

**West Feliciana Parish Hospital  
Service District No. 1  
A Component Unit of the  
West Feliciana Parish Police Jury  
St. Francisville, Louisiana  
October 31, 2017**

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**West Feliciana Parish Hospital Service District No. 1**  
**Management's Discussion and Analysis of the Basic Financial Statements**  
**October 31, 2017**

This portion of the Hospital's annual financial reporting presents background information and management's review of the Hospital's financial performance during the fiscal year ended October 31, 2017. This Section should be interpreted within the context of financial statements as displayed in this report.

**FINANCIAL HIGHLIGHTS**

The close of our fiscal year was historic in that on October 2, 2017, the long awaited move to the new facility took place, culminating many years of research, planning and construction. Just as significant, the project came in prior to planned completion date and under budget. With the move happening close to the end of the fiscal year, the financial impact of the new facility had no significant effect on the bottom line. However, with the opening of the new building, it has set the stage for the real possibility of a positive impact to the organization. Another significant move the hospital made at the end of the year was to contract with a hospitalist group to take care of the inpatients that are admitted to the hospital. With the new facility and hospitalist program, it's expected to have a positive impact on the hospital's inpatient census, therefore a positive impact to the financial condition of the hospital.

The end of the year activity was not the only positive financial highlight for 2017. The financial statements show capital assets grew to \$32,303,936, an increase of over \$12,500,000. This was largely due to capitalizing the building and equipment of the new facility. Net operating revenue increased by \$1,875,383 (13.4%), while net operating expenses increased by only \$1,446,284 (8.2%). While the year's net change in position was still a negative (\$1,118,142), it was an improvement over last year's change in net position by \$562,141.

Over all, another solid financial year with a big accomplishment to open the new facility and position the organization for the future.

**REQUIRED FINANCIAL STATEMENTS**

The basic financial statements of the Hospital report information regarding the Hospital 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 Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the Statement of Revenue, Expenses, and Changes in Net Position. This statement measures improvements in the Hospital's operations over the past year, and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service and other revenue sources. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Hospital's cash flows from operations and financial activities, as well as define the sources of cash, its use, and cash balance changes during the reporting period. Additional statistical information and notes are offered as support, explanation and information.

**FINANCIAL ANALYSIS OF THE HOSPITAL SERVICE DISTRICT**

The Statements of Net Position and Statements of Revenue, Expenses, and Changes in Net Position report data about the Hospital's activities. These two (2) statements report the net position of the Hospital and changes in it. Increases or decreases in net position are one indicator regarding the financial integrity of the Hospital. Other non-financial indicators include changes in state and local economic conditions, as well as regulatory changes regarding Medicare and Medicaid, especially as these may impact Critical Access Hospital status, and related cost based reimbursements.

**West Feliciana Parish Hospital Service District No. 1**  
**Management's Discussion and Analysis of the Basic Financial Statements**  
**October 31, 2017**

**Net Position**

Condensed statements of net position as of October 31, 2017, 2016, and 2015 are displayed in the following table:

**Condensed Statements of Net Position**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 10,532,123	\$ 16,424,955	\$ 12,653,513
Assets limited as to use	12,531,483	8,480,950	11,137,439
Capital assets	<u>32,303,936</u>	<u>19,747,382</u>	<u>8,201,666</u>
Total assets	<u>\$ 55,367,542</u>	<u>\$ 44,653,287</u>	<u>\$ 31,992,618</u>
Current liabilities	\$ 3,552,331	\$ 6,590,856	\$ 1,311,552
Long-term liabilities	23,932,570	9,061,648	-
Net position	<u>27,882,641</u>	<u>29,000,783</u>	<u>30,681,066</u>
Total liabilities and net position	<u>\$ 55,367,542</u>	<u>\$ 44,653,287</u>	<u>\$ 31,992,618</u>

The following table presents the components of the Hospital's net position as of October 31, 2017, 2016, and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net investment in capital assets	\$ 8,138,936	\$ 10,685,734	\$ 8,201,666
Restricted for: debt service	10,992,931	-	-
Unrestricted - reserved for capital projects	1,538,552	8,480,950	11,137,439
Unrestricted	<u>7,212,222</u>	<u>9,834,099</u>	<u>11,341,961</u>
Total net position	<u>\$ 27,882,641</u>	<u>\$ 29,000,783</u>	<u>\$ 30,681,066</u>

**Capital Assets**

The following table presents the components of capital assets at October 31, 2017, 2016, and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land and land improvements	\$ 2,325,087	\$ 1,426,985	\$ 1,372,877
Buildings and leasehold improvements	27,818,172	6,456,189	6,287,383
Equipment	11,937,217	6,949,910	6,903,001
Construction in progress	<u>43,656</u>	<u>14,535,739</u>	<u>2,600,108</u>
	42,124,132	29,368,823	17,163,369
Less: accumulated depreciation	<u>9,820,196</u>	<u>9,621,441</u>	<u>8,961,703</u>
Total capital assets, net	<u>\$ 32,303,936</u>	<u>\$ 19,747,382</u>	<u>\$ 8,201,666</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Management's Discussion and Analysis of the Basic Financial Statements**  
**October 31, 2017**

**Summary of Revenue, Expenses, and Changes in Net Position**

The following table presents a summary of the Hospital's revenues and expenses for the latest three fiscal years:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net patient service revenue	\$14,162,818	\$12,460,624	\$ 13,604,446
Other operating revenue	<u>1,697,621</u>	<u>1,524,432</u>	<u>2,187,356</u>
Total operating revenue	<u>15,860,439</u>	<u>13,985,056</u>	<u>15,791,802</u>
Salaries, wages and benefits	9,260,129	8,964,485	8,217,804
Other operating expenses	9,035,855	7,999,015	8,290,910
Depreciation	<u>821,151</u>	<u>707,351</u>	<u>785,786</u>
Total operating expenses	<u>19,117,135</u>	<u>17,670,851</u>	<u>17,294,500</u>
Tax revenues	2,215,663	2,295,870	2,242,268
Interest income	73,261	62,960	63,349
Other non-operating revenue	94,581	69,710	73,225
Non-operating expenses	<u>(244,951)</u>	<u>(423,028)</u>	<u>(9,102)</u>
Total non-operating revenues	<u>2,138,554</u>	<u>2,005,512</u>	<u>2,369,740</u>
<b>Change in Net Position</b>	<b>(1,118,142)</b>	<b>(1,680,283)</b>	<b>867,042</b>
<b>Net Position</b> at beginning of fiscal year	<u>29,000,783</u>	<u>30,681,066</u>	<u>29,814,024</u>
<b>Net Position</b> at conclusion of fiscal year	<u>\$ 27,882,641</u>	<u>\$29,000,783</u>	<u>\$ 30,681,066</u>

**SOURCES OF REVENUE**

The Hospital derives the majority of its total revenue from patient service operations. The following table displays payor mix percentages as a function of total billed charges during 2017, 2016, and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	24%	24%	27%
Medicaid	30%	23%	19%
Commercial and other	39%	42%	41%
Self-Pay	7%	11%	13%

The Hospital derives additional revenues from ad valorem taxes, grants, and donations.

**West Feliciana Parish Hospital Service District No. 1  
Management's Discussion and Analysis of the Basic Financial Statements  
October 31, 2017**

**OPERATING AND FINANCIAL PERFORMANCE**

The Hospital's primary source of revenue is derived from patient services and is driven by admissions. The practical end of patient revenue involves converting admissions and treatment into cash collections. The industry standard regarding management of receivables is the measure of outstanding days in accounts receivable. The following table displays both inpatient days, along with days in accounts receivable from 2017, 2016, and 2015.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Inpatient Days	317	271	281
Net Outstanding Days in A/R	34	34	29

**BUDGET AND STRATEGY FOR FISCAL YEAR 2018**

The Board of Commissioners has approved the 2018 fiscal year budget. It is fully expected that as the year progresses and the impact of the new facility and new programs become more evident, there will be an adjustment to the budget. The current budget shows a break even scenario with a positive cash flow.

The new facility being open will enable the hospital to begin on other phases of the Strategic Plan. One phase is the renovation of a wing of the old hospital structure, which will house the Geriatric Outpatient Behavioral Health Program. The program will move out of the Cypress Building and that facility will be renovated to accommodate 3 physician clinic suites. This move will allow the hospital to implement another portion of its Strategic Plan, bringing in additional physicians to the campus. Once a thorough review of options is made, the remaining portion of the old hospital building will be repurposed for other medical services. All these programs are hoped to be at least started in 2018 fiscal year.

**CONTACTING THE HOSPITAL'S CHIEF FINANCIAL OFFICER**

This financial report is intended to provide our community, patients, and creditors with a general overview of the Hospital's financial position, and demonstrate accountability regarding all revenues received. If further information is required, requests should be submitted in writing to:

Chief Financial Officer  
West Feliciana Parish Hospital  
5266 Commerce Street  
St. Francisville, LA 70775



**HAWTHORN  
WAYMOUTH  
& CARROLL, L.L.P.**  
Certified Public Accountants

Louis C. McKnight, III, CPA  
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David J. Broussard, CPA  
Neal D. King, CPA  
Brittany B. Thames, CPA

## **Independent Auditor's Report**

Board of Commissioners  
West Feliciana Parish Hospital Service District No. 1  
St. Francisville, Louisiana

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

We have audited the accompanying financial statements of West Feliciana Parish Hospital Service District No. 1, a component unit of the West Feliciana Parish Police Jury, as of and for the years ended October 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise West Feliciana Parish Hospital Service District No. 1's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Feliciana Parish Hospital Service District No. 1, as of October 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2018, on our consideration of West Feliciana Parish Hospital Service District No. 1'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 West Feliciana Parish Hospital Service District No. 1's internal control over financial reporting and compliance.

*Hawthorn, Weymouth & Carroll, L.L.P.*

April 2, 2018

**West Feliciana Parish Hospital Service District No. 1**  
**Statements of Net Position**  
**October 31, 2017 and 2016**

<b>Assets</b>	<b>2017</b>	<b>2016</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,843,634	\$ 9,309,837
Certificates of deposit	3,021,596	3,011,102
Accounts receivable, less allowance for doubtful accounts	1,460,324	1,456,615
Due from third party payors	864,858	103,273
Accounts receivable - other	1,495,252	1,755,417
Inventory	543,216	551,469
Prepaid expenses	303,243	237,242
Total current assets	10,532,123	16,424,955
<b>Assets Limited As to Use</b>	12,531,483	8,480,950
<b>Capital Assets, net</b>	32,303,936	19,747,382
Total assets	\$ 55,367,542	\$ 44,653,287
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Current maturities of bonds payable	\$ 232,430	\$ -
Accounts payable	1,367,076	3,643,196
Accrued expenses	1,952,825	2,537,889
Due to third party payors	-	409,771
Total current liabilities	3,552,331	6,590,856
<b>Long-Term Liabilities</b>		
Bonds payable, less current maturities	23,932,570	-
Bond anticipation note	-	9,061,648
Total long-term liabilities	23,932,570	9,061,648
<b>Net Position</b>		
Net investment in capital assets	8,138,936	10,685,734
Restricted for:		
Debt service	10,992,931	-
Unrestricted - reserved for capital projects	1,538,552	8,480,950
Unrestricted	7,212,222	9,834,099
Total net position	27,882,641	29,000,783
Total liabilities and net position	\$ 55,367,542	\$ 44,653,287

The accompanying notes are an integral part of these financial statements.

**West Feliciana Parish Hospital Service District No. 1**  
**Statements of Revenue, Expenses, and Changes in Net Position**  
**Years Ended October 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating Revenue</b>		
Net patient service revenue	\$ 14,162,818	\$ 12,460,624
Other operating revenue	1,697,621	1,524,432
	<hr/>	<hr/>
Total operating revenue	15,860,439	13,985,056
	<hr/>	<hr/>
<b>Operating Expenses</b>		
Salaries, wages and benefits	9,260,129	8,964,485
Professional services	4,757,597	4,017,763
Supplies and other expenses	1,592,844	1,522,241
Other operating expenses	2,685,414	2,459,011
Depreciation	821,151	707,351
	<hr/>	<hr/>
Total operating expenses	19,117,135	17,670,851
	<hr/>	<hr/>
Operating loss	(3,256,696)	(3,685,795)
	<hr/>	<hr/>
<b>Non-Operating Revenue (Expenses)</b>		
Interest income	73,261	62,960
Interest expense	(38,761)	(1,996)
Bond issuance costs	(206,190)	(421,032)
Tax revenue	2,215,663	2,295,870
Gain on sale of assets	20,927	99
Other non-operating revenue	73,654	69,611
	<hr/>	<hr/>
Total non-operating revenue	2,138,554	2,005,512
	<hr/>	<hr/>
<b>Change in Net Position</b>	(1,118,142)	(1,680,283)
	<hr/>	<hr/>
<b>Net Position, beginning of year</b>	29,000,783	30,681,066
	<hr/>	<hr/>
<b>Net Position, end of year</b>	<u>\$ 27,882,641</u>	<u>\$ 29,000,783</u>

The accompanying notes are an integral part of these financial statements.

**West Feliciana Parish Hospital Service District No. 1**  
**Statements of Cash Flows**  
**Years Ended October 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from and on behalf of patients	\$ 15,310,376	\$ 14,518,375
Payments for goods and services	(12,706,933)	(3,044,698)
Payments to employees for services	(9,225,896)	(8,676,089)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(6,622,453)	2,797,588
	<hr/>	<hr/>
<b>Cash Flows From Non-Capital Financing Activities</b>		
Tax receipts	2,529,656	2,314,936
Other income	78,106	68,684
	<hr/>	<hr/>
Net cash provided by non-capital financing activities	2,607,762	2,383,620
	<hr/>	<hr/>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of capital assets	(13,377,705)	(12,253,068)
Proceeds from bond anticipation note	14,791,633	9,061,648
Principal payments on bond anticipation note	(23,853,281)	-
Proceeds from issuance of bonds payable	24,165,000	-
Payment of bond issuance costs	(206,190)	(421,032)
Interest paid	(4,737)	(1,996)
	<hr/>	<hr/>
Net cash provided by (used in) capital and related financing activities	1,514,720	(3,614,448)
	<hr/>	<hr/>
<b>Cash Flows From Investing Activities</b>		
Purchases of certificates of deposit	(10,494)	(7,650)
Sales and maturities of certificates of deposit	-	988,000
Sales and maturities of investments	74,659	4,243,974
Interest income	73,868	119,844
Proceeds from the sale of property	20,927	100
	<hr/>	<hr/>
Net cash provided by investing activities	158,960	5,344,268
	<hr/>	<hr/>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(2,341,011)	6,911,028
<b>Cash and Cash Equivalents, beginning of year</b>		
Including \$8,122,805 and \$5,547,320 limited as to use for 2017 and 2016, respectively	17,432,642	10,521,614
	<hr/>	<hr/>
<b>Cash and Cash Equivalents, end of year</b>		
Including \$12,247,997 and \$8,122,805 limited as to use for 2017 and 2016, respectively	<u>\$ 15,091,631</u>	<u>\$ 17,432,642</u>

The accompanying notes are an integral part of these financial statements.

**West Feliciana Parish Hospital Service District No. 1**  
**Statements of Cash Flows**  
**Years Ended October 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:</b>		
Operating loss	\$ (3,256,696)	\$ (3,685,795)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	821,151	707,351
Provision for doubtful accounts	1,836,429	2,980,831
(Increase) Decrease in assets:		
Patient accounts receivable	(1,884,500)	(3,175,505)
Due from third party payors	(705,569)	595,506
Other receivables	(48,549)	132,269
Inventory	8,253	8,012
Prepaid expenses	(66,001)	(44,385)
Increase (Decrease) in liabilities:		
Accounts payable	(2,276,120)	3,318,945
Accrued expenses	(585,064)	1,595,737
Due to third party payors	(465,787)	364,622
Net cash provided by (used in) operating activities	\$ (6,622,453)	\$ 2,797,588

The accompanying notes are an integral part of these financial statements.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 1-Summary of Significant Accounting Policies**

A. Legal Organization

On February 21, 1968, the West Feliciana Parish Police Jury passed a resolution creating the West Feliciana Parish Hospital Service District No. 1 (“the Hospital”) under the authority of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The Hospital is a political subdivision of the West Feliciana Parish Police Jury, whose jurors are elected officials. The Hospital’s seven (7) commissioners are appointed by the West Feliciana Parish Police Jury.

B. Nature of Business

The Hospital primarily earns revenue by providing inpatient, outpatient, and emergency care services to patients in the West Feliciana Parish area.

C. Basis of Accounting and Presentation

The Hospital utilizes the proprietary fund method of accounting, using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

As a proprietary fund, the Hospital distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing patient services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Hospital’s proprietary fund are charges to customers related to patient services. Operating expenses for the Hospital’s proprietary fund include patient care expenses, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Hospital follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989 to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Hospital has elected not to follow subsequent private-sector guidance.

The Hospital follows GASB standards for state and local governments which require that resources be classified for accounting and reporting purposes into the following three net position components:

- The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted net position results when external constraints are placed on asset use by creditors, grantors, contributors, or laws through constitutional provisions or enabling legislation. At October 31, 2017, \$10,992,931 of net position was restricted for debt service. There was no restricted net position as of October 31, 2016.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 1-Summary of Significant Accounting Policies (Continued)**

C. Basis of Accounting and Presentation (Continued)

- The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position is often designated to indicate that management does not consider it to be available for general operations; however, these designations can be removed or modified. At October 31, 2017 and 2016, the Hospital had \$1,538,552 and \$8,480,950, respectively, of unrestricted net position that was reserved for capital projects.

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

D. Reporting Entity

As the governing authority of the parish, for reporting purposes, the West Feliciana Parish Police Jury is the financial reporting entity for West Feliciana Parish. The financial reporting entity consists of (a) the primary government (Jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Section 2100 of the 2011 Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, establishes criteria for determining which component units should be considered part of the West Feliciana Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

This criteria, as it relates to the Hospital, includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the police jury to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority, but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints all members to the Hospital's Board of Commissioners, the Hospital was determined to be a component unit of the West Feliciana Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only of the funds maintained by the Hospital and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 1-Summary of Significant Accounting Policies (Continued)**

E. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant item on the Statements of Net Position that involves a greater degree of accounting estimates subject to changes in the near future is the assessment of the allowance for doubtful accounts. As additional information becomes available (or actual amounts are determinable), the recorded estimates are revised and reflected in operating results of the period they are determined.

F. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Hospital considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

G. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable from patients, insurance companies, and third-party reimbursement contractual agencies are recorded at established charge rates. Certain third-party insured accounts (Medicare and Medicaid) are based on cost reimbursement agreements, which generally result in the Hospital collecting more or less than the established charge rates with the difference recorded as "contractual adjustments." Final determination of settlement is subject to review by appropriate authorities.

The Hospital provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of all receivables. Management estimates the losses based on historical collection experience coupled with a review of the current status of existing receivables. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

H. Inventory

Inventory is valued at the lower of cost or net realizable value (first-in, first-out method). Inventory is comprised of departmental supplies and pharmaceutical items.

I. Investments

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

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 1-Summary of Significant Accounting Policies (Continued)**

J. Capital Assets

Capital assets are stated at cost, except for assets donated to the Hospital. Donated assets are recorded at the appraised value at the date of donation. Depreciation is recorded on a straight-line basis over the useful lives of the assets. Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures in excess of \$5,000 for major renewals and betterments that extend the useful lives of capital assets are capitalized. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Total capitalized interest as of October 31, 2017 and 2016 was \$688,486 and \$102,030, respectively.

The following estimated useful lives are used:

Buildings and Leasehold Improvements	5 - 40 years
Equipment	5 - 20 years

Gifts of long-lived assets such as land, buildings, or equipment with no donor stipulations are reported as unrestricted support, while those with explicit donor stipulations are reported as restricted support.

K. Operating Revenue and Expenses

The Hospital's statements of revenue, expenses and changes in net position distinguish between operating and non-operating revenue and expenses. Operating revenue results from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenue, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

L. Net Patient Service Revenue

The Hospital is a "Critical Access Hospital" (CAH), which allows it to receive cost based reimbursements from Medicare and Medicaid.

The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Inpatient acute care services, swing bed services and outpatient services rendered to Medicare program beneficiaries are reimbursed at cost plus one percent (subject to limits, rules and regulations), while other outpatient laboratory services are reimbursed on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through October 31, 2013.

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services to Medicaid program beneficiaries are reimbursed at cost plus ten percent, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through October 31, 2012.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 1-Summary of Significant Accounting Policies (Continued)**

L. Net Patient Service Revenue (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretations. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized.

The Hospital has entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates. To the extent management's estimate differs from actual results, the differences will be recorded in the year such differences arise.

M. Charity Care

The Hospital provides care, without charge or at amounts less than its established rates, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts qualifying as charity care, they are not included in net patient service revenue.

N. Grants and Donations

Grants and donations (including capital contributions of assets) are recognized as revenue when all eligibility requirements, including time requirements, imposed by the provider have been met.

O. Property Taxes

The Hospital receives property taxes, which are levied on or about October 1<sup>st</sup> for the current year. Property taxes are invoiced/collected by the West Feliciana Parish Sheriff. Taxes are due by December 31<sup>st</sup> following the levy date. The Hospital records the expected revenue to be received based on factors such as previous years' collections of assessments and the estimated taxable assessed value for the current year. Adjustments are made upon final receipt. A 2.00 mill property tax was in effect through 2016. The Hospital currently receives a 0.50 mill property tax, which is in effect through 2026.

P. Income Taxes

The Hospital is exempt from income taxes under Internal Revenue Code Section 115. Accordingly, the accompanying financial statements do not include any provision for income taxes.

Q. Advertising

Advertising costs are expensed as incurred. Advertising costs of \$168,538 and \$106,156 were expensed in 2017 and 2016, respectively.

R. Environmental Matters

Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at this time, management is not aware of any environmental matters which need to be considered.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 1-Summary of Significant Accounting Policies (Continued)**

S. Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental, and accident benefits. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self-insurance of 1) Hospital professional liability and comprehensive general liability and 2) statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss. As of October 31, 2017 and 2016, the Hospital has no known malpractice claims exceeding its coverage.

T. Fair Value Measurements

The Hospital follows GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. This topic establishes a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment.

The Hospital utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Hospital determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1: Quoted prices (unadjusted) in active markets accessible at the measurement date.
- Level 2: Prices based on observable inputs corroborated by market data, but no quoted active markets.
- Level 3: Prices based on unobservable inputs, including situations where there is little, if any, market activity for the assets or liabilities. The inputs used in the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investments.

U. Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's financial statement presentation. The reclassifications had no effect on net position or the change in net position reported in the prior year.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 2-Deposits and Investments**

The Hospital has various deposits and investments. The amounts reflected on the accompanying Statements of Net Position are as follows:

	<u>2017</u>	<u>2016</u>
Operations		
Cash and cash equivalents	\$ 2,843,634	\$ 9,309,837
Certificates of deposit	3,021,596	3,011,102
Assets Limited As to Use		
Cash and cash equivalents	12,247,997	8,122,805
Certificates of deposit	33,611	33,407
Investments	<u>249,875</u>	<u>324,738</u>
Total	<u>\$18,396,713</u>	<u>\$20,801,889</u>

The Hospital's investment policies comply with state statutes. Funds may be invested in time deposits, money market investment accounts, or certificates of deposit with financial institutions insured by the FDIC; direct obligations of the United States Government and its agencies; investment grade commercial paper of domestic United States corporations; one of the two highest short-term rating categories of either Standards & Poor's Corporation or Moody's Investors Service; and government backed mutual trust funds.

The Hospital's investments are generally reported at fair value, as discussed in Note 1. At October 31, 2017 and 2016, the Hospital had the following investments included in assets limited as to use, all of which were held in the Hospital's name by a custodial bank that is an agent of the Hospital:

<u>Type</u>	<u>Fair Value</u>	<u>Maturities in Years</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
<b>October 31, 2017</b>					
U.S. Treasury Bill	\$ 249,875	\$ 249,875	\$ -	\$ -	\$ -
Total investments	<u>\$ 249,875</u>	<u>\$ 249,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>October 31, 2016</b>					
U.S. Agencies	\$ 75,113	\$ 75,113	\$ -	\$ -	\$ -
U.S. Treasury Bill	<u>249,625</u>	<u>-</u>	<u>249,625</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 324,738</u>	<u>\$ 75,113</u>	<u>\$ 249,625</u>	<u>\$ -</u>	<u>\$ -</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 2-Deposits and Investments (Continued)**

*Interest Rate Risk:* As a means of limiting exposure to fair value losses arising from rising interest rates, the Hospital limits investments to highly liquid investments or marketable U.S. Treasury and U.S. agency obligations.

*Credit Risk:* Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital limits this risk by investment in obligations of the U.S. government or other investments authorized by statute. At October 31, 2017, the Hospital had an investment in a U.S. Treasury Bill. This investment was rated Aaa by Moody's Investors Service.

*Concentration of Credit Risk:* The Hospital's investment policy does not limit the amount the Hospital may invest in any one issuer. At October 31, 2017, the Hospital only had investments in U.S. Treasuries.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Hospital's policy with respect to custodial risk is based on Louisiana statutes.

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

Account balances according to banks' records at October 31, 2017 and 2016, for the Hospital were as follows:

	<u>2017</u>	<u>2016</u>
Cash in banks	<u>\$19,441,365</u>	<u>\$20,653,664</u>
Insured by FDIC	<u>\$ 3,132,133</u>	<u>\$ 3,167,712</u>
Collateralization by fair market value of securities held by the pledging institution	<u>\$16,309,232</u>	<u>\$17,485,952</u>
Uncollateralized	<u>\$ --</u>	<u>\$ --</u>

**Note 3-Certificates of Deposit**

The Hospital has certificates of deposit with various federally insured financial institutions. The certificates of deposit bear interest at rates ranging from 0.01% to 1.69% per annum and have maturity dates ranging from six months to six years.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 4-Assets Limited As To Use**

Assets whose use is limited under Board designations for the replacement of depreciable capital assets and as security interest for the Hospital Revenue Bonds are summarized as follows:

	<u>2017</u>	<u>2016</u>
<b>Cash – Held as Security Interest for the Hospital Revenue Bonds</b>		
Whitney Bank - Savings yielding .10%	\$ 1,255,067	\$ 2,089,258
Investar Bank - Money Market account yielding .55%	9,509,140	6,033,547
Investar Bank - Reserve Fund yielding .20%	1,483,790	—
Total cash limited as to use	<u>\$12,247,997</u>	<u>\$ 8,122,805</u>
<b>Certificates of Deposit – Board designated</b>		
Merrill Lynch - CDs/Equivalents yielding .94%	<u>\$ 33,611</u>	<u>\$ 33,407</u>
Total certificates of deposit limited as to use	<u>\$ 33,611</u>	<u>\$ 33,407</u>
<b>Investments – Board designated</b>		
Merrill Lynch - FFCB Bond, yielding 4.52%	\$ —	\$ 75,113
Treasury Bill	249,875	249,625
Total investments limited as to use	<u>\$ 249,875</u>	<u>\$ 324,738</u>
Total assets limited as to use	<u>\$12,531,483</u>	<u>\$ 8,480,950</u>

**Note 5-Accounts Receivable - Patients**

Patient account receivables consisted of the following at October 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Total patient accounts receivable	\$ 4,826,627	\$ 4,648,066
Less: allowance for uncollectible accounts	<u>(3,366,303)</u>	<u>(3,191,451)</u>
Net patient accounts receivable	<u>\$ 1,460,324</u>	<u>\$ 1,456,615</u>

**Note 6-Accounts Receivable - Other**

Accounts receivable - other consisted of the following at October 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Accrued uncompensated care	\$ 646,157	\$ 657,792
Uncollected sales tax revenue	295,300	290,130
Uncollected ad valorem tax revenue	134,859	443,683
Medicaid EHR incentive payments receivable	65,724	65,724
Insurance company reimbursement	251,898	—
All other	<u>101,314</u>	<u>298,088</u>
Total accounts receivable - other	<u>\$ 1,495,252</u>	<u>\$ 1,755,417</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 7-Capital Assets**

A summary of capital assets additions, deductions, and balances at October 31, 2017 and 2016 are as follows:

	<b>Balance October 31, 2016</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deductions</b>	<b>Balance October 31, 2017</b>
Land and land improvements	\$ 1,426,985	\$ -	\$ 898,102	\$ -	\$ 2,325,087
Buildings and leasehold improvements	6,456,189	21,120	21,342,063	(1,200)	27,818,172
Equipment	6,949,910	232,976	5,375,527	(621,196)	11,937,217
Construction in progress	<u>14,535,739</u>	<u>13,123,609</u>	<u>(27,615,692)</u>	<u>-</u>	<u>43,656</u>
Total capital assets	29,368,823	13,377,705	-	(622,396)	42,124,132
Accumulated depreciation	<u>(9,621,441)</u>	<u>(821,151)</u>	<u>-</u>	<u>622,396</u>	<u>(9,820,196)</u>
 Total capital assets, net	 <u>\$ 19,747,382</u>	 <u>\$ 12,556,554</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 32,303,936</u>

	<b>Balance October 31, 2015</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deductions</b>	<b>Balance October 31, 2016</b>
Land and land improvements	\$ 1,372,877	\$ 54,108	\$ -	\$ -	\$ 1,426,985
Buildings and leasehold improvements	6,287,383	-	168,806	-	6,456,189
Equipment	6,903,001	94,522	-	(47,613)	6,949,910
Construction in progress	<u>2,600,108</u>	<u>12,212,309</u>	<u>(168,806)</u>	<u>(107,872)</u>	<u>14,535,739</u>
Total capital assets	17,163,369	12,360,939	-	(155,485)	29,368,823
Accumulated depreciation	<u>(8,961,703)</u>	<u>(707,351)</u>	<u>-</u>	<u>47,613</u>	<u>(9,621,441)</u>
 Total capital assets, net	 <u>\$ 8,201,666</u>	 <u>\$ 11,653,588</u>	 <u>\$ -</u>	 <u>\$ (107,872)</u>	 <u>\$ 19,747,382</u>

**Note 8-Bond Anticipation Note**

In December 2015, the Hospital issued a Bond Anticipation Note in the principal amount of \$25,575,000, of which \$9,061,648 was drawn as of October 31, 2016. The purpose of the Bond Anticipation Note was to provide interim financing for the construction of a new hospital facility. During the year ended October 31, 2017, additional draws totaling \$14,791,633 were made on the note. The note bore a variable rate of interest, which was paid monthly, based on the Wall Street Prime Plus 0.25%, with a minimum rate of 3.50% and a maximum rate of 7.00% per annum. The interest rate was 3.75% as of October 31, 2016. The note was secured by an irrevocable pledge and dedication of all net hospital revenues. This Bond Anticipation Note constituted a limited and special obligation of the Hospital, the principal and interest of which was paid in full from the proceeds of Hospital Revenue Bonds, Series 2017A and Series 2017B, issued on October 19, 2017.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 8-Bond Anticipation Note (Continued)**

A schedule of changes in the Hospital's bond anticipation note at October 31, 2017 and 2016 is as follows:

	<b>Balance October 31, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance October 31, 2017</b>	<b>Amount Due Within One Year</b>
Bond Anticipation Note	<u>\$ 9,061,648</u>	<u>\$ 14,791,633</u>	<u>\$(23,853,281)</u>	<u>\$ -</u>	<u>\$ -</u>
	<b>Balance October 31, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance October 31, 2016</b>	<b>Amount Due Within One Year</b>
Bond Anticipation Note	<u>\$ -</u>	<u>\$ 9,061,648</u>	<u>\$ -</u>	<u>\$ 9,061,648</u>	<u>\$ -</u>

**Note 9-Bonds Payable**

The schedule of bonds payable at October 31, 2017 consists of the following:

	<b>Balance October 31, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance October 31, 2017</b>	<b>Amount Due Within One Year</b>
<b>Bonds Payable</b>					
Hospital Revenue Bonds					
20 Year	\$ -	\$ 8,000,000	\$ -	\$ 8,000,000	\$ 232,430
40 Year	<u>-</u>	<u>16,165,000</u>	<u>-</u>	<u>16,165,000</u>	<u>-</u>
Total bonds payable	<u>\$ -</u>	<u>\$ 24,165,000</u>	<u>\$ -</u>	<u>\$ 24,165,000</u>	<u>\$ 232,430</u>

Hospital Revenue Bonds - 20 Year

Hospital Revenue Bonds (Series 2017B) of \$8,000,000, issued on October 19, 2017, due in monthly installments of \$53,608 (principal and interest) beginning November 2017 for 10 years at an annualized rate of 5.25%. The interest rate will be reset on the tenth (10<sup>th</sup>) anniversary date (October 19, 2027) based on the Wall Street Prime as of such date, plus one percent (1%) per annum (not to exceed 7% per annum) and the amortized monthly payments shall continue thereafter through October 19, 2037. Bonds are secured by a pledge of net revenue from the operations of the Hospital, a mortgage lien on the property, all Hospital equipment and appurtenances.

Hospital Revenue Bonds - 40 Year

Hospital Revenue Bonds (Series 2017A) of \$17,575,000, issued on October 19, 2017, bearing interest at 3.50% per annum. As of October 31, 2017, \$16,165,000 of bond proceeds had been disbursed to the Hospital. Principal and interest is payable over a forty (40) year period with the first two payments being for interest only due on October 19, 2018 and October 19, 2019. Thereafter, the bonds will be due in monthly installments of \$69,773 (principal and interest), commencing November 19, 2019 and continuing through October 19, 2057. Bonds are secured by a pledge of net revenue from the operations of the Hospital, a mortgage lien on the property, all Hospital equipment and appurtenances.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 9-Bonds Payable (Continued)**

As required by the bond agreement, the Hospital is required to maintain three separate accounts: Sinking Fund, Reserve Fund, and Contingency Fund. The Sinking Fund is required to have an amount sufficient to pay promptly and fully the monthly principal and interest on the bonds due on the next payment date. The Reserve Fund must have an amount equal to the highest combined principal and interest falling due in any fiscal year on all bonds. The Reserve Fund was fully funded in the amount of \$1,483,790 as of October 31, 2017. The Contingency Fund shall have deposited a sum equal to five percent (5%) of the amount being paid monthly into the Sinking Fund to cover depreciation, extensions, additions, improvements and replacements necessary to properly operate the Hospital. The monthly payments into the Contingency Fund is increased to ten percent (10%) of the amount being paid monthly into the Sinking Fund when a sum equal to the Reserve Fund Requirement has been accumulated in the Reserve Fund. In a resolution adopted by the Board, four additional requirements for security of the bond required by Investar Bank are as follows. 1) A separate and identifiable fund in the amount of \$9,500,000 was required as additional security for the Bonds, which sum will decrease by one third on each anniversary date of the Bond delivery (commencing in the year 2018). 2) The "Hospital Reserve Fund" was fully funded upon closing. 3) The Hospital will set aside in a separate fund the sum of \$1,250,000 which shall be applied to the Phase I renovations of the old hospital building and the Cypress Building. To the extent such moneys are not needed to pay such renovations, then upon completion thereof, any remaining moneys shall be returned to the Operating Fund. 4) The Hospital shall be required to hold sufficient operating cash and investments (operating reserve) in an amount equal to at least 120 days operating cash (calculated as the difference of annual operating expenses of the Issuer for the succeeding budget period less non-cash depreciation and amortization, divided by 365). This operating reserve requirement is in addition to other required debt service funds provided that the amount of such operating reserve shall not exceed 25% of the then outstanding principal balance of the Bonds. The operating reserve amount shall be determined at the delivery of the Bonds and, thereafter annually at the end of each fiscal year. These accounts have been classified as assets limited as to use.

Bond maturities for each of the next five years ending October 31, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 232,430	\$ 1,029,585	\$ 1,262,015
2019	244,931	1,017,084	1,262,015
2020	483,854	1,000,312	1,484,166
2021	505,764	978,402	1,484,166
2022	528,707	955,459	1,484,166
Thereafter	<u>22,169,314</u>	<u>15,398,355</u>	<u>37,567,669</u>
	<u>\$24,165,000</u>	<u>\$20,379,197</u>	<u>\$44,544,197</u>

**Note 10-Net Patient Service Revenue**

The following schedule represents Net Patient Service Revenue at October 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Gross patient service revenue	\$ 24,924,524	\$ 24,626,587
Less: contractual adjustments, discounts, and provision for bad debts	<u>10,761,706</u>	<u>12,165,963</u>
Net patient service revenue	<u>\$ 14,162,818</u>	<u>\$ 12,460,624</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 11-Charity Care**

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone, based on established rates, were approximately \$91,000 and \$203,000 for the years ended October 31, 2017 and 2016, respectively. These charges are included in the provision for bad debts.

Management estimates that approximately \$70,500 and \$149,000 of costs were related to charity care for the years ended October 31, 2017 and 2016, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

**Note 12-Grant Revenue**

Intergovernmental Transfers -- Operating Grant Income

The Hospital (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to Grantee's service population subject to the availability of such grant funds. The aggregate IGT grant income for the years ended October 31, 2017 and 2016 was \$1,814,852 and \$1,429,073, respectively, which is included in other operating revenue in the accompanying statements of revenue, expenses, and changes in net position. The amount of IGT grant income for 2017 includes \$152,595 due from the State of Louisiana for underpayment of uncompensated care costs from a previous year, which is included in accounts receivable - other. The amount of IGT grant income for 2016 is reported net of amounts due back to the State of Louisiana for overpayment of uncompensated care costs in previous years totaling \$297,483, which is included in accrued expenses.

**Note 13-Tax Revenue**

The Hospital receives tax revenue from sales tax and property tax collected on purchases and property assessments in West Feliciana Parish, Louisiana. The sales tax is used for the operation of the Hospital, and the property tax is used for the operation and maintenance of the Hospital.

Tax revenues were as follows:

	<u>2017</u>	<u>2016</u>
Sales tax	\$1,973,850	\$1,742,246
Ad valorem tax	220,567	532,041
State revenue sharing	<u>21,246</u>	<u>21,583</u>
Total tax revenues	<u>\$2,215,663</u>	<u>\$2,295,870</u>

**Note 14-Operating Leases**

The Hospital ("lessor") leases office space on its campus to various medical service providers, under operating leases with terms ranging from month-to-month to one year. Revenue from these leases totaled \$48,635 in 2017 and \$49,048 in 2016. This revenue is included in other non-operating revenue in the financial statements.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 15-Cash Flows Supplemental Information**

Total cash and cash equivalents for October 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 2,843,634	\$ 9,309,837
Assets whose use is limited - cash	<u>12,247,997</u>	<u>8,122,805</u>
Total cash and cash equivalents	<u>\$15,091,631</u>	<u>\$17,432,642</u>

**Note 16-Compensated Absences**

Accumulated unpaid vacation is accrued when earned. Full-time employees can earn and vest in vacation leave according to years of service as shown below:

<u>Years of Service</u>	<u>Vacation Time Earned</u>
Less than 5 years	6.67 hours per month
After 5 years	10.00 hours per month
After 10 years	13.33 hours per month

Sick pay is not vested and therefore not accrued. Employees only vest in vacation leave after one year of employment. The Hospital's policy is to recognize the cost of sick pay when actually paid to employees. Accrued compensated absences at October 31, 2017 and 2016 were \$307,516 and \$281,725, respectively.

**Note 17-Retirement Plan**

The Hospital has executed the Variable Annuity Life Insurance Company (VALIC) prototype Profit Sharing Plan with Cash or Deferred Arrangement Option Non Standardized Adoption Agreement No. 3. The defined contribution plan (457) provides benefits to substantially all employees. The Hospital matches contributions made by an employee up to six percent of the employee's compensation. Total payroll for the fiscal years ended October 31, 2017 and 2016 was \$7,423,663 and \$7,243,427, respectively. Covered payroll for 2017 and 2016 was \$7,389,961 and \$7,023,512, respectively. Total pension expense was \$295,444 and \$252,081 for 2017 and 2016, respectively.

**Note 18-Assets Measured at Fair Value on a Recurring Basis**

The following presents assets measured at fair value on a recurring basis as of October 31, 2017:

	<u>Fair Value</u>	<u>Assets at Fair Value as of</u> <u>October 31, 2017</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Treasury Bill	\$ 249,875	\$ 249,875	\$ -	\$ -
	<u>\$ 249,875</u>	<u>\$ 249,875</u>	<u>\$ -</u>	<u>\$ -</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 18-Assets Measured at Fair Value on a Recurring Basis (Continued)**

The following presents assets measured at fair value on a recurring basis as of October 31, 2016:

	<u>Fair Value</u>	<u>Assets at Fair Value as of October 31, 2016</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Agencies	\$ 75,113	\$ 75,113	\$ --	\$ --
U.S. Treasury Bill	<u>249,625</u>	<u>249,625</u>	<u>--</u>	<u>--</u>
	<u>\$ 324,738</u>	<u>\$ 324,738</u>	<u>\$ --</u>	<u>\$ --</u>

**Note 19-Concentration of Credit Risk**

The Hospital is located in St. Francisville, Louisiana and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables (net of allowances) from patients and third-party payors at October 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Medicare	27.3%	39.6%
Medicaid	19.1%	21.1%
Commercial and other third-party payors	48.1%	32.7%
Self-pay	<u>5.5%</u>	<u>6.6%</u>
	<u>100.0%</u>	<u>100.0%</u>

**Note 20-Payments to Board Members**

The following is a schedule showing the amount paid to board members during the years ended October 31, 2017 and 2016. All remaining board members have declined compensation.

	<u>2017</u>	<u>2016</u>
Melvin Harvey	\$ 800	\$ 240
Raymond Minor	<u>--</u>	<u>120</u>
	<u>\$ 800</u>	<u>\$ 360</u>

**Note 21-Legal Proceedings**

The Hospital is involved in various lawsuits of which the outcome is not determinable. Management has judged the assertions and plans to vigorously defend against all claims filed.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2017**

**Note 22-Subsequent Events**

Management evaluated all subsequent events through April 2, 2018, the date the financial statements were available to be issued.

On January 16, 2018, the Hospital entered into a construction contract for renovations to the old hospital facility and health unit for a contract sum of \$1,124,000.

**Supplementary Information**



**HAWTHORN  
WAYMOUTH  
& CARROLL, L.L.P.**  
Certified Public Accountants

Louis C. McKnight, III, CPA  
Charles R. Pevey, Jr., CPA  
David J. Broussard, CPA  
Neal D. King, CPA  
Brittany B. Thames, CPA

**Independent Auditor's Report  
on Supplementary Information**

Board of Commissioners  
West Feliciana Parish Hospital Service District No. 1  
St. Francisville, Louisiana

We have audited the basic financial statements of West Feliciana Parish Hospital Service District No. 1 as of and for the years ended October 31, 2017 and 2016, and have issued our report thereon dated April 2, 2018, which contained an unmodified opinion on those basic financial statements. Our audits were performed for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information, identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Hawthorn, Waymouth & Carroll, L.L.P.*

April 2, 2018

**West Feliciana Parish Hospital Service District No. 1**  
**Schedules of Net Patient Service Revenue**  
**Years Ended October 31, 2017 and 2016**

	2017	2016
<b>Patient Service Revenue</b>		
Ambulance service	\$ 1,297,901	\$ 1,316,527
Blood bank	20,114	18,468
Central services	49,914	48,639
CT scan	2,732,354	2,615,412
Diabetes clinic	-	350
Echocardiogram	48,765	36,465
Electrocardiology	115,024	110,656
Emergency services	4,570,297	4,127,943
Family medicine	803,984	649,435
Intensive outpatient psychiatry	1,575,630	1,661,730
Laboratory	3,718,459	4,567,092
MRI Scan	315,477	325,255
Nursing services	415,648	445,480
Occupational therapy	474,234	322,679
Pediatrics	1,057,500	1,142,209
Pharmacy	481,580	473,904
Physical therapy	2,212,829	1,897,895
Physician's fees	1,157,745	1,045,776
Radiology	1,636,271	1,669,228
Respiratory therapy	218,429	336,956
Sleep studies	291,000	321,300
Speech therapy	323,707	232,580
St. Francis Clinic	459,949	517,126
Ultrasound	388,998	353,367
Wound care	558,715	390,115
	24,924,524	24,626,587
Gross patient service revenue		
Less: contractual adjustments and discounts	8,925,277	9,185,132
Less: provision for bad debts	1,836,429	2,980,831
	\$ 14,162,818	\$ 12,460,624
Net patient service revenue		

**West Feliciana Parish Hospital Service District No. 1**  
**Schedules of Operating Expenses**  
**Salaries, Wages and Benefits**  
**Years Ended October 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Salaries, Wages and Benefits</b>		
Administrative	\$ 302,203	\$ 268,070
Ambulance	789,695	778,665
Business office	591,224	570,732
Central supply	121,792	108,372
CT scan	5,994	1,618
Dietary management	149,708	125,396
Echocardiogram	6,033	(90)
Emergency room	400,560	355,188
Family medicine	280,508	315,067
Housekeeping	199,727	171,741
Information technology	269,657	234,108
Intensive outpatient psychiatry	489,653	493,867
Laboratory technicians	601,881	611,539
Medical records	165,959	174,954
MRI	23,538	-
Nursing services	975,282	932,203
Pediatrics	411,432	475,168
Plant operations	294,560	255,248
Purchasing	61,327	61,024
Radiology	402,796	418,833
Respiratory therapy	408,016	404,759
Social services	4,500	46,396
St. Francis Clinic	306,968	297,469
Ultrasound	86,106	72,652
Utilization review	74,542	70,448
	<hr/>	<hr/>
Total salaries and wages	7,423,661	7,243,427
	<hr/>	<hr/>
Total benefits	1,836,468	1,721,058
	<hr/>	<hr/>
Total salaries, wages, and benefits	\$ 9,260,129	\$ 8,964,485
	<hr/> <hr/>	<hr/> <hr/>

**West Feliciana Parish Hospital Service District No. 1**  
**Schedules of Operating Expenses**  
**Professional Services**  
**Years Ended October 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Professional Services</b>		
Administrative	\$ 394,542	\$ 341,267
Ambulance	7,900	8,437
Anesthesia	4,800	4,400
Blood bank	24,384	21,410
Business office	13,515	8,649
Dietary	27,143	25,782
EKG	20,238	10,916
Emergency room physician fees	1,404,388	1,394,280
Information technology	180,461	159,492
Intensive outpatient psychiatry	249,602	236,724
Laboratory	442,603	205,346
Laundry/linen	36,945	34,066
Medical records	6,969	665
MRI scan	94,255	114,908
Nursing services	15,833	12,800
Occupational therapy	191,092	106,760
Pediatrics	3,750	24,291
Pharmacy	93,428	89,213
Physical therapy	819,751	653,042
Physician IP/OP fees	62,218	8,460
Plant operations	107,114	111,697
Radiology	26,519	40,575
Respiratory therapy	2,745	1,547
Sleep studies	46,200	50,600
Social services	-	2,787
Speech therapy	121,114	77,108
St. Francis Clinic	12,549	-
Surgery	555	-
Ultrasound	63,730	52,800
Wound care	277,360	214,500
All other	5,894	5,241
	<u>\$ 4,757,597</u>	<u>\$ 4,017,763</u>
Total professional services	<u>\$ 4,757,597</u>	<u>\$ 4,017,763</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Schedules of Operating Expenses**  
**Supplies and Other Expenses**  
**Years Ended October 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Supplies and Other Expenses</b>		
Administrative	\$ 38,891	\$ 41,062
Ambulance	81,868	77,363
Business office	17,570	22,298
Central services	57,232	82,578
CT scan	11,854	13,716
Dietary	105,617	110,291
Emergency room	29,832	25,232
Family medicine	34,873	24,299
Housekeeping	76,438	51,453
Information technology	40,233	33,713
Intensive outpatient psychiatry	14,774	32,997
Laboratory	289,615	289,421
Medical records	4,145	8,895
Nursing services	84,463	79,442
Pediatrics	96,396	71,066
Pharmacy	335,441	336,566
Physical therapy	50,704	49,922
Plant operations	93,255	80,481
Radiology	16,028	18,087
Respiratory therapy	45,739	22,178
St. Francis Clinic	22,233	35,517
Surgery	16,830	-
All other	28,813	15,664
	<u>\$ 1,592,844</u>	<u>\$ 1,522,241</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Schedules of Operating Expenses**  
**Other Operating Expenses**  
**Years Ended October 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Other Operating Expenses</b>		
Administrative	\$ 106,438	\$ 51,841
Audit and legal fees	179,091	318,587
Business office	2,225	4,840
Collection fees	534,339	518,756
CT scan	71,689	71,690
Dues and subscriptions	50,539	48,369
Education	117,727	109,536
Family medicine	14,527	14,689
Insurance	228,157	181,196
Intensive outpatient psychiatry	26,569	21,502
Laboratory	35,310	27,879
Nursing services	5,741	4,763
Office space and resource sharing	608,964	608,964
Pediatrics	46,137	26,131
Physical therapy	2,150	2,445
Plant operations	318,508	153,572
Postage	8,583	7,205
Public relations	154,335	98,753
Radiology	34,519	45,642
St. Francis Clinic	12,384	13,648
Telephone	90,846	82,843
Ultrasound	7,403	6,304
All other	29,233	39,856
	<u>                    </u>	<u>                    </u>
Total other operating expenses	<u>\$ 2,685,414</u>	<u>\$ 2,459,011</u>

**West Feliciana Parish Hospital Service District No. 1  
Schedule of Compensation, Benefits and Other  
Payments to Agency Head or Chief Executive Officer  
Year Ended October 31, 2017**

**Agency Head Name: Ledoux Chastant, III, CEO**

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 177,050
Benefits - insurance (health)	19,336
Benefits - retirement	6,500
Benefits - disability and life insurance	1,498
Car allowance	4,800
Vehicle provided by agency	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	460
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0



**HAWTHORN  
WAYMOUTH  
& CARROLL, L.L.P.**  
Certified Public Accountants

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Brittany B. Thames, CPA

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards***

Board of Commissioners  
West Feliciana Parish Hospital Service District No. 1  
St. Francisville, 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 West Feliciana Parish Hospital Service District No. 1, as of and for the years ended October 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise West Feliciana Parish Hospital Service District No.1's basic financial statements as listed in the table of contents, and have issued our report thereon dated April 2, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered West Feliciana Parish Hospital Service District No. 1'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 West Feliciana Parish Hospital Service District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of West Feliciana Parish Hospital Service District No. 1's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West Feliciana Parish Hospital Service District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Hawthorn, Waymouth & Carroll, L.L.P.*

April 2, 2018

**West Feliciana Parish Hospital Service District No. 1  
Schedule of Findings and Responses  
For the Year Ended October 31, 2017**

**Part I - Summary of Audit Results**

- 1) An unmodified opinion has been expressed on the financial statements of West Feliciana Parish Hospital Service District No. 1, as of and for the year ended October 31, 2017, and the related notes to the financial statements.
- 2) No deficiencies in internal control over financial reporting that we consider to be material weaknesses were identified.
- 3) No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were identified.
- 4) A single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* was not required.
- 5) A management letter was not issued.

**Part II – Financial Statement Findings**

No findings were noted.

**West Feliciana Parish Hospital Service District No. 1**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended October 31, 2017**

**Part I – Financial Statement Findings**

*2016-001: Failure to Comply with L.R.S. 24:523*

Summary of Prior Year Finding:

The agency head notified the district attorney of West Feliciana of the matters discussed in Findings 2016-003 and 2016-004; however, the Legislative Auditor was not notified in accordance with Louisiana Revised Statute 24:523.

Status:

This finding has been resolved.

*2016-002: Credit Card Policy Deviations*

Summary of Prior Year Finding:

The following conditions were noted in review of the Hospital's credit card transactions:

1. Two charges for meals were missing itemized receipts.
2. Two charges for travel lacked supporting documentation.
3. The credit card appeared to be inadvertently used for personal charges, and full restitution had not been made for unauthorized purchases during the period under audit.
4. The Hospital's credit card activity was not consistently approved by a Board Member in a timely manner.

Status:

This finding has been resolved.

*2016-003: Unauthorized Charity Care Write-offs*

Summary of Prior Year Finding:

Several patient accounts were written off as charity care with no charity care applications or approval letters on file. The Hospital employee, who was designated by the Business Office Manager to write off charity care accounts, wrote off accounts that were not approved according to the Hospital's policy.

Status:

This finding has been resolved.

*2016-004: Payroll Record Discrepancies*

Summary of Prior Year Finding:

Two employees were not properly clocking in and out for their lunch break for several pay periods, which resulted in these employees being paid for time that they did not earn.

Status:

This finding has been resolved.

**West Feliciana Parish Hospital Service District No. 1  
Summary Schedule of Prior Audit Findings  
For the Year Ended October 31, 2017**

**Part II – Management Letter**

A management letter was not issued for the year ended October 31, 2016.

**West Feliciana Parish Hospital Service District #1  
Agreed-Upon Procedures Report  
October 31, 2017**



**Independent Accountant's Report  
on Applying Agreed-upon Procedures**

To the Board of West Feliciana Parish Hospital Service District #1 and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by West Feliciana Parish Hospital Service District #1 and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period November 1, 2016 through October 31, 2017. The Entity's management is responsible for those control and compliance areas identified in the SAUPs.

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

The procedures performed and the associated findings are listed below. The procedures performed are stated first, followed by the associated findings presented in italics.

***Written Policies and Procedures***

---

1. Obtained the entity's written policies and procedures and reported whether those written policies and procedures address each of the following financial/business functions (or reported that the entity does not have any written policies and procedures), as applicable:

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

*No exceptions noted.*

- 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.

*No exceptions noted.*

- c) ***Disbursements***, including processing, reviewing, and approving.

*No exceptions noted.*

- d) ***Receipts***, including receiving, recording, and preparing deposits.

*No exceptions noted.*

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*No exceptions noted.*

- 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.

*The Entity's policy on contracting does not specifically address criteria (1), types of services requiring written contracts.*

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

*No exceptions noted.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*No exceptions noted.*

- 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.

*The Entity's policy on ethics does not specifically address criteria (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) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*The Entity's policy on debt service does not specifically address (2) EMMA reporting requirements and (3) debt reserve requirements.*

### ***Board (or Finance Committee, if applicable)***

---

- 2. Obtained and reviewed the board/committee minutes for the fiscal period, and:

- a) Reported whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

*No exceptions noted.*

- b) Reported whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis). If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*No exceptions noted.*

- c) Reported whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*No exceptions noted.*

### ***Bank Reconciliations***

---

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

*No exceptions noted.*

4. Using the listing provided by management, selected five of the entity's bank accounts. For each of the bank accounts selected, obtained bank statements and reconciliations for all months in the fiscal period and reported whether:

- a) Bank reconciliations have been prepared;

*No exceptions noted.*

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation;

*For the five bank accounts selected, the bank reconciliations were reviewed by a member of management involved in the transactions associated with the bank account.*

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

*Not applicable.*

### ***Collections***

---

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

*No exceptions noted.*

6. Using the listing provided by management, selected five of the entity's cash collection locations. For each cash collection location selected:

- a) Obtained existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

a) (1) – *No exceptions noted.*

a) (2) – *No exceptions noted.*

a) (3) – *Individuals responsible for collecting cash may share the same cash register or drawer with another employee.*

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

*No exceptions noted.*

- c) Selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, traced daily collections to the deposit date on the corresponding bank statement and reported whether the deposits were made within one day of collection. If deposits were not made within one day of collection, reported the number of days from receipt to deposit for each day at each collection location.

*There were nine collections that were not deposited within one day of receipt, as follows:*

- *2 deposits were made 2 days after collection*
- *1 deposit was made 3 days after collection*
- *2 deposits were made 5 days after collection*
- *2 deposits were made 6 days after collection*
- *1 deposit was made 7 days after collection*
- *1 deposit was made 16 days after collection*

- Using sequentially numbered receipts, system reports, or other related collection documentation, verified that daily cash collections are completely supported by documentation and report any exceptions.

*No exceptions noted.*

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

*No exceptions noted.*

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

---

8. Obtained a listing of entity disbursements from management or, alternately, obtained the general ledger and sorted/filtered for entity disbursements. Obtained management's representation that the listing or general ledger population is complete.

*No exceptions noted.*

9. Using the disbursement population from #8 above, randomly selected 25 disbursements, excluding credit card/debit card/fuel card/P-card purchases or payments. Obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and reported whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*There was no requisition or purchase order issued for 15 disbursements, which were comprised of the following: 11 disbursements for services, 3 disbursements for payroll garnishments, and 1 disbursement for utilities. These types of disbursements would not require a purchase order per the Entity's purchasing policies.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*No exceptions noted for the 10 disbursements that required a purchase order.*

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

*Fifteen payments did not have an approved purchase order. Four receiving reports for the purchase of goods were missing.*

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

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

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

*Not applicable.*

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

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

*A listing of 17 cards was provided: four credit cards and thirteen fuel cards.*

15. Using the listing prepared by management, randomly selected 10 cards that were used during the fiscal period. Obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Selected the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Reported whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

*No exceptions noted.*

- b) Reported whether finance charges and/or late fees were assessed on the selected statements.

*No finance charges or late fees were noted.*

16. Using the monthly statements or combined statements selected under #15 above, obtained supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, reported whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased).

*No exceptions noted.*

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

*Nine transactions did not include a description of the business purpose.*

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*No additional documentation is required.*

- b) For each transaction, compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and reported any exceptions.

*No exceptions noted.*

- c) For each transaction, compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and reported any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*Nine transactions did not have documentation related to the transaction describing the nature of the purchase and its business/public purpose for comparison to the requirements of Article 7, Section 14 of the Louisiana Constitution.*

### ***Travel and Expense Reimbursement***

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- 17. Obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtained the general ledger and sorted/filtered for travel reimbursements. Obtained management's representation that the listing or general ledger is complete.

*No exceptions noted.*

- 18. Obtained the entity's written policies related to travel and expense reimbursements. Compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and reported any amounts that exceed GSA rates.

*The daily meal allowance exceeded the GSA by \$10.*

- 19. Using the listing or general ledger from #17 above, selected the three persons who incurred the most travel costs during the fiscal period. Obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and chose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compared expense documentation to written policies and reported whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and reported each reimbursement that exceeded those rates.

*On one travel expense, meals were overpaid by \$46.53 and mileage was overpaid by \$1. On another travel expense, mileage was overpaid by \$123.14.*

- b) Reported whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

*Two hotel receipts were missing and there were no itemized receipts for nine meals.*

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

*The business/public purpose for one travel expense was not documented.*

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*No other documentation required by written policy.*

- c) Compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and reported any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*One reimbursement did not have documentation related to the transaction describing the nature of the purchase and its business/public purpose for comparison to the requirements of Article 7, Section 14 of the Louisiana Constitution.*

- d) Reported whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions noted.*

## ***Contracts***

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20. Obtained a listing of all contracts in effect during the fiscal period or, alternately, obtained the general ledger and sorted/filtered for contract payments. Obtained management's representation that the listing or general ledger is complete.

*No exceptions noted.*

21. Using the listing above, selected the five contract “vendors” that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtained the related contracts and paid invoices and:

- a) Reported whether there is a formal/written contract that supports the services arrangement and the amount paid.

*No exceptions noted.*

- b) Compared each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Reported whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtained/compared supporting contract documentation to legal requirements and reported whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

*Two contracts were subject to the Louisiana Public Bid Law and the Entity complied with all legal requirements.*

- If no, obtained supporting contract documentation and reported whether the entity solicited quotes as a best practice.

*Three contracts were not subject to the Louisiana Public Bid Law. Solicited quotes were obtained for one of three contracts.*

- c) Reported whether the contract was amended. If so, reported the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*One of the contracts was for the construction of the new hospital facility. The original contract was for \$15,856,000. There were thirteen change orders totaling \$1,895,980 to expand or revise the scope of the original contract. The original contract terms provided for such change orders.*

- d) Selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and reported whether the invoice and related payment complied with the terms and conditions of the contract.

*No exceptions noted.*

- e) Obtained/reviewed contract documentation and board minutes and reported whether there is documentation of board approval, if required by policy or law.

*No exceptions noted.*

### ***Payroll and Personnel***

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22. Obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management’s representation that the listing is complete. Randomly selected five employees/officials, obtained their personnel files, and:

- a) Reviewed compensation paid to each employee during the fiscal period and reported whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*There was an error in the hourly rate paid for an overtime shift worked on a holiday, which resulted in an employee being underpaid by \$0.24.*

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

*No exceptions noted.*

- 23. Obtained attendance and leave records and randomly selected one pay period in which leave was taken by at least one employee. Within that pay period, randomly selected 25 employees/officials, and:

- a) Reported whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

*No exceptions noted.*

- b) Reported whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

*No exceptions noted.*

- c) Reported whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*No exceptions noted.*

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

*No exceptions noted.*

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

*For one of the pay periods during the fiscal period, retirement contributions were submitted approximately four months after the pay period ended, which was after the required deadline.*

## ***Ethics***

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

*No exceptions noted.*

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

*Management asserted that no alleged ethics violations were reported to the Entity during the fiscal period.*

## ***Debt Service***

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

*No exceptions noted.*

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

*No exceptions noted.*

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

*Not applicable.*

## ***Other***

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

*Management asserted it is not aware of any misappropriations of public funds or assets.*

32. Observed and reported whether the entity has posted on its premises and website, the notice required by R.S. 24:523.I. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exceptions noted.*

33. If the practitioner observed or otherwise identified any exceptions regarding management's representations in the procedures above, reported the nature of each exception.

*No exceptions noted.*

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 control and compliance 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 control and compliance 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.

*Hawthorn, Waymouth & Carroll, L.L.P.*

February 17, 2018