

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER

DECEMBER 31, 2018 AND 2017

FRANKLINTON, LOUISIANA



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FINANCIAL STATEMENTS  
WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
DECEMBER 31, 2018 AND 2017  
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Washington Parish Hospital Service District No.1  
d/b/a Riverside Medical Center  
Franklinton, Louisiana

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center (Hospital), a component unit of the Washington Parish Council, State of Louisiana, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 opinions.

**OPINIONS**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center as of December 31, 2018 and 2017, and the changes in its financial position and 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*

The Hospital has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

*Other Supplemental Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. We have applied certain limited procedures to the other supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 hospital'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 Hospital's internal control over financial reporting and compliance.



LANGLINAIS BROUSSARD & KOHLENBERG  
(A Corporation of Certified Public Accountants)  
Abbeville, LA  
June 27, 2019

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

STATEMENT OF NET POSITION

DECEMBER 31,

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,157,899	\$ 561,538
Patient Accounts Receivable, less Allowance for Doubtful Accounts of \$3,154,462 and \$4,154,640, respectively	3,564,134	4,320,403
Estimated Third-Party Payor Settlements	648,465	633,618
Inventory	713,497	707,295
Prepaid Expenses	110,777	92,268
Ad Valorem Tax Receivable	996,672	1,086,501
Other Receivables	2,363,051	3,294,179
Total Current Assets	<u>9,554,495</u>	<u>10,695,802</u>
<b>ASSETS WHOSE USE IS LIMITED:</b>		
By Bond Indenture	<u>70,460</u>	<u>-</u>
Total Assets Whose Use is Limited	<u>70,460</u>	<u>-</u>
<b>Capital Assets</b>		
Land	42,921	42,921
Construction in Progress	68,558	45,623
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>5,905,614</u>	<u>6,956,282</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>6,017,093</u>	<u>7,044,826</u>
<b>Total Assets</b>	<u>\$ 15,642,048</u>	<u>\$ 17,740,628</u>

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

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

STATEMENT OF NET POSITION

DECEMBER 31,

LIABILITIES AND NET POSITION

	2018	2017
<b>Current Liabilities</b>		
Accounts Payable	\$ 2,151,740	\$ 3,992,861
Current Maturities of Capital Lease	644,967	687,912
Current Maturities of Notes Payable	732,547	337,719
Current Maturities of 2017 Series of Indebtedness	72,000	-
Estimated Third-Party Payor Settlements	586,326	1,062,987
Patient Accounts - Credit Balances	285,381	382,028
Accrued Salaries	353,020	303,657
Accrued Compensated Absences	819,335	812,858
Accrued Payroll Liabilities and Health Insurance Reserve	203,973	420,200
Accrued Interest Payable	8,767	-
	5,858,056	8,000,222
<b>Long-Term Debt</b>		
Capital Leases Payable	443,516	964,983
Note Payable - Pharmacy Inventory	7,055	49,055
Cost Report Extended Repayment Plan, 2016	18,656	230,859
Cost Report Extended Repayment Plan, 2017	379,530	93,872
Cost Report Extended Repayment Plan, 2018	158,835	-
2017 Series of Indebtedness	679,000	751,000
	1,686,592	2,089,769
<b>Total Long-Term Debt</b>	1,686,592	2,089,769
<b>Total Liabilities</b>	7,544,648	10,089,991
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt	4,928,610	5,391,931
Restricted	70,460	-
Unrestricted	3,098,330	2,258,706
	8,097,400	7,650,637
<b>Total Liabilities and Net Position</b>	\$ 15,642,048	\$ 17,740,628

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

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

DECEMBER 31,

	2018	2017
<b>Operating Revenues</b>		
Net Patient Service Revenue before Provision for Doubtful Accounts	\$ 26,041,266	\$ 27,773,147
Less: Provisions for Doubtful Accounts	(1,897,202)	(3,870,886)
Net Patient Service Revenue after Provision for Doubtful Accounts	24,144,064	23,902,261
Ad Valorem Taxes	1,408,668	1,399,829
Intergovernmental Transfers - Operating	5,704,875	5,677,300
Other Operating Revenue	331,486	156,640
<b>Total Operating Revenues</b>	<b>31,589,093</b>	<b>31,136,030</b>
<b>Operating Expenses</b>		
Salaries	12,211,521	11,740,889
Employee Benefits	4,325,269	4,093,440
Outside Services and Professional Fees	6,291,628	6,405,603
Depreciation and Amortization	1,437,861	1,419,023
Supplies and Other Expenses	6,760,928	6,855,652
<b>Total Operating Expenses</b>	<b>31,027,207</b>	<b>30,514,607</b>
<b>Gain (Loss) from Operations</b>	<b>561,886</b>	<b>621,423</b>
<b>Non-Operating Revenues (Expenses)</b>		
Non-Operating Grants	5,714	30,080
Rental Income	40,124	36,480
Interest Income	17,175	12,157
Interest Expense	(178,549)	(120,263)
Gain (Loss) on the Sale of Assets	413	(4,637)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(115,123)</b>	<b>(46,183)</b>
<b>Change in Net Position</b>	<b>446,763</b>	<b>575,240</b>
<b>Beginning Net Position</b>	<b>7,650,637</b>	<b>7,075,397</b>
<b>Ending Net Position</b>	<b>\$ 8,097,400</b>	<b>\$ 7,650,637</b>

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

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

STATEMENT OF CASH FLOWS

DECEMBER 31,

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Receipts from Patients and Third-Party Payors	\$ 19,387,134	\$ 24,309,701
Receipts from Ad Valorem Taxes	1,498,497	1,660,971
Receipts from Intergovernmental Transfers	7,217,988	4,827,830
Payments to Suppliers	(11,205,233)	(13,003,109)
Payments to Employees for Salaries and Benefits	(15,729,246)	(16,076,561)
	<u>1,169,140</u>	<u>1,718,832</u>
<b>Net Cash Flows Provided By (Used In) Operating Activities</b>		
<b>Cash Flows from Non-Capital Financing Activities</b>		
Proceeds From Notes Payable	1,120,322	1,429,898
Payments on Notes Payable	(535,204)	(847,950)
	<u>585,118</u>	<u>581,948</u>
<b>Net Cash Flows Provided By Non-Capital Financing Activities</b>		
<b>Cash Flows from Investing Activities</b>		
Interest and Rental Income	57,299	48,637
Gain (Loss) on the Sale of Assets	(413)	4,637
	<u>56,886</u>	<u>53,274</u>
<b>Net Cash Flows Provided By Investing Activities</b>		
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchases of Capital Assets	(272,084)	(1,493,157)
Grants related to Capital Purchases	-	30,080
Interest Paid on Debt Obligations	(169,782)	(120,263)
Payment of Capital Lease Obligations	(702,457)	(668,658)
	<u>(1,144,323)</u>	<u>(2,251,998)</u>
<b>Net Cash Flows (Used in) Capital and Related Financing Activities</b>		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	666,821	102,056
<b>Cash and Cash Equivalents at Beginning of the Year</b>	561,538	459,482
<b>Cash and Cash Equivalents at Ending of the Year</b>	<u>\$ 1,228,359</u>	<u>\$ 561,538</u>

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WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

STATEMENT OF CASH FLOWS

DECEMBER 31,

	2018	2017
<b>Reconciliation of Income from Operations to Net Cash Flows</b>		
<b>Provided by (Used In) Operating Activities</b>		
Net Income (Loss) from Operations	\$ 561,886	\$ 621,423
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	1,437,861	1,419,023
Provision for Doubtful Accounts	1,897,202	3,870,886
Increase in Patient Accounts Receivable	(1,231,039)	(3,372,397)
Decrease in Ad Valorem Taxes Receivable	89,829	261,142
Increase in Inventory	(6,202)	(44,478)
(Increase) Decrease in Prepaid Expenses	(18,509)	835
Decrease (Increase) in Other Receivables	931,128	(849,089)
(Increase) in Estimated Third-Party Payor Settlements Receivable	(14,847)	(443,286)
(Decrease) Increase in Estimated Third-Party Payor Settlements Payable	(476,661)	232,735
Decrease in Accounts Payable	(1,841,121)	(213,668)
Increase in Accrued Salaries	49,363	82,033
Increase in Accrued Compensated Absences	6,477	15,387
(Decrease) Increase in Accrued Payroll Liabilities and Health Insurance Reserv	(216,227)	138,286
<b>Net Cash Flows Provided By (Used In) Operating Activities</b>	<b>\$ 1,169,140</b>	<b>\$ 1,718,832</b>
<b>Non-Cash Financing Activity:</b>		
Acquisition of Assets by Capital Lease	\$ 138,045	\$ 350,304

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

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center (the Hospital) is an acute care facility created pursuant to Louisiana Revised Statutes of 1950, Title 46, Chapter 10. It is the Hospital's mission to provide its community with high quality care and education in a friendly, caring and professional manner. The administration of the Hospital is governed by a Board of Commissioners consisting of members appointed by the Washington Parish Council.

The financial reporting entity consists of (a) the primary government (councilman), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Codification Section 2100 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

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

Because the Council appoints all of the members of the Hospital's governing board and has the ability to impose its will on the Hospital, the Hospital is a component unit of Washington Parish. The basic financial statements present information only on the funds maintained by the Hospital and do not present information on the Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Enterprise Fund Accounting**

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The basic financial statements include Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits, money market accounts and certificates of deposit with an original maturity of three months or less, excluding amounts restricted as to use by Board designation, other arrangements under trust agreements, or with third-party payors.

**Restricted Assets**

Assets whose use is limited include funds set aside by the Board of Commissioners to satisfy deposit requirements of the Hospital's debt agreements.

**Capital Assets**

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of contribution, which is then treated as cost. Equipment under capital lease is stated at the lower of the present value of minimum lease payments at the beginning of the lease term or fair value at the inception of the lease. Maintenance, repairs and minor replacements, and improvements are expensed as incurred. Major replacements and improvements are capitalized at cost.

Description of property, plant and equipment is calculated on the straight-line method using the following estimated asset lives:

Land Improvements	15-20 years
Buildings and Building Improvements	20-40 years
Computers and Furniture	3- 7 years

Equipment held under capital lease is amortized on the straight-line method over the shorter of the lease term or estimated useful lives of the assets.

**Inventory**

Inventory is valued at the lower of cost or market, using the first-in, first-out method.

**Cost of Borrowing**

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these same borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

**Restricted Resources**

The Hospital first applies restricted resources when expenditures are incurred for purposes for which both restricted and unrestricted net assets are available.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Net Position**

GASB 63 and GASB Codification Section P80, states that net position is equal to assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net position classifications are defined as follows:

*Invested in Capital Assets, Net of Related Debt* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position invested in capital assets, net of related debt, excludes unspent debt proceeds.

*Restricted Net Position* consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets may be restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* consists of net position that does not meet the definition of the two preceding categories.

**Operating Revenue and Expenses**

The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services-the Hospital's principal activity and from ad valorem taxes elected to be used for operations. Non-exchange revenues, including taxes designated for debt service, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

**Compensated Absences**

Full-time employees are granted vacation in varying amounts as established by Hospital policy. Unused vacation days earned, up to a maximum range of 288-448 hours per year, depending on tenure, may be carried forward and accumulated. Effective January 1, 2018, the Hospital adopted a new policy that applies to employees hired after the effective date that limits the maximum range to 160-280 hours per year, depending on tenure. In the event of termination, an employee is reimbursed for accumulated vacation days. In addition, full and part-time employees are also granted sick pay at a rate of 0.02313 hours per paid hour as established by Hospital policy. Unused sick pay, up to a maximum of 480 hours, may be accumulated. Unused sick pay is not payable upon termination, unless the employee has a balance in the Reserve EIT bank, which was created to "grandfather in" eligible employees at the time the extended sick policy was revised. These employees are paid at the rate of one-half their current hourly rate, for each accrued hour of sick time, not to exceed 480 hours.

Accrued compensated absences on the Hospital's Statement of Net Position were \$819,335 and \$812,858 for years ended December 31, 2018 and 2017, respectively.

**Risk Management**

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Investment in Debt and Equity Securities**

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

**Net Patient Service Revenue**

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

Medicare - Effective July 1, 2004, the Hospital was approved for "critical access" status under the Medicare Rural Hospital Flexibility Program. The program allows States to designate rural facilities as "critical access hospitals" if they are located a sufficient distance from other hospitals, make available 24-hour emergency care, maintain no more than 25 inpatient beds, and keep inpatients no longer than 96 hours (except where weather or emergency conditions dictate, or a Peer Review Organization waives the limit). Payments for inpatient/outpatient services under critical access are on the basis of reasonable costs.

Prior to July 1, 2004, the Hospital was paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The prospectively determined classification of patients and the appropriateness of the patients' admissions are subject to a validation review by a Medicare peer review organization, which is under contract with the Hospital to perform such reviews.

Cost reimbursed services are paid at tentative rates, with final settlement determined after submission of annual cost reports and the completion of audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through December 31, 2016.

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology subject to an outpatient adjustment determined by the Department of Health and Hospitals.

The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and the completion of audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid Traditional fiscal intermediary through December 31, 2013.

The Louisiana Legislature, through the Healthcare Reform Act of 2007 and Act 1 of 2010, tasked the Department of Health and Hospitals (DHH) to create a new system of care. In response, DHH reformed its reimbursement methodology for Medicaid patients from a fee-for-service system to the use of a Coordinated Care Network (CCN). During 2011, DHH enabled certain third-party payor companies to contract with providers under the CCN methodology. The Hospital is currently contracted and enrolled with payors participating in the Coordinated Care Network. The Hospital has filed annual cost reports with these payors, which are subject to audit and final settlement.

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

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related service are rendered and adjusted in future periods as final settlements are determined.

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided.

**Ad valorem Taxes**

Property taxes were levied on January 1, on property values assessed on that date. Notices of tax liability are mailed on or about November 1, of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1, of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered available in that period. Available includes those property tax receivables expected to be collected within sixty days after year end. However, the receivable for property taxes is recorded at January 1, the lien date.

A special election was held on Saturday, April 21, 2012 where the taxpayers approved a 10-year, 18 mills tax for "acquiring, constructing, improving, maintaining and operating the hospital and medical buildings and facilities, including equipment and fixtures, of the District". For the fiscal years ended 2018 and 2017, this was the only millage assessed by the Hospital.

Ad valorem taxes make up approximately 4.4% and 4.5% of the hospital's financial support for the years ended December 31, 2018 and 2017, respectively.

**Income Taxes**

The Hospital is a political subdivision and exempt from taxes.

**Advertising**

The Hospital expenses advertising costs as incurred. Advertising expenses incurred during the years ended December 31, 2018 and 2017, totaled \$9,671 and \$7,753, respectively.

**Environmental Matters**

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

**Reclassifications**

To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net position.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**NOTE 2: CASH AND CASH EQUIVALENTS**

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital's bylaws require that all bank balances be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Hospital.

The carrying amounts of deposits are included in the Hospital's Statement of Net Position as follows:

	2018	2017
Insured by the FDIC	\$ 250,000	\$ 250,000
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	3,507,194	2,631,035
Total Collateral Held for Bank Balances	\$ 3,757,194	\$ 2,881,035
Total Carrying Value per Bank	\$ 2,079,148	\$ 925,561

For the purposes of cash flows, cash and cash equivalents for the years ended December 31, are as follows:

	2018	2017
Total Cash and Cash Equivalents	\$ 1,228,359	\$ 561,538

**NOTE 3: ACCOUNTS RECEIVABLE - PATIENTS**

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with Medicaid, Commercial and Self-pay patients, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience and on the age of the receivable balance. The aged balance indicates that third-party claims have reached an age where the probability of payment is low and the self-pay patients are unable or unlikely to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Patients Accounts Receivable consists of the following:

	2018	2017
Total Patient Accounts Receivable	\$ 10,098,260	\$ 12,594,887
Less: Allowances for Doubtful Accounts and Contractual Allowances	6,534,126	8,274,484
Total Patient Accounts Receivable	\$ 3,564,134	\$ 4,320,403

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**NOTE 4: ACCOUNTS RECEIVABLE - OTHER**

Other accounts receivable consists of the following:

	2018	2017
Grant Receivable	\$ 1,604,529	\$ 3,117,642
Other Receivables	758,522	176,537
Total Other Accounts Receivable	\$ 2,363,051	\$ 3,294,179

**NOTE 5: RELATED PARTY RECEIVABLE**

During the year ended December 31, 2015, the Hospital elected to make health care coverage available for members of the Hospital Board that are not otherwise eligible for Medicare or an employer sponsored health plan.

Included in the other receivables balance described in Note 4, the Hospital has accrued \$-0- and \$4,890 in 2018 and 2017, respectively, in relation to amounts receivable by board members enrolled in the Hospital's health plan for their portion of the Healthcare premium.

**NOTE 6: MAJOR SOURCE OF REVENUE**

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 77% and 75% of its gross patient service revenue in 2018 and 2017, respectively, from patients covered by the Medicare and Medicaid programs. The Hospital received Intergovernmental Revenue of \$5,704,875 and \$5,677,300, which accounted for 18% and 18% of total revenues for the years ended December 31, 2018 and 2017, respectively.

**NOTE 7: NET PATIENT SERVICE REVENUE**

Patient service revenue, net of contractual allowances and discounts, recognized in the period from major payor sources, is as follows.

Net Patient Service Revenue by Payor before Provision for Doubtful Accounts:

	2018	2017
Medicare	\$ 5,160,183	\$ 4,847,879
Medicaid	6,110,489	6,353,055
All other payors	14,858,124	16,572,213
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	\$ 26,041,266	\$ 27,773,147

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**NOTE 7: NET PATIENT SERVICE REVENUE, CONTINUED**

The following schedule represents total Net Patient Service Revenue:

	2018	2017
Gross Patient Service Revenue	\$74,698,379	\$74,298,691
Less: Contractual Adjustments	(48,657,113)	(46,525,544)
Net Patient Service Revenue Before Provision for Doubtful Accounts	26,041,266	27,773,147
Provision for Doubtful Accounts	(1,897,202)	(3,870,886)
Net Patient Service Revenue after Provision For Doubtful Accounts	\$24,144,064	\$23,902,261

**NOTE 8: CHARITY CARE**

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Hospital maintains records to identify and monitor the level of charity care it provides. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone and supplies furnished, based on established rates, were \$-0- and \$-0- as of December 31, 2018 and 2017, respectively.

Management estimates that approximately \$-0- and \$-0- of costs were related to charity care for the years ended December 31, 2018 and 2017, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

**NOTE 9: CAPITAL ASSETS**

Capital assets by major category are as follows:

	<u>December 31, 2018</u>			
	<u>12/31/2017</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>12/31/2018</u>
Land Improvements	\$ 889,758	\$ 10,467	\$ -	\$ 900,225
Buildings	14,428,671	115,471	134,217	14,409,925
Equipment	9,853,100	261,255	410,161	9,704,194
Gross Capital Assets	25,171,529	387,193	544,378	25,014,344
Less: Accumulated Depreciation	(18,215,247)	(1,437,861)	544,378	(19,108,730)
Depreciable Capital Assets, Net	6,956,282	(1,050,668)	-	5,905,614
Land	42,921	-	-	42,921
Construction in Progress	45,623	68,558	45,623	68,558
Net Capital Assets	\$ 7,044,826	\$ (982,110)	\$ 45,623	\$ 6,017,093

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**NOTE 9: CAPITAL ASSETS, CONTINUED**

	<u>December 31, 2017</u>			
	<u>12/31/2016</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>12/31/2017</u>
Land Improvements	\$ 889,758	\$ -	\$ -	\$ 889,758
Buildings	13,122,243	1,309,432	3,004	14,428,671
Equipment	9,635,577	519,155	301,632	9,853,100
Gross Capital Assets	23,647,578	1,828,587	304,636	25,171,529
Less: Accumulated Depreciation	(17,088,648)	(1,419,023)	(292,424)	(18,215,247)
Depreciable Capital Assets, Net	6,558,930	409,564	12,212	6,956,282
Land	42,921	-	-	42,921
Construction in Progress	30,750	45,623	30,750	45,623
Net Capital Assets	<u>\$ 6,632,601</u>	<u>\$455,187</u>	<u>\$ 42,962</u>	<u>\$ 7,044,826</u>

Depreciation expense for the years ended December 31, 2018 and 2017 amounted to \$1,437,861 and \$1,419,023, respectively.

Equipment in the amount of \$4,657,079 and \$4,767,187 was under capital lease for the periods ended December 31, 2018 and 2017, respectively. The related amortization/depreciation expense recognized for these periods was \$880,186 and \$874,006, respectively.

**NOTE 10: LONG-TERM DEBT**

Long-term debt at December 31, consisted of the following:

	<u>2018</u>	<u>2017</u>
Capital Lease Obligation, for the acquisition of Fluoroscopic X-Ray Equipment, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, maturity in 2019	\$ 40,690	\$ 108,677
Capital Lease Obligation, for the acquisition of Physical Therapy Monitoring System, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, maturity in 2019	45,209	103,801
Capital Lease Obligation, for the acquisition of Mammography, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, maturity in 2019	29,326	78,326
Capital Lease Obligation, for the acquisition of E9 Vivid T Probe, collateralized by the equipment, payable in 51 monthly installments at a 3.25% interest rate, maturity in 2018	-	1,565
Capital Lease Obligation, for the acquisition of E9 Vivid V Probe, collateralized by the equipment, payable in 45 monthly installments at a 3.25% interest rate, maturity in 2018	-	605
Capital Lease Obligation, for acquisition of Cath Lab Building, collateralized by the building, payable in 60 monthly installments at a 3.70% interest rate, maturity in 2019	37,182	85,184

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NOTE 10: LONG-TERM DEBT, CONTINUED

Capital Lease Obligation, for the acquisition of E9 Ultrasound, collateralized by the equipment, payable in 60 monthly installments at a 1.00% interest rate, maturity in 2018	-	7,302
Capital Lease Obligation, for the acquisition of the Cerner Patient Accounting Software System in progress, collateralized by the system, payable in 60 monthly installments at a 3.531% interest rate, maturity in 2020	283,700	488,097
Capital Lease Obligation, for the acquisition of the Toshiba Aquilion Prime 80 CT, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, maturity in 2019	112,419	221,248
Capital Lease Obligation, for the acquisition of the IVUS s5i Imaging System, collateralized by the equipment, payable in 48 monthly installments at a 3.25% interest rate, maturity in 2019	11,436	28,133
Capital Lease Obligation, for the acquisition of the AutoCAT 2 WAVE Intra-Aortic Balloon Pump System, collateralized by the equipment, payable in 60 monthly installments at a 7.25% interest rate, maturity in 2019	10,322	19,928
Capital Lease Obligation, for the acquisition of the Olympus Videoscope, collateralized by the equipment, payable in 60 monthly installments at a 4.13% interest rate, maturity in 2021	68,590	94,107
Capital Lease Obligation, for the acquisition of the GE Nuclear Medicine System, collateralized by the equipment, payable in 60 monthly installments at a 3.82% interest rate, maturity in 2021	74,166	97,253
Note Payable, for the acquisition of the pharmacy inventory from Fuller Selle, LLC dba PharmaCare, payable in 48 monthly installments with no interest rate, maturity in 2020	49,055	91,055
Cost Report Extended Payment Plan, FY 12/31/16- Interim payment data, payable in 34 monthly installments with a 9.65% interest rate, maturity in 2019	-	44,904
Capital Lease Obligation, for the acquisition of Fresenius Kabi IV Pumps, collateralized by the equipment, payable in 66 monthly installments at a 6.80% interest rate, maturity in 2022	56,415	69,862
Capital Lease Obligation, for the acquisition of an Infinitt Workstation, collateralized by the equipment, payable in 60 monthly installments at a 7.00% interest rate, maturity in 2022	8,045	10,115

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**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**NOTE 10: LONG-TERM DEBT, CONTINUED**

Capital Lease Obligation, for the acquisition of an Infinitt PACS System, collateralized by the equipment, payable in 60 monthly installments at a 7.36% interest rate, maturity in 2022	127,976	160,653
Capital Lease Obligation, for the acquisition of a GE Ultrasound Logic S8 XD Clear, collateralized by the equipment, payable in 60 monthly installments at a .14% interest rate, maturity in 2022	60,304	78,039
Cost Report Extended Payment Plan, FY 12/31/16, payable in 30 monthly installments at a 10% interest rate, maturity in 2020	230,860	422,949
Cost Report Extended Payment Plan, FY 12/31/17-Interim payment data, payable in 34 monthly installments at a 10% interest rate, maturity in 2020	93,872	152,597
2017 Series of Indebtedness, payable in semi-annual installments at a 3.51% interest rate, maturity in 2027	751,000	751,000
Capital Lease Obligation, for the acquisition of a GE Ultrasound Vivid E90, collateralized by the equipment, payable in monthly installments at a 2.19% interest rate, maturing in 2023	122,703	-
Cost Report Extended Payment Plans, FY 12/31/17 and FY 12/31/18-Interim Rate Review, payable in 33 monthly installments at a 10% interest rate, maturity in 2021.	922,836	-
Gross Long-Term Debt	3,136,106	3,115,400
Less: Current Portion	1,449,514	1,025,631
Long-Term Portion	\$ 1,686,592	\$ 2,089,769

A summary of long-term debt activity for the year ended is as follows:

	<u>December 31, 2018</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Lease Obligations	\$ 1,652,896	\$ 138,045	\$ 702,457	\$ 1,088,484
Note payable - Pharmacy and Cost Report Repayment Plans	711,504	1,120,322	535,204	1,296,622
2017 Series of Indebtedness	751,000	-	-	751,000
Total Long-Term Debt	\$ 3,115,400	\$1,258,367	\$1,237,661	\$ 3,136,106

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NOTE 10: LONG-TERM DEBT, CONTINUED

	<u>December 31, 2017</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Lease Obligations	\$ 1,972,710	\$ 350,304	\$ 670,118	\$ 1,652,896
Note payable - Pharmacy and Cost Report Repayment Plan	430,557	678,897	397,950	711,504
2017 Series of Indebtedness	-	751,000	-	751,000
<b>Total Long-Term Debt</b>	<u>\$ 2,403,267</u>	<u>\$1,780,201</u>	<u>\$1,068,068</u>	<u>\$ 3,115,400</u>

Balance due within one year:

	<u>2018</u>	<u>2017</u>
Capital Lease Obligations	\$ 644,967	\$ 687,912
Note Payable - Pharmacy and Cost Report Repayment Plans	732,547	337,719
2017 Series of Indebtedness	72,000	-
<b>Total Current Portion of Long-Term Debt</b>	<u>\$ 1,449,514</u>	<u>\$ 1,025,631</u>

Scheduled repayments on long-term debt are as follows:

	<u>December 31, 2018</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	1,449,514	151,906	1,601,420
2020	730,931	70,877	801,808
2021	349,212	29,313	378,525
2022	148,360	18,311	166,671
2023	95,089	14,296	109,385
2024-2027	363,000	26,190	389,190
<b>Total</b>	<u>\$3,136,106</u>	<u>\$310,893</u>	<u>\$ 3,446,999</u>

	<u>December 31, 2017</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	1,025,631	116,955	1,142,586
2019	1,009,756	72,946	1,082,702
2020	324,225	34,934	359,159
2021	191,449	24,709	216,158
2022	118,339	17,552	135,891
2023-2027	446,000	40,420	486,420
<b>Total</b>	<u>\$3,115,400</u>	<u>\$307,516</u>	<u>\$ 3,422,916</u>

Interest expense incurred on long-term debt was \$178,549 and \$120,263 for the years ended December 31, 2018 and 2017, respectively.

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 11: LEASES**

The Hospital is obligated under certain operating leases for various equipment, terms, and lengths of time. Amounts paid under these leases totaled \$418,946 and \$405,959 for the years ended December 31, 2018 and 2017, respectively.

The Hospital leases office space to various tenants, including physicians. Rental income received under these arrangements totaled \$40,124 and \$36,480 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 12: CONCENTRATIONS OF CREDIT RISK**

The Hospital grants credit to patients, substantially all of whom are local residents. The Hospital generally does not require collateral or other security extending credit to patients; however, it routinely obtains assignments of (or is otherwise entitled to receive) patients' benefits payable under health insurance programs, plans or policies (e.g., Medicare, Medicaid, Blue Cross and commercial insurance policies).

The mix of gross receivables from patients and third-party payors at December 31, are as follows:

	<u>2018</u>	<u>2017</u>
Medicare	38.2%	33.2%
Medicaid	10.5%	14.7%
Commercial, Private, and Other Third Party Payors	<u>51.3%</u>	<u>52.1%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

**NOTE 13: DEFINED CONTRIBUTION PLAN**

The Hospital offers to its employees a single employer defined contribution plan, the Riverside Medical Center Retirement Plan, in accordance with Internal Revenue Code Section 457. Substantially all employees who have completed one year of service are eligible to participate. Under the plan, the maximum deferral offered to the employees is \$18,500 and \$18,000 for December 31, 2018 and 2017, respectively, as defined in the plan agreement. The Hospital is required to match 100% of the employees' deferral, not to exceed 3% of the employees' salary or maximum deferral. Participants become fully vested after five years, with no graduated vesting occurring between years one through four. Employer contributions were \$176,888 and \$159,823 for the years ended December 31, 2018 and 2017, respectively. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, and the benefits may not be diverted to any other use. Forfeitures may be used to reduce future Hospital contributions. Forfeitures reflected in pension expense as a reduction of employer contributions were \$1,074 and \$-0- for the years ended December 31, 2018 and 2017, respectively.

The Hospital has no liability for losses under the plan. An independent administrator serves as trustee of the employees' deferrals and the Hospital's matching contributions. Each employee chooses from an array of investment options offered by the administrator.

**NOTE 14: CONTINGENCIES**

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

The principal contingencies are described below.

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DECEMBER 31, 2018 AND 2017

**NOTE 14: CONTINGENCIES, CONTINUED**

**Third Party Cost-Based Charges**

The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as a result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Service (CMS) to implement a Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment. The Hospital will deduct from revenue, amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amount due can be reasonably estimated. RAC assessments are anticipated; however, the outcomes of such assessments are unknown and cannot be reasonably estimated.

**Professional Liability Risk**

The Hospital is contingently liable for losses from professional liability not underwritten by the Hospital's insurance carrier.

**Workman's Compensation Risk**

The Hospital participated in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund in 2018 and 2017. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any.

Accordingly, the Hospital is contingently liable for assessments for the Louisiana Hospital Association Trust Fund. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals.

**Self-Insurance for Health Insurance**

The Hospital has elected to self-insure employees, board members, and eligible dependents health claims. The self-insured claims are processed through a plan administrator. The Hospital's self-insured plan has stop-loss insurance coverage for claims in excess of \$50,000 per individual per plan year, unless the individual is specifically identified by the plan to have a different stop-loss coverage.

**Laws and Regulations**

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in exclusion from government healthcare program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes the

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**NOTE 14: CONTINGENCIES, CONTINUED**

outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position.

**NOTE 15: NET POSITION**

Net position for the years ended December 31, are as follows:

	2018	2017
Invested in Capital Assets, net of related debt	\$ 4,928,610	\$ 5,391,931
Restricted for:		
Bond Indenture	70,460	-
Unrestricted	3,098,330	2,258,706
Total Net Position	\$ 8,097,400	\$ 7,650,637

**NOTE 16: GRANT REVENUE**

The Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The aggregate IGT grant income recognized is \$5,704,875 and \$5,677,300 for the years ended December 31, 2018 and 2017, respectively.

The Hospital recognized non-operating grant income of \$-0- and \$30,080 from Medicare and Medicaid for the years ended December 31, 2018 and 2017, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use" which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in in three stages, with each progressive stage incorporating more stringent measures. The Hospital's policy is to record the incentive payments once various stages have been met and the funds received, rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the Hospital meets certain criteria in future implementation.

The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

**NOTE 17: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

GASB's new lease accounting standard, GASB Statement No. 87, was issued in June 2017. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 18: SUBSEQUENT EVENTS

On December 17, 2018, the Hospital entered into a construction contract with Striker Construction Services, LLC for the medical laboratory relocation project.

On February 4, 2019, the Hospital Board of Commissioners approved a resolution providing for the issuance, sale and delivery of \$900,000 of Excess Revenue Bonds for the relocation and expansion of the medical laboratory.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 27, 2019.

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SCHEDULE OF REVENUE

DECEMBER 31,

	2018			2017
	INPATIENT	OUTPATIENT	TOTAL	TOTAL
<b>Daily Patient Services</b>				
Medical and Surgical	\$ 616,698	\$ 900,104	\$ 1,516,802	\$ 1,407,498
Intensive Care	53,544	1,982	55,526	87,554
Swing Bed	211,675	-	211,675	153,640
Total Daily Patient Services	881,917	902,086	1,784,003	1,648,692
<b>Other Nursing Services</b>				
Emergency Services	52,060	8,123,654	8,175,714	6,935,824
Operating and Recovery Rooms	302,027	5,587,342	5,889,369	5,837,288
Total Other Nursing Services	354,087	13,710,996	14,065,083	12,773,112
<b>Other Professional Services</b>				
Anesthesiology	80,396	1,203,613	1,284,009	1,354,293
Cardiac Rehab	-	255,752	255,752	231,996
Cardiopulmonary	879,139	769,695	1,648,834	1,710,403
CT Scan	149,895	6,428,153	6,578,048	6,355,788
Cath Lab	309,602	6,835,821	7,145,423	8,048,894
Dialysis	7,497	3,332	10,829	4,125
Dietary	11,137	5,113	16,250	23,139
Echo and Doppler	135,164	1,778,601	1,913,765	1,638,912
Electrocardiology/Electroencephalography	55,862	1,546,313	1,602,175	1,469,547
Family Care Clinic	-	1,157,728	1,157,728	718,040
Hospice	43,365	-	43,365	26,000
Hospitalist	237,792	207,340	445,132	421,627
Infusion Therapy	106,504	821,425	927,929	2,229,475
Laboratory	522,717	14,134,201	14,656,918	14,436,381
Mammography	-	522,491	522,491	568,638
MRI	8,283	795,844	804,127	867,470
Nuclear Medicine	51,765	1,821,489	1,873,254	1,435,262
Pediatric Internal Medicine Clinic	-	841,091	841,091	720,087
Pharmacy	1,981,435	6,321,969	8,303,404	7,990,645
Physician Offices	-	677,642	677,642	967,374
Radiology	45,279	2,115,455	2,160,734	2,263,595
Speech/Occupational/Physical Therapy	77,695	1,799,351	1,877,046	1,775,624
Thomas Clinic	-	1,616,982	1,616,982	1,719,923
Riverside Medical Center Surgery Center	-	64,034	64,034	57,256
Ultrasound	41,810	1,229,771	1,271,581	1,397,148
Wound Care	-	1,150,750	1,150,750	1,445,245
Total Other Professional Services	4,745,337	54,103,956	58,849,293	59,876,887
Gross Patient Service Revenue	\$ 5,981,341	\$ 68,717,038	74,698,379	74,298,691
Less: Contractual Adjustments			(48,657,113)	(46,525,544)
Net Patient Service Revenue before Provision for Doubtful Accounts			\$ 26,041,266	\$ 27,773,147

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

SCHEDULE OF OTHER REVENUE

DECEMBER 31,

	<u>2018</u>	<u>2017</u>
Other Operating Revenue		
Cafeteria	\$ 68,776	\$ 59,960
Vending	25,325	27,738
Other	<u>237,385</u>	<u>68,942</u>
 Total Other Operating Revenue	 <u>\$ 331,486</u>	 <u>\$ 156,640</u>

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

SCHEDULE OF EXPENSES

DECEMBER 31,

	2018	2017
<b>Salaries</b>		
Administrative	\$ 1,449,612	\$ 1,397,061
Anesthesiology	311,816	288,368
Cardiac Rehab	84,860	82,992
Cardiopulmonary	531,691	541,790
Cath Lab	206,991	167,474
Central Services and Supply	86,598	86,293
CT Scan	61,724	59,373
Dietary	139,424	136,825
Echo and Doppler	70,481	63,469
Electrocardiology	41,556	38,597
Emergency Services	1,431,654	1,498,028
Franklinton Clinic	620,552	597,173
Housekeeping	204,433	169,213
Infusion Therapy	142,233	135,832
Intensive Care	144,010	106,184
Laboratory	833,414	788,705
Mammography	48,890	53,089
Medical and Surgical	891,366	855,849
Nuclear Medicine	67,379	73,774
Nursing Administration	653,948	568,121
Operating and Recovery Rooms	244,668	266,595
Pediatric Internal Medicine Clinic	562,770	513,150
Physician Office - Access Clinic	-	4,773
Physician Office	728,193	682,336
Plant Operations	197,764	165,232
Radiology	446,392	443,205
Social Services	134,663	135,751
Speech/Occupational/Physical Therapy	528,612	516,141
Surgery Center	444,866	405,695
Thomas Clinic	752,451	754,084
Ultrasound	148,510	145,717
<b>Total Salaries</b>	<b>\$ 12,211,521</b>	<b>\$ 11,740,889</b>

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

SCHEDULE OF EXPENSES

DECEMBER 31,

	2018	2017
<b>Outside Services and Professional Fees</b>		
Administrative	1,565,686	1,540,352
Cardiology	1,082,560	1,300,520
Cath Lab	3,353	10,628
CT Scan	400	400
Dialysis	30,350	30,000
Dietary	44,232	44,942
Electrocardiology/Electroencephalography	160,318	146,857
Emergency Services	1,110,232	906,364
Franklinton Clinic	1,665	4,196
Hospitalist	175,000	175,000
Housekeeping	64,326	55,602
Information Technology	354,039	366,829
Laboratory	613,755	601,434
Mammography	3,650	6,100
Med/Surge	(41,880)	35,000
MRI	237,650	249,900
Nuclear Medicine	5,918	5,014
Pediatric Internal Medicine Clinic	-	355
Pharmacy	465,678	454,191
Physician Office	1,242	1,259
Plant Operations	45,655	22,859
Radiology	10,276	6,057
Social Services	4,394	4,158
Speech/Occupational/Physical Therapy	17,981	25,985
Surgery Center	1,741	1,146
Swingbed	2,400	2,400
Thomas Clinic	71,957	74,405
Wound Care	259,050	333,650
	<u>259,050</u>	<u>333,650</u>
Total Outside Services and Professional Fees	<u>\$ 6,291,628</u>	<u>\$ 6,405,603</u>

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

SCHEDULE OF EXPENSES

DECEMBER 31,

	2018	2017
<b>Supplies and Other Expenses</b>		
Administrative	\$ 1,114,650	\$ 1,241,962
Anesthesiology	14,607	16,670
Cardiac Rehab	7,954	3,897
Cardiopulmonary	113,482	104,238
Cath Lab	740,763	1,011,649
Central Services and Supply	54,017	(18,803)
CT Scan	112,195	114,246
Dietary	125,081	123,747
Echo and Doppler	14,086	18,867
Electrocardiology/Electroencephalography	7,918	5,707
Emergency Services	141,040	143,783
Franklinton Clinic	72,692	64,568
Housekeeping	70,808	59,143
Information Technology	163,161	150,512
Infusion Therapy	47,602	41,549
Intensive Care	5,279	6,005
Laboratory	909,566	962,790
Mammography	43,058	44,378
Medical and Surgical	75,560	68,763
MRI	27,064	27,938
Nuclear Medicine	80,484	76,258
Nursing Administration	19,319	21,303
Operating and Recovery Rooms	324,895	309,533
Pediatric Internal Medicine Clinic	104,949	82,583
Pharmacy	1,191,025	1,127,500
Physician Office - Access Clinic	-	511
Physician Office	83,871	59,935
Plant Operations	770,430	655,584
Radiology	181,766	196,048
Social Services	17,433	12,167
Speech/Occupational/Physical Therapy	41,203	31,933
Surgery Center	15,463	9,435
Swing Bed	200	124
Thomas Clinic	63,776	66,814
Ultrasound	3,118	11,108
Wound Care	2,413	3,207
<b>Total Supplies and Other Expenses</b>	<b>\$ 6,760,928</b>	<b>\$ 6,855,652</b>

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

SCHEDULE OF GOVERNING BOARD EXPENSES

DECEMBER 31,

	2018	2017
Rachel Gill	\$ -	\$ 75
Gerald King	-	675
Violet Tate	-	450
Lavern Jenkins	-	-
JT Thomas	600	750
Pam Breland	825	825
John Nichols	900	825
Lori Schilling	825	600
Richard Watts	825	825
Eric Payne	675	750
Tammy Magruder	825	825
Cynthia August	750	-
William Ferrante	900	-
	\$ 7,125	\$ 6,600
Total Governing Board Expenses	\$ 7,125	\$ 6,600

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER

DECEMBER 31,

	2018	2017
Peter Sullivan		
Our Lady of the Angels - Contract Labor	\$ 250,000	\$ 250,000
Conference Travel	600	665
Reimbursements	970	50
	\$ 251,570	\$ 250,715



Glen P. Langlinais, CPA  
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John W. O'Bryan, CPA  
Barrett B. Perry, CPA  
Elizabeth N. DeBaillon, CPA

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

Board of Commissioners  
Washington Parish Hospital Service District No. 1  
d/b/a Riverside Medical Center  
Franklinton, Louisiana

We have audited, in accordance with generally accepted auditing standards of the United States 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 Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center (the Hospital), a component unit of the Washington Parish Council, State of Louisiana, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 27, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan", we did identify certain deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" as items 2018-2 and 2018-3 to be material weaknesses.

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.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 identified one finding related to compliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" as item 2018-1.

#### THE HOSPITAL'S RESPONSE TO FINDINGS

The Hospital's response to the findings identified in our audit is described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### PURPOSE OF THIS REPORT

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

This report is intended for the information and use of the Board of Commissioners and management of the Hospital, others within the organization, federal awarding agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



LANGLINAIS BROUSSARD & KOHLENBERG  
(A Corporation of Certified Public Accountants)  
Abbeville, LA  
June 27, 2019



WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

**B- Material Weaknesses**

**Finding 2018-2 Proposed Audit Adjustments**

**Criteria:** The proposed audit adjustments had a material effect on the financial statements.

**Condition and Cause:** The proposed audit adjustments primarily included adjustments to cost report settlements.

**Effect:** Hospital management has reviewed and approved these proposed audit adjustments.

**Recommendation:** Hospital management should continue to monitor interim financial statements in order to identify adjustments that need to be booked.

**Management Response:** Management agrees with this finding. With our fiscal year ending in December and Cost Reports not filed until May the following year it is sometimes difficult to identify adjustments until the Cost Report is filed. Management will continue to monitor interim financial statements in order identify adjustments that need to be booked.

**Finding 2018-3 Preparation of Full Disclosure Financial Statements**

**Criteria:** Management is responsible for the preparation and presentation of financial statements according to Generally Accepted Accounting Principles (GAAP). These principles include disclosure requirements.

**Condition and Cause:** The Hospital does not prepare full-disclosure GAAP Financial Statements.

**Effect:** The Hospital relied on its outside auditors to assist in the preparation of external financial statements and related disclosures.

**Recommendation:** Hospital's management and accounting personnel should review the draft financial statements and note disclosures prior to approving them and accepting responsibility for their contents and presentation.

**Management Response:** Management agrees with this finding.

**Section III: Management Letter Items**

There were no management letter items for the fiscal years ended December 31, 2018 and 2017.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a RIVERSIDE MEDICAL CENTER  
FRANKLINTON, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS  
For the Year Ended December 31, 2018

Finding 2017-1 Employee Gifts

Hospital issued bonuses to two employees as a retirement gift.

Status: Unresolved; See Finding 2018-1

Finding 2017-2 Proposed Audit Adjustments

The proposed audit adjustments had a material effect on the financial statements.

Status: Unresolved; See Finding 2018-2

Finding 2017-3 Preparation of Full Disclosure Financial Statements

Management is responsible for the preparation and presentation of financial statements according to Generally Accepted Accounting Principles (GAAP). These principles include disclosure requirements.

Status: Unresolved; See Finding 2018-3



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INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners  
Washington Parish Hospital Service District No.1  
d/b/a Riverside Medical Center  
Franklinton, Louisiana

We have performed the procedures described in Schedule A – Procedures and Results, which were agreed to by Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center (Hospital), a component unit of the Washington Parish Council, State of Louisiana, and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Hospital's management is responsible for those control and compliance areas identified in the SAUPs.

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

The procedures and associated findings are described in Schedule A – Procedures and Results.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

*Langlinais Broussard & Kohlenberg*

LANGLINAIS BROUSSARD & KOHLENBERG  
(A Corporation of Certified Public Accountants)  
Abbeville, Louisiana

June 27, 2019

## Schedule A – Procedures and Results

### Written Policies and Procedures

---

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

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

Result: This policy included all requirements listed above.

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.

Result: This policy included all requirements listed above.

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

Result: This policy included all requirements listed above.

d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Result: This policy included all requirements listed above.

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

Result: This policy included all requirements listed above.

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

Result: This policy included all requirements listed above.

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

Result: This policy included all requirements listed above.

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

Result: This policy included all requirements listed above.

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Result: This policy included all requirements listed above.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Result: This policy included all requirements listed above.

### **Board of Commissioners**

---

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Result: Procedure Not Applicable – No exceptions noted in prior year

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Result: Procedure Not Applicable – No exceptions noted in prior year

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Result: Procedure Not Applicable – No exceptions noted in prior year

### **Bank Reconciliations**

---

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged)

Result: Procedure Not Applicable – No exceptions noted in prior year

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Result: Procedure Not Applicable – No exceptions noted in prior year

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Result: Procedure Not Applicable – No exceptions noted in prior year

## **Collections**

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Result: Procedure Not Applicable – No exceptions noted in prior year

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Result: Procedure Not Applicable – No exceptions noted in prior year

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Result: Procedure Not Applicable – No exceptions noted in prior year

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Result: Procedure Not Applicable – No exceptions noted in prior year

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Result: Procedure Not Applicable – No exceptions noted in prior year

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Result: Procedure Not Applicable – No exceptions noted in prior year

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Result: Procedure Not Applicable – No exceptions noted in prior year

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Result: Procedure Not Applicable – No exceptions noted in prior year

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Result: Procedure Not Applicable – No exceptions noted in prior year

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Result: Procedure Not Applicable – No exceptions noted in prior year

- e) Trace the actual deposit per the bank statement to the general ledger.

Result: Procedure Not Applicable – No exceptions noted in prior year

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

---

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Result: This procedure was performed, with no exceptions noted.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Result: This procedure was performed, with no exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

Result: This procedure was performed, with no exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Result: This procedure was performed, with no exceptions noted.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Result: This procedure was performed, with no exceptions noted.

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

Result: This procedure was performed, with no exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Result: This procedure was performed, with no exceptions noted.

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

---

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

Result: This procedure was performed, with no exceptions noted

- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

Result: This procedure was performed, with no exceptions noted

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Result: This procedure was performed, with no exceptions noted

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Result: This procedure was performed, with no exceptions noted

### **Travel and Expense Reimbursement**

---

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

Result: Procedure Not Applicable – No exceptions noted in prior year

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Result: Procedure Not Applicable – No exceptions noted in prior year

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Result: Procedure Not Applicable – No exceptions noted in prior year

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Result: Procedure Not Applicable – No exceptions noted in prior year

### **Contracts**

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15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is

complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Result: Procedure Not Applicable – No exceptions noted in prior year

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Result: Procedure Not Applicable – No exceptions noted in prior year

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Result: Procedure Not Applicable – No exceptions noted in prior year

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Result: Procedure Not Applicable – No exceptions noted in prior year

## **Payroll and Personnel**

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- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Result: This procedure was performed, with no exceptions noted

- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Result: This procedure was performed, with no exceptions noted

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Result: This procedure was performed, with no exceptions noted

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Result: This procedure was performed, with no exceptions noted

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Result: This procedure was performed with no exceptions noted.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Result: This procedure was performed, with no exceptions noted

### **Ethics**

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Result: Procedure Not Applicable – No exceptions noted in prior year

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Result: Procedure Not Applicable – No exceptions noted in prior year

### **Debt Service**

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21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Result: Procedure Not Applicable – No exceptions noted in prior year

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Result: Procedure Not Applicable – No exceptions noted in prior year

## Other Areas

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Result: There are no known misappropriations of public funds and assets during the fiscal period.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Result: The entity has the notice, required by R.S. 24:523.1, concerning the reporting of misappropriation, fraud, waste, or abuse of public funds posted on its premises and website.