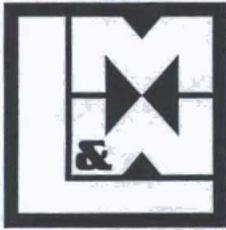


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**LESTER, MILLER & WELLS**

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653  
Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758  
Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107  
Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

John S. Wells, CPA  
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Paul A. Delaney, CPA  
Mary L. Carroll, CPA  
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Karlie P. Brister, CPA  
Joseph M. Chevalier, CPA

Retired 2015  
Bobby G. Lester, CPA

VIA Email

Members: Association of International Certified Professional Accountants • Society of Louisiana Certified Public Accountants

September 18, 2018

Gayle Fransen  
Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Reeves Memorial Medical Center  
REVISED Audit Report as Result of Pre-Issuance Review  
For the Year Ended December 31, 2017

The audit report for Reeves Memorial Medical Center has been revised as a result of a pre-issuance review required by your office. The following revisions were made to the audit report:

- NOTE 3 – DEPOSITS & INVESTMENTS – Page 13 & Page 14 have been revised to reflect the provisions of GASB 72.

Your assistance in reissuing this report would be appreciated.

Let me know if you have any questions or require additional information.

Sincerely,

Robert G. Miller  
Certified Public Accountant

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 26 2018

REISSUE

REEVES MEMORIAL MEDICAL CENTER

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED  
DECEMBER 31, 2017, 2016, AND 2015



Carr, Riggs & Ingram, LLC  
111 Veterans Boulevard  
Suite 350  
Metairie, Louisiana 70005

(504) 837-9116  
(504) 837-0123 (fax)  
www.CRIcpa.com

September 12, 2018

Mr. Thomas H. Cole, CPA  
First Assistant Legislative Auditor  
Office of the Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Cole:

This letter is written to assist Lester, Miller & Wells in complying with certain actions the firm agreed to take in connection with the delayed acceptance of its 2018 Peer Review Report. The Louisiana Legislative Auditor's ("the LLA") office agreed to issue the firm's outstanding reports with the understanding that, among other items, the firm agreed to permit an outside party, acceptable to the Legislative Auditor, to perform pre-issuance reviews of the reports, financial statements and working papers on the Ward 3, 4, and 10 Hospital Service District of the Parish of Union, State of Louisiana, Reeves Memorial Medical Center ("the District") audit engagement and three other audit engagements specifically identified by the LLA and communicate to the Legislative Auditor in writing on the results of that review.

I performed the following procedures -

- a. Reviewed the report, financial statements and working papers of the Ward 3, 4, and 10 Hospital Service District of the Parish of Union, State of Louisiana, Reeves Memorial Medical Center to determine whether the engagement was performed in accordance with professional standards in all material respects. I documented my review using the AICPA Peer Review *Governmental Audit Engagement Checklist and Supplemental Checklist for Review of Audit Engagements Performed in Accordance With Government Auditing Standards (Yellow Book)*.

As a result of this review, I requested the following changes to the workpapers and report:

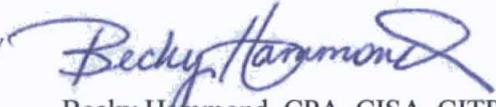
1. Improvement in documentation of the preliminary analytical review procedures performed.
2. Improvements in documentation of procedures performed over Service Auditor controls due to absence of SOC 1 report.
3. Changes to the Notes to the Financial Statements, Note 3 - Deposits and Investments to properly reflect the provisions of GASB 72.

The above requested changes to the workpapers and report have been completed and the workpaper file has been remediated to my satisfaction.

This letter is intended solely for the information and use of the Louisiana Legislative Auditor and the members of Lester, Miller & Wells, and is not intended as a substitute or replacement for the peer review documents issued on the firm 's 2018 peer review.

Sincerely,

CARR, RIGGS & INGRAM, LLC

By   
Becky Hammond, CPA, CISA, CITP, CGAP

cc: Lester, Miller & Wells



Reeves Memorial Medical Center  
 Financial Statements  
 and  
 Independent Auditors' Report  
 Years Ended December 31, 2017, 2016, and 2015

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

This section of the Hospital Service District's (the "District") annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on December 31, 2017. Please read it in conjunction with the financial statements in this report.

### Financial Highlights

- The District's total assets increased in 2017, 2016, and 2015 by \$4,809,931, \$3,698,261, and \$16,492. The majority of the increases in fiscal years 2017 and 2016 are due to intergovernmental transfers-access grant flow throughs of \$5,088,371 and \$2,393,826, respectively, which were not distributed at the respective year ends. Medicare also overpaid the District by \$1,589,226 and \$1,085,529, in FYs 2017 and 2016, respectively, which increased cash. The 2017 overpayment will be paid to Medicare when the cost report for fiscal year 2017 is submitted. The 2016 overpayment was paid during FY 2017. Underpayment by Medicare contributed to decrease in cash in 2015. Capital leases of \$81,578 were entered into in FY 2017. No new debt was entered into in FY 2016. A capital lease agreement of \$254,976 was entered into in FY 2015 to purchase miscellaneous hospital equipment and a construction contract was signed for \$699,000. The southwest entry project was completed during FY 2016.
- Patient volume increased in FY 2017 and 2016. The District reported operating income of \$1,008,433 and \$325,128 in FY 2017 and 2016, respectively, compared to an operating loss of \$226,112 in FY 2015. Inpatient volume decreased in FY 2015 versus increases in FY 2014. Operating expenses in 2017, 2016, and 2015 include \$19,056,375, \$16,454,575 and \$28,485,425, respectively, which were Intergovernmental (IGT) Transfers-Access Grant expenses. Operating expenses continued an upward trend by increasing \$950,073, \$694,258, \$562,346, and \$61,144 in 2017, 2016, 2015, and 2014, respectively.
- The District collaborated with a rural hospital trade organization to establish a grant program (IGT). The District entered into cooperative endeavor agreements with other regional public rural hospitals. These grants were to be used for providing healthcare to indigent and/or low income patients. IGT grants of \$19,056,375, \$16,454,575 and \$28,485,425 were received by RMMC during FYs 2017, 2016, and 2015, respectively.
- The District received property tax revenues of \$267,421, \$263,780, \$251,939, and \$252,779, for fiscal years 2017, 2016, 2015, and 2014, respectively. The 5.34 mills ad valorem tax expired in fiscal year 2011 and was renewed for 2012 through 2021. The 5.11 mills was renewed in March 2015 for another 10 years. In FY 2016, the District board voted to increase the 5.34 mills to 5.47 mills to maintain the ad valorem tax equal to prior year tax collections.

### Required Financial Statements

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

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

**Required Financial Statements (Continued)**

investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Financial Analysis of the Hospital Service District**

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

**Net Position**

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total current assets	\$ 11,223,873	\$ 6,155,506	\$ 2,204,462	\$ 2,273,748
Capital assets - net	2,444,484	2,575,065	2,686,022	2,037,956
Other assets	<u>480,325</u>	<u>608,180</u>	<u>750,006</u>	<u>1,312,294</u>
 Total assets	 \$ <u>14,148,682</u>	 \$ <u>9,338,751</u>	 \$ <u>5,640,490</u>	 \$ <u>5,623,998</u>
 Current liabilities	 \$ 8,337,731	 \$ 4,457,741	 \$ 934,572	 \$ 753,347
Long-term liabilities	1,656,415	1,753,982	1,897,789	1,819,937
Invested in capital assets, net of related debt	624,722	677,275	649,100	118,797
Restricted: Bond reserve fund	69,190	204,091	356,425	910,809
Unrestricted	<u>3,460,624</u>	<u>2,245,662</u>	<u>1,802,604</u>	<u>2,021,108</u>
 Total liabilities and net position	 \$ <u>14,148,682</u>	 \$ <u>9,338,751</u>	 \$ <u>5,640,490</u>	 \$ <u>5,623,998</u>

As can be seen in Table 1, total assets increased in FYs 2017, 2016, and 2015 by \$4,809,931, \$3,698,261 and \$16,492, respectively. During FYs 2017 and 2016, Medicare overpaid the District by \$1,589,226 and \$1,085,529, respectively, causing an increase in cash. The District also held \$5,088,371 of intergovernmental transfers-access grant funds that were not disbursed at year end.

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

**Summary of Changes in Net Position**

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended December 31, 2017, 2016, 2015, and 2014.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues:				
Net patient service revenue	\$ 28,689,496	\$ 24,450,406	\$ 35,212,686	\$ 5,673,351
Property tax revenue	267,421	263,780	251,939	252,779
Other revenue	<u>263,219</u>	<u>270,772</u>	<u>305,685</u>	<u>1,031,960</u>
Total revenues	<u>29,220,136</u>	<u>24,984,958</u>	<u>35,770,310</u>	<u>6,958,090</u>
Expenses:				
Salaries and benefits	4,699,295	4,266,467	3,866,393	3,403,227
Intergovernmental transfers-access grant expense	19,056,375	16,454,575	28,485,425	-0-
Other expenses	<u>4,456,033</u>	<u>3,938,788</u>	<u>3,644,604</u>	<u>3,545,424</u>
Total expenses	<u>28,211,703</u>	<u>24,659,830</u>	<u>35,996,422</u>	<u>6,948,651</u>
Operating income (loss)	1,008,433	325,128	(226,112)	9,439
Nonoperating revenues (expenses)				
Interest income	38,445	37,605	33,436	10,937
Interest expense	(55,898)	(59,502)	(65,655)	(58,539)
Gain (loss) on disposal of asset	<u>5,000</u>	<u>111</u>	<u>14,627</u>	<u>(2,325)</u>
Nonoperating income (loss), net	(12,453)	(21,786)	(17,592)	(49,927)
Changes in net position before capital grants	995,980	303,342	(243,704)	(40,488)
Capital grants	<u>24,482</u>	<u>5,049</u>	<u>9,023</u>	<u>20,240</u>
Changes in net position before other comprehensive income	1,020,462	308,391	(234,681)	(20,248)
Other comprehensive income				
Change in unrealized gain (loss) on securities	<u>7,046</u>	<u>10,508</u>	<u>(7,904)</u>	<u>(5,251)</u>
Changes in net position	\$ <u>1,027,508</u>	\$ <u>318,899</u>	\$ <u>(242,585)</u>	\$ <u>(25,499)</u>

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

**Sources of Revenue**

**Operating Revenue**

During fiscal year 2017, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the District's facilities. On December 30, 2005, the District changed its status for Medicare reimbursement purposes from a prospectively paid (PPS) hospital to a cost based reimbursement or critical access hospital. This change resulted in more reimbursement from Medicare. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes grants to provide healthcare to indigent and/or low income patients. If the District continues to meet the criteria, grant money may be available for a short period of time. Other revenue also contains cafeteria sales, HPSA incentive income, and other miscellaneous services.

The District collaborated with a rural hospital trade organization to establish a grant program. The District entered into cooperative endeavor agreements with other regional public rural hospitals. These grants were to be used for providing healthcare to indigent and/or low income patients. An intergovernmental transfers-access grant flow through of \$19,056,375 was received by the District in fiscal year 2017. Of this amount, \$5,088,371 remained as a limited use asset and current liability at year end because one source had not remitted their part of the grant to the District at year end. The District received and distributed \$16,454,575 during fiscal year 2016.

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

**TABLE 3  
Payor Mix by Percentage**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Medicare	53%	53%	40%	51%
Medicaid	22%	21%	21%	18%
Blue Cross	10%	11%	18%	12%
Commercial and other third-party payors	13%	10%	13%	9%
Other	<u>2%</u>	<u>5%</u>	<u>8%</u>	<u>10%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

**Non-operating Income**

The District holds investments in its Statements of Net Position that are invested primarily in Certificates of Deposit. Total investments were \$409,321, \$402,275, \$391,767, and \$399,671, for 2017, 2016, 2015, and 2014, respectively. Capital grant income for fiscal years 2017, 2016, 2015, and 2014 was \$24,482, \$5,049, \$9,023, and \$20,240, respectively.

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

**Operating and Financial Performance**

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between 2017, 2016, 2015, and 2014:

In FY 2017, acute and swing patient days increased by 807 days compared to 527 days in FY 2016. There was a decrease of 388 for FY 2015. The District increased patient charges for room and board acute by \$400 and Swing by \$300 in FY 2017. Ancillaries were increased using different methodologies.

As a critical access hospital, the average length of stay is required to be 4.00 days or less. The Acute day's average length of stay was 3.62 for Medicare patients in fiscal year 2017.

In FY 2017 the net patient service revenue without the \$19,056,375 IGT included, increased by \$1,511,116 due to increases in charges and volume. Without consideration of the \$16,454,575 or the \$28,485,425 included in net patient service revenue the District's net patient service revenue increased by \$1,652,061 in FY 2016 due to increases in volume, mainly Swing Bed. Net patient service revenue saw a slight increase in FY 2015 of \$55,314.

The gross accounts receivable balance increased in FY 2017 and 2016 by \$368,802 and \$850,689, respectively, compared to decreases of \$294,799 and \$272,165 in fiscal years 2015 and 2014, respectively. The increase is primarily due to the increase in room and board charge and higher volume in Swing. The District continues to exert every effort to assist patients in finding funding sources for health care.

Salaries & benefits grew in FY 2017, 2016, and 2015 by \$432,828, \$400,074, and \$463,166, respectively. Cost of living increase of 1.5% was granted in FY 2017 with merit increases of up to 3% also granted. The District has to compete with other area hospitals for personnel.

In FY 2017 Provision for Bad Debts increased slightly by \$26,935 compared to a decrease of \$152,797 in FY 2016. In FY 2015 it increased by \$238,617, mostly due to decrease in self-pay revenue in FY 2016 and commercial allowances in FY 2015.

Depreciation increased slightly in fiscal year 2017 and 2016 by \$14,024 and \$64,345, respectively, compared to an increase in fiscal year 2015 of \$122,381, mainly due to the new computer system going live with related assets and depreciation. In FY 2017 and 2016, there was an increase in other expenses of \$517,245 and \$285,736, respectively (with the IGT expense removed). Medical Supplies and Drugs increased by \$306,570 in FY 2017 compared to an increase of \$130,737 in FY 2016 caused by increased cost of pharmacy drugs and higher inpatient and outpatient volumes.

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

**Capital Assets**

During fiscal year 2017, various equipment was purchased for approximately \$280,000. Doors were added at a cost of \$14,200. All are included in Table 4 below.

**TABLE 4  
Capital Assets**

	December 31, <u>2017</u>	December 31, <u>2016</u>	December 31, <u>2015</u>	December 31, <u>2014</u>
Land	\$ 36,840	\$ 36,840	\$ 36,840	\$ 30,614
Land improvements	37,882	37,882	32,060	32,060
Leasehold improvements	17,083	17,083	17,083	17,083
Buildings	2,456,511	2,442,311	1,594,859	1,544,882
Fixed equipment	405,712	405,712	395,886	387,034
Major moveable equipment	3,571,023	3,371,969	3,324,407	2,568,328
Transportation equipment	105,891	66,312	66,312	58,201
Minor equipment	300	300	300	300
Construction in progress	<u>-0-</u>	<u>10,961</u>	<u>651,273</u>	<u>531,445</u>
 Total	 6,631,242	 6,389,370	 6,119,020	 5,169,947
Accumulated depreciation	<u>4,186,758</u>	<u>3,814,305</u>	<u>3,432,998</u>	<u>3,131,991</u>
 Net capital assets	 \$ <u>2,444,484</u>	 \$ <u>2,575,065</u>	 \$ <u>2,686,022</u>	 \$ <u>2,037,956</u>

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

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



## **LESTER, MILLER & WELLS**

*A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*

3600 Bayou Rapides Road • Alexandria, LA 71303-3653  
Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758  
Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107  
Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

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Retired 2015  
Bobby G. Lester, CPA

### INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana d/b/a Reeves Memorial Medical Center (the "District"), a component unit of the Union Parish Police Jury, Bernice, Louisiana, which comprise the statements of net position, as of and for the years ended December 31, 2017, 2016, and 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### **Auditors' Responsibility**

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

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Reeves Memorial Medical Center as of December 31, 2017, 2016, and 2015, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the financial information of Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana and do not purport to, and do not, present fairly the financial position of the Union Parish Police Jury as of December 31, 2017, 2016, and 2015, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Reeves Memorial Medical Center's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

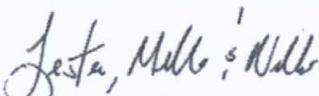


Board of Commissioners  
Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Page Three

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants  
Alexandria, Louisiana

June 18, 2018



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

ASSETS	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets:			
Cash and cash equivalents (Notes 2 & 3)	\$ 3,720,292	\$ 1,456,060	\$ 124,870
Accounts receivable, net (Note 4)	1,192,893	1,301,734	649,345
Estimated third-party payor settlements	317,337	207,994	701,513
Other receivables	478,640	443,773	361,453
Limited-use assets required for current liabilities	5,088,371	2,393,826	40
Inventory	276,692	243,659	221,944
Prepaid expenses	149,648	108,460	145,297
Total current assets	<u>11,223,873</u>	<u>6,155,506</u>	<u>2,204,462</u>
Limited-use assets (Note 6)	69,190	204,091	356,425
Capital assets, net (Note 5)	2,444,484	2,575,065	2,686,022
Investments (Note 3)	409,321	402,275	391,767
Other assets (Note 7)	1,814	1,814	1,814
Total assets	<u>\$ 14,148,682</u>	<u>\$ 9,338,751</u>	<u>\$ 5,640,490</u>
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable	\$ 371,908	\$ 374,554	\$ 299,679
Accrued expenses and withholdings payable (Note 9)	365,285	315,666	263,280
Estimated third-party payor settlements	2,349,728	1,230,352	232,480
Intergovernmental transfers-access grant payable	5,087,463	2,393,361	-0-
Current portion of long-term debt (Note 8)	163,347	143,808	139,133
Total current liabilities	<u>8,337,731</u>	<u>4,457,741</u>	<u>934,572</u>
Long-term debt (Note 8)	1,656,415	1,753,982	1,897,789
Total liabilities	<u>9,994,146</u>	<u>6,211,723</u>	<u>2,832,361</u>
Net position:			
Invested in capital assets, net of related debt	624,722	677,275	649,100
Restricted: Bond reserve fund	69,190	204,091	356,425
Unrestricted	3,460,624	2,245,662	1,802,604
Total net position	<u>4,154,536</u>	<u>3,127,028</u>	<u>2,808,129</u>
Total liabilities and net position	<u>\$ 14,148,682</u>	<u>\$ 9,338,751</u>	<u>\$ 5,640,490</u>

See accompanying notes to financial statements.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues:			
Net patient service revenue (Note 12)	\$ 28,689,496	\$ 24,450,406	\$ 35,212,686
Property tax revenue (Note 14)	267,421	263,780	251,939
Grant income	60,121	44,207	8,205
Contributions	500	-0-	1,250
Other operating revenue	202,598	226,565	296,230
Total revenues	<u>29,220,136</u>	<u>24,984,958</u>	<u>35,770,310</u>
Expenses:			
Salaries and benefits	4,699,295	4,266,467	3,866,393
Medical supplies and drugs	891,809	585,239	454,502
Professional fees	993,748	997,174	1,119,463
Other expenses	2,029,675	1,829,248	1,643,390
Intergovernmental transfers-access grant expense (Note 19)	19,056,375	16,454,575	28,485,425
Insurance	125,930	126,280	90,747
Depreciation and amortization	414,871	400,847	336,502
Total expenses	<u>28,211,703</u>	<u>24,659,830</u>	<u>35,996,422</u>
Operating income (loss)	1,008,433	325,128	(226,112)
Nonoperating revenues (expenses)			
Interest income	38,445	37,605	33,436
Interest expense	(55,898)	(59,502)	(65,655)
Gain (loss) on disposal of assets	5,000	111	14,627
Nonoperating income (loss), net	<u>(12,453)</u>	<u>(21,786)</u>	<u>(17,592)</u>
Changes in net position before capital grants	995,980	303,342	(243,704)
Capital grants (Note 18)	<u>24,482</u>	<u>5,049</u>	<u>9,023</u>
Changes in net position before other comprehensive income	1,020,462	308,391	(234,681)
Other comprehensive income			
Change in unrealized gain (loss) on securities	7,046	10,508	(7,904)
Changes in net position	<u>1,027,508</u>	<u>318,899</u>	<u>(242,585)</u>
Beginning net position	<u>3,127,028</u>	<u>2,808,129</u>	<u>3,050,714</u>
Ending net position	\$ <u>4,154,536</u>	\$ <u>3,127,028</u>	\$ <u>2,808,129</u>

See accompanying notes to financial statements.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 29,808,370	\$ 25,289,428	\$ 34,766,874
Other receipts from operations	495,773	452,252	913,067
Cash paid to governmental entities	(19,056,375)	(16,454,575)	(28,485,425)
Cash payments to employees and for employee-related cost	(4,649,676)	(4,214,081)	(3,817,868)
Cash payments for other operating expenses	<u>(4,118,472)</u>	<u>(3,448,409)</u>	<u>(3,371,130)</u>
Net cash provided (used) by operating activities	<u>2,479,620</u>	<u>1,624,615</u>	<u>5,518</u>
Cash flows from investing activities:			
Interest income	<u>38,445</u>	<u>37,605</u>	<u>33,436</u>
Net cash provided (used) by investing activities	<u>38,445</u>	<u>37,605</u>	<u>33,436</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(284,290)	(320,340)	(984,025)
Proceeds from sale of assets	5,000	111	14,627
Disposal of asset	-0-	30,450	-0-
Proceeds from capital grants	24,482	5,049	9,023
Cash invested in limited use assets	134,901	152,334	554,384
Proceeds from long-term debt	81,578	-0-	254,976
Payments on long-term debt	(159,606)	(139,132)	(137,213)
Interest expense on long-term debt	<u>(55,898)</u>	<u>(59,502)</u>	<u>(65,655)</u>
Net cash provided (used) by capital and related financing activities	<u>(253,833)</u>	<u>(331,030)</u>	<u>(353,883)</u>
Net increase (decrease) in cash and cash equivalents	2,264,232	1,331,190	(314,929)
Beginning cash and cash equivalents	<u>1,456,060</u>	<u>124,870</u>	<u>439,799</u>
Ending cash and cash equivalents	\$ <u>3,720,292</u>	\$ <u>1,456,060</u>	\$ <u>124,870</u>

See accompanying notes to financial statements.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 1,008,433	\$ 325,128	\$ (226,112)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	414,871	400,847	335,959
Changes in:			
Accounts receivable, net	108,841	(652,389)	87,074
Estimated third-party payor settlements	1,010,033	1,491,391	(532,886)
Other receivables	(34,867)	(82,320)	355,483
Limited-use asset	(443)	(425)	(40)
Inventory	(33,033)	(21,715)	(45,766)
Prepaid expenses	(41,188)	36,837	(51,076)
Accounts payable	(2,646)	74,875	34,357
Accrued expenses and withholdings payable	<u>49,619</u>	<u>52,386</u>	<u>48,525</u>
Net cash provided (used) by operating activities	\$ <u>2,479,620</u>	\$ <u>1,624,615</u>	\$ <u>5,518</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ <u>55,898</u>	\$ <u>59,502</u>	\$ <u>65,655</u>
Unrealized gain (loss) recorded to investments and net position	\$ <u>7,046</u>	\$ <u>10,508</u>	\$ <u>(7,904)</u>

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2017, 2016, and 2015

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

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

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

Nature of Business

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Enterprise Fund

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

Basis of Accounting

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

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Notes to Financial Statements  
Years Ended December 31, 2017, 2016, and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Credit Risk

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

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

Significant Concentration of Economic Dependence

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

Net Patient Service Revenues

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

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

Patient Accounts Receivable

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

Ward 3, 4 and 10 Hospital Service District  
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Notes to Financial Statements  
Years Ended December 31, 2017, 2016, and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Inventory

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

Capital Assets

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

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

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

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

Net Position

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

Ward 3, 4 and 10 Hospital Service District  
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Notes to Financial Statements  
Years Ended December 31, 2017, 2016, and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses

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

Grants and Contributions

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

Charity Care

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

Use of Estimates

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

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classification.

Risk Management

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

Ward 3, 4 and 10 Hospital Service District  
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 Notes to Financial Statements  
 Years Ended December 31, 2017, 2016, and 2015

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Louisiana state statutes authorize the District to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the District be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

**Custodial Credit Risks** – Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at December 31, 2017, 2016, and 2015.

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

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

Account balances according to bank's records at December 31, 2017, for the District are as follows:

	<u>Origin Bank Cash</u>	<u>Origin Bank Certificates of Deposits</u>
Cash in banks	\$ <u>8,856,310</u>	\$ <u>202,410</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>202,410</u>
Collateralization at fair market value	\$ <u>8,606,310</u>	\$ <u>-0-</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Carrying amount			
Deposits	\$ 3,720,292	\$ 1,456,060	\$ 124,870
Investments	222,883	222,883	222,883
Donated stocks	<u>186,438</u>	<u>179,392</u>	<u>168,884</u>
	<u>\$ 4,129,613</u>	<u>\$ 1,858,335</u>	<u>\$ 516,637</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 3,720,292	\$ 1,456,060	\$ 124,870
Investments	<u>409,321</u>	<u>402,275</u>	<u>391,767</u>
	<u>\$ 4,129,613</u>	<u>\$ 1,858,335</u>	<u>\$ 516,637</u>

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

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

		----- Fair Value -----		
	<u>Shares</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Exxon Corporation	800	\$ 66,912	\$ 72,208	\$ 62,360
Pfizer	3300	<u>119,526</u>	<u>107,184</u>	<u>106,524</u>
Total market value		186,438	179,392	168,884
Less cost basis		<u>(14,456)</u>	<u>(14,456)</u>	<u>(14,456)</u>
Unrealized gain (loss)		<u>\$ 171,982</u>	<u>\$ 164,936</u>	<u>\$ 154,428</u>

Ward 3, 4 and 10 Hospital Service District  
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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Patient accounts receivable	\$ 2,511,385	\$ 2,142,583	\$ 1,291,894
Estimated allowance for uncollectibles	<u>(1,318,492)</u>	<u>(840,849)</u>	<u>(642,549)</u>
Net patient accounts receivable	\$ <u>1,192,893</u>	\$ <u>1,301,734</u>	\$ <u>649,345</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	34%	37%	23%
Medicaid	14%	23%	15%
Commercial and other third-party payors	13%	9%	18%
Blue Cross	10%	7%	12%
Patients	<u>29%</u>	<u>24%</u>	<u>32%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Ward 3, 4 and 10 Hospital Service District  
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NOTE 5 - CAPITAL ASSETS

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

	December 31, <u>2016</u>	<u>Additions</u>	<u>Dispositions</u>	December 31, <u>2017</u>
Land	\$ 36,840	\$ -0-	\$ -0-	\$ 36,840
Land improvements	37,882	-0-	-0-	37,882
Leasehold improvements	17,083	-0-	-0-	17,083
Buildings	2,442,311	14,200	-0-	2,456,511
Fixed equipment	405,712	-0-	-0-	405,712
Major moveable equipment	3,371,969	241,472	42,418	3,571,023
Transportation equipment	66,312	39,579	-0-	105,891
Minor equipment	300	-0-	-0-	300
Construction in progress	10,961	-0-	10,961	-0-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	6,389,370	295,251	53,379	6,631,242
Accumulated depreciation	3,814,305	414,871	42,418	4,186,758
	<hr/>	<hr/>	<hr/>	<hr/>
Net capital assets	\$ <u>2,575,065</u>	\$ <u>(119,620)</u>	\$ <u>10,961</u>	\$ <u>2,444,484</u>
	<hr/>	<hr/>	<hr/>	<hr/>
	December 31, <u>2015</u>	<u>Additions</u>	<u>Dispositions</u>	December 31, <u>2016</u>
Land	\$ 36,840	\$ -0-	\$ -0-	\$ 36,840
Land improvements	32,060	5,822	-0-	37,882
Leasehold improvements	17,083	-0-	-0-	17,083
Buildings	1,594,859	877,902	30,450	2,442,311
Fixed equipment	395,886	9,826	-0-	405,712
Major moveable equipment	3,324,407	47,562	-0-	3,371,969
Transportation equipment	66,312	-0-	-0-	66,312
Minor equipment	300	-0-	-0-	300
Construction in progress	651,273	255,965	896,277	10,961
	<hr/>	<hr/>	<hr/>	<hr/>
Total	6,119,020	1,197,077	926,727	6,389,370
Accumulated depreciation	3,432,998	400,847	19,540	3,814,305
	<hr/>	<hr/>	<hr/>	<hr/>
Net capital assets	\$ <u>2,686,022</u>	\$ <u>796,230</u>	\$ <u>907,187</u>	\$ <u>2,575,065</u>

Ward 3, 4 and 10 Hospital Service District  
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NOTE 5 - CAPITAL ASSETS (Continued)

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

	December 31, <u>2014</u>	<u>Additions</u>	<u>Dispositions</u>	December 31, <u>2015</u>
Land	\$ 30,614	\$ 6,226	\$ -0-	\$ 36,840
Land improvements	32,060	-0-	-0-	32,060
Leasehold improvements	17,083	-0-	-0-	17,083
Buildings	1,544,882	49,977	-0-	1,594,859
Fixed equipment	387,034	8,852	-0-	395,886
Major moveable equipment	2,568,328	756,079	-0-	3,324,407
Transportation equipment	58,201	48,480	40,369	66,312
Minor equipment	300	-0-	-0-	300
Construction in progress	<u>531,445</u>	<u>696,167</u>	<u>576,339</u>	<u>651,273</u>
Total	5,169,947	1,565,781	616,708	6,119,020
Accumulated depreciation	<u>3,131,991</u>	<u>335,959</u>	<u>34,952</u>	<u>3,432,998</u>
Net capital assets	\$ <u>2,037,956</u>	\$ <u>1,229,822</u>	\$ <u>581,756</u>	\$ <u>2,686,022</u>

NOTE 6 - LIMITED-USE ASSETS

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Restricted by third-parties</u>			
Bond construction fund	\$ -0-	\$ -0-	\$ 259,688
Bond paying agent fund	15,688	158,656	49,620
Bond contingency fund	52,410	44,343	36,198
Capital lease fund	<u>1,092</u>	<u>1,092</u>	<u>10,919</u>
Total limited-use assets	\$ <u>69,190</u>	\$ <u>204,091</u>	\$ <u>356,425</u>

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NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Meter deposits	\$ <u>1,814</u>	\$ <u>1,814</u>	\$ <u>1,814</u>
Total	\$ <u>1,814</u>	\$ <u>1,814</u>	\$ <u>1,814</u>

NOTE 8 - LONG-TERM DEBT

The following is a summary of long-term debt at December 31, 2017, 2016, and 2015:

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

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NOTE 8 - LONG-TERM DEBT (Continued)

	December 31, <u>2014</u>	<u>Additions</u>	<u>Payments</u>	December 31, <u>2015</u>	Due Within <u>One Year</u>
Capital Lease	\$ 11,435	\$ 254,976	\$ 49,492	\$ 216,919	\$ 48,766
Series 2013 Hospital Revenue Bonds - R-1	1,487,043	-0-	59,895	1,427,148	61,654
Series 2013 Hospital Revenue Bonds - R-2	<u>420,681</u>	<u>-0-</u>	<u>27,826</u>	<u>392,855</u>	<u>28,713</u>
 Total	 \$ <u>1,919,159</u>	 \$ <u>254,976</u>	 \$ <u>137,213</u>	 \$ <u>2,036,922</u>	 \$ <u>139,133</u>

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

- On January 9, 2015, a Louisiana Municipal Capital Lease Agreement was executed between Government Capital Corporation and the District. Miscellaneous hospital equipment was leased for the total amount of \$254,976 at an interest rate of 4.066%, for 60 months, terminating February 15, 2020.
- On November 20, 2013, Series 2013 Hospital Service Bonds, known as R-1, were issued in the principal amount of \$1,550,000, at 2.9%, rate subject to adjustment on the 5<sup>th</sup>, 10<sup>th</sup>, and 15<sup>th</sup> anniversary dates based upon then current 5 year Treasury rate (not to exceed 5% per annum) due in 2033, collateralized by a pledge and dedication of District revenue. November 2018 is the 5<sup>th</sup> anniversary of these bonds. These bonds are further secured by a mortgage of all properties owned by the District. They will mature 20 years from the date of delivery.
- On November 20, 2013, Series 2013 Hospital Service Bonds, known as R-2, were issued in the principal amount of \$450,000, at 2.9%, rate subject to readjustment on the 5<sup>th</sup> and 10<sup>th</sup> anniversary dates, due in 2026, collateralized by a pledge and dedication of District revenue. These bonds are further secured by a mortgage. They will mature on their monthly anniversary date in August 2027.
- Lease payable at 6.2% for radiology equipment, due in 36 monthly installments of \$1,501 each. This was paid out in fiscal year 2015.

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

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NOTE 8 - LONG-TERM DEBT (Continued)

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

<u>Year ending December 31,</u>	<u>Long-term Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 95,757	\$ 46,194	\$ 67,590	\$ 4,669
2019	98,571	43,380	70,008	2,252
2020	101,468	40,483	24,550	474
2021	104,450	38,448	15,389	187
2022	107,519	35,407	3,884	10
2023-2027	573,604	127,913	-0-	-0-
2028-2032	462,888	48,601	-0-	-0-
2033	<u>92,361</u>	<u>1,345</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>1,636,618</u>	\$ <u>381,771</u>	\$ <u>181,421</u>	\$ <u>7,592</u>

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$50,471 is included in depreciation expense. Net book value of capital leases is \$207,693, \$142,549, and \$178,025, in 2017, 2016, and 2015, respectively.

NOTE 9 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Accrued interest	\$ 2,629	\$ 2,573	\$ 2,573
Accrued payroll taxes	3,426	5,209	5,209
State unemployment tax payable	-0-	2,818	3,568
Accrued expenses	118	38	383
Accrued vacation	255,131	219,788	200,031
Accrued payroll	<u>103,981</u>	<u>85,240</u>	<u>51,516</u>
Total	\$ <u>365,285</u>	\$ <u>315,666</u>	\$ <u>263,280</u>

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NOTE 10 - COMPENSATED ABSENCES

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

NOTE 11 - RETIREMENT PLAN

On January 1, 2012, the District instituted the Reeves Memorial Medical Center 457 Plan, which is a defined contribution plan (exempt under Section 457 of the Internal Revenue Code). Security Benefits is the Plan's third-party administrator. At December 31, 2017, 2016, and 2015 there were 49, 49, and 48 plan members, respectively. Employees are eligible to participate in the plan beginning on the date of hire, with a maximum contribution of up to 100% of compensation. The contribution limit for those under age 50 not to exceed \$18,000, \$18,000, and \$18,000 in calendar years 2017, 2016, and 2015, respectively. For those 50 or older \$24,000, \$24,000, and \$24,000 are the contribution limits for calendar years 2017, 2016, and 2015, respectively. The District has elected to match 100% of the first 2% of the participating employees' compensation deferred to the plan. The District may choose to make annual discretionary non-elective contributions based on the employees' compensation during the plan year. The District holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in their contributions and in the employer match posted to their account.

The District's contributions were \$51,909, \$48,614, and \$40,731, compared to employee contributions of \$128,613, \$120,285, and \$103,683, for the years ended December 31, 2017, 2016, and 2015, respectively.

NOTE 12 - NET PATIENT SERVICE REVENUE

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

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

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

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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Gross charges	\$ 17,369,217	\$ 11,365,349	\$ 8,114,718
Less charges associated with charity patients	<u>(11,733)</u>	<u>(69,450)</u>	<u>(63,407)</u>
Gross patient service revenue	17,357,484	11,295,899	8,051,311
Add increases in revenue:			
Intergovernmental transfers-access grant	19,797,654	17,069,680	29,484,021
Medicaid uncompensated care payments	-0-	311,385	-0-
Less deductions from revenue:			
Contractual adjustments	<u>(7,506,647)</u>	<u>(3,345,958)</u>	<u>(1,341,477)</u>
Policy and other discounts	<u>(217,536)</u>	<u>(166,076)</u>	<u>(113,848)</u>
Patient service revenue (net of contractual adjustments and discounts)	29,430,955	25,164,930	36,080,007
Less provision for bad debt	<u>(741,459)</u>	<u>(714,524)</u>	<u>(867,321)</u>
Net patient service revenues	\$ <u>28,689,496</u>	\$ <u>24,450,406</u>	\$ <u>35,212,686</u>

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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

The District receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid charges for the years ended December 31:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare and Medicaid charges	\$ 13,064,881	\$ 8,397,849	\$ 4,931,645
Contractual adjustments	<u>(6,042,402)</u>	<u>(2,170,180)</u>	<u>(355,666)</u>
Program patient service revenue	<u>\$ 7,022,479</u>	<u>\$ 6,227,669</u>	<u>\$ 4,575,979</u>
Percent of total gross patient charges	<u>75%</u>	<u>74%</u>	<u>61%</u>
Percent of total net patient revenues without IGT	<u>79%</u>	<u>84%</u>	<u>80%</u>

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

NOTE 13 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal poverty guidelines based on a 200% scale. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies, and other operating expenses. The costs of caring for charity care patients were approximately \$8,694, \$64,102, and \$42,577, in 2017, 2016, and 2015, respectively.

NOTE 14 - PROPERTY TAX REVENUE

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

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NOTE 15 - PROFESSIONAL LIABILITY RISK

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

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

NOTE 16 - WORKER'S COMPENSATION RISK

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

NOTE 17 - CONTINGENCIES

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

The principal contingencies are described below:

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

Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District.

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NOTE 17 - CONTINGENCIES (Continued)

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as privacy, licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

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

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

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

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

NOTE 18 - GRANT REVENUE

The District recognized operating grant income in the year 2015 of \$55,428 as an incentive for implementing electronic health records (EHR). The District received \$25,500 and \$42,500 in years 2017 and 2016, respectively, from Medicaid for physician meaningful use.

NOTE 19 - INTERGOVERNMENTAL TRANSFERS-ACCESS GRANTS

The District ("Grantor") collaborated with a rural hospital trade organization ("RHC") to establish a grant program, whereby Grantor entered into cooperative endeavor agreements ("CEAs") with other regional public rural hospitals ("Grantees") to provide intergovernmental transfers-access grant ("IGT") funds to enhance access to adequate and essential medically necessary healthcare services to the rural communities served by Grantees. Grant amounts were calculated based upon schedules prepared by RHC when it was determined that sufficient funds were available to make such IGT grants. The aggregate IGT grant expense is

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NOTE 19 - INTERGOVERNMENTAL TRANSFERS-ACCESS GRANTS (Continued)

\$19,056,375, \$16,454,575 and \$28,485,425 for the years ended December 31, 2017, 2016, and 2015, respectively.

NOTE 20 - RELATED PARTY

The District has a management agreement with Impact Healthcare Solutions, LLC to manage the hospital. Additionally, Impact provides billing and collection services. Total amounts paid for these services were \$592,924, \$469,311, and \$396,542, for December 31, 2017, 2016, and 2015, respectively.

NOTE 21 - SUBSEQUENT EVENT

Events have been evaluated through June 18, 2018 for subsequent event disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Ward 3, 4 and 10 Hospital Service District  
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Schedules of Net Patient Service Revenue (Continued)  
Years Ended December 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Daily patient services:			
Room and board	\$ 1,015,313	\$ 732,347	\$ 561,144
Swing	<u>2,436,665</u>	<u>1,023,055</u>	<u>352,374</u>
Total daily patient services	<u>3,451,978</u>	<u>1,755,402</u>	<u>913,518</u>
Other professional services:			
Radiology			
Inpatient	239,169	151,278	76,067
Outpatient	<u>1,715,232</u>	<u>995,652</u>	<u>880,216</u>
Total radiology	<u>1,954,401</u>	<u>1,146,930</u>	<u>956,283</u>
Laboratory			
Inpatient	413,254	198,366	93,613
Outpatient	<u>1,867,322</u>	<u>1,504,980</u>	<u>1,224,819</u>
Total laboratory	<u>2,280,576</u>	<u>1,703,346</u>	<u>1,318,432</u>
Blood			
Inpatient	19,629	23,458	11,012
Outpatient	<u>29,261</u>	<u>22,501</u>	<u>22,023</u>
Total blood	<u>48,890</u>	<u>45,959</u>	<u>33,035</u>
Respiratory therapy			
Inpatient	387,577	331,797	257,565
Outpatient	<u>25,705</u>	<u>28,733</u>	<u>30,616</u>
Total respiratory therapy	<u>413,282</u>	<u>360,530</u>	<u>288,181</u>
Physical therapy			
Inpatient	278,851	84,031	35,765
Outpatient	<u>530,168</u>	<u>219,924</u>	<u>221,406</u>
Total physical therapy	<u>\$ 809,019</u>	<u>\$ 303,955</u>	<u>\$ 257,171</u>

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Schedules of Net Patient Service Revenue (Continued)  
Years Ended December 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Occupational therapy			
Inpatient	\$ 277,275	\$ 68,863	\$ 34,781
Outpatient	<u>237,096</u>	<u>82,661</u>	<u>71,235</u>
Total occupational therapy	<u>514,371</u>	<u>151,524</u>	<u>106,016</u>
Speech therapy			
Inpatient	24,834	11,355	7,426
Outpatient	<u>2,473</u>	<u>-0-</u>	<u>518</u>
Total speech therapy	<u>27,307</u>	<u>11,355</u>	<u>7,944</u>
EKG			
Inpatient	5,532	3,000	2,844
Outpatient	<u>48,094</u>	<u>49,157</u>	<u>41,804</u>
Total EKG	<u>53,626</u>	<u>52,157</u>	<u>44,648</u>
Medical supply			
Inpatient	1,001,361	557,206	216,342
Outpatient	<u>90,098</u>	<u>55,046</u>	<u>68,380</u>
Total medical supply	<u>1,091,459</u>	<u>612,252</u>	<u>284,722</u>
Pharmacy			
Inpatient	1,769,786	1,136,227	465,021
Outpatient	<u>1,235,653</u>	<u>804,611</u>	<u>767,795</u>
Total pharmacy	\$ <u>3,005,439</u>	\$ <u>1,940,838</u>	\$ <u>1,232,816</u>

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 Schedules of Net Patient Service Revenue (Continued)  
 Years Ended December 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Rural health clinic			
Physician services	\$ <u>1,520,417</u>	\$ <u>1,335,705</u>	\$ <u>1,152,438</u>
Total rural health clinic	<u>1,520,417</u>	<u>1,335,705</u>	<u>1,152,438</u>
Wound care			
Inpatient	-0-	1,136	-0-
Outpatient	<u>291,611</u>	<u>216,533</u>	<u>-0-</u>
Total wound care	<u>291,611</u>	<u>217,669</u>	<u>-0-</u>
Emergency room			
Inpatient	145,297	156,083	150,424
Outpatient	<u>1,680,584</u>	<u>1,534,064</u>	<u>1,346,718</u>
Total emergency room	<u>1,825,881</u>	<u>1,690,147</u>	<u>1,497,142</u>
Monitor			
Inpatient	74,803	32,850	16,303
Outpatient	<u>6,157</u>	<u>4,730</u>	<u>6,069</u>
Total monitor	<u>80,960</u>	<u>37,580</u>	<u>22,372</u>
Total other professional services	\$ <u>13,917,239</u>	\$ <u>9,609,947</u>	\$ <u>7,201,200</u>

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Years Ended December 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Gross charges	\$ 17,369,217	\$ 11,365,349	\$ 8,114,718
Less charges associated with charity patients	<u>11,733</u>	<u>69,450</u>	<u>63,407</u>
Gross patient service revenue	17,357,484	11,295,899	8,051,311
Deductions from revenue:			
Medicare and Medicaid contractual adjustments	6,042,402	2,481,565	355,666
Intergovernmental transfers-access grant	(19,797,654)	(17,069,680)	(29,484,021)
Medicaid uncompensated care payments	-0-	(311,385)	-0-
Other contractual adjustments	1,464,245	864,393	985,811
Policy and other discounts	<u>217,536</u>	<u>166,076</u>	<u>113,848</u>
Patient service revenue (net of contractual adjustments and discounts)	29,430,955	25,164,930	36,080,007
Less provision for bad debt	<u>741,459</u>	<u>714,524</u>	<u>867,321</u>
Net patient service revenue less provision for bad debt	\$ <u>28,689,496</u>	\$ <u>24,450,406</u>	\$ <u>35,212,686</u>

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 Schedules of Other Operating Revenue  
 Years Ended December 31,

	<u>2017</u>		<u>2016</u>		<u>2015</u>
HPSA incentive	\$ 15,659	\$	7,495	\$	13,694
Dietary revenue	12,351		18,918		23,698
Health information	9,133		10,294		5,622
Discounts taken	35,310		18,412		71
Pharmacy revenue	6,182		7,599		6,993
Grant administrative fee	43,648		32,514		43,561
Insurance recovery	9,950		3,000		-0-
Administrative processing fee	55,635		109,120		191,648
Miscellaneous revenue	<u>14,730</u>		<u>19,213</u>		<u>10,943</u>
 Total other revenue	 \$ <u>202,598</u>	 \$	 <u>226,565</u>	 \$	 <u>296,230</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Administration	\$ 472,112	\$ 498,391	\$ 579,828
Plant maintenance	103,831	83,585	119,280
Housekeeping	51,333	49,866	52,566
Dietary	100,333	94,143	91,759
Social services	16,526	35,409	35,623
Nursing administration	89,881	80,042	86,503
Health information	114,365	105,829	76,947
Nursing services	1,032,721	805,690	727,437
Radiology	147,480	133,240	123,945
Laboratory	237,954	232,145	239,418
Respiratory therapy	67,739	60,008	46,094
EKG and EEG	5,093	5,301	3,956
Central supply	28,625	28,457	26,579
Pharmacy	183,194	164,019	153,601
Rural health clinic	820,183	742,959	540,752
Emergency room	<u>550,929</u>	<u>527,682</u>	<u>389,156</u>
 Total salaries	 <u>4,022,299</u>	 <u>3,646,766</u>	 <u>3,293,444</u>
 FICA/LUC	 269,935	 242,566	 237,132
Health/life insurance	287,636	271,032	213,452
457/403(b) matching contribution	51,909	48,419	41,212
Worker's compensation	<u>67,516</u>	<u>57,684</u>	<u>81,153</u>
 Total benefits	 <u>676,996</u>	 <u>619,701</u>	 <u>572,949</u>
 Total salaries and benefits	 <u>\$ 4,699,295</u>	 <u>\$ 4,266,467</u>	 <u>\$ 3,866,393</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Nursing services	\$ 34,694	\$ 16,811	\$ 10,698
Radiology	25,741	741	1,088
Laboratory	114,042	87,196	92,940
Blood	33,002	21,091	15,591
Respiratory therapy	8,176	5,737	4,514
Physical and occupational therapy	694	398	502
Pharmacy	640,381	420,664	286,073
Wound care	258	339	-0-
Rural health clinic	36,696	30,925	38,390
Emergency room	<u>(1,875)</u>	<u>1,337</u>	<u>4,706</u>
 Total medical supplies and drugs	 \$ <u>891,809</u>	 \$ <u>585,239</u>	 \$ <u>454,502</u>

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

	<u>2017</u>		<u>2016</u>		<u>2015</u>
Health information	\$ 450	\$	10,318	\$	21,657
Nursing	38,418		24,590		24,175
Radiology	11,692		14,623		11,100
Laboratory	111,014		98,624		125,252
Physical therapy	175,659		123,052		105,476
Occupational therapy	114,616		75,367		63,170
Speech therapy	10,187		5,662		4,312
Pharmacy	20,400		22,100		10,200
Respiratory therapy	160		-0-		-0-
Wound care	154,650		128,700		-0-
Rural health clinic	-0-		-0-		128,272
Emergency room	<u>356,502</u>		<u>494,138</u>		<u>625,849</u>
 Total professional fees	 \$ <u>993,748</u>	\$	 <u>997,174</u>	\$	 <u>1,119,463</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Purchased services	\$ 919,713	\$ 766,531	\$ 682,506
Accounting and legal	58,103	80,736	76,930
Non medical supplies	363,903	292,286	229,381
Repairs and maintenance	242,494	250,154	179,740
Utilities	80,857	79,796	87,768
Telephone	69,322	55,721	79,802
Travel	27,935	33,667	31,061
Rentals	171,710	178,308	181,225
Training	6,881	10,887	8,385
Promotion and advertising	9,573	7,301	8,946
Licensing and publications	38,535	38,360	38,282
Miscellaneous	31,824	27,115	30,980
Tax assessor fees	<u>8,825</u>	<u>8,386</u>	<u>8,384</u>
 Total other expenses	 \$ <u>2,029,675</u>	 \$ <u>1,829,248</u>	 \$ <u>1,643,390</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Board members:			
Penya Fields	\$ 240	\$ 320	\$ 320
Mike Holley	360	440	280
Jennifer Lenard	280	400	320
Edwin Watley	280	320	320
Michael Brandon	360	440	120
	<hr/>	<hr/>	<hr/>
Total	\$ <u>1,520</u>	\$ <u>1,920</u>	\$ <u>1,360</u>

Ward 3, 4 and 10 Hospital Service District  
 Of the Parish of Union, State of Louisiana  
 Reeves Memorial Medical Center  
 Schedule of Compensation, Benefits, and Other Payments  
 to Chief Executive Officer  
 Year Ended December 31, 2017

Agency Head Name: David Caston  
 Position: CEO  
 Time Period: January 1, 2017 to December 31, 2017

<u>Purpose</u>	<u>Amount</u>
Salary	148,200
Health insurance	-0-
Retirement	-0-
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	6,500
Registration fees	877
Conference travel	3,104
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	74



## LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653  
Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758  
Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107  
Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana d/b/a Reeves Memorial Medical Center (the "District"), a component unit of the Union Parish Police Jury, as of and for the years ended December 31, 2017, 2016, and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 18, 2018.

#### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings that we consider to be significant deficiencies: 2017-1, 2017-2, 2017-3, and 2017-4.

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

Compliance and Other Matters

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

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

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

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



Certified Public Accountants  
Alexandria, Louisiana

June 18, 2018



**Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedule of Current Year Findings and Responses  
Year Ended December 31, 2017**

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

*Financial Statements*

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

*Federal Awards* – Not applicable

**Section II. Financial Statement Findings**

**FINDING 2017-1 - Financial Statements**

**Fiscal Year Initially Reported: December 31, 2007**

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

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

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

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

**Fiscal Year Initially Reported: December 31, 2007**

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



**Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedule of Current Year Findings and Responses  
Year Ended December 31, 2017**

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

**FINDING 2017-2 - Segregation of Duties (Continued)**

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

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

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

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

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

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

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

**Resolution:** This matter is partially resolved. Management has engaged a CPA firm to prepare a SOC report with the expectation of completing the report by June 30, 2018.

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

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

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

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

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



Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedule of Current Year Findings and Responses  
Year Ended December 31, 2017

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable



**Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedule of Prior Year Findings and Responses  
Year Ended December 31, 2017**

**Section I. Financial Statement Findings**

**FINDING 2016-1 - Financial Statements**

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

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

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

**Current Status:** This matter has not been resolved - see finding 2017-1.

**FINDING 2016-2 - Segregation of Duties**

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

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

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

**Current Status:** This matter has not been resolved - see finding 2017-2.

**FINDING 2016-3 - Service Organization Control Report**

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

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



**Ward 3, 4 and 10 Hospital Service District  
Of the Parish of Union, State of Louisiana  
Reeves Memorial Medical Center  
Schedule of Prior Year Findings and Responses  
Year Ended December 31, 2017**

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

**FINDING 2016-3 - Service Organization Control Report (Continued)**

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

**Current Status:** This matter has not been resolved - see finding 2017-3.

**FINDING 2016-4 - Third-Party Payor Settlements**

**Finding:** Management is responsible for calculating and recording estimates of interim Medicare and Medicaid cost settlements. An adjustment of \$285,106 was made to record the fiscal year 2016 as-filed cost report receivable/payable from/to Medicare and Medicaid.

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

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

**Current Status:** This matter has not been resolved - see finding 2017-4.

**Section II. Federal Award Findings**

Not applicable

**Section III. Management Letter**

Not applicable







## LESTER, MILLER & WELLS

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Road • Alexandria, LA 71303-3653  
Mailing Address: Post Office Box 8758 • Alexandria, LA 71306-1758  
Telephone: (318) 487-1450 • Facsimile: (318) 445-1184

3639 Ambassador Caffery Parkway, Suite 330 • Lafayette, LA 70503-5107  
Telephone: (337) 484-1020 • Facsimile: (337) 484-1029

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

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

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Ward 3, 4 & 10 Hospital Service District of Parish of Union State of Louisiana and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

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

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing, and approving
  - d) **Receipts**, including receiving, recording, and preparing deposits
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

- g) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approver.
- h) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- i) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Findings:** At the August 2017 board meeting, the board implemented or revised policies related to the following areas: budgeting, purchasing, disbursements, receipts, payroll/personnel, credit cards, ethics, and debt service.

The policy for contracting does not address the standard terms or conditions of contracts or the monitoring of contracts. This policy was last approved by the board in July 2014.

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

Debt service policy did not include debt issuance approval process. It did include the debt reserve and debt service requirements.

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

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

---

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

**Findings:** The board met with a quorum on a frequency in accordance with the board's enabling legislation. The minutes referenced monthly budget-to-actual comparisons. There was no deficit spending during the period. Minutes included non-budgetary financial information.



### ***Bank Reconciliations***

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

**Findings:** We obtained a list of bank accounts, and management provided representation that the list was complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
- Bank reconciliations have been prepared;
  - Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
  - If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

**Findings:** No exceptions were noted in applying the above procedure.

### ***Collections***

---

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

**Findings:** We obtained a list of collection locations, and management provided representation that the list was complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
- Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.



- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
  - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
  - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

**Findings:** No exceptions were noted in applying the above procedure.

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

**Findings:** The cash collection policy has procedures for each area of collections, including: business office, rural health clinic, admissions, and dietary. The District does not have a specifically defined process in writing to determine completeness; however, their processes encompass all types of collections.

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

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

- 8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

**Findings:** We obtained a list of disbursements, and management provided representation that the list was complete.

- 9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
  - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.



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- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for purchases were not processed without an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

**Findings:** Of the twenty-five (25) disbursements selected for testing, twenty (20) did not require a purchase order due to the nature of the items and/or services purchased. The five (5) disbursements requiring purchase orders were supported by a receiving report or other documentation and were properly approved. Payments for purchases were processed, if applicable, with purchase order and approved invoice. Invoice was approved by CEO who did not initiate the purchases.

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

**Findings:** The person responsible for processing payments is not prohibited from adding vendors to the system.

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

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

**Findings:** Persons with signatory authority can initiate purchases but are prohibited from recording purchases.

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

**Findings:** Unused blank check stock is maintained in a locked location. Of the two (2) people who can access the check stock, one (1) person has signatory authority and the ability to print checks.

**Management's Response:** Due to small staff, these duties cannot be segregated. However, close supervision is in this area. CEO reviews and approves all checks before returning to preparer for mailing. CEO has no signatory authority or ability to print checks.

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

**Findings:** Signature stamps are not used. Signed checks are returned to the preparer to be mailed.



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

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

**Findings:** We obtained a list of all active credit cards, and management provided representation that the list was complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

**Findings:** All credit cards selected with charges were on a combined statement that was reviewed and approved by management. Finance and/or late fees were not assessed on the combined statement. No exceptions were noted in applying the above procedures.

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



**Findings:** For the four (4) credit cards examined, forty-eight (48) credit card transactions were tested and all transactions had an original itemized receipt identifying what was purchased. All forty-eight (48) transactions had a documented business purpose. Seven (7) transactions involved meals for business purposes and identify the individuals participating. Thirty-four (34) transactions did not include the required purchase order for non-food items over \$20. Per policy for credit cards, a purchase order is required for all non-food purchases over \$20.

None of the transactions were subject to the Louisiana Public Bid Law or violated the requirements of Article 7, Section 14 of the Louisiana Constitution.

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

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

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17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

**Findings:** We obtained a list of all travel and related expense reimbursements, and management provided representation that the listing is complete.

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

**Findings:** The lunch and dinner per diems set by the District's policy exceed the GSA rates by \$4 and \$2, respectively.

**Management's Response:** As the GSA website addresses meal rates by zip code, our people attend meetings in areas where food may cost more than in our zip code area. Therefore, for now we will leave meal per diems at the current rate.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
  - b) Report whether each expense is supported by:
    - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
    - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).



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

**Findings:** No exceptions were noted in applying the above procedure.

### **Contracts**

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20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

**Findings:** We obtained a list of contract vendors for the period, and management provided representation that the list was complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
  - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
    - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
    - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
  - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
  - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
  - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

**Findings:** For the five (5) vendors selected for testing, the District had a formal, written agreement that supported the services being provided and the amounts paid.



None of the contracts were subject to the Louisiana Public Bid Law or the Procurement Code. Four (4) of the contracts chosen are long-standing contracts for services. The remaining contract is for a lease and no quotes were obtained.

Two (2) of the five (5) contracts were amended and approved by the board. One amendment called for a switch from monthly payments to an annual payment. The other amendment changed the percentage of collection fees.

Each of the invoices and related payments to the five vendors complied with the terms and conditions of the contract.

All five (5) contracts had documentation of board approval.

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

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

**Findings:** We obtained a listing of employees and their related salaries, and management provided representation that the list was complete. No exceptions were noted in applying the above procedure.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
  - Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

**Findings:** Department heads review and approve overall time for their department electronically on the time management system used by the hospital. Of the twenty-five (25) employees tested, there was no documentation for approval of employee leave time. Per hospital employee handbook, the employees are required to give a written request for time off at least two (2) weeks prior to scheduled leave.



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

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

**Findings:** We obtained a list of employees terminated during the period, and management provided representation that the list was complete. The two (2) termination payments tested were made in accordance with the District's policy.

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

**Findings:** Employee and employer portions of payroll taxes and retirement contributions were submitted by the required deadlines with the required reporting forms. No exceptions noted.

#### ***Ethics (excluding nonprofits)***

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

**Findings:** Of the five (5) employees randomly selected, only four (4) employees were required to complete the ethics training per R.S. 42:1170. The District maintained documentation demonstrating completion of the training by three (3) of the selected employees. No exceptions noted.

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

**Findings:** A HIPAA breach occurred during the fiscal period.

**Management's Response:** Management investigated the violation and corrective action was taken.



***Debt Service (excluding nonprofits)***

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

**Findings:** No debt was issued during the fiscal period under examination.

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

**Findings:** The District made scheduled debt service payments and maintained debt reserves as required by debt covenants for all outstanding debt during the fiscal period.

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

**Findings:** The above procedure is not applicable.

***Other***

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

**Findings:** Per inquiry of management, there were no misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Findings:** The notice required by R.S. 24:523.1 is posted on the premises; however, the notice is not posted on the District's website.

**Management's Response:** Management will correct this oversight by posting notice required by R.S. 24:523.1 on the District's website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

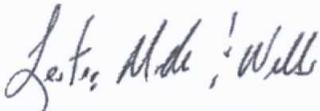
**Findings:** No exceptions were noted in applying the above procedure.



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

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



Certified Public Accountants  
Alexandria, Louisiana

June 18, 2018

