

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

DECEMBER 31, 2017 AND 2016

FRANKLINTON, LOUISIANA

FINANCIAL STATEMENTS
WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
DECEMBER 31, 2017 AND 2016
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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying statements of net position of Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center (Hospital), a component unit of the Washington Parish Council, State of Louisiana, as of and for the years ended December 31, 2017 and 2016, and related statements of revenues, expenses, and changes in net position and statements of cash flows for the years ended, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINIONS

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

OTHER MATTERS

Required Supplementary Information

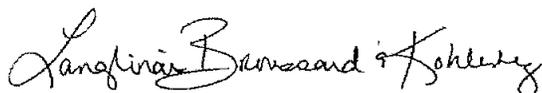
The Hospital has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Other Supplemental Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.



LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, LA
June 28, 2018

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

STATEMENT OF NET POSITION

DECEMBER 31,

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and Cash Equivalents	\$ 561,538	\$ 459,482
Patient Accounts Receivable, less Allowance for Doubtful Accounts of \$4,154,640 and \$5,137,257, respectively	4,320,403	4,717,895
Estimated Third-Party Payor Settlements	633,618	190,332
Inventory	707,295	662,817
Prepaid Expenses	92,268	93,103
Ad Valorem Tax Receivable	1,086,501	1,347,643
Other Receivables	3,294,179	2,445,090
Total Current Assets	10,695,802	9,916,362
Capital Assets		
Land	42,921	42,921
Construction in Progress	45,623	30,750
Depreciable Capital Assets, Net of Accumulated Depreciation	6,956,282	6,558,930
Total Capital Assets, Net of Accumulated Depreciation	7,044,826	6,632,601
Total Assets	\$ 17,740,628	\$ 16,548,963

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

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

STATEMENT OF NET POSITION

DECEMBER 31,

LIABILITIES AND NET POSITION

	2017	2016
Current Liabilities		
Accounts Payable	\$ 3,992,861	\$ 4,206,529
Current Maturities of Capital Lease	687,912	638,483
Current Maturities of Notes Payable	337,719	137,909
Estimated Third-Party Payor Settlements	1,062,987	830,252
Patient Accounts - Credit Balances	382,028	276,493
Line of Credit	-	450,000
Accrued Salaries	303,657	221,624
Accrued Compensated Absences	812,858	797,471
Accrued Payroll Liabilities and Health Insurance Reserve	420,200	281,914
Accrued Interest Payable	-	6,016
	<u>8,000,222</u>	<u>7,846,691</u>
Long-Term Debt		
Capital Leases Payable	964,983	1,334,227
Note Payable - Pharmacy Inventory	49,055	91,055
Cost Report Extended Repayment Plan, 2016	-	201,593
Cost Report Extended Repayment Plan, 2016	230,859	-
Cost Report Extended Repayment Plan, 2017	93,872	-
2017 Series of Indebtedness	751,000	-
	<u>2,089,769</u>	<u>1,626,875</u>
Total Long-Term Debt	<u>2,089,769</u>	<u>1,626,875</u>
Total Liabilities	<u>10,089,991</u>	<u>9,473,566</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	5,391,931	4,659,891
Unrestricted	2,258,706	2,415,506
	<u>7,650,637</u>	<u>7,075,397</u>
Total Liabilities and Net Position	<u>\$ 17,740,628</u>	<u>\$ 16,548,963</u>

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

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

DECEMBER 31,

	2017	2016
Operating Revenues		
Net Patient Service Revenue before Provision for Doubtful Accounts	\$ 27,773,147	\$ 27,685,829
Less: Provisions for Doubtful Accounts	(3,870,886)	(4,427,578)
Net Patient Service Revenue after Provision for Doubtful Accounts	23,902,261	23,258,251
Advalorem Taxes	1,399,829	1,399,268
Intergovernmental Transfers - Operating	5,677,300	3,336,233
Other Operating Revenue	156,640	151,263
Total Operating Revenues	31,136,030	28,145,015
Operating Expenses		
Salaries	11,740,889	11,923,422
Employee Benefits	4,093,440	3,769,434
Outside Services and Professional Fees	6,405,603	6,083,604
Depreciation and Amortization	1,419,023	1,365,683
Supplies and Other Expenses	6,855,652	6,764,124
Total Operating Expenses	30,514,607	29,906,267
Gain (Loss) from Operations	621,423	(1,761,252)
Non-Operating Revenues (Expenses)		
Non-Operating Grants	30,080	31,708
Rental Income	36,480	32,148
Interest Income	12,157	4,840
Interest Expense	(120,263)	(60,710)
Gain (Loss) on the Sale of Assets	(4,637)	1,867
Total Non-Operating Revenues (Expenses)	(46,183)	9,853
Change in Net Position	575,240	(1,751,399)
Beginning Net Position	7,075,397	8,826,796
Ending Net Position	\$ 7,650,637	\$ 7,075,397

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

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

STATEMENT OF CASH FLOWS

DECEMBER 31,

	2017	2016
Cash Flows from Operating Activities		
Receipts from Patients and Third-Party Payors	\$ 24,309,701	\$ 25,006,264
Receipts from Ad Valorem Taxes	1,660,971	1,386,630
Receipts from Intergovernmental Transfers	4,827,830	3,106,151
Payments to Suppliers	(13,003,109)	(14,149,477)
Payments to Employees for Salaries and Benefits	(16,076,561)	(15,387,194)
Net Cash Flows Provided By (Used In) Operating Activities	1,718,832	(37,626)
Cash Flows from Non-Capital Financing Activities		
Proceeds From Notes Payable	1,429,898	464,607
Proceeds From Line of Credit	-	450,000
Payments on Notes Payable	(847,950)	(34,049)
Net Cash Flows Provided By Non-Capital Financing Activities	581,948	880,558
Cash Flows from Investing Activities		
Interest and Rental Income	48,637	36,988
Gain (Loss) on the Sale of Assets	4,637	(1,867)
Net Cash Flows Provided By Investing Activities	53,274	35,121
Cash Flows from Capital and Related Financing Activities		
Purchases of Capital Assets	(1,843,461)	(430,099)
Grants related to Capital Purchases	30,080	31,708
Interest Paid on Debt Obligations	(120,263)	(54,694)
Proceeds from Borrowings	350,304	251,280
Payment of Capital Lease Obligations	(668,658)	(603,326)
Net Cash Flows (Used in) Capital and Related Financing Activities	(2,251,998)	(805,131)
Net Increase (Decrease) in Cash and Cash Equivalents	102,056	72,922
Cash and Cash Equivalents at Beginning of the Year	459,482	386,560
Cash and Cash Equivalents at Ending of the Year	\$ 561,538	\$ 459,482

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

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

STATEMENT OF CASH FLOWS

DECEMBER 31,

	2017	2016
Reconciliation of Income from Operations to Net Cash Flows		
Provided by (Used In) Operating Activities		
Net Income (Loss) from Operations	\$ 621,423	\$ (1,761,252)
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	1,419,023	1,365,683
Provision for Doubtful Accounts	3,870,886	4,427,578
Increase in Patient Accounts Receivable	(3,372,397)	(5,172,002)
Decrease (Increase) in Advalorem Taxes Receivable	261,142	(12,638)
Increase in Inventory	(44,478)	(204,351)
Decrease in Prepaid Expenses	835	4,410
Increase in Other Receivables	(849,089)	(326,436)
Increase in Estimated Third-Party Payor Settlements Receivable	(443,286)	(16,953)
Increase in Estimated Third-Party Payor Settlements Payable	232,735	411,215
(Decrease) Increase in Accounts Payable	(213,668)	1,506,100
Increase in Accrued Salaries	82,033	64,941
Increase (Decrease) in Accrued Compensated Absences	15,387	(96,376)
Increase (Decrease) in Accrued Payroll Liabilities and Health Insurance Reserve	138,286	(227,545)
Net Cash Flows Provided By (Used In) Operating Activities	\$ 1,718,832	\$ (37,626)

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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

Reporting Entity

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

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

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

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

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

Use of Estimates

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

Enterprise Fund Accounting

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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

Cash and Cash Equivalents

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

Restricted Assets

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

Capital Assets

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

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

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

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

Inventory

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

Cost of Borrowing

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

Restricted Resources

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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

Net Position

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

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

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

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

Operating Revenue and Expenses

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

Compensated Absences

Full-time employees are granted vacation in varying amounts as established by Hospital policy. Unused vacation days earned, up to a maximum range of 288-448 hours per year, depending on tenure, may be carried forward and accumulated. In the event of termination, an employee is reimbursed for accumulated vacation days. Accrued compensated absences on the Hospital's Statement of Net Position were \$812,858 and \$797,471 for years ended December 31, 2017 and 2016, respectively.

In addition, full and part-time employees are also granted sick pay at a rate of 0.02313 hours per paid hour as established by Hospital policy. Unused sick pay, up to a maximum of 480 hours, may be accumulated. Unused sick pay is not payable upon termination, unless the employee has a balance in the Reserve EIT bank, which was created to "grandfather in" eligible employees at the time the extended sick policy was revised. These employees are paid at the rate of one-half their current hourly rate, for each accrued hour of sick time, not to exceed 480 hours.

Risk Management

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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

Investment in Debt and Equity Securities

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

Net Patient Service Revenue

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

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

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

Cost reimbursed services are paid at tentative rates, with final settlement determined after submission of annual cost reports and the completion of audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare fiscal intermediary through December 31, 2015.

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

The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and the completion of audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited or reviewed by the Medicaid Traditional fiscal intermediary through December 31, 2011.

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

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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

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

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

Ad valorem Taxes

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

A special election was held on Saturday, April 21, 2012 where the taxpayers approved a 10 year, 18 mills tax for "acquiring, constructing, improving, maintaining and operating the hospital and medical buildings and facilities, including equipment and fixtures, of the District". For the fiscal years ended 2017 and 2016, this was the only millage assessed by the Hospital.

Ad valorem taxes make up approximately 4.5% and 4.9% of the hospital's financial support for the years ended December 31, 2017 and 2016, respectively.

Income Taxes

The Hospital is a political subdivision and exempt from taxes.

Advertising

The Hospital expenses advertising costs as incurred. Advertising expenses incurred during the years ended December 31, 2017 and 2016, totaled \$7,753 and \$10,872, respectively.

Environmental Matters

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

Reclassifications

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

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 2: CASH AND CASH EQUIVALENTS

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

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

	2017	2016
Insured by the FDIC	\$ 250,000	\$ 250,000
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	2,631,035	2,114,953
Total Collateral Held for Bank Balances	\$ 2,881,035	\$ 2,364,953
Total Carrying Value per Bank	\$ 925,561	\$ 1,376,819

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

	2017	2016
Total Cash and Cash Equivalents	\$ 561,538	\$ 459,482

NOTE 3: ACCOUNTS RECEIVABLE - PATIENTS

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

Patients Accounts Receivable consists of the following:

	2017	2016
Total Patient Accounts Receivable	\$ 12,594,887	\$ 13,939,929
Less: Allowances for Doubtful Accounts and Contractual Allowances	8,274,484	9,222,034
Total Patient Accounts Receivable	\$ 4,320,403	\$ 4,717,895

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NOTE 4: ACCOUNTS RECEIVABLE - OTHER

Other accounts receivable consists of the following:

	2017	2016
Grant Receivable	\$ 3,117,642	\$ 2,268,172
Other Receivables	176,537	176,918
Total Other Accounts Receivable	\$ 3,294,179	\$ 2,445,090

NOTE 5: RELATED PARTY RECEIVABLE

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

Included in the other receivables balance described in Note 4, the Hospital has accrued \$4,890 and \$1,800 in 2017 and 2016, respectively, in relation to amounts receivable by board members enrolled in the Hospital's health plan for their portion of the Healthcare premium.

NOTE 6: MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 75% and 73% of its gross patient service revenue in 2017 and 2016, respectively, from patients covered by the Medicare and Medicaid programs. The Hospital received Intergovernmental Revenue of \$5,677,300 and \$3,336,233, which accounted for 18% and 12% of total revenues for the years ended December 31, 2017 and 2016, respectively.

NOTE 7: NET PATIENT SERVICE REVENUE

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

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

	2017	2016
Medicare	\$ 4,847,879	\$ 5,493,411
Medicaid	6,353,055	4,041,727
All other payors	16,572,213	18,150,691
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	\$ 27,773,147	\$ 27,685,829

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NOTE 7: NET PATIENT SERVICE REVENUE, CONTINUED

The following schedule represents total Net Patient Service Revenue:

	2017	2016
Gross Patient Service Revenue	\$74,298,691	\$70,111,555
Less: Contractual Adjustments	(46,525,544)	(42,425,726)
Net Patient Service Revenue Before Provision for Doubtful Accounts	27,773,147	27,685,829
Provision for Doubtful Accounts	(3,870,886)	(4,427,578)
Net Patient Service Revenue after Provision For Doubtful Accounts	\$23,902,261	\$23,258,251

NOTE 8: CHARITY CARE

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Hospital maintains records to identify and monitor the level of charity care it provides. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone and supplies furnished, based on established rates, were \$-0- and \$23,113 as of December 31, 2017 and 2016, respectively.

Management estimates that approximately \$-0- and 9,859 of costs were related to charity care for the years ended December 31, 2017 and 2016, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

NOTE 9: CAPITAL ASSETS

Capital assets by major category are as follows:

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

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NOTE 9: CAPITAL ASSETS, CONTINUED

	<u>December 31, 2016</u>			
	<u>12/31/2015</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>12/31/2016</u>
Land Improvements	\$ 889,758	\$ -	\$ -	\$ 889,758
Buildings	13,085,341	45,442	8,540	13,122,243
Equipment	9,734,700	353,907	453,030	9,635,577
Gross Capital Assets	<u>23,709,799</u>	<u>399,349</u>	<u>461,570</u>	<u>23,647,578</u>
Less: Accumulated Depreciation	<u>(16,162,113)</u>	<u>(1,365,683)</u>	<u>(439,148)</u>	<u>(17,088,648)</u>
Depreciable Capital Assets, Net	7,547,686	(966,334)	22,422	6,558,930
Land	42,921	-	-	42,921
Construction in Progress	43,848	30,750	43,848	30,750
Net Capital Assets	<u>\$ 7,634,455</u>	<u>\$ (935,584)</u>	<u>\$ 66,270</u>	<u>\$ 6,632,601</u>

Depreciation expense for the years ended December 31, 2017 and 2016 amounted to \$1,419,023 and \$1,365,683, respectively.

Equipment in the amount of \$4,767,187 and \$4,414,382 was under capital lease for the periods ended December 31, 2017 and 2016, respectively. The related amortization/depreciation expense recognized for these periods was \$874,006 and \$806,792, respectively.

NOTE 10: SHORT-TERM DEBT

At the June 23, 2016 board meeting, the board approved to access a line of credit which had been created with an interest rate of 2.75%. During 2016, the Hospital drew on this line of credit in the amount of \$450,000. Accrued interest at December 31, 2016 was \$6,016. The line of credit was paid off on March 1, 2017.

NOTE 11: LONG-TERM DEBT

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

	<u>2017</u>	<u>2016</u>
Capital Lease Obligation, for the acquisition of Fluoroscopic X-Ray Equipment, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, maturity in 2019	\$ 108,677	\$ 174,492
Capital Lease Obligation, for the acquisition of Physical Therapy Monitoring System, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, maturity in 2019	103,801	160,523
Capital Lease Obligation, for the acquisition of Mammography, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, maturity in 2019	78,326	125,762
Capital Lease Obligation, for the acquisition of E9 Vivid T Probe, collateralized by the equipment, payable in 51 monthly installments at a 3.25% interest rate, maturity in 2018	1,565	6,156

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DECEMBER 31, 2017 AND 2016

NOTE 11: LONG-TERM DEBT, CONTINUED

Capital Lease Obligation, for the acquisition of E9 Vivid V Probe, collateralized by the equipment, payable in 45 monthly installments at a 3.25% interest rate, maturity in 2018	605	2,380
Capital Lease Obligation, Olympus Videoscope, collateralized by the equipment, payable in 36 monthly installments at a 3.69% interest rate, maturity in 2017	-	7,268
Capital Lease Obligation, for acquisition of Cath Lab Building, collateralized by the building, payable in 60 monthly installments at a 3.70% interest rate, maturity in 2019	85,184	131,446
Capital Lease Obligation, for the acquisition of E9 Ultrasound, collateralized by the equipment, payable in 60 monthly installments at a 1.00% interest rate, maturity in 2018	7,302	29,059
Capital Lease Obligation, for the acquisition of GE Ultrasound, collateralized by the equipment, payable in 60 monthly installments at a .77% interest rate, maturity in 2017	-	12,213
Capital Lease Obligation, for the acquisition of the Cerner Patient Accounting Software System in progress, collateralized by the system, payable in 60 monthly installments at a 3.531% interest rate, maturity in 2020	488,097	685,583
Capital Lease Obligation, for the acquisition of the Toshiba Aquilion Prime 80 CT, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, maturity in 2019	221,248	326,602
Capital Lease Obligation, for the acquisition of the IVUS s5i Imaging System, collateralized by the equipment, payable in 48 monthly installments at a 3.25% interest rate, maturity in 2019	28,133	44,297
Capital Lease Obligation, for the acquisition of the AutoCAT 2 WAVE Intra-Aortic Balloon Pump System, collateralized by the equipment, payable in 60 monthly installments at a 7.25% interest rate, maturity in 2019	19,928	28,861
Capital Lease Obligation, for the acquisition of the Olympus Videoscope, collateralized by the equipment, payable in 60 monthly installments at a 4.13% interest rate, maturity in 2021	94,107	118,593
Capital Lease Obligation, for the acquisition of the GE Nuclear Medicine System, collateralized by the equipment, payable in 60 monthly installments at a 3.82% interest rate, maturity in 2021	97,253	119,476
Note Payable, for the acquisition of the pharmacy inventory from Fuller Selle, LLC dba PharmaCare, payable in 48 monthly installments with no interest rate, maturity in 2020	91,055	133,054

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NOTE 11: LONG-TERM DEBT, CONTINUED

Cost Report Extended Payment Plan, FY 12/31/16- Interim payment data, payable in 34 monthly installments with a 9.65% interest rate, maturity in 2019	44,904	297,502
Capital Lease Obligation, for the acquisition of Fresenius Kabi IV Pumps, collateralized by the equipment, payable in 66 monthly installments at a 6.80% interest rate, maturity in 2022	69,862	-
Capital Lease Obligation, for the acquisition of an Infinitt Workstation, collateralized by the equipment, payable in 60 monthly installments at a 7.00% interest rate, maturity in 2022	10,115	-
Capital Lease Obligation, for the acquisition of an Infinitt PACS System, collateralized by the equipment, payable in 60 monthly installments at a 7.36% interest rate, maturity in 2022	160,653	-
Capital Lease Obligation, for the acquisition of a GE Ultrasound Logic S8 XD Clear, collateralized by the equipment, payable in 60 monthly installments at a .14% interest rate, maturity in 2022	78,039	-
Cost Report Extended Payment Plan, FY 12/31/16, payable in 30 monthly installments at a 10% interest rate, maturity in 2020	422,949	-
Cost Report Extended Payment Plan, FY 12/31/17-Interim payment data, payable in 34 monthly installments at a 10% interest rate, maturity in 2020	152,597	-
2017 Series of Indebtedness, payable in semi-annual installments at a 3.51% interest rate, maturity in 2027	751,000	-
Gross Long-Term Debt	3,115,400	2,403,267
Less: Current Portion	1,025,631	776,392
Long-Term Portion	<u>\$ 2,089,769</u>	<u>\$ 1,626,875</u>

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

	<u>December 31, 2017</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Lease Obligations	\$ 1,972,710	\$ 350,304	\$ 670,118	\$ 1,652,896
Note payable - Pharmacy and Cost Report Repayment Plan	430,557	678,897	397,950	711,504
2017 Series of Indebtedness	-	751,000	-	751,000
Total Long-Term Debt	<u>\$ 2,403,267</u>	<u>\$1,780,201</u>	<u>\$1,066,608</u>	<u>\$ 3,115,400</u>

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NOTE 11: LONG-TERM DEBT, CONTINUED

	<u>December 31, 2016</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Lease Obligations	\$ 2,372,432	\$ 251,280	\$ 651,002	\$ 1,972,710
Note payable - Pharmacy and Cost Report Repayment Plan	-	464,607	34,050	430,557
Total Long-Term Debt	\$ 2,372,432	\$ 715,887	\$ 685,052	\$ 2,403,267

Balance due within one year:

	<u>2017</u>	<u>2016</u>
Capital Lease Obligations	\$ 687,912	\$ 638,483
Note Payable - Pharmacy and Cost Report Repayment Plan	337,719	137,909
Total Current Portion of Long-Term Debt	\$ 1,025,631	\$ 776,392

Scheduled repayments on long-term debt are as follows:

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

	<u>December 31, 2016</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 776,392	\$ 82,705	\$ 859,097
2018	768,740	51,752	820,492
2019	686,748	19,978	706,726
2020	131,831	3,216	135,047
2021	39,556	1,152	40,708
Total	\$2,403,267	\$ 158,803	\$ 2,562,070

Interest expense incurred on long-term debt was \$120,263 and \$60,710 for the years ended December 31, 2017 and 2016, respectively.

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DECEMBER 31, 2017 AND 2016

NOTE 12: LEASES

The Hospital is obligated under certain operating leases for various equipment, terms, and lengths of time. Amounts paid under these leases totaled \$405,959 and \$364,415 for the years ended December 31, 2017 and 2016, respectively.

The Hospital leases office space to various tenants, including physicians. Rental income received under these arrangements totaled \$36,480 and \$32,148 for the years ended December 31, 2017 and 2016, respectively.

NOTE 13: CONCENTRATIONS OF CREDIT RISK

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

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

	2017	2016
Medicare	33.2%	30.4%
Medicaid	14.7%	13.6%
Commercial, Private, and Other Third Party Payors	52.1%	56.0%
Total	100.0%	100.0%

NOTE 14: DEFINED CONTRIBUTION PLAN

The Hospital offers to its employees a single employer defined contribution plan, the Riverside Medical Center Retirement Plan, in accordance with Internal Revenue Code Section 457. Substantially all employees who have completed one year of service are eligible to participate. Under the plan, the maximum deferral offered to the employees is \$18,000 for December 31, 2017 and 2016, respectively, as defined in the plan agreement. The Hospital is required to match 100% of the employees' deferral, not to exceed 3% of the employees' salary or maximum deferral. Participants become fully vested after five years, with no graduated vesting occurring between years one through four. Employer contributions were \$159,823 and \$152,093 for the years ended December 31, 2017 and 2016, respectively. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, and the benefits may not be diverted to any other use. Forfeitures may be used to reduce future Hospital contributions.

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

NOTE 15: CONTINGENCIES

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

The principal contingencies are described below.

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NOTE 15: CONTINGENCIES, CONTINUED

Third Party Cost-Based Charges

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

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

Professional Liability Risk

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

Workman's Compensation Risk

The Hospital participated in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund in 2017 and 2016. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any.

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

Self-Insurance for Health Insurance

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

Laws and Regulations

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

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NOTE 15: CONTINGENCIES, CONTINUED

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

NOTE 16: NET POSITION

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

	2017	2016
Invested in Capital Assets, net of related debt	\$ 5,391,931	\$ 4,659,891
Restricted for:		
Unrestricted	2,258,706	2,415,506
Total Net Position	\$ 7,650,637	\$ 7,075,397

NOTE 17: UNCOMPENSATED CARE REVENUE

The Hospital received Uncompensated Care payments for the years ended December 31, 2011 and prior. These payments were based upon estimated uncompensated care cost and are still subject to audit by the Louisiana Department of Health and Hospitals. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized.

NOTE 18: GRANT REVENUE

The Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The aggregate IGT grant income recognized is \$5,677,300 and \$3,336,233 for the years ended December 31, 2017 and 2016, respectively.

The Hospital recognized non-operating grant income of \$30,080 and \$31,708 from Medicare and Medicaid for the years ended December 31, 2017 and 2016, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use" which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in in three stages, with each progressive stage incorporating more stringent measures. The Hospital's policy is to record the incentive payments once various stages have been met and the funds received, rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the Hospital meets certain criteria in future implementation.

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

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NOTE 19: THOMAS CLINIC

Effective June 22, 2017, Riverside Medical Center completed the purchase of the Thomas Clinic, located in Thomas, Louisiana. The Hospital recognized patient revenues and clinic expenses during the year ended December 31, 2017.

NOTE 20: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Beginning after December 18, 2018, a new revenue recognition standard will be in effect, Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers.

FASB's new lease accounting standard, ASU 2016-02, Leases (Topic 842), was issued on February 25, 2016. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. The ASU on leases will take effect for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early application will be permitted for all organizations.

NOTE 21: SUBSEQUENT EVENTS

Effective February 15, 2018, the hospital received approval by the Bond Commission for a line of credit in the amount of \$900,000 with a 3.0% interest rate.

Effective April 23, 2018, the Hospital entered into a capital lease agreement with GE Financial for a VIVID E90 Ultrasound machine in the amount of \$207,330, due in monthly installments at an interest rate of 2.76%, maturing in the year 2023, collateralized by the equipment.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 28, 2018.

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SCHEDULE OF REVENUE	2017			2016
	INPATIENT	OUTPATIENT	TOTAL	TOTAL
Daily Patient Services				
Medical and Surgical	\$ 730,006	\$ 677,492	\$ 1,407,498	\$ 1,811,497
Intensive Care	78,994	8,560	87,554	47,427
Swing Bed	153,640	-	153,640	140,160
Total Daily Patient Services	<u>962,640</u>	<u>686,052</u>	<u>1,648,692</u>	<u>1,999,084</u>
Other Nursing Services				
Emergency Services	80,307	6,855,517	6,935,824	7,104,743
Operating and Recovery Rooms	586,542	5,250,746	5,837,288	6,220,359
Total Other Nursing Services	<u>666,849</u>	<u>12,106,263</u>	<u>12,773,112</u>	<u>13,325,102</u>
Other Professional Services				
Anesthesiology	205,668	1,148,625	1,354,293	1,361,704
Cardiac Rehab	-	231,996	231,996	202,504
Cardiopulmonary	990,845	719,558	1,710,403	1,822,379
CT Scan	287,129	6,068,659	6,355,788	5,888,629
Cath Lab	189,115	7,859,779	8,048,894	7,175,185
Dialysis	2,475	1,650	4,125	10,725
Dietary	12,626	10,513	23,139	16,859
Echo and Doppler	161,526	1,477,386	1,638,912	1,313,408
Electrocardiology/Electroencephalography	78,594	1,390,953	1,469,547	1,392,054
Franklinton Clinic	-	718,040	718,040	1,560,427
Hospice	26,000	-	26,000	27,000
Hospitalist	233,220	188,407	421,627	424,640
Infusion Therapy	196,489	2,032,986	2,229,475	1,846,183
Laboratory	656,464	13,779,917	14,436,381	12,757,360
Mammography	-	568,638	568,638	445,137
MRI	18,213	849,257	867,470	749,934
Nuclear Medicine	109,883	1,325,379	1,435,262	1,458,443
Pediatric Internal Medicine Clinic	-	720,087	720,087	659,899
Pharmacy	1,874,077	6,116,568	7,990,645	6,383,085
Physician Offices	-	967,374	967,374	214,072
Radiology	59,885	2,203,710	2,263,595	2,902,996
Speech/Occupational/Physical Therapy	64,431	1,711,193	1,775,624	1,683,737
Thomas Clinic	-	1,719,923	1,719,923	1,187,701
Riverside Medical Center Surgery Center	-	57,256	57,256	71,773
Ultrasound	57,940	1,339,208	1,397,148	1,263,212
Woundcare	-	1,445,245	1,445,245	1,968,323
Total Other Professional Services	<u>5,224,580</u>	<u>54,652,307</u>	<u>59,876,887</u>	<u>54,787,369</u>
Gross Patient Service Revenue	<u>\$ 6,854,069</u>	<u>\$ 67,444,622</u>	74,298,691	70,111,555
Less: Contractual Adjustments			(46,525,544)	(42,425,726)
Net Patient Service Revenue, before Provision for Doubtful Accounts			<u>\$ 27,773,147</u>	<u>\$ 27,685,829</u>

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

SCHEDULE OF OTHER REVENUE

DECEMBER 31,

	<u>2017</u>	<u>2016</u>
Other Operating Revenue		
Cafeteria	\$ 59,960	\$ 37,948
Vending	27,738	31,276
Other	<u>68,942</u>	<u>82,039</u>
 Total Other Operating Revenue	 <u>\$ 156,640</u>	 <u>\$ 151,263</u>

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

SCHEDULE OF EXPENSES

DECEMBER 31,

	2017	2016
Salaries		
Administrative	\$ 1,397,061	\$ 1,523,431
Anesthesiology	288,368	361,559
Cardiac Rehab	82,992	74,265
Cardiopulmonary	541,790	546,484
Cath Lab	167,474	180,427
Central Services and Supply	86,293	78,561
CT Scan	59,373	58,650
Dietary	136,825	124,194
Echo and Doppler	63,469	60,353
Electrocardiology	38,597	36,308
Emergency Services	1,498,028	1,527,765
Franklinton Clinic	597,173	547,856
Housekeeping	169,213	172,937
Infusion Therapy	135,832	139,420
Intensive Care	106,184	53,276
Laboratory	788,705	803,738
Mammography	53,089	39,353
Medical and Surgical	855,849	946,130
Nuclear Medicine	73,774	100,745
Nursing Administration	568,121	686,154
Operating and Recovery Rooms	266,595	276,323
Pediatric Internal Medicine Clinic	513,150	578,474
Physician Office - Access Clinic	4,773	105,048
Physician Office	682,336	622,054
Plant Operations	165,232	189,331
Radiology	443,205	441,361
Social Services	135,751	125,261
Speech/Occupational/Physical Therapy	516,141	466,109
Surgery Center	405,695	365,023
Thomas Clinic	754,084	549,663
Ultrasound	145,717	143,169
Total Salaries	\$ 11,740,889	\$ 11,923,422

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

SCHEDULE OF EXPENSES

DECEMBER 31,

	2017	2016
Outside Services and Professional Fees		
Administrative	1,540,352	1,267,292
Cardiology	1,300,520	1,130,520
Cath Lab	10,628	4,605
CT Scan	400	4,264
Dialysis	30,000	30,000
Dietary	44,942	43,756
Electrocardiology/Electroencephalography	146,857	146,504
Emergency Services	906,364	899,290
Franklinton Clinic	4,196	57,292
Hospitalist	175,000	175,000
Housekeeping	55,602	56,335
Information Technology	366,829	377,327
Laboratory	601,434	492,237
Mammography	6,100	1,375
Med/Surge	35,000	42,000
MRI	249,900	222,600
Nuclear Medicine	5,014	4,337
Pediatric Internal Medicine Clinic	355	3,735
Pharmacy	454,191	555,131
Physician Office	1,259	1,282
Plant Operations	22,859	20,003
Radiology	6,057	1,200
Social Services	4,158	4,158
Speech/Occupational/Physical Therapy	25,985	23,631
Surgery Center	1,146	1,344
Swingbed	2,400	2,400
Thomas Clinic	74,405	71,211
Woundcare	333,650	444,775
	<u>333,650</u>	<u>444,775</u>
Total Outside Services and Professional Fees	<u>\$ 6,405,603</u>	<u>\$ 6,083,604</u>

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

SCHEDULE OF EXPENSES

DECEMBER 31,

	2017	2016
Supplies and Other Expenses		
Administrative	\$ 1,241,962	\$ 1,270,752
Anesthesiology	16,670	12,558
Cardiac Rehab	3,897	2,248
Cardiopulmonary	104,238	99,277
Cath Lab	1,011,649	983,277
Central Services and Supply	(18,803)	5,506
CT Scan	114,246	76,767
Dietary	123,747	94,603
Echo and Doppler	18,867	22,221
Electrocardiology/Electroencephalography	5,707	6,588
Emergency Services	143,783	189,090
Franklinton Clinic	64,568	78,916
Housekeeping	59,143	65,356
Information Technology	150,512	115,160
Infusion Therapy	41,549	35,434
Intensive Care	6,005	11,394
Laboratory	962,790	886,501
Mammography	44,378	39,308
Medical and Surgical	68,763	100,958
MRI	27,938	27,068
Nuclear Medicine	76,258	88,900
Nursing Administration	21,303	24,911
Operating and Recovery Rooms	309,533	296,543
Pediatric Internal Medicine Clinic	82,583	75,793
Pharmacy	1,127,500	1,148,712
Physician Office - Access Clinic	511	28,498
Physician Office	59,935	44,518
Plant Operations	655,584	616,412
Radiology	196,048	197,530
Social Services	12,167	427
Speech/Occupational/Physical Therapy	31,933	27,390
Surgery Center	9,435	14,289
Swing Bed	124	42
Thomas Clinic	66,814	59,553
Ultrasound	11,108	11,848
Woundcare	3,207	5,776
Total Supplies and Other Expenses	\$ 6,855,652	\$ 6,764,124

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

SCHEDULE OF GOVERNING BOARD EXPENSES

DECEMBER 31,

	2017	2016
Wayne Knight	\$ -	\$ 300
Frank Voelker, III	-	675
Lavern Jenkins	-	750
Barry Kennedy	-	825
Rachel Gill	75	825
JT Thomas	750	525
Pam Breland	825	750
John Nichols	825	-
Gerald King	675	825
Lori Schilling	600	-
Richard Watts	825	-
Violet Tate	450	300
Eric Payne	750	150
Tammy Magruder	825	150
Total Governing Board Expenses	\$ 6,600	\$ 6,075

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

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

DECEMBER 31,

	2017	2016
Peter Sullivan		
Our Lady of the Angels - Contract Labor	\$ 250,000	\$ 83,333
Conference Travel	665	-
Reimbursements	50	150
	\$ 250,715	\$ 83,483
E. KYLE MAGEE, M.D. (1/1/16 - 4/15/16)*		
Salary	\$ -	\$ 135,914
Benefits-Insurance	-	1,848
Benefits-Retirement	-	4,846
Tuition Reimbursement	-	2,597
Reimbursements	-	1,304
Travel	-	84
Conference Travel	-	821
Registration Fees	-	-
Meals	-	-
	\$ -	\$ 147,414

*Chief Executive Officer is compensated separately for physician duties. Compensation and expenses related to Dr. Magee's physician duties have not been included in this report.

Lesia McQueen (4/16/16 - 8/29/16)

Salary	\$ -	\$ 41,450
Benefits-Insurance	-	836
Benefits-Retirement	-	837
Conference Travel	-	349
Retirement	-	500
	\$ -	\$ 43,972



Glen P. Langlinais, CPA
Gayla F. Russo, CPA

Michael P. Broussard, CPA
Patrick M. Guidry, CPA
Elizabeth L. Whitford, CPA
Johnathon P. Trahan, CPA
John W. O'Bryan, CPA
Barrett B. Perry, CPA
Elizabeth N. DeBaillon, CPA

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

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

We have audited, in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center (the Hospital), a component unit of the Washington Parish Council, State of Louisiana, as of and for the years ended December 31, 2017 and 2016, and have issued our report thereon dated June 28, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified findings which are described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". We consider findings 2017-2 and 2017-3 to be material weaknesses.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests identified one finding related to compliance that is required to be reported under *Government Auditing Standards*.

THE HOSPITAL'S RESPONSE TO FINDINGS

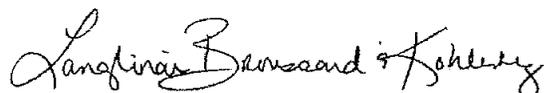
The Hospital's response to the findings identified in our audit is described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and,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

PURPOSE OF THIS REPORT

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

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

Sincerely,



LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, LA
June 28, 2018

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

B- Material Weaknesses

Finding 2017-2 Proposed Audit Adjustments

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

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

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

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

Management Response: Management acknowledges cost report payables are possible and will accrue the projected expense moving forward.

Finding 2017-3 Preparation of Full Disclosure Financial Statements

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

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

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

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

Management Response: Management acknowledges finding. Disclosures are being monitored and will be supplied to auditors moving forward.

Section III: Management Letter Items

There were no management letter items for the fiscal years ended December 31, 2017 and 2016.

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

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2017

Finding 2016-1 Cost Segregation for Cost Report

The Hospital must document cost segregation in order to report those costs as allowable on the Medicare cost report.

Status: Resolved.

Finding 2016-2 Clinic Claims

The hospital discovered information differences in license data for the Hospital Clinics.

Status: Resolved.

Finding 2016-3 Unenrolled Physicians and Linking of Physicians to Hospital

The Hospital discovered that some physicians were not enrolled and/or link to the Hospital with certain third-party payors.

Status: Resolved.

Finding 2016-4 Proposed Audit Adjustments

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

Status: Unresolved; See Finding 2017-2

Finding 2016-5 Preparation of Full Disclosure Financial Statements

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

Status: Unresolved; See Finding 2017-3



Glen P. Langlinais, CPA
Gayla Falcon, CPA
Ashley V. Breaux, CPA

Chris A. Kohlenberg, CPA, MBA, MHA Retired

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Michael P. Broussard, CPA
Patrick M. Guidry, CPA
Elizabeth L. Whitford, CPA
Kathryn Sagrera Hoag, CPA
Joseph Blake Moss, CPA

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

We have performed the procedures described in Schedule A – Procedures and Results, which were agreed to by Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center (Hospital), a component unit of the Washington Parish Council, State of Louisiana, and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Hospital's management is responsible for those control and compliance areas identified in the SAUPs.

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

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

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

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

Langlinais Broussard & Kohlenberg

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

June 28, 2018

Schedule A – Procedures and Results

Written Policies and Procedures

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

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

Finding: Policy provided included all of the above functions with the following exception noted; the policy does not include a process for amending the budget.

Management Response: Management acknowledges finding. Policy has been updated to include procedures for 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.

Finding: Policy provided included all of the above functions with the following exception noted; the policy does not mention how vendors are added to the vendor list.

Management Response: Management acknowledges finding. Policies are being updated to include issues noted.

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

Finding: Policy provided included all of the above functions.

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

Finding: The entity does not have written policies pertaining to this section.

Management Response: Management acknowledges finding. Policies are being updated to include issues noted.

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

Finding: Policy provided included all of the above functions with the following exception noted; the policy does not mention payroll processing procedures.

Management Response: Management acknowledges finding. Policies are being updated to include issues noted.

- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Finding: The entity does not have written policies or procedures pertaining to this section.

Management Response: Management acknowledges finding. Policies are being updated to include issues noted.

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

Finding: The entity does not have written policies or procedures pertaining to this section.

Management Response: Management acknowledges finding. Policies are being updated to include issues noted.

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

Finding: Policy provided included all of the above functions.

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

Finding: Policy provided included all of the above functions with the following exception noted; the policy does not include response actions for violations.

Management Response: Management acknowledges finding. Policies are being updated to include issues noted.

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

Finding: The entity does not have written policies or procedures pertaining to this section.

Management Response: Management acknowledges finding. Policies are being updated to include issues noted.

Board of Commissioners

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.

Finding: The Board met at least monthly with additional special meetings called as needed.

- 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).

Finding: The entity has both board meetings and finance committee meetings. It was noted that both groups regularly examined budget to actual comparisons as well as other financial data.

- i. If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Finding: Not Applicable – no deficit spending noted.

- 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.

Finding: The entity was noted to have discussed non-budgetary financial information such as contracts and disbursements at several of the monthly meetings.

Bank Reconciliations

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

Finding: Document provided; no exceptions noted.

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). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Finding: All bank reconciliations prepared without exception.

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

Finding: All bank reconciliations had evidence of management review without exception.

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

Finding: Not Applicable – there are no significant items outstanding for more than 6 months.

Collections

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

Finding: Document provided; no exceptions noted.

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). For each cash collection location selected:

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

Finding: Documentation obtained without exception. No exceptions noted for any of the above listed functions.

- 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.

Finding: Cash collection reconciliation process noted at all locations tested. Noted daily receipts are reconciled by employee not responsible for collections.

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

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

Finding: All selected cash collections were deposited within one day of collection no exceptions noted.

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

Finding: No exceptions were found as a result of this testing 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.

Finding: The Hospital was noted to have procedures in place addressing all of the above functions.

Disbursements – General

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.

Finding: Document provided; no exceptions noted.

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.

Finding: All examined transactions utilized an electronic system.

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

Finding: All examined transactions had separate approval documented.

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

Finding: All examined transactions were supported by above listed documentation.

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.

Finding: Inadequate separation of duties noted between personnel responsible for payment processing and vendor addition. Employee responsible for processing accounts payable was noted to also be responsible for adding new vendors.

Management Response: Management acknowledges AUP definition of separation of Duties. Riverside has in place a mechanism that has checks and balances in reference to all vendors added to

the accounting system. The Accounts Payable record is monitored daily by Administration as well as emailed daily to members of the Hospital Board.

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.

Finding: Adequate separation of duties was noted between personnel responsible for final payment authorization and purchase initiation / recording.

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.

Finding: Unused checks are maintained in a locked location and are only accessible by the AP clerk.

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.

Finding: Signors are in possession of their signature stamps and disbursements are personally reviewed by the signors. Checks are typically mailed on the day that they are signed. If signed late in the afternoon, the checks are maintained in a locked file cabinet drawer until mailing the following morning.

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

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.

Finding: Listing obtained with no exceptions.

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.

Finding: All examined statements were reviewed and approved by non-card holders without exceptions.

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

Finding: Noted finance charges and late fees were assessed.

Management Response: Management acknowledges finding and has maintained a better cash position of the hospital to reduce finance and late charges moving forward.

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

- a) For each transaction, report whether the transaction is supported by:
i) An original itemized receipt (i.e., identifies precisely what was purchased)

Finding: An original itemized receipt was not provided for a business meal in the amount of \$500.00; receipt was never turned in. All other transactions tested were fully supported without exception.

Management Response: Management acknowledges finding and has enforced receipt policy moving forward.

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

Finding: Purpose was provided or apparent for all transactions without exception.

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

Finding: Not applicable – No policy for credit cards noted.

- 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.

Finding: Not Applicable – No transactions fell within the scope of Public Bid Law.

- 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 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.

Finding: All examined transactions were in compliance with Article 7, Section 14 without exception.

Travel and Expense Reimbursement

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.

Finding: Documents provided; no exceptions noted.

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) and report any amounts that exceed GSA rates.

Finding: Policy provided; all amounts adhere to current GSA rates.

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

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

Finding: All examined expenses were reimbursed in accordance with written policy without exception.

- b) Report whether each expense is supported by:

- i) An original itemized receipt that identifies precisely what was purchased.

Finding: All transactions were supported without exception.

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

Finding: Purpose was provided for all transactions without exception.

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

Finding: All documentation required by written policy were provided without exception.

- 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.

Finding: All examined transactions were in compliance with Article 7, Section 14 without exception.

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

Finding: All expenses tested were noted to be approved in writing without exception.

Contracts

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.

Finding: Documents provided; no exceptions noted.

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.

Finding: Written contract supporting services and amount paid located for all vendors tested without exception.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

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

Finding: Not Applicable – None of the selected contracts were subject to Louisiana Bid Law.

- ii) If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Finding: Not Applicable – None of the selected contracts were subject to Louisiana Bid Law.

- 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.

Finding: None of the examined contracts were noted to be amended during the fiscal year.

- 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.

Finding: All supporting invoices for selected payments complied with terms of contracts without exception.

- 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).

Finding: Not Applicable- The examined contracts came into effect prior to the 2017 fiscal year end.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

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

Finding: All payments to selected employees agreed with terms and conditions of employment contracts without exception.

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

Finding: All changes to pay rates of selected employees were approved in writing and in accordance with client policies without exception.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

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

Finding: All selected employees documented daily attendance and leave without exception.

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

Finding: All attendance and leave records for selected employees were approved by a supervisor without exception.

- c) 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.

Finding: Written leave records were maintained for all selected employees without exception.

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.

Finding: Termination payments made to selected terminated employees were in strict accordance with policy and agreed to personnel file documentation without exception.

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.

Finding: Testing results are summarized below

Area Tested	Findings
Federal & State Quarterly Payroll Forms	All federal and state tax forms submitted timely.
FICA Tax Deposits	All federal tax deposits examined were noted to be submitted timely.
LA Withholding Deposits	Deposits tested were submitted timely.
Retirement Contribution Remittance	1 of the 26 deposits tested was not submitted timely.

Management Response: Management understands the finding and has maintained compliance in 2018.

Ethics

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.

Finding: All selected employees that were required to undergo ethics training completed required ethics training without exception.

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.

Finding: No ethics violations were found as a result of this testing procedure.

Debt Service

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

Finding: Supporting documentation indicates that State Bond Commission approval was obtained.

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.

Finding: Not Applicable - Source documents indicate that payments do not begin until 2018. Additionally, the client maintained all debt reserves required by related debt covenants without exception.

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.

Finding: Not Applicable – The Hospital does not have tax millages relating to debt service.

Other Areas

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.

Finding: Per inquiry of management, no misappropriations of funds or assets were noted.

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) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Finding: Notice was not posted on its premises or on their website.

Management Response: Management acknowledges finding and has posted required signs in the facility.

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

Finding: No exceptions were noted in regards to management's representations.