

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury**
Independent Auditor's Reports and Financial Statements
September 30, 2017 and 2016



**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
September 30, 2017 and 2016**

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Independent Auditor's Report

Board of Commissioners
Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
Delhi, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the District), a component unit of Richland Parish Police Jury, as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital as of September 30, 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 information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information and other information, including the schedule of expenditures of federal awards required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information and schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
March 13, 2018

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Management's Discussion and Analysis
September 30, 2017 and 2016**

Introduction

This management's discussion and analysis of the financial performance of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the District) provides an overview of the District's financial activities for the years ended September 30, 2017 and 2016. It should be read in conjunction with the accompanying financial statements of the District.

Financial Highlights

- Cash and investments increased in 2017 by \$4,093,754, or 49.9%, and increased in 2016 by \$777,438, or 10.5%.
- The District's net position increased in each of the past two years with a \$2,793,347, or 15.7% increase in 2017, and a \$1,526,492, or 9.4% increase in 2016.
- The District reported operating income of \$1,617,553 in 2017, due to an increase in net patient service revenue, which benefitted from reimbursement for uncompensated care. The increase was partially offset by an increase in salaries and wages. In 2016, the District reported an operating income of \$397,615.
- Net nonoperating revenues, including noncapital grants and gifts, increased by \$46,917, or 4.2% in 2017, compared to 2016, and decreased by \$95,915, or 7.8% in 2016, compared to 2015.
- The District received an award from the Health Resources and Services Administration for \$1,000,000 to support the construction of a new clinic facility for Delhi Community Health Clinic (DCHC). The construction of the new facility will allow DCHC to increase its patient capacity and provide additional comprehensive primary and preventive health services to the surrounding medically underserved population. The estimated total cost of construction is approximately \$3,600,000. Planning is still underway, with expected opening of the new facility in 2019. The District will use investment reserves to pay the balance of the construction cost. No amounts have been drawn down on this grant.

Using This Annual Report

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

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as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

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

These two statements report the District's net position and changes in them. The District's total net position – the difference between assets and liabilities – is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the District.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The District's Net Position

The District's net position is the difference between its assets and liabilities reported in the balance sheets. The District's net position increased by \$2,793,347, or 15.7% in 2017 over 2016, and by \$1,526,492, or 9.4% in 2016 over 2015, as shown in Table 1.

**Hospital Service District No. 1A of the Parish of Richland
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Table 1: Assets, Liabilities and Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Patients accounts receivable, net	\$ 2,260,180	\$ 2,587,312	\$ 2,125,855
Other current assets	14,467,162	10,752,592	9,501,009
Capital assets, net	5,129,815	5,331,889	5,791,310
Other assets	236,088	236,088	236,088
	<u>236,088</u>	<u>236,088</u>	<u>236,088</u>
Total assets	<u>\$ 22,093,245</u>	<u>\$ 18,907,881</u>	<u>\$ 17,654,262</u>
Liabilities			
Long-term capital lease	\$ 77,045	\$ 137,393	\$ 196,714
Current liabilities	1,392,999	940,634	1,154,186
	<u>1,392,999</u>	<u>940,634</u>	<u>1,154,186</u>
Total liabilities	<u>1,470,044</u>	<u>1,078,027</u>	<u>1,350,900</u>
Net Position			
Net investment in capital assets	4,883,433	5,140,078	5,232,233
Restricted - expendable for specific operating activities	7,632	35,697	20,078
Unrestricted	15,732,136	12,654,079	11,051,051
	<u>15,732,136</u>	<u>12,654,079</u>	<u>11,051,051</u>
Total net position	<u>20,623,201</u>	<u>17,829,854</u>	<u>16,303,362</u>
Total liabilities and net position	<u>\$ 22,093,245</u>	<u>\$ 18,907,881</u>	<u>\$ 17,654,262</u>

The most significant change in the District's financial position in 2017 was the increase in other current assets from 2016 to 2017 of \$3,714,570. This increase of 34.5% was attributable to an increase in cash and investments.

In 2016, the most significant change in the District's financial position was the increase in other current assets from 2015 to 2016 of \$1,251,583. This increase of 13.2% was attributable to an increase in cash and investments.

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Operating Results and Changes in the District's Net Position

In 2017, the District's net position increased by \$2,793,347 as shown in Table 2. This increase is made up of several different components and represents an increase of 15.7%, compared with the increase in net position for 2016 of \$1,526,492, or 9.4%.

Table 2: Operating Results and Changes in Net Position

	2017	2016	2015
Operating Revenues			
Net patient service revenue	\$ 21,495,891	\$ 18,765,897	\$ 18,878,957
Grant revenue	2,115,264	1,844,950	1,286,764
Electronic health records incentive and other	741,788	537,977	389,104
Total operating revenues	<u>24,352,943</u>	<u>21,148,824</u>	<u>20,554,825</u>
Operating Expenses			
Salaries and wages	12,162,543	11,172,534	10,511,131
Employee benefits	2,766,156	2,176,738	3,210,280
Purchased services and professional fees	2,429,260	2,234,269	2,003,539
Supplies and other	4,501,520	4,035,917	4,049,455
Depreciation and amortization	875,911	1,131,751	1,402,279
Total operating expenses	<u>22,735,390</u>	<u>20,751,209</u>	<u>21,176,684</u>
Operating Income (Loss)	<u>1,617,553</u>	<u>397,615</u>	<u>(621,859)</u>
Nonoperating Revenues (Expenses)			
Property taxes	808,916	790,064	739,192
Investment income	24,080	21,184	19,652
Interest expense	(11,175)	(3,978)	(4,102)
Noncapital grants and gifts	353,973	321,607	469,295
Gain on sale of capital assets	-	-	755
Net nonoperating revenues	<u>1,175,794</u>	<u>1,128,877</u>	<u>1,224,792</u>
Capital Grants and Gifts	<u>-</u>	<u>-</u>	<u>43,730</u>
Increase in Net Position	<u>\$ 2,793,347</u>	<u>\$ 1,526,492</u>	<u>\$ 646,663</u>

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Operating Results

The first component of the overall change in the District's net position is its operating income or loss – generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In 2017 and 2016, the District reported operating income, while in 2015, the District reported an operating loss. This is consistent with the District's improvement in clinic operations, along with the decrease in employee benefit expense.

Grants and property taxes (nonoperating revenues) levied by the District have provided sufficient resources to enable the District to serve lower income and other residents.

The District reported operating income for 2017 improved by \$1,219,938, compared to 2016. The primary components of the change in operating results were:

- Increase in net patient service revenue of approximately \$2,730,000, or 14.5%.
- Increase in salaries and employee benefits expenses of approximately \$1,579,000, or 11.8%, resulting from additional professionals and health claims.

The District reported operating income for 2016 improved by \$1,019,474, compared to 2015. The primary components of the change in operating results were:

- Increase in grant and electronic health records (EHR) revenues of approximately \$707,000 or 42.2%.
- Decrease in salaries and employee benefits expense of approximately \$372,000, or 2.7% resulting from improved insurance claim history.

Nonoperating Revenues and Expenses

Nonoperating revenues (expenses) consist primarily of property taxes levied by the District and noncapital grants and gifts. In 2017, the District recognized an increase in property taxes of \$18,852, or 2.4%, as compared to 2016. Noncapital grants and gifts increased by \$32,366, or 10.1% in 2017, compared to 2016.

Capital Grants and Gifts

The District receives both capital and operating grants from various state and federal agencies for specific programs. The District received no capital grants and gifts received during 2017 or 2016.

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Grant Expenses

The District actively applies for available state and federal grants. A majority of the grants are reimbursement grants requiring the District to spend the money for an approved purchase and then request reimbursement from the grantor. The revenues and expenses associated with these grants generally offset each other. The District recorded \$353,973 and \$321,607 of noncapital grants and gifts in 2017 and 2016, respectively; however, the expenses associated with these grant receipts have been recorded in operating expenses for each year.

The District's Cash Flows

Changes in the District's cash flows are consistent with changes in operating income and nonoperating revenues and expenses for 2017 and 2016 as discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At the end of 2017 and 2016, the District had approximately \$5,130,000 and \$5,332,000 of net capital assets, as detailed in *Note 5* to the financial statements. Approximately \$674,000 and \$672,000 was spent to acquire land and new equipment in 2017 and 2016, respectively.

Debt

For the years ended September 30, 2017 and 2016, the District issued no new debt. At September 30, 2017 and 2016, the District had approximately \$132,000 and \$192,000, respectively, of capital lease obligation outstanding. The capital lease is for a mammography machine. The District's formal debt issuances and revenue bonds are subject to limitations imposed by state law.

Contacting the District's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the District's Chief Executive Officer at Hospital Service District No. 1A of the Parish of Richland, 407 Cincinnati Street, Delhi, Louisiana 71232 or calling 318.878.5171.

**Hospital Service District No. 1A of the Parish of Richland
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A Component Unit of Richland Parish Police Jury**

**Balance Sheets
September 30, 2017 and 2016**

Assets

	2017	2016
Current Assets		
Cash and cash equivalents	\$ 5,705,158	\$ 2,372,471
Short-term investments - certificates of deposit	1,487,467	1,479,824
Board designated - cash and cash equivalents	4,283,826	3,507,744
Board designated - short-term investments	821,783	816,376
Restricted cash and investments, current	7,632	35,697
Patients accounts receivable, net of allowance; 2017 - \$2,465,000; 2016 - \$2,121,000	2,260,180	2,587,312
Estimated amounts due from third-party payers	1,129,375	1,202,683
Grant and electronic health records incentive receivables	266,244	621,639
Supplies	536,945	518,644
Prepaid expenses and other	228,732	197,514
Total current assets	16,727,342	13,339,904
Capital Assets, Net	5,129,815	5,331,889
Other Assets	236,088	236,088
Total assets	\$ 22,093,245	\$ 18,907,881

Liabilities and Net Position

	<u>2017</u>	<u>2016</u>
Current Liabilities		
Current maturities of capital lease	\$ 55,394	\$ 54,418
Accounts payable	522,103	157,723
Accrued expenses	590,502	503,493
Estimated self-insured health insurance costs	<u>225,000</u>	<u>225,000</u>
Total current liabilities	1,392,999	940,634
Long-term Capital Lease	<u>77,045</u>	<u>137,393</u>
Total liabilities	<u>1,470,044</u>	<u>1,078,027</u>
Net Position		
Net investment in capital assets	4,883,433	5,140,078
Restricted - expendable for specific operating activities	7,632	35,697
Unrestricted	<u>15,732,136</u>	<u>12,654,079</u>
Total net position	<u>20,623,201</u>	<u>17,829,854</u>
Total liabilities and net position	<u>\$ 22,093,245</u>	<u>\$ 18,907,881</u>

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2017 and 2016**

	2017	2016
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2017 - \$1,974,000; 2016 - \$1,960,000	\$ 21,495,891	\$ 18,765,897
Grant revenue	2,115,264	1,844,950
Electronic health records incentive and other	741,788	537,977
Total operating revenues	24,352,943	21,148,824
Operating Expenses		
Salaries and wages	12,162,543	11,172,534
Employee benefits	2,766,156	2,176,738
Purchased services and professional fees	2,429,260	2,234,269
Supplies and other	4,501,520	4,035,917
Depreciation and amortization	875,911	1,131,751
Total operating expenses	22,735,390	20,751,209
Operating Income	1,617,553	397,615
Nonoperating Revenues (Expenses)		
Property taxes	808,916	790,064
Investment income	24,080	21,184
Interest expense	(11,175)	(3,978)
Noncapital grants and gifts	353,973	321,607
Total nonoperating revenues	1,175,794	1,128,877
Excess of Revenues Over Expenses	2,793,347	1,526,492
Net Position, Beginning of Year	17,829,854	16,303,362
Net Position, End of Year	\$ 20,623,201	\$ 17,829,854

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Statements of Cash Flows
Years Ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 21,896,331	\$ 17,852,172
Payments to suppliers and contractors	(6,284,807)	(6,193,531)
Payments to employees	(14,775,764)	(13,207,694)
Electronic health records incentive payments and other receipts, net	<u>3,123,886</u>	<u>2,233,960</u>
Net cash provided by operating activities	<u>3,959,646</u>	<u>684,907</u>
Noncapital Financing Activities		
Property taxes supporting operations	808,916	790,064
Noncapital grants and gifts	<u>353,973</u>	<u>321,607</u>
Net cash provided by noncapital financing activities	<u>1,162,889</u>	<u>1,111,671</u>
Capital and Related Financing Activities		
Principal paid on long-term capital lease	(59,372)	(58,361)
Interest paid on long-term capital lease	(11,175)	(3,978)
Purchase of capital assets	<u>(982,742)</u>	<u>(981,235)</u>
Net cash used in capital and related financing activities	<u>(1,053,289)</u>	<u>(1,043,574)</u>
Investing Activities		
Interest and dividends on investments	24,508	24,434
Purchase of investments	<u>(13,050)</u>	<u>(10,283)</u>
Net cash provided by investing activities	<u>11,458</u>	<u>14,151</u>
Increase in Cash and Cash Equivalents	4,080,704	767,155
Cash and Cash Equivalents, Beginning of Year	<u>5,915,912</u>	<u>5,148,757</u>
Cash and Cash Equivalents, End of Year	<u>\$ 9,996,616</u>	<u>\$ 5,915,912</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	\$ 5,705,158	\$ 2,372,471
Board designated - cash and cash equivalents	4,283,826	3,507,744
Restricted cash and investments, current	<u>7,632</u>	<u>35,697</u>
Total cash and cash equivalents	<u>\$ 9,996,616</u>	<u>\$ 5,915,912</u>

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Statements of Cash Flows (Continued)
Years Ended September 30, 2017 and 2016**

	2017	2016
Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities		
Operating income	\$ 1,617,553	\$ 397,615
Depreciation and amortization	875,911	1,131,751
Provision for uncollectible accounts	1,974,298	1,959,567
Changes in operating assets and liabilities		
Patient accounts receivables	(1,647,166)	(2,421,024)
Estimated amounts due from third-party payers	73,308	(452,268)
Accounts payable and accrued expenses	760,294	94,393
Other assets and liabilities	305,448	(25,127)
Net cash provided by operating activities	\$ 3,959,646	\$ 684,907
Supplemental Cash Flows Information		
Capital asset acquisitions included in accounts payable and accrued expenses	\$ 113,943	\$ -

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Notes to Financial Statements
September 30, 2017 and 2016**

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the District) is located in Delhi, Louisiana. The District was created on April 18, 1989, by the Richland Parish Police Jury. It is comprised of and embraces the territory contained within Ward 1 of the Parish of Richland, State of Louisiana, as constituted as of the date of the ordinance. It is a critical access hospital located in Delhi. The District provides inpatient, outpatient and emergency care services for the residents of Delhi and the surrounding area. Admitting physicians are primarily practitioners in the local area.

Effective October 1, 1989, Richland Parish Hospital Service District No. 1 transferred operations of the District in Delhi, Louisiana to Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital, along with all related assets, liabilities and equity.

The District operates and manages a Federally Qualified Health Center (FQHC) d.b.a. Delhi Community Health Center. The FQHC began operations on October 8, 2012. The FQHC earns revenues by providing primary and preventive health and dental care to indigent and low income patients in the same geographic area and grant funding from the U.S. Department of Health and Human Services in support of its commitment to provide services to a higher percentage of indigent patients. The FQHC is considered an operating division of the District.

Richland Health Services, Inc. (RHI) is a separate, not-for-profit corporation, which was organized exclusively to provide the required governance and oversight as stipulated by program guidelines for "Public Entity" models of the FQHC's operations for the delivery of primary and preventative health care services to the underserved populations in the same geographic area and does not have financial transactions. The RHI Board of Directors does not have the same composition as the District's Board of Commissioners. The District and RHI, through a co-applicant agreement, collaboratively operate the FQHC clinics. RHI is considered an affiliate rather than a component unit of the District.

The District is a political subdivision of the Richland Parish Police Jury whose jurors are elected officials. The District's commissioners are appointed by the Richland Parish Police Jury. As the governing authority of the parish for reporting purposes, the Richland Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Richland Parish Police Jury. The accompanying financial statements present information only on the funds maintained by the District.

Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital A Component Unit of Richland Parish Police Jury

Notes to Financial Statements September 30, 2017 and 2016

Basis of Accounting and Presentation

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions.

Government-mandated nonexchange transactions that are not program specific, property taxes, investment income and interest on capital assets - related debt are included in nonoperating revenues (expenses). The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2017 and 2016, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Property Taxes

The District levies a property tax on all property subject to taxation in the service district. In 2010, a tax continuation proposition duly carried by a majority of votes cast. Under this proposition, the District will continue to levy a tax on all property subject to taxation in the District for a period of 10 years, beginning with the year 2011 and ending in the year 2020. Such rate may be subject to adjustment from time to time due to reassessment. Mill rate for both 2017 and 2016 was 8.57. The purpose of the tax is for constructing, maintaining, improving and operating the District. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District.

Property taxes are levied by the District on October 1 of each year based on the preceding January 1 assessed property values. To secure payment, an enforceable lien attaches to the property on January 1, when the value is assessed. Property taxes become due and payable when

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**Notes to Financial Statements
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levied on October 1. This is the date on which an enforceable legal claim arises and the District records a receivable for the property tax assessment, less an allowance for uncollectible taxes. Property taxes are considered delinquent after January 31 of the following year.

The District received approximately 3.2% and 3.5% of its financial support from property taxes in 2017 and 2016, respectively. These funds were used to support operations.

Risk Management

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

The District is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Income

Investments in nonnegotiable certificates of deposit are carried at amortized cost.

Investment income consists primarily of interest income from certificates of deposit.

Patient Accounts Receivable

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

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Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term, or their respective estimated useful lives. The following estimated useful lives are being used by the District.

Land improvements	10 - 20 years
Buildings and leasehold improvements	5 - 40 years
Equipment	3 - 20 years
Furniture	3 - 5 years
Vehicles	2 - 4 years

Compensated Absences

District policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date.

Net Position

Net position of the District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible

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accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The District provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue.

Income Taxes

As an essential government function of the parish, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income.

Electronic Health Records Incentive Program

The Electronic Health Records (EHR) Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified EHR technology. Critical access hospitals (CAH) are eligible to receive incentive payments in the cost reporting period beginning in the federal fiscal year in which meaningful use criteria have been met. The Medicare incentive payment is for qualifying costs of the purchase of certified EHR technology multiplied by the Hospital's Medicare share fraction, which includes a 20% incentive. This payment is an acceleration of amounts that would have been received in future periods based on reimbursable costs incurred, including depreciation. If meaningful use criteria are not met in future periods, the District is subject to penalties that would reduce future payments for services. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMMS). The final amount for any payment year under both programs is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program. The District recognizes incentive payment revenue received for qualified EHR technology in the period during which management is reasonably assured meaningful use was achieved and the earnings process was complete. Management believes the incentive payments reflect a change in how "allowable costs" are determined in paying CAH for providing services to Medicare beneficiaries.

The District completed the four years of hospital EHR payments during 2015. The District received EHR incentive payments of approximately \$162,000 and \$204,000 for the years ended September 30, 2017 and 2016, respectively, for its employed physicians.

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Foundation

Delhi Health Care Foundation (the Foundation) is a foundation established to support health care in Richland Parish. There was no activity in the Foundation for the years ended September 30, 2017 or 2016.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 financial statement presentation. These reclassifications had no effect on net position.

Note 2: Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payment arrangements include:

Medicare - The District is certified as a CAH by Medicare. As a CAH, the District is reimbursed for substantially all inpatient and outpatient services to Medicare beneficiaries based on reasonable costs. Additionally, as a CAH, the District's licensed beds are limited to 25, and the District's acute average length of stay may not exceed 96 hours. The District is reimbursed for substantially all services at tentative rates, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The District is reimbursed for cost reimbursable services at tentative rates, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid administrative contractor.

Approximately 69% and 65% of gross patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2017 and 2016, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

The District entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor), whereby the Grantor awards an intergovernmental transfer (IGT) grant to be used solely to provide adequate and essential medically necessary and available health care services to the District's service population subject to the availability of such grant funds. The aggregate IGT grant income was approximately \$1,666,000 and \$1,744,000 for the years ended September 30, 2017 and 2016, respectively, and is included in net patient service revenue.

Note 3: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or other qualified investments. At September 30, the District's bank balances were as follows:

	2017	2016
Insured by Federal Deposit Insurance Corporation	\$ 1,250,000	\$ 1,250,000
Collateralized by securities held by the pledging financial institution's Trust Department in the District's name	11,306,942	7,066,715
Total depository balance	\$ 12,556,942	\$ 8,316,715

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Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2017	2016
Carrying value		
Deposits	\$ 12,305,866	\$ 8,212,112
Included in the following balance sheets captions		
Cash and cash equivalents	\$ 5,705,158	\$ 2,372,471
Short-term investments - certificates of deposit	1,487,467	1,479,824
Board designated		
Cash and cash equivalents	4,283,826	3,507,744
Short-term investments	821,783	816,376
Restricted cash and investments, current	7,632	35,697
	\$ 12,305,866	\$ 8,212,112

Note 4: Patient Accounts Receivable

The District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at September 30 consisted of:

	2017	2016
Medicare	\$ 918,856	\$ 1,454,019
Medicaid	528,787	287,439
Other third-party payers	792,100	909,782
Patients	2,485,891	2,057,122
	4,725,634	4,708,362
Less allowance for uncollectible accounts	(2,465,454)	(2,121,050)
	\$ 2,260,180	\$ 2,587,312

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Note 6: Medical Malpractice Claims

The District participates in the Louisiana Patients' Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides \$400,000 in coverage per occurrence above the first \$100,000 per occurrence. The first \$100,000 is covered by the Louisiana Hospital Association Malpractice and General Liability Trust. There is not a limitation placed on the number of occurrences covered.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Employee Health Claims

Substantially all of the District's employees and their dependents are eligible to participate in the District's employee health insurance plan. The District is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$45,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the District's estimate will change by a material amount in the near term.

Activity in the District's accrued employee health claims liability is summarized as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 225,000	\$ 300,000
Current year claims incurred and changes in estimates for claims incurred in prior years	1,367,968	707,733
Claims and expenses paid	<u>(1,367,968)</u>	<u>(782,733)</u>
Balance, end of year	<u>\$ 225,000</u>	<u>\$ 225,000</u>

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**Notes to Financial Statements
September 30, 2017 and 2016**

Note 8: Long-term Obligations

The following is a summary of long-term obligation transactions for the District .

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2017					
Capital lease obligations	\$ 191,811	\$ -	\$ (59,372)	\$ 132,439	\$ 55,394
2016					
Capital lease obligations	\$ 250,172	\$ -	\$ (58,361)	\$ 191,811	\$ 54,418

Capital Lease Obligations

The Hospital is obligated under a lease for equipment that is accounted for as a capital lease. Assets under capital leases at September 30, 2017, totaled \$134,109, net of accumulated amortization of \$163,911.

The following is a schedule by year of future minimum lease payments under the capital lease as of September 30, 2017:

Year Ending September 30	
2018	\$ 57,145
2019	62,340
2020	15,585
Total minimum lease payments	135,070
Less amount representing interest	(2,631)
Present value of future minimum lease payments	\$ 132,439

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**Notes to Financial Statements
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Note 9: Restricted and Designated Net Position

At September 30, 2017, restricted expendable net position is available for the following purpose:

	2017	2016
Specific operating activities	\$ 7,632	\$ 35,697

At September 30, 2017 and 2016, \$5,105,609 and \$4,324,120, respectively, of unrestricted net position has been designated by the District's Board of Commissioners (the Board) for capital acquisitions and other operating costs. Designated net position remains under the control of the Board, which may, at its discretion, later use net position for other purposes.

Note 10: Operating Leases

The District leases various equipment and facilities under operating leases expiring at various dates through 2024. Total rental expense in 2017 and 2016 for all operating leases was approximately \$83,000 and \$104,000, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2017, that have initial or remaining lease terms in excess of one year:

2018	\$ 65,719
2019	31,268
2020	1,375
Future minimum lease payments	\$ 98,362

Note 11: Pension Plan

In January 1993, the District elected to withdraw from the Social Security System. In place of the Social Security System, the District has a combination of a 401(a) pension plan and a 457 deferred compensation plan.

Employees are eligible to participate upon date of employment and are immediately vested in the employer's matching contribution. Contributions to the plans by the District are determined by the Board at a minimum of 6.2% of the participant's compensation. Contribution rates for plan members and the District, expressed as a percentage of covered payroll, were 6.3% for both 2017

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and 2016. Contributions actually made by plan members and the District aggregated approximately \$742,000 and \$705,000 during 2017 and \$742,000 and \$691,000 during 2016, respectively.

Note 12: Joint Venture

The District entered into a cooperative endeavor agreement on August 15, 2001, with Delhi Homecare, LLC (Delhi). The agreement's intention was to ensure that home health services were readily available to the residents of the District's service area. The District participated in profits and losses equal to 71% within its service area and 29% outside of the District's service area. The District's liability for losses was limited to the amount of annual rent paid by Delhi. The District did not have an equity interest in the cooperative endeavor agreement; therefore, accounts for this arrangement used the cost method.

Effective October 1, 2003, the District terminated the cooperative endeavor agreement and entered into a new agreement. Under the terms of the new agreement, the District agreed to change its profit sharing percentages from 71% and 29% to 33% in exchange for \$315,000 and a 33% equity interest in Delhi. At September 30, 2017 and 2016, the investment was \$93,893 and \$79,330, respectively, with \$16,474 and \$1,911, respectively, being current amounts due from Delhi. For the years ended September 30, 2017 and 2016, the District recorded gains on the investment of \$44,182 and \$13,738, respectively.

Note 13: Affiliated Organizations

Affiliated organizations include Richland Parish Service District No. 1, Richland Parish Hospital Service District No. 1B and the Richland Parish Police Jury. The districts are related because they are all political subdivisions of the Richland Parish Police Jury who appoints their commissioners.

Note 14: Contingencies

Litigation

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim.

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Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Workers' Compensation

The District participates in the Louisiana District Association's Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of assessments, if any, under this program. The portion of the fund that is refundable to the District is included in other assets.

Note 15: Board Members

The Board members of the District for 2017 and 2016 are as follows:

Name	Office	Residence	Compensation
Paul Lipe	Chairman	Delhi, Louisiana	None
Nathan Monroe	Vice-Chairman	Delhi, Louisiana	None
Paul Grandon, M.D.	Member	Monroe, Louisiana	None
Barbara Roark	Member	Delhi, Louisiana	None
Annie Guine	Member	Delhi, Louisiana	None

Supplementary Information

**Hospital Service District No. 1A of the Parish of Richland
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A Component Unit of Richland Parish Police Jury
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant or Identifying Number	Total Federal Expenditures
U.S. Department of Health and Human Services			
Consolidated Health Centers/Health Center			
Program Cluster	93.527	H80CS24167	\$ 1,965,105
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program			
	93.912	D60RH25762	<u>589,721</u>
			<u>\$ 2,554,826</u>

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the District under programs of the federal government for the year ended September 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
3. The District did not provide any federal awards to subrecipients.

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Schedule of Compensation, Benefits and Other Payments
to Agency Head or Chief Executive Officer
Year Ended September 30, 2017**

Agency Head Name: Michael W. Carroll, CEO

Purpose	Amount
Salary	\$ 211,491
Benefits - insurance	-
Benefits - retirement	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	621
Reimbursements	-
Travel	-
Registration fees	395
Conference travel	916
Continuing professional education fees	79
Housing	-
Unvouchered expenses	-
Special meals	-

Other Information

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Combining Balance Sheet
September 30, 2017**

	Hospital and Clinics	Delhi Community Health Center	Eliminations	Combined
Assets				
Current Assets				
Cash and cash equivalents	\$ 4,379,805	\$ 1,325,353	\$ -	\$ 5,705,158
Short-term investments - certificates of deposit	1,487,467	-	-	1,487,467
Board designated - cash and cash equivalents	3,532,654	751,172	-	4,283,826
Board designated - short-term investments	821,783	-	-	821,783
Restricted cash and investments, current	7,632	-	-	7,632
Patient accounts receivable, net of allowance	1,952,677	307,503	-	2,260,180
Due from affiliate	367,801	-	(367,801)	-
Estimated amounts due from third-party payers	1,077,473	51,902	-	1,129,375
Grant and electronic health records incentive receivables	90,864	175,380	-	266,244
Supplies	536,945	-	-	536,945
Prepaid expenses and other	223,339	5,393	-	228,732
	<u>14,478,440</u>	<u>2,616,703</u>	<u>(367,801)</u>	<u>16,727,342</u>
Total current assets				
Capital Assets, Net	<u>4,449,858</u>	<u>679,957</u>	<u>-</u>	<u>5,129,815</u>
Other Assets	<u>236,088</u>	<u>-</u>	<u>-</u>	<u>236,088</u>
Total assets	<u>\$ 19,164,386</u>	<u>\$ 3,296,660</u>	<u>\$ (367,801)</u>	<u>\$ 22,093,245</u>

**Hospital Service District No. 1A of the Parish of Richland
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A Component Unit of Richland Parish Police Jury
Combining Balance Sheet (Continued)
September 30, 2017**

	Hospital and Clinics	Delhi Community Health Center	Eliminations	Combined
Liabilities and Net Position				
Current Liabilities				
Current maturities of capital lease	\$ 55,394	\$ -	\$ -	\$ 55,394
Accounts payable	474,870	47,233	-	522,103
Accrued expenses	493,495	97,007	-	590,502
Estimated self-insured health insurance costs	225,000	-	-	225,000
Due to affiliate	-	367,801	(367,801)	-
Total current liabilities	1,248,759	512,041	(367,801)	1,392,999
Long-term Capital Lease	<u>77,045</u>	<u>-</u>	<u>-</u>	<u>77,045</u>
Total liabilities	<u>1,325,804</u>	<u>512,041</u>	<u>(367,801)</u>	<u>1,470,044</u>
Net Position				
Net investment in capital assets	4,203,476	679,957	-	4,883,433
Restricted - expendable for specific operating activities	7,632	-	-	7,632
Unrestricted	13,627,474	2,104,662	-	15,732,136
Total net position	<u>17,838,582</u>	<u>2,784,619</u>	<u>-</u>	<u>20,623,201</u>
Total liabilities and net position	<u>\$ 19,164,386</u>	<u>\$ 3,296,660</u>	<u>\$ (367,801)</u>	<u>\$ 22,093,245</u>

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2017**

	Hospital and Clinics	Delhi Community Health Center	Eliminations	Combined
Operating Revenues				
Net patient service revenue	\$ 20,718,374	\$ 2,751,815	\$ -	\$ 23,470,189
Provision for uncollectible accounts	(1,880,481)	(93,817)	-	(1,974,298)
Net patient service revenue	<u>18,837,893</u>	<u>2,657,998</u>	-	<u>21,495,891</u>
Grant revenue	-	2,115,264	-	2,115,264
Electronic health records incentive and other	<u>591,220</u>	<u>150,568</u>	-	<u>741,788</u>
Total operating revenues	<u>19,429,113</u>	<u>4,923,830</u>	-	<u>24,352,943</u>
Operating Expenses				
Salaries and wages	9,567,897	2,594,646	-	12,162,543
Employee benefits	2,257,398	508,758	-	2,766,156
Purchased services and professional fees	2,210,352	218,908	-	2,429,260
Supplies and other	3,875,932	625,588	-	4,501,520
Depreciation and amortization	<u>767,246</u>	<u>108,665</u>	-	<u>875,911</u>
Total operating expenses	<u>18,678,825</u>	<u>4,056,565</u>	-	<u>22,735,390</u>
Operating Income	<u>750,288</u>	<u>867,265</u>	-	<u>1,617,553</u>
Nonoperating Revenues (Expenses)				
Property taxes	808,916	-	-	808,916
Investment income	22,240	1,840	-	24,080
Interest expense	(11,175)	-	-	(11,175)
Noncapital grants and gifts	<u>341,170</u>	<u>12,803</u>	-	<u>353,973</u>
Total nonoperating revenues	<u>1,161,151</u>	<u>14,643</u>	-	<u>1,175,794</u>
Excess of Revenues Over Expenses	1,911,439	881,908	-	2,793,347
Net Position, Beginning of Year	<u>15,927,143</u>	<u>1,902,711</u>	-	<u>17,829,854</u>
Net Position, End of Year	<u>\$ 17,838,582</u>	<u>\$ 2,784,619</u>	<u>\$ -</u>	<u>\$ 20,623,201</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance
with *Government Auditing Standards***

Independent Auditor's Report

Board of Commissioners
Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
Delhi, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the District), a component unit of Richland Parish Police Jury, which comprise the balance sheet as of September 30, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated March 13, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 District's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Jackson, Mississippi
March 13, 2018

Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance

Independent Auditor's Report

Board of Commissioners
Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
Delhi, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the compliance of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the District), a component unit of Richland Parish Police Jury, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Jackson, Mississippi
March 13, 2018

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2017**

7. The District's major program was:

Cluster/Program	CFDA Number
Consolidated Health Centers Cluster	93.527

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The District qualified as a low-risk auditee? Yes No

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2017**

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding	Questioned Costs
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No matters are reportable.

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Summary Schedule of Prior Year Audit Findings
Year Ended September 30, 2017**

Reference Number	Fiscal Year Finding Initially Occurred	Summary of Finding	Partial Corrective Action Taken
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Section I – Internal Control and Compliance Material to the Financial Statements

No matters are reportable.

Section II – Management Letter

2017-01	2010	There are conflicting duties in the areas of cash inflows, cash outflows, payroll and information technology.	Management has established certain compensating controls to reduce the magnitude and frequency of potential misstatements resulting from these duties conflicts. Not cleared. Carried forward.
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Board of Commissioners
Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
Delhi, Louisiana

As part of our audits of the financial statements and compliance of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the District), a component unit of the Richland Parish Police Jury, as of and for the year ended September 30, 2017, we wish to communicate the following to you.

Audit Scope and Results

Auditor's Responsibility Under 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, and U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

An audit performed 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, and U.S. Office of Management and Budget (OMB) Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audits. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The District's significant accounting policies are described in *Note 1* of the audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowance for uncollectible accounts
- Self-insured health claims
- Stop loss receivables

Financial Statement Disclosures

The following area involves a particularly sensitive financial statement disclosure for which we are prepared to discuss the issues involved and related judgments made in formulating this disclosure:

- Net service revenue

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- Other receivables
- Contractual allowances
- Depreciation expense
- Net position

Proposed Audit Adjustments Not Recorded

Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

No matters are reportable.

Significant Issues Discussed with Management

During the audit process, the following issues were discussed or were the subject of correspondence with management:

No matters are reportable.

Other Material Communication

Listed below is another material communication between management and us related to the audits:

- Management representation letter (unsigned representation letter attached)

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements of the District as of and for the year ended September 30, 2017, 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, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency 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 of the District's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in

operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matter that we consider to be a deficiency.

Deficiency

ML 2017-01 Segregation of Duties

Segregation of duties is an essential element of internal controls involving the separation of custody of assets from related recording and monitoring of transactions. To reduce the possibility of errors or fraud going undetected in the normal course of business, we encourage you to limit, to the extent possible, performance of incompatible duties. We recommend management continue to evaluate the cost-benefit of these limitations on segregation of duties.

- Admissions Clerks receive cash and have the ability to post to patient accounts. The Business Office Manager provides electronic funds transfer information to third-party payers, authorizes bad debt adjustments and has the ability to post to patient accounts.
- Accounts Payable Clerk and Accounting Clerk have incompatible duties in the cash disbursements cycle, such as the ability to change master files, add new vendors, enter invoices into accounts payable system, process checks and reconcile accounts payable account to the general ledger.
- Human Resources Director has the ability to change employee master files, including rates and direct deposit information, and make changes to hours worked.
- Information Systems Director has data entry capabilities and system administrative ability.
- Purchasing Department has the ability to both purchase and receive items.

Board of Commissioners
Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
Page 5 of 5

This communication is intended solely for the information and use of management, the Board of Commissioners and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

March 13, 2018

March 13, 2018

BKD, LLP
Certified Public Accountants
190 East Capitol Street, Suite 500
Jackson, Mississippi 39201

We are providing this letter in connection with your audits of our financial statements as of and for the years ended September 30, 2017 and 2016 and your audit of our compliance with requirements applicable to each of our major federal awards programs as of and for the year ended September 30, 2017. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated September 26, 2017, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

5. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - (b) Additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) All minutes of commissioners and directors' meetings held through the date of this letter.
 - (e) All significant contracts and grants.
 - (f) All peer review organizations, fiscal intermediary and third-party payer reports and information.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by organization procedures with respect to:
 - (a) Misappropriation of assets.
 - (b) Misrepresented or misstated assets or liabilities.
8. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
9. We have no knowledge of any known or suspected:
 - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
 - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
 - (c) Communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices or other matters that could have a material adverse effect on the financial statements.

10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, customers, regulators, suppliers or others.
11. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; principal owners, management, and members of their immediate families, subsidiaries accounted for by the equity method; and any other party with which the District may deal if the District can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the District.
12. Except as reflected in the financial statements, there are no:
 - (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - (b) Material transactions omitted or improperly recorded in the financial records.
 - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - (e) Agreements to purchase assets previously sold.
 - (f) Capital stock repurchase options or agreements, or capital stock reserved for options, warrants, conversions, or other requirements.
 - (g) Restrictions on cash balances or compensating balance agreements.
 - (h) Guarantees, whether written or oral, under which the District is contingently liable.
13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
14. We have no reason to believe the District owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and

Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

15. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. There are no known circumstances that could jeopardize the District's participation in the Medicare or other governmental health care programs.
16. Adequate provisions and allowances have been accrued for any material losses from:
 - (a) Uncollectible receivables.
 - (b) Medicare/Medicaid and other third-party payer contractual, audit or other adjustments.
 - (c) Reducing obsolete or excess inventories to estimated net realizable value.
 - (d) Purchase commitments in excess of normal requirements or above prevailing market prices.
17. Except as disclosed in the financial statements, the Organization has:
 - (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
 - (b) Complied with all aspects of contractual agreements, for which noncompliance would materially affect the financial statements.
18. With respect to the Organization possible exposure to past or future medical malpractice assertions:
 - (a) We have disclosed to you all incidents known to us that could possibly give rise to an assertion of malpractice.
 - (b) All known incidents have been reported to the appropriate medical malpractice insurer and are appropriately considered in our malpractice liability accrual.
 - (c) There is no known lapse in coverage, including any lapse subsequent to the fiscal year-end, that would result in any known incidents being uninsured.
 - (d) Management does not expect any claims to exceed malpractice insurance limits.
 - (e) We believe our accruals for malpractice claims are sufficient for all known and probable potential claims.

19. With regard to deposit and investment activities:
 - (a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.
 - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - (c) We understand that your audit does not represent an opinion regarding the enforceability of collateral pledges.

20. With respect to any nonattest services you have provided us during the year, including drafting the financial statements and related notes:
 - (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
 - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - (d) We have evaluated the adequacy of the services performed and any findings that resulted.

21. We are not aware of any unusually large employee health claims that have been incurred but not reported at year end.

22. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.

23. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.

24. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.

25. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
26. We have a process to track the status of audit findings and recommendations.
27. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.
28. We have provided our views on any findings, conclusions and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.
29. With regard to federal awards programs:
 - (a) We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations or in any other form.
 - (b) We have identified the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of performance of federal funds; procurement and suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations.
 - (c) We are responsible for complying, and have complied, with the requirements of the Uniform Guidance.
 - (d) We are responsible to understand and comply with the requirements of federal statutes, regulations and the terms and conditions of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we

believe the District has complied with all applicable compliance requirements.

- (e) We are responsible for establishing and maintaining effective internal control over compliance to provide reasonable assurance we have administered each of our federal awards programs in compliance with federal statutes, regulations and the terms and conditions of our federal awards.
- (f) We have made available to you all federal awards, including amendments and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.
- (g) The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.
- (h) The costs charged to federal awards are in accordance with applicable cost principles.
- (i) The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency, the applicable payment system or pass-through entity in the case of a subrecipient.
- (j) Amounts claimed or used for matching were determined in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) (or applicable OMB Circular) regarding cost principles.
- (k) We have disclosed to you any communications from federal award agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.
- (l) We have identified to you any previous compliance audits, attestation engagements and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other monitoring.
- (m) The summary schedule of prior audit findings correctly states the status of all audit findings of the prior audit's schedule of findings and questioned

costs and any uncorrected open findings included in the prior audit's summary schedule of prior audit findings as of the date of this letter.

- (n) The reporting package does not contain any personally identifiable information.
30. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
 31. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
 32. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
 33. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
 34. Billings to third-party payers comply in all material respects with applicable coding guidelines, laws and regulations. Billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.
 35. With regard to cost reports filed with Medicare, Medicaid or other third parties:
 - (a) All required reports have been properly filed.

- (b) Management is responsible for the accuracy and propriety of those reports.
- (c) All core objectives have been met or we are reasonably assured of meeting them.
- (d) The required number of menu set objectives have been met or we are reasonably assured of meeting them.
- (e) All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.
- (f) The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
- (g) All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
- (h) We are not aware of any issues related to meaningful use as defined under the HER Incentive Program that would make the District not eligible to receive the incentive payments, including payments already received, except as noted for the accrued payable to Medicare.
- (i) Recorded allowances for third-party settlements are necessary and are based on historical experience or new or ambiguous regulations that may be subject to differing interpretations.

36. With regard to supplementary information:

- (a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
- (b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
- (c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
- (d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
- (e) If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.

Michael Carroll, CEO

William Adeock, CFO

Barbara Hutchinson, CEO FQHC

Delhi Hospital of Richland Parish

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	16,727,342		16,727,342	
Non-Current Assets & Deferred Outflows	5,365,903		5,365,903	
Current Liabilities	(1,392,999)		(1,392,999)	
Non-Current Liabilities & Deferred Inflows	(77,045)		(77,045)	
Current Ratio	12.008		12.008	
Total Assets & Deferred Outflows	22,093,245		22,093,245	
Total Liabilities & Deferred Inflows	(1,470,044)		(1,470,044)	
Total Net Position	(20,623,201)		(20,623,201)	
Operating Revenues	(24,352,943)	35,679	(24,317,264)	-0.15%
Operating Expenses	22,735,390		22,735,390	
Nonoperating (Revenues) Exp	(1,175,794)		(1,175,794)	
Change in Net Position	(2,793,347)	35,679	(2,757,668)	-1.28%

Client: Delhi Hospital of Richland Parish
 Period Ending: September 30, 2017

Major Enterprise Fund

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred Outflows		Liabilities & Deferred Inflows		Operating				Net Effect on Following Year			
			Current		Non-Current		Revenues		Expenses		(Revenues) Exp		Net Position	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
FY 16_ Turnaround affect on Clinic Revenue Cutoff		F	0	0	0	0	35,679	0	0	0	(35,679)	0	0	
			0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	
Total passed adjustments			0	0	0	0	35,679	0	0	0	(35,679)	0	0	
											Impact on Change in Net Position		35,679	
											Impact on Net Position		0	

DELHI
HOSPITAL



Richland Parish Hospital

407 Cincinnati St. Delhi, LA 71232
(318)878-6327 Fax: (318)878-6427

Michael W. Carroll
Administrator

Dear Ms. Trifone,

In response to Audit finding relating to Internal Control over Financial Reporting: Segregation of Duties:

- Management has established certain controls to reduce the magnitude and frequency of potential misstatements resulting from these duties conflicts. Management will continue to work towards reducing instances of duties conflicts among staff.

Please contact me if you need additional information.

Thank you,

A handwritten signature in cursive script that reads "Michael Carroll".

Michael Carroll
CEO

**Hospital Service District No. 1A of the
Parish of Richland d.b.a. Richland Parish Hospital
and Richland Health Services, Inc.**

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Year Ended September 30, 2017



Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Directors
Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital and Richland Health Services, Inc.
Delhi, Louisiana

We have performed the procedures enumerated in the attachment to this report, which were agreed to by Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital and Richland Health Services, Inc. (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures for the year ended September 30, 2017. Management of the District is responsible for the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attachment to this report for the purpose for which this report has been requested or for any other purpose.

The findings obtained are described in the attachment to this report.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. We were not engaged to and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures. 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 LLA's Statewide Agreed-Upon Procedures, 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.

BKD, LLP

Jackson, Mississippi
February 13, 2018

**Hospital Service District No. 1A of the
Parish of Richland d.b.a. Richland Parish Hospital
and Richland Health Services, Inc.
Applying Agreed-Upon Procedures
Year Ended September 30, 2017**

Written Policies and Procedures

Procedures

1. Obtain the District's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the District does not have any written policies and procedures) as applicable:
 - a. ***Budgeting***, including preparing, adopting, monitoring and amending the budget.
 - b. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c. ***Disbursements***, including processing, reviewing and approving.
 - d. ***Receipts***, including receiving, recording and preparing deposits.
 - e. ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process and (5) monitoring process.
 - g. ***Credit Cards (and debit cards, fuel cards, P-cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
 - h. ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
 - i. ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the District's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
 - j. ***Debt Service***, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Hospital Service District No. 1A of the
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Year Ended September 30, 2017**

Findings

The District does not have a contracting policy that includes standard terms and conditions, state the requirement for legal review, or address the monitoring process.

Debt service is not applicable to the District.

Except where otherwise stated, no exceptions were identified in the performance of the procedures listed above.

Board Minutes

Procedures

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

Findings

No exceptions were identified in the performance of the procedures listed above.

**Hospital Service District No. 1A of the
Parish of Richland d.b.a. Richland Parish Hospital
and Richland Health Services, Inc.
Applying Agreed-Upon Procedures
Year Ended September 30, 2017**

Bank Reconciliations

Procedures

3. Obtain a listing of the District's bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the District's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than five accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a. Bank reconciliations have been prepared;
 - b. Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c. If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.

Findings

Management provided a listing of 15 bank accounts for the year ended September 30, 2017, and asserted that the listing was complete.

No exceptions were identified in the performance of the procedures listed above.

Collections

Procedures

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the District's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than five locations). For each cash collection location selected:

**Hospital Service District No. 1A of the
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Applying Agreed-Upon Procedures
Year Ended September 30, 2017**

- a. Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b. Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - i. Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - ii. Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the District has a process specifically defined (identified as such by the District) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Findings

Management provided a listing of cash/check/money order (cash) collection locations for the year ended September 30, 2017, asserting the listing was complete.

There were two instances where the District had not deposited collections within one day of receipt. During the year, management recognized this situation and reminded the cashiers that the policy for timely deposits was effective regardless of the amount of the deposit. This corrective action was

**Hospital Service District No. 1A of the
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reviewed during fieldwork. One additional deposit week was selected for deposit testing after management reinforced their policy, and no exceptions were noted.

Except where otherwise stated, no exceptions were identified in the performance of the procedures listed above.

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

Procedures

8. Obtain a listing of the District's disbursements from management or, alternately, obtain the general ledger and sort/filter for the District's disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the District had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a. Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b. Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c. Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using the District's documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the District's purchasing/disbursement system.
11. Using the District's documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

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12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Findings

Management provided a listing of disbursements as it relates for the year ended September 30, 2017, asserting that the listing was complete.

The accounts payable clerks have the ability to add vendors to the District's master files, as well as the authority to process payments.

Except where otherwise stated, no exceptions were identified in the performance of the procedures listed above.

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

Procedures

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

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

Findings

Management provided 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), asserting that ten cards were used for expending funds for the year ended September 30, 2017, and that the listing was complete.

Per discussion with management and review of a memo signed by the Administrator and Board Chairman, BKD noted the District does not require itemized receipts for the Fuelman card purchases.

**Hospital Service District No. 1A of the
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This is due to the statement being itemized. The statement is reviewed monthly by the Administrator. Further in our discussion with management, BKD noted all of the District's vehicles (each having a Fuelman card related to them) are housed overnight in designated parking spots. The employees are not allowed to take home the District's vehicles under any circumstances. Use of the District's vehicles is coordinated through the Accounts Payable Department, and the business purpose for the trip is clarified upon the employee's request for the use of a vehicle. Further, an odometer entry is required with each purchase of gas (no other purchase can be made with these cards). If the odometer entry is out of sequence with the last entry, a notification is sent to the Accounts Payable Department notifying them of this exception. BKD noted no emails sent to accounts payable in this fiscal year.

No exceptions were identified in the performance of the procedures listed above.

Travel and Expense Reimbursement

Procedures

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
18. Obtain the District's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration [GSA] (www.gsa.gov) and report any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
 - a. Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the District does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - b. Report whether each expense is supported by:
 - i. 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.]

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- ii. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c. Compare the District's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d. Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings

Management provided a listing of all employees that received travel reimbursements during the year ended September 30, 2017.

No exceptions were identified in the performance of the procedures listed above.

Contracts

Procedures

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
 - a. Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

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- b. Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - i. If yes, obtain/compare supporting contract documentation to legal requirements and report whether the District complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
 - ii. If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c. Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d. Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e. Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Findings

Management provided a listing of all contracts in effect during the year ended September 30, 2017.

No exceptions were identified in the performance of the procedures listed above.

Payroll and Personnel

Procedures

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

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- b. Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- a. Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b. Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c. Report whether there is written documentation that the District maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Findings

No exceptions were identified in the performance of the procedures listed above.

**Hospital Service District No. 1A of the
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Applying Agreed-Upon Procedures
Year Ended September 30, 2017**

Ethics (excluding nonprofits)

Procedures

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the District maintained documentation to demonstrate that required ethics training was completed.
27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the District’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Findings

No exceptions were identified in the performance of the procedures listed above.

Debt Service (excluding nonprofits)

Procedures

28. If debt was issued during the fiscal period, obtain supporting documentation from the District, and report whether State Bond Commission approval was obtained.
29. If the District had outstanding debt during the fiscal period, obtain supporting documentation from the District and report whether the District made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the District had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Findings

The District issued no debt during the year, had no outstanding debt service requirements or millage during the year. Therefore, this section is not applicable.

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Other

Procedures

31. Inquire of management whether the District had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the District reported the misappropriation to the legislative auditor and the district attorney of the parish in which the District is domiciled.
32. Observe and report whether the District has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Findings

No exceptions were identified in the performance of the procedures listed above.

Management's Response

Management understands the importance of having policies and procedures in place and being able to monitor those policies and procedures for compliance. Management is in the process of updating all policy and procedure manuals hospital-wide and will consider the findings noted in this document as the policies and procedures are being updated. Management will also look at procedures that are currently in place that do not meet the LLA's requirements to determine the changes necessary to ensure compliance.