

REEVES MEMORIAL MEDICAL CENTER

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED  
DECEMBER 31, 2018, 2017, AND 2016

Reeves Memorial Medical Center  
 Financial Statements  
 and  
 Independent Auditors' Report  
 Years Ended December 31, 2018, 2017, and 2016

Table of Contents

	<u>Page No.</u>
Management's Discussion and Analysis.....	i-vi
Independent Auditors' Report on the Financial Statements and Supplementary Information.....	1-3
 Financial Statements	
Statements of Net Position .....	4
Statements of Revenues, Expenses, and Changes in Net Position .....	5
Statements of Cash Flows .....	6-7
Notes to Financial Statements .....	8-26
 Supplementary Information	
Schedules of Net Patient Service Revenue .....	28-31
Schedules of Other Operating Revenue .....	32
Schedules of Expenses - Salaries and Benefits.....	33
Schedules of Expenses - Medical Supplies and Drugs .....	34
Schedules of Expenses - Professional Fees .....	35
Schedules of Expenses - Other Expenses .....	36
Schedules of Per Diem and Other Compensation Paid to Board Members.....	37
Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer .....	38
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 <i>Government Auditing Standards</i> .....	39-44

Ward 3, 4 and 10 Hospital Service District  
of the Parish of Union, State of Louisiana  
Management's Discussion and Analysis

This section of the Hospital Service District's (the "District") annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on December 31, 2018. Please read it in conjunction with the financial statements in this report.

### Financial Highlights

- The District's total assets decreased in FY 2018 by \$5,561,588 compared to increases in FY 2017 and 2016 by \$4,809,931 and \$3,698,261, respectively. The majority of the decrease in fiscal year 2018, is due to intergovernmental transfers-access grant distribution at year end. The District also paid Medicare \$1,589,226 for the settlement of the FY 2017 cost report and \$1,195,910 for over payment in FY 2018. In fiscal years 2016 and 2017 \$2,393,826 and \$5,088,371 intergovernmental transfers-access grants were not distributed at year-end. Capital leases of \$80,086 and \$81,578 were entered into in FY 2018 and 2017, respectively. No new debt was entered into in FY 2016.
- Patient volume decreased in FY 2018 versus patient volume increases in FY 2017 and 2016. The District reported operating income of \$703,427, \$1,008,433 and \$325,128 in FY 2018, 2017 and 2016, respectively. Operating expenses in 2018, 2017, and 2016 include \$16,058,706, \$19,056,375 and \$16,454,575, respectively, which were Intergovernmental (IGT) Transfers-Access Grant expenses. Operating expenses increased by \$838,741 in FY 2018 compared to increases in FY 2017 and 2016 of \$950,073 and \$694,258, respectively.
- The District collaborated with a rural hospital trade organization to establish a grant program (IGT). The District entered into cooperative endeavor agreements with other regional public rural hospitals. These grants were to be used for providing healthcare to indigent and/or low-income patients. IGT grants of \$16,058,706, \$19,056,375 and \$16,454,575 were received by the District during FYs 2018, 2017, and 2016, respectively.
- The District received property tax revenues of \$253,428, \$267,421, \$263,780, and \$251,939, for fiscal years 2018, 2017, 2016, and 2015, respectively. The 5.34 mills ad valorem tax expired in fiscal year 2011 and was renewed for 2012 through 2021. The 5.11 mills was renewed in March 2015 for another 10 years. In FY 2016, the District board voted to increase the 5.34 mills to 5.47 mills to maintain the ad valorem tax equal to prior year tax collections.

### Required Financial Statements

The Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures improvements in the District's operations over the past three years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Ward 3, 4 and 10 Hospital Service District  
of the Parish of Union, State of Louisiana  
Management's Discussion and Analysis (Continued)

**Financial Analysis of the Hospital Service District**

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

**Net Position**

A summary of the District's Statements of Net Position are presented in Table 1 below:

**TABLE 1**  
**Condensed Statements of Net Position**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total current assets	\$ 5,838,176	\$ 11,222,965	\$ 6,155,041	\$ 2,204,462
Capital assets - net	2,254,713	2,444,484	2,575,065	2,686,022
Other assets	<u>494,205</u>	<u>481,233</u>	<u>608,645</u>	<u>750,006</u>
 Total assets	 \$ <u>8,587,094</u>	 \$ <u>14,148,682</u>	 \$ <u>9,338,751</u>	 \$ <u>5,640,490</u>
 Current liabilities	 \$ 2,120,046	 \$ 8,337,731	 \$ 4,457,741	 \$ 934,572
Long-term liabilities	1,536,233	1,656,415	1,753,982	1,897,789
Invested in capital assets, net of related debt	501,111	587,882	587,882	649,100
Restricted: Bond reserve fund	70,233	5,157,561	2,597,917	356,425
Unrestricted	<u>4,359,471</u>	<u>(1,590,907)</u>	<u>(58,771)</u>	<u>1,802,604</u>
 Total liabilities and net position	 \$ <u>8,587,094</u>	 \$ <u>14,148,682</u>	 \$ <u>9,338,751</u>	 \$ <u>5,640,490</u>

As can be seen in Table 1, total assets decreased in FY 2018 by \$5,561,588, with an increase in 2017 and 2016 by \$4,809,931 and \$3,698,261, respectively. During FY 2018, the District paid Medicare \$1,589,226 for settlement of the FY 2017 cost report and \$1,195,910 for overpayment in 2018. The District also distributed all the intergovernmental transfers-access grant monies at year end.

Ward 3, 4 and 10 Hospital Service District  
of the Parish of Union, State of Louisiana  
Management's Discussion and Analysis (Continued)

**Summary of Changes in Net Position**

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended December 31, 2018, 2017, 2016, and 2015.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>				
Net patient service revenue	\$ 26,023,891	\$ 28,689,496	\$ 24,450,406	\$ 35,212,686
Property tax revenue	253,428	267,421	263,780	251,939
Other revenue	478,883	263,219	270,772	305,685
Total revenues	<u>26,756,202</u>	<u>29,220,136</u>	<u>24,984,958</u>	<u>35,770,310</u>
<b>Expenses:</b>				
Salaries and benefits	4,986,627	4,699,295	4,266,467	3,866,393
Intergovernmental transfers-access grant expense	16,058,706	19,056,375	16,454,575	28,485,425
Other expenses	5,007,442	4,456,033	3,938,788	3,644,604
Total expenses	<u>26,052,775</u>	<u>28,211,703</u>	<u>24,659,830</u>	<u>35,996,422</u>
Operating income (loss)	703,427	1,008,433	325,128	(226,112)
<b>Nonoperating revenues (expenses)</b>				
Interest income	19,474	38,445	37,605	33,436
Interest expense	(51,931)	(55,898)	(59,502)	(65,655)
Gain (loss) on disposal of asset	93,150	5,000	111	14,627
Nonoperating income (loss), net	<u>60,693</u>	<u>(12,453)</u>	<u>(21,786)</u>	<u>(17,592)</u>
Changes in net position before capital grants	764,120	995,980	303,342	(243,704)
Capital grants	<u>-0-</u>	<u>24,482</u>	<u>5,049</u>	<u>9,023</u>
Changes in net position before other comprehensive income	764,120	1,020,462	308,391	(234,681)
<b>Other comprehensive income</b>				
Change in unrealized gain (loss) on securities	<u>12,159</u>	<u>7,046</u>	<u>10,508</u>	<u>(7,904)</u>
Changes in net position	<u>\$ 776,279</u>	<u>\$ 1,027,508</u>	<u>\$ 318,899</u>	<u>\$ (242,585)</u>

Ward 3, 4 and 10 Hospital Service District  
of the Parish of Union, State of Louisiana  
Management's Discussion and Analysis (Continued)

**Sources of Revenue**

**Operating Revenue**

During fiscal year 2018, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the District's facilities. On December 30, 2005, the District changed its status for Medicare reimbursement purposes from a prospectively paid (PPS) hospital to a cost based reimbursement or critical access hospital. This change resulted in more reimbursement from Medicare. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes grants to provide healthcare to indigent and/or low-income patients. If the District continues to meet the criteria, grant money may be available for a short period of time. Other revenue also contains cafeteria sales, HPSA incentive income, and other miscellaneous services.

The District collaborated with a rural hospital trade organization to establish a grant program. The District entered into cooperative endeavor agreements with other regional public rural hospitals. These grants were to be used for providing healthcare to indigent and/or low-income patients. An intergovernmental transfers-access grant flow through of \$16,058,706 was received by the District in fiscal year 2018. All monies from the intergovernmental transfers-access grant were distributed at year end. An intergovernmental transfers-access grant flow through of \$19,056,375 was received by the District in fiscal year 2017. Of this amount, \$5,088,371 remained as a limited use asset and current liability at year end. The \$5,088,371 was distributed in FY 2018.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years:

**TABLE 3  
Payor Mix by Percentage**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	46%	53%	53%	40%
Medicaid	20%	22%	21%	21%
Blue Cross	10%	10%	11%	18%
Commercial and other third-party payors	22%	13%	10%	13%
Other	<u>2%</u>	<u>2%</u>	<u>5%</u>	<u>8%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

**Non-operating Income**

The District holds investments in its Statements of Net Position that are invested primarily in Certificates of Deposit. Total investments were \$421,480, \$409,321, \$402,275, and \$391,767, for 2018, 2017, 2016, and 2015, respectively. Capital grant income for fiscal years 2018, 2017, 2016, and 2015 was \$0, \$24,482, \$5,049, and \$9,023, respectively.

Ward 3, 4 and 10 Hospital Service District  
of the Parish of Union, State of Louisiana  
Management's Discussion and Analysis (Continued)

**Operating and Financial Performance**

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between 2018, 2017, 2016, and 2015:

In FY 2018, acute and swing patient days decreased by 217 days, compared to 801 and 529 day increases in FY 2017 and 2016, respectively. Therapy revenues continued an upward trend by increasing \$1,041,767, \$883,863, and \$95,703 in FY 2018, 2017, and 2016, respectively. Other revenue increased by \$215,664 in FY 2018, due to the District's participation in the 340B pharmaceutical program.

As a critical access hospital, the average length of stay is required to be 4.00 days or less. The Acute day's average length of stay was 3.69 for patients in fiscal year 2018.

In FY 2018 the net patient service revenue without the \$16,058,706 IGT included, increased by \$596,578 due to increases in Therapy charges and changes in volume. Without consideration of the \$19,056,375 or the \$16,454,675 included in net patient service revenue the District's net patient service revenue increased by \$1,511,116 in FY 2017 due to increases in charges and volume. Net patient service revenue saw an increase of \$1,652,061 in FY 2016 due to increase in volume, mainly Swing Bed.

The gross accounts receivable balance increased by \$603,054, \$368,802 and \$850,689 in FY 2018, 2017 and 2016, respectively, compared to a decrease of \$294,799 in fiscal year 2015. The increase is primarily due to the increase in room and board charge and higher volume in Swing. The District continues to exert every effort to assist patients in finding funding sources for health care.

Salaries & benefits grew in FY 2018, 2017, and 2016 by \$287,332, \$432,828, and \$400,074, respectively. A cost of living increase of 1.5% was granted in FY 2018 and 2017, with merit increases of up to 3% also granted. The District has to compete with other area hospitals for personnel.

In FY 2018 Provision for Bad Debts increased by \$51,829, compared to a slight increase of \$26,935 in FY 2017. In FY 2016 it decreased by \$152,797, mostly due to decrease in self-pay revenue.

Depreciation decreased slightly in fiscal year 2018 by \$24,613, compared to an increase of \$14,024 and \$64,345 in fiscal year 2017 and 2016, respectively. In FY 2018 and 2017, there was an increase in other expenses of \$551,409 and \$517,245, respectively (with the IGT expense removed). Medical Supplies and Drugs increased by \$424,008 and \$306,570 in FY 2018 and 2017, respectively, due to increased cost of pharmacy drugs and 340B pharmaceutical program drug purchases.

**Capital Assets**

During fiscal year 2018, various equipment, in the amount of \$318,325, was disposed of due to lightning strike damage at the beginning of the fiscal year. Various equipment was added during FY 2018 to replace the damaged equipment. ER and conference room renovations in the amount of \$36,961 were completed in FY 2018. All are included in Table 4 below.

Ward 3, 4 and 10 Hospital Service District  
of the Parish of Union, State of Louisiana  
Management's Discussion and Analysis (Continued)

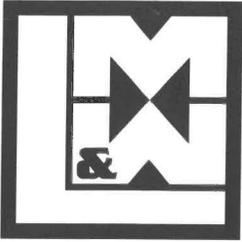
**Capital Assets (Continued)**

**TABLE 4  
Capital Assets**

	December 31, <u>2018</u>	December 31, <u>2017</u>	December 31, <u>2016</u>	December 31, <u>2015</u>
Land	\$ 36,840	\$ 36,840	\$ 36,840	\$ 36,840
Land improvements	37,882	37,882	37,882	32,060
Leasehold improvements	22,014	17,083	17,083	17,083
Buildings	2,513,861	2,456,511	2,442,311	1,594,859
Fixed equipment	442,673	405,712	405,712	395,886
Major moveable equipment	3,411,767	3,571,023	3,371,969	3,324,407
Transportation equipment	87,894	105,891	66,312	66,312
Minor equipment	300	300	300	300
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>10,961</u>	<u>651,273</u>
 Total	 6,553,231	 6,631,242	 6,389,370	 6,119,020
Accumulated depreciation	<u>4,298,518</u>	<u>4,186,758</u>	<u>3,814,305</u>	<u>3,432,998</u>
 Net capital assets	 \$ <u>2,254,713</u>	 \$ <u>2,444,484</u>	 \$ <u>2,575,065</u>	 \$ <u>2,686,022</u>

**Contacting the Hospital Service District's Financial Manager**

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



## **LESTER, MILLER & WELLS**

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653

Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758

Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107

Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

---

**Members:** American Institute of Certified Public Accountants • Society of Louisiana Certified Public Accountants

---

John S. Wells, CPA  
Robert G. Miller, CPA  
Paul A. Delaney, CPA  
Mary L. Carroll, CPA  
Joey L. Breaux, CPA  
Jason P. LeBlanc, CPA

---

Brenda J. Lloyd, CPA  
Karlie P. Brister, CPA

---

Retired 2015  
Bobby G. Lester, CPA

### INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Bernice, Louisiana

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana d/b/a Reeves Memorial Medical Center (the "District"), a component unit of the Union Parish Police Jury, Bernice, Louisiana, which comprise the statements of net position, as of and for the years ended December 31, 2018, 2017, and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Reeves Memorial Medical Center as of December 31, 2018, 2017, and 2016, and the respective changes in financial position and cash flows for the years then ended in conformity 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 Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana and do not purport to, and do not, present fairly the financial position of the Union Parish Police Jury as of December 31, 2018, 2017, and 2016, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Reeves Memorial Medical Center'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  
Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
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 June 25, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Lester Malle & Wells*

Certified Public Accountants  
Alexandria, Louisiana

June 25, 2019



Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Statements of Net Position  
December 31,

ASSETS	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current assets:			
Cash and cash equivalents (Notes 2 & 3)	\$ 3,335,087	\$ 3,720,292	\$ 1,456,060
Accounts receivable, net (Note 4)	1,205,000	1,192,893	1,301,734
Estimated third-party payor settlements	549,054	317,337	207,994
Other receivables	301,860	478,640	443,773
Limited-use assets required for current liabilities	-0-	5,087,463	2,393,361
Inventory	325,763	276,692	243,659
Prepaid expenses	121,412	149,648	108,460
Total current assets	<u>5,838,176</u>	<u>11,222,965</u>	<u>6,155,041</u>
Non-current assets:			
Nondepreciable capital assets (Note 5)	36,840	36,840	47,801
Depreciable capital assets, net (Note 5)	2,217,873	2,407,644	2,527,264
Limited-use assets (Note 6)	70,911	70,098	204,556
Investments (Note 3)	421,480	409,321	402,275
Other assets (Note 7)	1,814	1,814	1,814
Total assets	<u>\$ 8,587,094</u>	<u>\$ 14,148,682</u>	<u>\$ 9,338,751</u>
 LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable	\$ 285,675	\$ 371,908	\$ 374,554
Accrued expenses and withholdings payable (Note 9)	408,552	365,285	315,666
Estimated third-party payor settlements	1,245,290	2,349,728	1,230,352
Medicaid FMP payable	-0-	5,087,463	2,393,361
Current portion of long-term debt (Note 8)	180,529	163,347	143,808
Total current liabilities	<u>2,120,046</u>	<u>8,337,731</u>	<u>4,457,741</u>
Long-term debt (Note 8)	<u>1,536,233</u>	<u>1,656,415</u>	<u>1,753,982</u>
Total liabilities	<u>3,656,279</u>	<u>9,994,146</u>	<u>6,211,723</u>
Net position:			
Invested in capital assets, net of related debt	501,111	587,882	587,882
Restricted: Bond reserve fund	70,233	5,157,561	2,597,917
Unrestricted	4,359,471	(1,590,907)	(58,771)
Total net position	<u>4,930,815</u>	<u>4,154,536</u>	<u>3,127,028</u>
Total liabilities and net position	<u>\$ 8,587,094</u>	<u>\$ 14,148,682</u>	<u>\$ 9,338,751</u>

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>			
Net patient service revenue (Note 12)	\$ 26,023,891	\$ 28,689,496	\$ 24,450,406
Property tax revenue (Note 14)	253,428	267,421	263,780
Grant income	55,236	60,121	44,207
Contributions	-0-	500	-0-
Other operating revenue	<u>423,647</u>	<u>202,598</u>	<u>226,565</u>
<b>Total revenues</b>	<u><b>26,756,202</b></u>	<u><b>29,220,136</b></u>	<u><b>24,984,958</b></u>
<b>Expenses:</b>			
Salaries and benefits	4,986,627	4,699,295	4,266,467
Medical supplies and drugs	1,315,817	891,809	585,239
Professional fees	1,252,226	993,748	997,174
Other expenses	1,913,505	2,029,675	1,829,248
Intergovernmental transfers-access grant expense (Note 19)	16,058,706	19,056,375	16,454,575
Insurance	135,636	125,930	126,280
Depreciation and amortization	<u>390,258</u>	<u>414,871</u>	<u>400,847</u>
<b>Total expenses</b>	<u><b>26,052,775</b></u>	<u><b>28,211,703</b></u>	<u><b>24,659,830</b></u>
 Operating income (loss)	 703,427	 1,008,433	 325,128
<b>Nonoperating revenues (expenses)</b>			
Interest income	19,474	38,445	37,605
Interest expense	(51,931)	(55,898)	(59,502)
Gain (loss) on disposal of assets	<u>93,150</u>	<u>5,000</u>	<u>111</u>
<b>Nonoperating income (loss), net</b>	<b>60,693</b>	<b>(12,453)</b>	<b>(21,786)</b>
 Changes in net position before capital grants	 764,120	 995,980	 303,342
Capital grants	<u>-0-</u>	<u>24,482</u>	<u>5,049</u>
 Changes in net position before other comprehensive income	 764,120	 1,020,462	 308,391
<b>Other comprehensive income</b>			
Change in unrealized gain (loss) on securities	<u>12,159</u>	<u>7,046</u>	<u>10,508</u>
<b>Changes in net position</b>	<u><b>776,279</b></u>	<u><b>1,027,508</b></u>	<u><b>318,899</b></u>
 Beginning net position	 <u>4,154,536</u>	 <u>3,127,028</u>	 <u>2,808,129</u>
 Ending net position	 <u><b>\$ 4,930,815</b></u>	 <u><b>\$ 4,154,536</b></u>	 <u><b>\$ 3,127,028</b></u>

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Statements of Cash Flows  
Years Ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 24,675,629	\$ 29,808,370	\$ 25,289,428
Other receipts from operations	909,091	495,773	452,252
Cash paid to governmental entities	(16,058,706)	(19,056,375)	(16,454,575)
Cash payments to employees and for employee-related cost	(4,943,360)	(4,649,676)	(4,214,081)
Cash payments for other operating expenses	<u>(4,724,022)</u>	<u>(4,118,472)</u>	<u>(3,448,409)</u>
Net cash provided (used) by operating activities	<u>(141,368)</u>	<u>2,479,620</u>	<u>1,624,615</u>
Cash flows from investing activities:			
Interest income	<u>19,474</u>	<u>38,445</u>	<u>37,605</u>
Net cash provided (used) by investing activities	<u>19,474</u>	<u>38,445</u>	<u>37,605</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(258,311)	(284,290)	(320,340)
Proceeds from sale of assets	93,150	5,000	111
Disposal of asset	57,824	-0-	30,450
Proceeds from capital grants	-0-	24,482	5,049
Cash invested in limited use assets	(1,043)	134,901	152,334
Proceeds from long-term debt	80,086	81,578	-0-
Payments on long-term debt	(183,086)	(159,606)	(139,132)
Interest expense on long-term debt	<u>(51,931)</u>	<u>(55,898)</u>	<u>(59,502)</u>
Net cash provided (used) by capital and related financing activities	<u>(263,311)</u>	<u>(253,833)</u>	<u>(331,030)</u>
Net increase (decrease) in cash and cash equivalents	(385,205)	2,264,232	1,331,190
Beginning cash and cash equivalents	<u>3,720,292</u>	<u>1,456,060</u>	<u>124,870</u>
Ending cash and cash equivalents	\$ <u>3,335,087</u>	\$ <u>3,720,292</u>	\$ <u>1,456,060</u>

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Statements of Cash Flows (Continued)  
Years Ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 703,427	\$ 1,008,433	\$ 325,128
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	390,258	414,871	400,847
Changes in:			
Accounts receivable, net	(12,107)	108,841	(652,389)
Estimated third-party payor settlements	(1,336,155)	1,010,033	1,491,391
Other receivables	176,780	(34,867)	(82,320)
Limited-use asset	230	(443)	(425)
Inventory	(49,071)	(33,033)	(21,715)
Prepaid expenses	28,236	(41,188)	36,837
Accounts payable	(86,233)	(2,646)	74,875
Accrued expenses and withholdings payable	<u>43,267</u>	<u>49,619</u>	<u>52,386</u>
Net cash provided (used) by operating activities	\$ <u>(141,368)</u>	\$ <u>2,479,620</u>	\$ <u>1,624,615</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ <u>51,931</u>	\$ <u>55,898</u>	\$ <u>59,502</u>
Unrealized gain (loss) recorded to investments and net position	\$ <u>12,159</u>	\$ <u>7,046</u>	\$ <u>10,508</u>

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana (referred to as the "District") was created by an ordinance of the Union Parish Police Jury on July 11, 1967, and beginning September 2010 is referred to as Reeves Memorial Medical Center.

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

Nature of Business

The District provides outpatient, emergency, rural health clinic, acute inpatient, and skilled nursing (through "swing beds") services. The District converted to a Medicare critical care hospital (CAH) on December 30, 2005.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Enterprise Fund

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

Basis of Accounting

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

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

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 deposits with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Credit Risk

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

The District's estimate of collectability is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

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

Net Patient Service Revenues

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

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

Patient Accounts Receivable

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

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

receivables previously written off as bad debt expense are recorded as a reduction of bad debt expense when received.

Inventory

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

Capital Assets

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

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

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

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

Net Position

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

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses

The District's Statements of Changes in Revenues, Expenses, and Net Position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the District's principal activity. Operating revenue also includes property taxes passed to provide the District with revenue to operate and maintain the District. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

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

Charity Care

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

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

Ward 3, 4 and 10 Hospital Service District  
 Of the Parish of Union, State of Louisiana  
 Reeves Memorial Medical Center  
 Notes to Financial Statements  
 Years Ended December 31, 2018, 2017, and 2016

**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 deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District’s deposits were entirely insured or entirely collateralized by securities held by the pledging bank’s trust department in the District’s name at December 31, 2018, 2017, and 2016.

Concentration of Credit Risks – The District has 100% of its cash and cash equivalents at Origin Bank in checking and certificates of deposit.

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

Account balances according to bank’s records at December 31, 2018, for the District are as follows:

	Origin Bank <u>Cash</u>	Origin Bank <u>Certificates of Deposits</u>
Cash in banks	\$ <u>3,439,591</u>	\$ <u>202,541</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>202,541</u>
Collateralization at fair market value	\$ <u>3,189,591</u>	\$ <u>-0-</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The carrying amount of deposits and investments are included in the District's balance sheets as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Carrying amount			
Deposits	\$ 3,335,087	\$ 3,720,292	\$ 1,456,060
Investments	222,883	222,883	222,883
Donated stocks	<u>198,597</u>	<u>186,438</u>	<u>179,392</u>
	<u>\$ 3,756,567</u>	<u>\$ 4,129,613</u>	<u>\$ 1,858,335</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 3,335,087	\$ 3,720,292	\$ 1,456,060
Investments	<u>421,480</u>	<u>409,321</u>	<u>402,275</u>
	<u>\$ 3,756,567</u>	<u>\$ 4,129,613</u>	<u>\$ 1,858,335</u>

Investment in LHA Trust consists of allocations of equity from the Louisiana Hospital Association Malpractice and Worker's Compensation Trust Funds. Allocations consist of Capital Reserve funds set aside for the District and are recorded at amortized cost.

Investments in marketable equity securities consist of stocks donated to the District in 1988. An analysis at December 31 is as follows:

	<u>Shares</u>	----- Fair Value -----		
		<u>2018</u>	<u>2017</u>	<u>2016</u>
Exxon Corporation	800	\$ 54,552	\$ 66,912	\$ 72,208
Pfizer	3300	<u>144,045</u>	<u>119,526</u>	<u>107,184</u>
Total market value		198,597	186,438	179,392
Less cost basis		<u>(14,456)</u>	<u>(14,456)</u>	<u>(14,456)</u>
Unrealized gain (loss)		<u>\$ 184,141</u>	<u>\$ 171,982</u>	<u>\$ 164,936</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The District records these registered securities under the provision of the GASB Statement No 31. These securities are recorded at fair value and unrealized gains are recognized as a component of fund equity. Fair values are based upon quoted market prices as of the fiscal year end. These securities are considered a Level 1 investment under the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Patient accounts receivable	\$ 3,114,439	\$ 2,511,385	\$ 2,142,583
Estimated allowance for uncollectibles	<u>(1,909,439)</u>	<u>(1,318,492)</u>	<u>(840,849)</u>
Net patient accounts receivable	<u>\$ 1,205,000</u>	<u>\$ 1,192,893</u>	<u>\$ 1,301,734</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare	19%	34%	37%
Medicaid	19%	14%	23%
Commercial and other third-party payors	16%	13%	9%
Blue Cross	11%	10%	7%
Patients	<u>35%</u>	<u>29%</u>	<u>24%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 5 - CAPITAL ASSETS

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

	December 31, <u>2017</u>	<u>Additions</u>	<u>Dispositions</u>	December 31, <u>2018</u>
Nondepreciable capital assets				
Land	\$ 36,840	\$ -0-	\$ -0-	\$ 36,840
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total nondepreciable capital assets	\$ <u>36,840</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>36,840</u>
Depreciable capital assets				
Land improvements	\$ 37,882	\$ -0-	\$ -0-	\$ 37,882
Leasehold improvements	17,083	4,931	-0-	22,014
Buildings	2,456,511	57,350	-0-	2,513,861
Fixed equipment	405,712	36,961	-0-	442,673
Major moveable equipment	3,571,023	159,069	318,325	3,411,767
Transportation equipment	105,891	-0-	17,997	87,894
Minor equipment	<u>300</u>	<u>-0-</u>	<u>-0-</u>	<u>300</u>
Total depreciable capital assets	6,594,402	258,311	336,322	6,516,391
Accumulated depreciation	<u>4,186,758</u>	<u>390,258</u>	<u>278,498</u>	<u>4,298,518</u>
Total depreciable capital assets, net	\$ <u>2,407,644</u>	\$ <u>(131,947)</u>	\$ <u>57,824</u>	\$ <u>2,217,873</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 5 - CAPITAL ASSETS (Continued)

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

	December 31, <u>2016</u>	<u>Additions</u>	<u>Dispositions</u>	December 31, <u>2017</u>
<b>Nondepreciable capital assets</b>				
Land	\$ 36,840	\$ -0-	\$ -0-	\$ 36,840
Construction in progress	<u>10,961</u>	<u>-0-</u>	<u>10,961</u>	<u>-0-</u>
Total nondepreciable capital assets	<u>\$ 47,801</u>	<u>\$ -0-</u>	<u>\$ 10,961</u>	<u>\$ 36,840</u>
<b>Depreciable capital assets</b>				
Land improvements	\$ 37,882	\$ -0-	\$ -0-	\$ 37,882
Leasehold improvements	17,083	-0-	-0-	17,083
Buildings	2,442,311	14,200	-0-	2,456,511
Fixed equipment	405,712	-0-	-0-	405,712
Major moveable equipment	3,371,969	241,472	42,418	3,571,023
Transportation equipment	66,312	39,579	-0-	105,891
Minor equipment	<u>300</u>	<u>-0-</u>	<u>-0-</u>	<u>300</u>
Total depreciable capital assets	6,341,569	295,251	42,418	6,594,402
Accumulated depreciation	<u>3,814,305</u>	<u>414,871</u>	<u>42,418</u>	<u>4,186,758</u>
Total depreciable capital assets, net	<u>\$ 2,527,264</u>	<u>\$ (119,620)</u>	<u>\$ -0-</u>	<u>\$ 2,407,644</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 5 - CAPITAL ASSETS (Continued)

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

	December 31, <u>2015</u>	<u>Additions</u>	<u>Dispositions</u>	December 31, <u>2016</u>
Nondepreciable capital assets				
Land	\$ 36,840	\$ -0-	\$ -0-	\$ 36,840
Construction in progress	<u>651,273</u>	<u>255,965</u>	<u>896,277</u>	<u>10,961</u>
Total nondepreciable capital assets	<u>\$ 688,113</u>	<u>\$ 255,965</u>	<u>\$ 896,277</u>	<u>\$ 47,801</u>
Depreciable capital assets				
Land improvements	\$ 32,060	\$ 5,822	\$ -0-	\$ 37,882
Leasehold improvements	17,083	-0-	-0-	17,083
Buildings	1,594,859	877,902	30,450	2,442,311
Fixed equipment	395,886	9,826	-0-	405,712
Major moveable equipment	3,324,407	47,562	-0-	3,371,969
Transportation equipment	66,312	-0-	-0-	66,312
Minor equipment	<u>300</u>	<u>-0-</u>	<u>-0-</u>	<u>300</u>
Total depreciable capital assets	5,430,907	941,112	30,450	6,341,569
Accumulated depreciation	<u>3,432,998</u>	<u>400,847</u>	<u>19,540</u>	<u>3,814,305</u>
Total depreciable capital assets, net	<u>\$ 1,997,909</u>	<u>\$ 540,265</u>	<u>\$ 10,910</u>	<u>\$ 2,527,264</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 6 - LIMITED-USE ASSETS

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Restricted by third-parties</u>			
Medicaid FMP	\$ 678	\$ 5,088,371	\$ 2,393,826
Bond paying agent fund	16,600	15,688	158,656
Bond contingency fund	52,541	52,410	44,343
Capital lease fund	<u>1,092</u>	<u>1,092</u>	<u>1,092</u>
Total limited-use assets	70,911	5,157,561	2,597,917
Less required for current liabilities	<u>-0-</u>	<u>(5,087,463)</u>	<u>(2,393,361)</u>
Limited use assets	\$ <u>70,911</u>	\$ <u>70,098</u>	\$ <u>204,556</u>

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Meter deposits	\$ <u>1,814</u>	\$ <u>1,814</u>	\$ <u>1,814</u>
Total	\$ <u>1,814</u>	\$ <u>1,814</u>	\$ <u>1,814</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

**NOTE 8 - LONG-TERM DEBT**

The following is a summary of long-term debt at December 31, 2018, 2017, and 2016:

	December 31, <u>2017</u>			December 31, <u>2018</u>		
	<u>Additions</u>	<u>Payments</u>	<u>Additions</u>	<u>Payments</u>	<u>Due Within One Year</u>	
Capital Lease	\$ 183,148	\$ 80,086	\$ 87,180	\$ 176,054	\$ 83,040	
Series 2013 Hospital Revenue Bonds - R-1	1,272,472	-0-	65,424	1,207,048	66,412	
Series 2013 Hospital Revenue Bonds - R-2	<u>364,142</u>	<u>-0-</u>	<u>30,482</u>	<u>333,660</u>	<u>31,077</u>	
<b>Total</b>	<b>\$ <u>1,819,762</u></b>	<b>\$ <u>80,086</u></b>	<b>\$ <u>183,086</u></b>	<b>\$ <u>1,716,762</u></b>	<b>\$ <u>180,529</u></b>	
	December 31, <u>2016</u>			December 31, <u>2017</u>		
	<u>Additions</u>	<u>Payments</u>	<u>Additions</u>	<u>Payments</u>	<u>Due Within One Year</u>	
Capital Lease	\$ 168,154	\$ 81,578	\$ 66,584	\$ 183,148	\$ 67,590	
Series 2013 Hospital Revenue Bonds - R-1	1,365,494	-0-	93,022	1,272,472	65,332	
Series 2013 Hospital Revenue Bonds - R-2	<u>364,142</u>	<u>-0-</u>	<u>-0-</u>	<u>364,142</u>	<u>30,425</u>	
<b>Total</b>	<b>\$ <u>1,897,790</u></b>	<b>\$ <u>81,578</u></b>	<b>\$ <u>159,606</u></b>	<b>\$ <u>1,819,762</u></b>	<b>\$ <u>163,347</u></b>	
	December 31, <u>2015</u>			December 31, <u>2016</u>		
	<u>Additions</u>	<u>Payments</u>	<u>Additions</u>	<u>Payments</u>	<u>Due Within One Year</u>	
Capital Lease	\$ 216,919	\$ -0-	\$ 48,765	\$ 168,154	\$ 50,786	
Series 2013 Hospital Revenue Bonds - R-1	1,427,148	-0-	61,654	1,365,494	63,466	
Series 2013 Hospital Revenue Bonds - R-2	<u>392,855</u>	<u>-0-</u>	<u>28,713</u>	<u>364,142</u>	<u>29,556</u>	
<b>Total</b>	<b>\$ <u>2,036,922</u></b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>139,132</u></b>	<b>\$ <u>1,897,790</u></b>	<b>\$ <u>143,808</u></b>	

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

- On September 1, 2018, a Government Obligation Contract was executed between KS State Bank and the District. Computer hardware was leased for the total amount of \$80,086 at an interest rate of 6.753%, for 48 months, terminating August 1, 2022.

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 8 - LONG-TERM DEBT (Continued)

- On March 31, 2017, a Capital Lease Agreement was executed between GE Capital and the District. A GE Logiq S8 Ultrasound was leased for the total amount of \$81,578 at an interest rate of 1.526%, for 60 months, terminating March 30, 2022.
- On January 9, 2015, a Louisiana Municipal Capital Lease Agreement was executed between Government Capital Corporation and the District. Miscellaneous hospital equipment was leased for the total amount of \$254,976 at an interest rate of 4.066%, for 60 months, terminating February 15, 2020.
- On November 20, 2013, Series 2013 Hospital Service Bonds, known as R-1, were issued in the principal amount of \$1,550,000, at 2.9%, rate subject to adjustment on the 5<sup>th</sup>, 10<sup>th</sup>, and 15<sup>th</sup> anniversary dates based upon then current 5 year Treasury rate (not to exceed 5% per annum) due in 2033, collateralized by a pledge and dedication of District revenue. November 2018 is the 5<sup>th</sup> anniversary of these bonds. These bonds are further secured by a mortgage of all properties owned by the District. They will mature 20 years from the date of delivery.
- On November 20, 2013, Series 2013 Hospital Service Bonds, known as R-2, were issued in the principal amount of \$450,000, at 2.9%, rate subject to readjustment on the 5<sup>th</sup> and 10<sup>th</sup> anniversary dates, due in 2026, collateralized by a pledge and dedication of District revenue. These bonds are further secured by a mortgage. They will mature on their monthly anniversary date in August 2027.

The District has covenanted to set rates so that revenues are sufficient to pay all reasonable and necessary expenses of operating and maintaining the District.

Scheduled principal and interest payments on long-term debt are as follows:

<u>Year ending December 31,</u>	<u>Long-term Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 98,571	\$ 43,380	\$ 75,287	\$ 6,674
2020	101,468	40,483	44,216	3,617
2021	104,450	37,501	36,388	1,963
2022	107,519	34,431	20,162	387
2023	110,679	31,271	-0-	-0-
2024-2028	550,216	106,582	-0-	-0-
2029-2033	<u>467,806</u>	<u>34,715</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>1,540,709</u>	\$ <u>328,363</u>	\$ <u>176,053</u>	\$ <u>12,641</u>

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$68,719 is included in depreciation expense. Net book value of capital leases is \$219,059, \$207,693, and \$142,549, in 2018, 2017, and 2016, respectively.

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 9 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at December 31 consist of the following:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Accrued interest	\$ 2,480	\$ 2,629	\$ 2,573
Accrued payroll taxes	5,209	3,426	5,209
State unemployment tax payable	-0-	-0-	2,818
Accrued expenses	-0-	118	38
Accrued vacation	276,154	255,131	219,788
Accrued payroll	<u>124,709</u>	<u>103,981</u>	<u>85,240</u>
 Total	 <u>\$ 408,552</u>	 <u>\$ 365,285</u>	 <u>\$ 315,666</u>

NOTE 10 - COMPENSATED ABSENCES

Employees of the District are entitled to paid time off and extended illness benefit days depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of accrued compensation for future extended illness benefit days and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested paid time off has been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

NOTE 11 - RETIREMENT PLAN

On January 1, 2012, the District instituted the Reeves Memorial Medical Center 457 Plan, which is a defined contribution plan (exempt under Section 457 of the Internal Revenue Code). Security Benefits is the Plan's third-party administrator. At December 31, 2018, 2017, and 2016 there were 45, 49, and 49 plan members, respectively. Employees are eligible to participate in the plan beginning on the date of hire, with a maximum contribution of up to 100% of compensation. The contribution limit for those under age 50 not to exceed \$18,000, \$18,000, and \$18,000 in calendar years 2018, 2017, and 2016, respectively. For those 50 or older \$24,000, \$24,000, and \$24,000 are the contribution limits for calendar years 2018, 2017, and 2016, respectively. The District has elected to match 100% of the first 2% of the participating employees' compensation deferred to the plan. The District may choose to make annual discretionary non-elective contributions based on the employees' compensation during the plan year. The District holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in their contributions and in the employer match posted to their account.

The District's contributions were \$49,756, \$51,909, and \$48,614, compared to employee contributions of \$128,613, \$120,285, and \$103,683, for the years ended December 31, 2018, 2017, and 2016, respectively.

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 12 - NET PATIENT SERVICE REVENUE

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

Medicare - The District became a Medicare "Critical Access Hospital" (CAH) effective December 30, 2005. This designation enables the District to receive cost based reimbursement for most services provided to Medicare beneficiaries on or after this date, including Swing Bed and rural health clinic services.

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some Medicaid outpatient services are reimbursed under a cost reimbursement methodology, while others are paid on a prospectively determined fee schedule. Rural health clinic services were paid based on a prospectively determined rate per visit until June 30, 2008, when it changed to a cost reimbursement methodology. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary.

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

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Gross charges	\$ 18,125,304	\$ 17,369,217	\$ 11,365,349
Less charges associated with charity patients	<u>(24,703)</u>	<u>(11,733)</u>	<u>(69,450)</u>
Gross patient service revenue	18,100,601	17,357,484	11,295,899
Add increases in revenue:			
Medicaid FMP	16,535,471	19,797,654	17,069,680
Medicaid uncompensated care payments	-0-	-0-	311,385
Less deductions from revenue:			
Contractual adjustments	(7,681,933)	(7,506,647)	(3,345,958)
Policy and other discounts	<u>(136,960)</u>	<u>(217,536)</u>	<u>(166,076)</u>
Patient service revenue (net of contractual adjustments and discounts)	26,817,179	29,430,955	25,164,930
Less provision for bad debt	<u>(793,288)</u>	<u>(741,459)</u>	<u>(714,524)</u>
Net patient service revenues	\$ <u>26,023,891</u>	\$ <u>28,689,496</u>	\$ <u>24,450,406</u>

The District 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 charges for the years ended December 31:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare and Medicaid charges	\$ 11,888,922	\$ 13,064,881	\$ 8,397,849
Contractual adjustments	<u>(5,457,671)</u>	<u>(6,042,402)</u>	<u>(2,170,180)</u>
Program patient service revenue	\$ <u>6,431,251</u>	\$ <u>7,022,479</u>	\$ <u>6,227,669</u>
Percent of total gross patient charges	<u>66%</u>	<u>75%</u>	<u>74%</u>
Percent of total net patient revenues without IGT	<u>68%</u>	<u>79%</u>	<u>84%</u>

The District experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. These adjustments resulted in an increase of \$23,000 in net patient revenue in fiscal year 2018 and a decrease of \$27,000 in net patient service revenue in fiscal year 2017.

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 13 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal poverty guidelines based on a 200% scale. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies, and other operating expenses. The costs of caring for charity care patients were approximately \$12,524, \$5,679, and \$45,837, in 2018, 2017, and 2016, respectively.

NOTE 14 - PROPERTY TAX REVENUE

The District levies property taxes for the maintenance and operation of the facility. The taxes are collected by the Union Parish Sheriff's office for an 8% collection fee. Property tax notices are mailed by November 15 each year and are due by December 31. The lien date is January 31. The special maintenance and operation millage is a ten-year tax assessed on all taxable property within the District at the rate of 10.45 mills. The 5.11 mills tax, which expired December 31, 2015, was renewed for the period 2016 through 2025. The 5.34 mills tax, which expired in 2011, was renewed for the period 2012 through 2021.

NOTE 15 - PROFESSIONAL LIABILITY RISK

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

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

NOTE 16 - WORKER'S COMPENSATION RISK

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

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 16 - WORKER'S COMPENSATION RISK (Continued)

member hospitals. The District has included these allocations and equity amounts assigned to the District by the Trust Fund in its financial statements.

NOTE 17 - CONTINGENCIES

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

The principal contingencies are described below:

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

Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District'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 District.

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 privacy, licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the District is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 15) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Worker's Compensation Risk (Note 16) - The District carries worker's compensation insurance through the Louisiana Hospital Association Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any.

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2018, 2017, and 2016

NOTE 17 - CONTINGENCIES (Continued)

Litigation and other matters in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determination in the case where liability can be measured.

NOTE 18 - GRANT REVENUE

The District recognized operating grant income of \$25,500, \$25,500, and \$42,500 in years 2018, 2017, and 2016, respectively, from Medicaid for physician meaningful use.

NOTE 19 - INTERGOVERNMENTAL TRANSFERS-ACCESS GRANTS

The District ("Grantor") collaborated with a rural hospital trade organization ("RHC") to establish a grant program, whereby Grantor entered into cooperative endeavor agreements ("CEAs") with other regional public rural hospitals ("Grantees") to provide intergovernmental transfers-access grant ("IGT") funds to enhance access to adequate and essential medically necessary healthcare services to the rural communities served by Grantees. Grant amounts were calculated based upon schedules prepared by RHC when it was determined that sufficient funds were available to make such IGT grants. The aggregate IGT grant expense is \$16,058,706, \$19,056,375 and \$16,454,575 for the years ended December 31, 2018, 2017, and 2016, respectively.

NOTE 20 - RELATED PARTY

The District has a management agreement with Impact Healthcare Solutions, LLC to manage the hospital. Additionally, Impact provides billing and collection services. Total amounts paid for these services were \$542,325, \$592,924, and \$469,311, for December 31, 2018, 2017, and 2016, respectively.

NOTE 21 - SUBSEQUENT EVENT

Events have been evaluated through June 25, 2019 for subsequent event disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedules of Net Patient Service Revenue  
Years Ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Daily patient services:			
Room and board	\$ 1,020,381	\$ 1,015,313	\$ 732,347
Swing	<u>2,162,136</u>	<u>2,436,665</u>	<u>1,023,055</u>
Total daily patient services	<u>3,182,517</u>	<u>3,451,978</u>	<u>1,755,402</u>
Other professional services:			
Radiology			
Inpatient	308,403	239,169	151,278
Outpatient	<u>1,806,979</u>	<u>1,715,232</u>	<u>995,652</u>
Total radiology	<u>2,115,382</u>	<u>1,954,401</u>	<u>1,146,930</u>
Laboratory			
Inpatient	415,242	413,254	198,366
Outpatient	<u>1,978,460</u>	<u>1,867,322</u>	<u>1,504,980</u>
Total laboratory	<u>2,393,702</u>	<u>2,280,576</u>	<u>1,703,346</u>
Blood			
Inpatient	24,417	19,629	23,458
Outpatient	<u>21,935</u>	<u>29,261</u>	<u>22,501</u>
Total blood	<u>46,352</u>	<u>48,890</u>	<u>45,959</u>
Respiratory therapy			
Inpatient	320,240	387,577	331,797
Outpatient	<u>16,520</u>	<u>25,705</u>	<u>28,733</u>
Total respiratory therapy	<u>336,760</u>	<u>413,282</u>	<u>360,530</u>
Physical therapy			
Inpatient	399,052	278,851	84,031
Outpatient	<u>890,047</u>	<u>530,168</u>	<u>219,924</u>
Total physical therapy	\$ <u>1,289,099</u>	\$ <u>809,019</u>	\$ <u>303,955</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedules of Net Patient Service Revenue (Continued)  
Years Ended December 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Occupational therapy			
Inpatient	\$ 417,507	\$ 277,275	\$ 68,863
Outpatient	<u>591,622</u>	<u>237,096</u>	<u>82,661</u>
Total occupational therapy	<u>1,009,129</u>	<u>514,371</u>	<u>151,524</u>
Speech therapy			
Inpatient	74,523	24,834	11,355
Outpatient	<u>19,713</u>	<u>2,473</u>	<u>-0-</u>
Total speech therapy	<u>94,236</u>	<u>27,307</u>	<u>11,355</u>
EKG			
Inpatient	7,256	5,532	3,000
Outpatient	<u>40,688</u>	<u>48,094</u>	<u>49,157</u>
Total EKG	<u>47,944</u>	<u>53,626</u>	<u>52,157</u>
Medical supply			
Inpatient	809,031	1,001,361	557,206
Outpatient	<u>64,347</u>	<u>90,098</u>	<u>55,046</u>
Total medical supply	<u>873,378</u>	<u>1,091,459</u>	<u>612,252</u>
Pharmacy			
Inpatient	1,138,528	1,769,786	1,136,227
Outpatient	<u>1,978,458</u>	<u>1,235,653</u>	<u>804,611</u>
Total pharmacy	<u>\$ 3,116,986</u>	<u>\$ 3,005,439</u>	<u>\$ 1,940,838</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedules of Net Patient Service Revenue (Continued)  
Years Ended December 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Rural health clinic			
Physician services	\$ <u>1,643,066</u>	\$ <u>1,520,417</u>	\$ <u>1,335,705</u>
Total rural health clinic	<u>1,643,066</u>	<u>1,520,417</u>	<u>1,335,705</u>
Wound care			
Inpatient	-0-	-0-	1,136
Outpatient	<u>207,998</u>	<u>291,611</u>	<u>216,533</u>
Total wound care	<u>207,998</u>	<u>291,611</u>	<u>217,669</u>
Emergency room			
Inpatient	137,441	145,297	156,083
Outpatient	<u>1,568,564</u>	<u>1,680,584</u>	<u>1,534,064</u>
Total emergency room	<u>1,706,005</u>	<u>1,825,881</u>	<u>1,690,147</u>
Monitor			
Inpatient	59,750	74,803	32,850
Outpatient	<u>3,000</u>	<u>6,157</u>	<u>4,730</u>
Total monitor	<u>62,750</u>	<u>80,960</u>	<u>37,580</u>
Total other professional services	\$ <u>14,942,787</u>	\$ <u>13,917,239</u>	\$ <u>9,609,947</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedules of Net Patient Service Revenue (Continued)  
Years Ended December 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Gross charges	\$ 18,125,304	\$ 17,369,217	\$ 11,365,349
Less charges associated with charity patients	<u>24,703</u>	<u>11,733</u>	<u>69,450</u>
Gross patient service revenue	18,100,601	17,357,484	11,295,899
Deductions from revenue:			
Medicare and Medicaid contractual adjustments	5,457,671	6,042,402	2,481,565
Intergovernmental transfers-access grant	(16,535,471)	(19,797,654)	(17,069,680)
Medicaid uncompensated care payments	-0-	-0-	(311,385)
Other contractual adjustments	2,224,262	1,464,245	864,393
Policy and other discounts	<u>136,960</u>	<u>217,536</u>	<u>166,076</u>
Patient service revenue (net of contractual adjustments and discounts)	26,817,179	29,430,955	25,164,930
Less provision for bad debt	<u>793,288</u>	<u>741,459</u>	<u>714,524</u>
Net patient service revenue less provision for bad debt	\$ <u>26,023,891</u>	\$ <u>28,689,496</u>	\$ <u>24,450,406</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedules of Other Operating Revenue  
Years Ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
HPSA incentive	\$ 23,475	\$ 15,659	\$ 7,495
Dietary revenue	11,156	12,351	18,918
Health information	8,888	9,133	10,294
Discounts taken	56,589	35,310	18,412
Pharmacy revenue	5,979	6,182	7,599
340B pharmaceutical program	200,721	-0-	-0-
Grant administrative fee	41,662	43,648	32,514
Insurance recovery	-0-	9,950	3,000
Administrative processing fee	55,618	55,635	109,120
Miscellaneous revenue	<u>19,559</u>	<u>14,730</u>	<u>19,213</u>
 Total other revenue	 \$ <u>423,647</u>	 \$ <u>202,598</u>	 \$ <u>226,565</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedules of Expenses - Salaries and Benefits  
Years Ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Administration	\$ 488,217	\$ 472,112	\$ 498,391
Plant maintenance	123,285	103,831	83,585
Housekeeping	59,251	51,333	49,866
Dietary	110,433	100,333	94,143
Social services	-0-	16,526	35,409
Nursing administration	93,115	89,881	80,042
Health information	128,227	114,365	105,829
Nursing services	1,141,226	1,032,721	805,690
Radiology	155,943	147,480	133,240
Laboratory	250,954	237,954	232,145
Respiratory therapy	67,112	67,739	60,008
EKG and EEG	4,785	5,093	5,301
Central supply	29,582	28,625	28,457
Pharmacy	185,808	183,194	164,019
Rural health clinic	983,012	820,183	742,959
Emergency room	<u>440,269</u>	<u>550,929</u>	<u>527,682</u>
 Total salaries	 <u>4,261,219</u>	 <u>4,022,299</u>	 <u>3,646,766</u>
 FICA/LUC	 288,805	 269,935	 242,566
Health/life insurance	326,771	287,636	271,032
457/403(b) matching contribution	49,756	51,909	48,419
Worker's compensation	<u>60,076</u>	<u>67,516</u>	<u>57,684</u>
 Total benefits	 <u>725,408</u>	 <u>676,996</u>	 <u>619,701</u>
 Total salaries and benefits	 <u>\$ 4,986,627</u>	 <u>\$ 4,699,295</u>	 <u>\$ 4,266,467</u>

Ward 3, 4 and 10 Hospital Service District  
 Of the Parish of Union, State of Louisiana  
 Reeves Memorial Medical Center  
 Schedules of Expenses - Medical Supplies and Drugs  
 Years Ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Nursing services	\$ 35,165	\$ 34,694	\$ 16,811
Radiology	24,304	25,741	741
Laboratory	126,080	114,042	87,196
Blood	27,650	33,002	21,091
Respiratory therapy	7,554	8,176	5,737
Physical and occupational therapy	1,666	694	398
Pharmacy	980,200	640,381	420,664
340B pharmaceutical program	73,650	-0-	-0-
Wound care	372	258	339
Rural health clinic	39,176	36,696	30,925
Emergency room	<u>-0-</u>	<u>(1,875)</u>	<u>1,337</u>
 Total medical supplies and drugs	 \$ <u>1,315,817</u>	 \$ <u>891,809</u>	 \$ <u>585,239</u>

Ward 3, 4 and 10 Hospital Service District  
 Of the Parish of Union, State of Louisiana  
 Reeves Memorial Medical Center  
 Schedules of Expenses - Professional Fees  
 Years Ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Health information	\$ 776	\$ 450	\$ 10,318
Nursing	20,923	38,418	24,590
Radiology	12,510	11,692	14,623
Laboratory	114,960	111,014	98,624
Physical therapy	292,603	175,659	123,052
Occupational therapy	243,230	114,616	75,367
Speech therapy	47,341	10,187	5,662
Pharmacy	23,865	20,400	22,100
Respiratory therapy	-0-	160	-0-
Wound care	66,055	154,650	128,700
Rural health clinic	5,000	-0-	-0-
Emergency room	<u>424,963</u>	<u>356,502</u>	<u>494,138</u>
 Total professional fees	 \$ <u>1,252,226</u>	 \$ <u>993,748</u>	 \$ <u>997,174</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedules of Expenses - Other Expenses  
Years Ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Purchased services	\$ 841,895	\$ 919,713	\$ 766,531
Accounting and legal	71,548	58,103	80,736
Non medical supplies	278,583	363,903	292,286
Repairs and maintenance	265,037	242,494	250,154
Utilities	82,512	80,857	79,796
Telephone	51,039	69,322	55,721
Travel	29,492	27,935	33,667
Rentals	190,852	171,710	178,308
Training	3,956	6,881	10,887
Promotion and advertising	9,397	9,573	7,301
Licensing and publications	43,894	38,535	38,360
Miscellaneous	36,786	31,824	27,115
Tax assessor fees	<u>8,514</u>	<u>8,825</u>	<u>8,386</u>
 Total other expenses	 \$ <u>1,913,505</u>	 \$ <u>2,029,675</u>	 \$ <u>1,829,248</u>

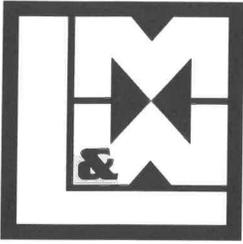
Ward 3, 4 and 10 Hospital Service District  
 Of the Parish of Union, State of Louisiana  
 Reeves Memorial Medical Center  
 Schedules of Per Diem and Other Compensation Paid to Board Members  
 Years Ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Board members:			
Penya Moses	\$ 240	\$ 240	\$ 320
Mike Holley	400	360	440
Jennifer Lenard	320	280	400
Edwin Watley	400	280	320
Michael Brandon	<u>400</u>	<u>360</u>	<u>440</u>
 Total	 \$ <u>1,760</u>	 \$ <u>1,520</u>	 \$ <u>1,920</u>

Ward 3, 4 and 10 Hospital Service District  
 Of the Parish of Union, State of Louisiana  
 Reeves Memorial Medical Center  
 Schedule of Compensation, Benefits, and Other Payments  
 to Chief Executive Officer  
 Year Ended December 31, 2018

Agency Head Name: Kerry Goff  
 Position: CEO  
 Time Period: January 1, 2018 to December 31, 2018

<u>Purpose</u>	<u>Amount</u>
Salary	148,200
Health insurance	-0-
Retirement	-0-
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	6,500
Registration fees	1,720
Conference travel	3,109
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-



## LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653

Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758

Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107

Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

John S. Wells, CPA  
Robert G. Miller, CPA  
Paul A. Delaney, CPA  
Mary L. Carroll, CPA  
Joey L. Breaux, CPA  
Jason P. LeBlanc, CPA

---

Brenda J. Lloyd, CPA  
Karlie P. Brister, CPA

---

Retired 2015  
Bobby G. Lester, CPA

---

Members: American Institute of Certified Public Accountants • Society of Louisiana Certified Public Accountants

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

To the Board of Commissioners  
Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Bernice, 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 Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana d/b/a Reeves Memorial Medical Center (the "District"), a component unit of the Union Parish Police Jury, as of and for the years ended December 31, 2018, 2017, and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 25, 2019.

#### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings that we consider to be significant deficiencies: 2018-1 and 2018-2.

Board of Commissioners  
Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Page Two

Compliance and Other Matters

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

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

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

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



Certified Public Accountants  
Alexandria, Louisiana

June 25, 2019



**Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedule of Current Year Findings and Responses  
Year Ended December 31, 2018**

**Section I. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

*Federal Awards* – Not applicable

**Section II. Financial Statement Findings**

**FINDING 2018-1 - Financial Statements**

**Fiscal Year Initially Reported: December 31, 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 District's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

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

**FINDING 2018-2 - Segregation of Duties**

**Fiscal Year Initially Reported: December 31, 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.



**Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedule of Current Year Findings and Responses  
Year Ended December 31, 2018**

**Section II. Financial Statement Findings (Continued)**

**FINDING 2018-2 - Segregation of Duties (Continued)**

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

**Response:** Due to limited staffing with the technical skills to perform these duties, management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Administration will continue to monitor these tasks on a daily basis.

**Section III. Federal Award Findings**

Not applicable

**Section IV. Management Letter**

Not applicable



**Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedule of Prior Year Findings and Responses  
Year Ended December 31, 2018**

**Section I. Financial Statement Findings**

**FINDING 2017-1 - Financial Statements**

**Fiscal Year Initially Reported: December 31, 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 District's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

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

**Current Status:** This matter has not been resolved – See finding 2018-1.

**FINDING 2017-2 - Segregation of Duties**

**Fiscal Year Initially Reported: December 31, 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; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

**Response:** Due to limited staffing with the technical skills to perform these duties, management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Administration will continue to monitor these tasks on a daily basis.

**Current Status:** This matter has not been resolved – See finding 2018-2.

**FINDING 2017-3 - Service Organization Control Report**

**Fiscal Year Initially Reported: December 31, 2015**

**Finding:** Management did not acquire a service organization control (SOC) report in a timely manner.



**Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedule of Prior Year Findings and Responses  
Year Ended December 31, 2018**

**Section I. Financial Statement Findings (Continued)**

**FINDING 2017-3 - Service Organization Control Report (Continued)**

**Recommendation:** A SOC report should be acquired timely so management can have assurance the service organization controls are adequate to mitigate risks.

**Response:** Management will acquire service organization control reports in a timely manner to mitigate risks.

**Current Status:** This matter has been resolved.

**FINDING 2017-4 - Third-Party Payor Settlements**

**Fiscal Year Initially Reported: December 31, 2016**

**Finding:** Management is responsible for calculating and recording estimates of interim Medicare and Medicaid cost settlements. An adjustment of \$324,000 was made to record the fiscal year 2017 as-filed cost report receivable/payable from/to Medicare and Medicaid.

**Recommendation:** Management should continue to adjust the cost settlements based on interim cost report calculations and consider the results in relation to other factors that occur that may impact the estimates.

**Response:** Management has prepared interim cost reports and recorded results. Due to changes in volume and the intermediary arbitrarily adjusting rates, the interim cost report results that were recorded at year end were understated. As it is impossible for management to control the intermediary's response to interim cost reports and uncontrollable volume issues, differences between interim payments and future cost report settlements will be charged to or against income in future periods when determinable.

**Current Status:** This matter has been resolved.

**Section II. Federal Award Findings**

Not applicable

**Section III. Management Letter**

Not applicable





REEVES MEMORIAL MEDICAL CENTER

INDEPENDENT AUDITORS' REPORT  
ON APPLYING AGREED UPON  
PROCEDURES

FOR THE YEAR ENDED  
DECEMBER 31, 2018



**LESTER, MILLER & WELLS**  
*A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*





## LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653

Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758

Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107

Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

---

Members: American Institute of Certified Public Accountants • Society of Louisiana Certified Public Accountants

---

John S. Wells, CPA  
Robert G. Miller, CPA  
Paul A. Delaney, CPA  
Mary L. Carroll, CPA  
Joey L. Breaux, CPA  
Jason P. LeBlanc, CPA

---

Brenda J. Lloyd, CPA  
Karlie P. Brister, CPA

---

Retired 2015  
Bobby G. Lester, CPA

### Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners  
of Ward 3, 4 & 10 Hospital Service District of  
Parish of Union State of Louisiana  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Ward 3, 4 & 10 Hospital Service District of Parish of Union State of Louisiana and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

#### ***Written Policies and Procedures***

---

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

statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Exceptions:** The policy for contracting does not address the standard terms or conditions of contracts or the monitoring of contracts.

The ethics policy did not require written signature verification of employees reading the entity's ethics policy. However, it did include requiring all employees to attend one hour training session annually and certifications were present to verify attendance.

Debt service policy did not include debt issuance approval process.

**Management's Response:** Management will continue to update and revise policies to address the control or compliance issues noted.

### **Board or Finance Committee**

---

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

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



### ***Bank Reconciliations***

---

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

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

### ***Collections***

---

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



*deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

**Exceptions:** Employees responsible for collecting cash share a cash drawer.

**Management's Response:** Due to small staff, these duties cannot be segregated. However, there will be close supervision in this area.

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

---

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

**Exceptions:** No exceptions noted.



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

---

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

**Exceptions:** No exceptions noted.

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

---

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
  - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Exceptions:** No exceptions noted.



### **Contracts**

---

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

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

### **Payroll and Personnel**

---

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

**Exceptions:** No exceptions noted.



### ***Ethics***

---

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

**Exceptions:** Of the five (5) employees selected, only one (1) employee was required to complete the ethics training per R.S. 42:1170. The employee did not complete the ethics training during the fiscal year.

Of the five (5) employees selected, zero (0) attested through signed verification that he or she has read the entity's ethics policy during the fiscal year.

**Management's Response:** Management will do quarterly audits to ensure all employees that are required to do the one hour ethics training, has completed the training and certificate is updated in their personnel file. Management will also develop and implement a policy requiring employees to attest annually that they have read the Hospital's ethics policy.

### ***Debt Service***

---

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

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

### ***Other***

---

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Exceptions:** No exceptions noted in applying the above procedures.



Board of Commissioners  
of Ward 3, 4 & 10 Hospital Service District of  
Parish of Union State of Louisiana  
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.



Certified Public Accountants  
Alexandria, Louisiana

June 25, 2019

