u>13,640</u>
 Total Professional Fees	 \$ <u>2,327,924</u>	\$	 <u>2,056,854</u>	\$	 <u>1,783,884</u>

RICHARDSON MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Management fees	\$ 109,908	\$ 86,201	\$ 41,518
Contract services	1,055,909	1,011,008	833,708
Legal and accounting	131,911	110,963	106,890
Supplies	633,919	591,681	577,574
Repairs and maintenance	436,946	470,387	501,107
Utilities	258,582	226,262	245,866
Telephone	39,774	22,593	33,738
Travel	73,740	41,385	43,314
Rentals	232,397	233,823	271,909
Education	33,450	21,788	8,698
Recruitment and advertising	65,636	22,255	17,143
Dues and subscriptions	197,539	201,903	115,994
Inter-governmental transfer	235,600	316,323	-0-
Miscellaneous	<u>16,969</u>	<u>500</u>	<u>4,675</u>
 Total Other Expenses	 \$ <u>3,522,280</u>	 \$ <u>3,357,072</u>	 \$ <u>2,802,134</u>

RICHARDSON MEDICAL CENTER
 SCHEDULES OF PER DIEM AND
 OTHER COMPENSATION PAID TO BOARD MEMBERS
 YEARS ENDED SEPTEMBER 30,

	-----TERM-----				
	<u>BEGAN</u>	<u>ENDING</u>			
Mrs. Beth Green	09/08/08	09/08/20	NONE	NONE	NONE
Mr. Bill Worsely	05/06/13	05/06/19	NONE	NONE	NONE
Mr. Moses Wilkins	12/21/93	12/03/19	NONE	NONE	NONE
Mr. Oliver Holland	04/18/89	02/01/22	NONE	NONE	NONE
Dr. Chris Morris	12/12/13	12/12/19	NONE	NONE	NONE
Dr. Addison Thompson	11/05/13	11/05/19	NONE	NONE	NONE

RICHARDSON MEDICAL CENTER
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
 PAYMENTS TO CHIEF EXECUTIVE OFFICER
 YEAR ENDED SEPTEMBER 30, 2017

Agency Head Name: James Barrett, Jr.
 Position: CEO
 Time Period: For the year ended September 30, 2017

<u>Purpose</u>	<u>Amount</u>
Salary	185,156
Health insurance	6,392
Retirement (FICA replacement plan)	10,062
Car allowance	4,800
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	894
Conference travel	615
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	408



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A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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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

Board of Commissioners
Hospital Service District No. 1B
Parish of Richland, State of Louisiana
Rayville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Richland Parish Hospital Service District No. 1B, Parish of Richland (the District), a component unit of the Richland Parish Police Jury, as of and for the years ended September 30, 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 February 14, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Board of Commissioners
Hospital Service District No. 1B
Parish of Richland, State of Louisiana
Rayville, Louisiana
Page Two

identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2017-1, 2017-2 and 2017-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's consolidated 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 matters 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 responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 Accountants
Alexandria, Louisiana

February 14, 2018



RICHARDSON MEDICAL CENTER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2017

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – Not applicable

Section II. Financial Statement Findings

FINDING 2017-1 - Segregation of Duties

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

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

Response: The Hospital is limited in its resources. The benefits of having a complete segregation of duties are not feasible. However, management has added an additional accountant to help segregate duties between the custody and recording of cash transactions.



RICHARDSON MEDICAL CENTER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2017

Section II. Financial Statement Findings (Continued)

FINDING 2017-2 - Payroll Withholdings

Finding: Some of the employer payments for employee benefits were posted to the employee withholding account instead of being expensed. Therefore, the liability and expense accounts were understated by approximately \$227,000.

Recommendation: We recommend setting up a control that separates the payment of the employer's portion of the benefits to be recorded to the correct accounts. Additionally, the withholding account should be reconciled on a monthly basis to ensure accurate financial reporting.

Response: After year-end, management caught and resolved the posting of insurance premiums. These accounts will be monitored monthly by the accountant and reviewed by the CFO.

FINDING 2017-3 - Third-Party Payor Settlements

Finding: An estimate of the current year Medicare and Medicaid cost reports were not estimated and recorded. Therefore, receivables from third-party payor settlements and net patient service revenue were understated by approximately \$715,000.

Recommendation: We recommend calculating an estimate for the current year Medicare and Medicaid cost reports and recording the results on an interim basis.

Response: Management will create and implement a method to estimate cost report and third-party receivables. This estimate will be recorded on a bi-annual basis.

Section III. Federal Awards Findings and Questioned Costs

Not Applicable

Section IV. Management Letter

Not Applicable



RICHARDSON MEDICAL CENTER
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2017

Section I. Financial Statement Findings

2016-1 - Draft of Financial Statements

Fiscal Year Initially Reported: September 30, 2007

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

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

Response: Management will do all it can to ensure the propriety of audited financial statements.

Resolution: Resolved.

2016-2 - Segregation of Duties

Fiscal Year Initially Reported: September 30, 2007

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

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

Response: We will work to have the staff and the knowledge to segregate duties so that internal controls can be in place to prevent intentional and unintentional errors.

Resolution: Not resolved - See finding 2017-1.



RICHARDSON MEDICAL CENTER
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2017

Section I. Financial Statement Findings (Continued)

Finding 2016-3 - Payroll Withholdings

Fiscal Year Initially Reported: September 30, 2016

Finding: Some of the employer contributions to the retirement plan were posted to the employee withholding account instead of being expensed. Therefore, the liability and expense accounts were understated by approximately \$227,000.

Recommendation: We recommend setting up a control that separates the payment of the retirement contributions to be recorded to the correct accounts. Additionally, the withholding account should be reconciled on a monthly basis to ensure accurate financial reporting.

Response: Management discussed the implementation of controls in the payroll processing function with TruBridge, the third-party who processes payroll. TruBridge will add a step to their processing of payroll to ensure that the employer contribution amount is posted correctly in the general ledger. The accountant will also reconcile the payments posted to the withholding accounts monthly starting in February of 2017.

Resolution: Not resolved - See finding 2017-2.

Finding 2016-4 - Medical Records Stats

Fiscal Year Initially Reported: September 30, 2016

Finding: The ICU days provided by medical records for all patients was less than the number of days reported by Medicare. When a patient is transferred between ICU and acute care, the nursing staff is not utilizing the correct procedures in the system to identify the level of care. Additionally, the medical records department is manually accumulating the patient days instead of utilizing the computer system.

Recommendation: We recommend setting up procedures to ensure ICU days are properly recorded. The nursing staff should receive education on the new procedures. Medical records should utilize the computer system for gathering patient days.

Response: The Hospital staff will be seeking a certified health information manager who will lead the education of staff to correctly utilize the Electronic Medical Records system. The director of nurses has informed her staff of the correct procedure for transfers between the levels of care.

Resolution: Resolved.



RICHARDSON MEDICAL CENTER
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2017

Section I. Financial Statement Findings (Continued)

Finding 2016-5 - Third-Party Payor Settlements

Fiscal Year Initially Reported: September 30, 2016

Finding: Payments and receipts of third-party payor settlements were not posted correctly. Additionally, an estimate of the current year Medicare and Medicaid cost report was not recorded. Therefore, receivables from third-party payor settlements and net patient service revenue were understated by approximately \$200,000.

Recommendation: We recommend researching all third-party receipts and payments that are not related to patient claims for proper accounting treatment. An estimate for the current year Medicare and Medicaid cost report should be made and recorded on a monthly basis.

Response: The cash posting clerk will notify the insurance supervisor of any third-party payor settlements upon receipt. The insurance supervisor will provide the accountant a summary of these settlements on a weekly basis. This summary will include: payor, remittance data, and an explanation of payment. The CFO will review the posting using the monthly receipt report, reconcile the associated accounts, and notify the accountant of any reclassifications needed. Due to the complexity of cost reporting and limited resources the Hospital will book cost report estimates only at year end.

Resolution: Not resolved - See finding 2017-3.

Section II. Federal Awards Findings and Questioned Costs

Not Applicable

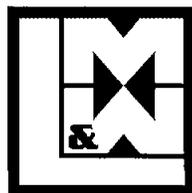
Section III. Management Letter

Not Applicable



RICHARDSON MEDICAL CENTER
INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED UPON
PROCEDURES

FOR THE YEAR ENDED
SEPTEMBER 30, 2017



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
of Richardson Medical Center
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Richardson Medical Center (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 October 1, 2016 through September 30, 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 did not have written policies and procedures for the following areas: budgeting, receipts, contracting, ethics and debt service. The purchasing policy did not have procedures for adding vendors. The credit card policy did not have procedures for monitoring usage.

Management's Response: Policies will be created and implemented for budgeting, receipts, contracting, ethics and debt service. The purchasing policy will be updated with the procedures for adding vendors. Procedures for monitoring credit card usage will be added to the current credit card policy.

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 according to its bylaws. During the fiscal year 2017, the Board met nine (9) of the twelve (12) months. Of the nine (9) Board meetings, the Hospital did not present budget to actual comparison at one (1) of the meetings.



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:
- Bank reconciliations have been prepared;
 - 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
 - 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: Bank reconciliations did not contain evidence of a review by an independent employee or Board member.

Management's Response: As of October 2017, all bank reconciliations are being reviewed and approved by the CFO.

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:
- 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.
 - 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: Of the five (5) deposits tested, two (2) deposits were made two (2) 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 does not have 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.

Management's Response: See management's response to procedure #1.

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 general ledger details representing all entity 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 tested, three (3) did not contain evidence of being approved by an independent employee. Of the twenty-five (25) disbursements tested, one (1) did not contain an 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: No exceptions were noted in applying the above procedure.

- 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 procedure.

- 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 procedure.

- 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: A signature stamp is not utilized.

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 list of all active credit cards, bank debit cards, fuel cards, and P-cards, and management provided representation that the list 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 statements and supporting documentation were not reviewed and approved, in writing, by someone other than the authorized card holder. No finance charges and/or late fees were assessed on the selected statements.

Management's Response: Resolved by management. The credit card statements are being approved by the administrator or appropriate supervisor, not the card holder.

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 forty-one (41) credit card transactions tested, five (5) did not have the original receipt and seven (7) did not have the written purpose documented. Any transactions involving the cardholder were not approved by an independent employee.

Management's Response: Credit card statements and purchases will be reviewed by the CFO or administrator. Any transactions without receipt will have to be reimbursed by the employee. The A/P clerk will monitor the credit card log for written purpose. Any employee who has approval to use the card will be notified of the policy of reimbursement to the hospital for failure to turn in original receipts.



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 list of all travel and related expense reimbursements, by person, and management provided representation that the list 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 Hospital provided written policies and procedures for travel and reimbursements. The policy does not define per diem rates for meals or lodging. The mileage rate is defined as the "allowable rate established by IRS guidelines", which agrees to the GSA rates.

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: Of the three (3) reimbursements tested, one (1) did not contain evidence of the business purpose and one (1) did not contain an approval by an independent employee.

Management's Response: The A/P clerk will only pay expenses for travel that contain evidence of business purpose and have been approved by the employee's supervisor.



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 list of contract vendors for the fiscal period, and management provided representation that the list 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: Of the five (5) contracts tested, one (1) contract was amended to increase the hourly compensated rate from \$86 to \$96. The contract did have provisions for an amendment. We were unable to match the invoice for one of the contractors to the terms of the contract. We were unable to locate Board approval for four (4) of the five (5) contracts.

Management's Response: A policy on contracts will be implemented. Board approval will be required for contracts, or amendments to contracts, with an annual value exceeding \$60,000.

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 all employees with their related salaries and management provided representation that the listing was complete. There were no exceptions in applying the above procedures.

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:
- 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.)
 - Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - 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: Of the 25 payroll transactions tested, 11 did not contain evidence of a supervisor's approval.

Management's Response: Resolved by management. Starting February 4, 2018, payroll will be submitted electronically by each manager and all PTO/SICK/EDIT requests will be signed by the employee and manager.

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: No exceptions were noted in applying the above procedure.

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: No exceptions were noted in applying the above procedure.

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: Only one (1) of the five (5) tested contained the required ethic compliance documentation.

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: No exceptions were noted in applying the above procedure.

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: No exceptions were noted in applying the above procedure.

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: No exceptions were noted in applying the above procedure.

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: No exceptions were noted in applying the above procedure.

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.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings: The entity has posted the notice on its premises. The entity does not have it posted on their website.

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.



Board of Commissioners
of Richardson Medical Center
and the Louisiana Legislative Auditor

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, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

January 15, 2018

