

**The Hospital Service District of
West Feliciana Parish Louisiana
A Component Unit of the
West Feliciana Parish Police Jury
St. Francisville, Louisiana
October 31, 2018**

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**The Hospital Service District of West Feliciana Parish Louisiana
Management's Discussion and Analysis of the Basic Financial Statements
October 31, 2018**

This portion of the Hospital's annual financial reporting presents background information and management's review of the Hospital's financial performance during the fiscal year ended October 31, 2018. This Section should be interpreted within the context of financial statements as displayed in this report.

FINANCIAL HIGHLIGHTS

October 2018 not only marked the end of the Hospital's fiscal year but also the end of the first year of operating in the new facility. As indicated in last year's report, there was much anticipation as to what positive impact the new facility would have on the financial component of the Hospital's operations. With one year of operations now complete, the answer to the question of positive impact is a very strong "yes." This is evidenced by a \$6,675,143 increase to the total net operating revenue. That represents a 42.1% increase of total operating revenue over the prior year. The increase in operating revenue and a smaller increase in operating expenses of \$4,399,258 (of which 44.4% of the increase was depreciation), led to a positive change in net position of \$606,565. When comparing the change in net position in 2017 (negative \$1,118,142) to the change in net position in 2018 (positive \$606,565), there was an increase of over \$1.7 million.

Other improvements in the financial statements can be found in the statements of net position. Total assets grew by almost \$1 million to \$56,342,244. This was driven largely by increases in cash and cash equivalents, certificates of deposits, net accounts receivable and amounts due from third party payors. Long-term liabilities increased by approximately \$1.3 million, but current liabilities decreased by \$919,000, or 25.9%.

Overall, it has been a good financial year for the Hospital. With the new facility fully in place and operating as expected, the other phases of the Hospital's long-term plan can begin to be implemented. This phase will include recruiting specialty physicians to work on site, upgrading the other buildings on campus, and deciding how to repurpose the old hospital building to serve the additional healthcare needs of the community.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements of the Hospital report information regarding the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Hospital.

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

FINANCIAL ANALYSIS OF THE HOSPITAL SERVICE DISTRICT

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

**The Hospital Service District of West Feliciana Parish Louisiana
Management's Discussion and Analysis of the Basic Financial Statements
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Net Position

Condensed statements of net position as of October 31, 2018, 2017, and 2016 are displayed in the following table:

Condensed Statements of Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current assets	\$ 13,623,288	\$ 10,532,123	\$ 16,424,955
Assets limited as to use	11,745,905	12,531,483	8,480,950
Capital assets, net	<u>30,973,051</u>	<u>32,303,936</u>	<u>19,747,382</u>
Total assets	<u>\$ 56,342,244</u>	<u>\$ 55,367,542</u>	<u>\$ 44,653,287</u>
Current liabilities	\$ 2,633,453	\$ 3,552,331	\$ 6,590,856
Long-term liabilities	25,219,585	23,932,570	9,061,648
Net position	<u>28,489,206</u>	<u>27,882,641</u>	<u>29,000,783</u>
Total liabilities and net position	<u>\$ 56,342,244</u>	<u>\$ 55,367,542</u>	<u>\$ 44,653,287</u>

The following table presents the components of the Hospital's net position as of October 31, 2018, 2017, and 2016:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net investment in capital assets	\$ 5,447,568	\$ 8,138,936	\$ 10,685,734
Restricted for: debt service	11,196,624	10,992,931	-
Unrestricted - reserved for capital projects	549,281	1,538,552	8,480,950
Unrestricted	<u>11,295,733</u>	<u>7,212,222</u>	<u>9,834,099</u>
Total net position	<u>\$ 28,489,206</u>	<u>\$ 27,882,641</u>	<u>\$ 29,000,783</u>

Capital Assets

The following table presents the components of capital assets at October 31, 2018, 2017, and 2016:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 2,329,750	\$ 2,325,087	\$ 1,426,985
Buildings and leasehold improvements	28,649,181	27,818,172	6,456,189
Equipment	11,069,925	11,937,217	6,949,910
Construction in progress	<u>503,424</u>	<u>43,656</u>	<u>14,535,739</u>
	42,552,280	42,124,132	29,368,823
Less: accumulated depreciation	<u>11,579,229</u>	<u>9,820,196</u>	<u>9,621,441</u>
Capital assets, net	<u>\$ 30,973,051</u>	<u>\$ 32,303,936</u>	<u>\$ 19,747,382</u>

**The Hospital Service District of West Feliciana Parish Louisiana
Management's Discussion and Analysis of the Basic Financial Statements
October 31, 2018**

Summary of Revenue, Expenses, and Changes in Net Position

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net patient service revenue	\$ 20,407,120	\$ 14,162,818	\$ 12,460,624
Other operating revenue	2,128,462	1,697,621	1,524,432
Total operating revenue	<u>22,535,582</u>	<u>15,860,439</u>	<u>13,985,056</u>
Salaries, wages and benefits	9,892,617	9,260,129	8,964,485
Other operating expenses	10,848,498	9,035,855	7,999,015
Depreciation	2,775,278	821,151	707,351
Total operating expenses	<u>23,516,393</u>	<u>19,117,135</u>	<u>17,670,851</u>
Tax revenue	2,331,233	2,215,663	2,295,870
Interest income	80,421	73,261	62,960
Other non-operating revenue	178,822	94,581	69,710
Non-operating expenses	(1,003,100)	(244,951)	(423,028)
Non-operating revenue	<u>1,587,376</u>	<u>2,138,554</u>	<u>2,005,512</u>
Change in Net Position	606,565	(1,118,142)	(1,680,283)
Net Position , beginning of year	<u>27,882,641</u>	<u>29,000,783</u>	<u>30,681,066</u>
Net Position , end of year	<u>\$ 28,489,206</u>	<u>\$ 27,882,641</u>	<u>\$ 29,000,783</u>

SOURCES OF REVENUE

The Hospital derives the majority of its total revenue from patient service operations. The following table displays payor mix percentages as a function of total billed charges during 2018, 2017, and 2016:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare	23%	24%	24%
Medicaid	30%	30%	23%
Commercial and other	41%	39%	42%
Self-Pay	6%	7%	11%

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

**The Hospital Service District of West Feliciana Parish Louisiana
Management's Discussion and Analysis of the Basic Financial Statements
October 31, 2018**

OPERATING AND FINANCIAL PERFORMANCE

The Hospital's primary source of revenue is derived from patient services and is driven by admissions. The practical end of patient revenue involves converting admissions and treatment into cash collections. The industry standard regarding management of receivables is the measure of outstanding days in accounts receivable. The following table displays both inpatient days, along with days in accounts receivable from 2018, 2017, and 2016.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Inpatient Days	642	317	271
Net Outstanding Days in A/R	35	34	34

BUDGET AND STRATEGY FOR FISCAL YEAR 2019

The Board of Commissioners has approved the 2019 fiscal year budget. In 2019, a positive change in net position is projected.

As predicted, the move to the new facility had a positive impact on the Hospital, both clinically and financially. In 2018, the Hospital was able to begin offering new services such as mammography and fluoroscopy because of the new facility. These new services, as well as the increase in volume, have improved the Hospital's financial condition.

The construction and subsequent move to the new facility was the first phase in the long-term strategy of the Hospital. The next phase is to build on the foundation created by having a new facility to work in. This next phase has already begun. It included renovating one wing of the old hospital building and moving the IOP (Behavioral Health) Department to it, which has already been accomplished. Following the IOP move, the Hospital renovated the space vacated by IOP to create three (3) physician suites to house the Primary Care Physicians, Pediatrics, and Ophthalmology. The next move is to use the space the Primary Care was in to house additional specialists. The first specialist to move into this space will be a Gastroenterologist.

To further the use of this specialist space, the Hospital intends to continue recruiting specialty physicians to bring additional services to the community.

One additional part of this phase is to study the best options for services in the old hospital building. That evaluation is expected to be completed in fiscal year 2019.

CONTACTING THE HOSPITAL'S CHIEF FINANCIAL OFFICER

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

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



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

Louis C. McKnight, III, CPA
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Blaine M. Crochet, CPA

Independent Auditor's Report

Board of Commissioners
The Hospital Service District of West Feliciana Parish Louisiana
d/b/a West Feliciana Hospital
St. Francisville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Hospital Service District of West Feliciana Parish Louisiana, a component unit of the West Feliciana Parish Police Jury, as of and for the years ended October 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise The Hospital Service District of West Feliciana Parish Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Hospital Service District of West Feliciana Parish Louisiana as of October 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2019, on our consideration of The Hospital Service District of West Feliciana Parish Louisiana'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 effectiveness of The Hospital Service District of West Feliciana Parish Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Hospital Service District of West Feliciana Parish Louisiana's internal control over financial reporting and compliance.

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

April 12, 2019

The Hospital Service District of West Feliciana Parish Louisiana
Statements of Net Position
October 31, 2018 and 2017

Assets	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 4,370,223	\$ 2,843,634
Certificates of deposit	3,077,694	3,021,596
Accounts receivable, less allowance for doubtful accounts	2,172,921	1,460,324
Due from third party payors	1,664,165	864,858
Accounts receivable - other	1,339,718	1,495,252
Inventory	549,206	543,216
Prepaid expenses	449,361	303,243
Total current assets	13,623,288	10,532,123
Assets Limited As to Use	11,745,905	12,531,483
Capital Assets, net	30,973,051	32,303,936
Total assets	\$ 56,342,244	\$ 55,367,542
Liabilities and Net Position		
Current Liabilities		
Current maturities of bonds payable	\$ 275,898	\$ 232,430
Current maturities of note payable	30,000	-
Accounts payable	452,419	1,367,076
Accrued expenses	1,875,136	1,952,825
Total current liabilities	2,633,453	3,552,331
Long-Term Liabilities		
Bonds payable, less current maturities	25,044,585	23,932,570
Note payable, less current maturities	175,000	-
Total long-term liabilities	25,219,585	23,932,570
Net Position		
Net investment in capital assets	5,447,568	8,138,936
Restricted for:		
Debt service	11,196,624	10,992,931
Unrestricted - reserved for capital projects	549,281	1,538,552
Unrestricted	11,295,733	7,212,222
Total net position	28,489,206	27,882,641
Total liabilities and net position	\$ 56,342,244	\$ 55,367,542

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

**The Hospital Service District of West Feliciana Parish Louisiana
Statements of Revenue, Expenses, and Changes in Net Position
Years Ended October 31, 2018 and 2017**

	2018	2017
Operating Revenue		
Net patient service revenue	\$ 20,407,120	\$ 14,162,818
Other operating revenue	2,128,462	1,697,621
	<hr/>	<hr/>
Operating revenue	22,535,582	15,860,439
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Operating Expenses		
Salaries, wages and benefits	9,892,617	9,260,129
Professional services	6,044,173	4,757,597
Supplies and other expenses	1,379,422	1,592,844
Other operating expenses	3,424,903	2,685,414
Depreciation	2,775,278	821,151
	<hr/>	<hr/>
Total operating expenses	23,516,393	19,117,135
	<hr/>	<hr/>
Operating loss	(980,811)	(3,256,696)
	<hr/>	<hr/>
Non-Operating Revenue (Expenses)		
Interest income	80,421	73,261
Interest expense	(988,377)	(38,761)
Bond issuance costs	(14,723)	(206,190)
Tax revenue	2,331,233	2,215,663
Gain on sale of assets	3,953	20,927
Other non-operating revenue	174,869	73,654
	<hr/>	<hr/>
Non-operating revenue	1,587,376	2,138,554
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Change in Net Position	606,565	(1,118,142)
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Net Position, beginning of year	27,882,641	29,000,783
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Net Position, end of year	\$ 28,489,206	\$ 27,882,641
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The accompanying notes are an integral part of these financial statements.

The Hospital Service District of West Feliciana Parish Louisiana
Statements of Cash Flows
Years Ended October 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	\$ 21,374,846	\$ 15,310,376
Payments for goods and services	(12,089,909)	(12,706,933)
Payments to employees for services	(9,817,762)	(9,225,896)
Net cash used in operating activities	(532,825)	(6,622,453)
Cash Flows from Non-Capital Financing Activities		
Tax receipts	2,154,724	2,529,656
Other income	179,799	78,106
Net cash provided by non-capital financing activities	2,334,523	2,607,762
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(1,444,393)	(13,377,705)
Proceeds from bond anticipation note	-	14,791,633
Principal payments on bond anticipation note	-	(23,853,281)
Proceeds from issuance of bonds payable	1,410,000	24,165,000
Payment of bond issuance costs	(14,723)	(206,190)
Principal payments on bonds payable	(254,517)	-
Proceeds from issuance of note payable	265,000	-
Principal payments on note payable	(60,000)	-
Interest paid	(988,803)	(4,737)
Net cash provided by (used in) capital and related financing activities	(1,087,436)	1,514,720
Cash Flows from Investing Activities		
Purchases of certificates of deposit	(406,098)	(10,494)
Sales and maturities of certificates of deposit	350,000	-
Sales and maturities of investments	249,388	74,659
Interest income	78,894	73,868
Proceeds from the sale of property	3,953	20,927
Net cash provided by investing activities	276,137	158,960
Net Increase (Decrease) in Cash and Cash Equivalents	990,399	(2,341,011)
Cash and Cash Equivalents, beginning of year		
Including \$12,247,997 and \$8,122,805 limited as to use for 2018 and 2017, respectively	15,091,631	17,432,642
Cash and Cash Equivalents, end of year		
Including \$11,711,807 and \$12,247,997 limited as to use for 2018 and 2017, respectively	\$ 16,082,030	\$ 15,091,631

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

The Hospital Service District of West Feliciana Parish Louisiana
Statements of Cash Flows
Years Ended October 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating loss	\$ (980,811)	\$ (3,256,696)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,775,278	821,151
Provision for doubtful accounts	2,185,999	1,836,429
(Increase) Decrease in assets:		
Patient accounts receivable	(2,623,750)	(1,884,500)
Due from third party payors	(635,459)	(705,569)
Other receivables	54,220	(48,549)
Inventory	(5,990)	8,253
Prepaid expenses	(146,118)	(66,001)
Increase (Decrease) in liabilities:		
Accounts payable	(914,657)	(2,276,120)
Accrued expenses	(77,689)	(585,064)
Due to third party payors	(163,848)	(465,787)
Net cash used in operating activities	<u>\$ (532,825)</u>	<u>\$ (6,622,453)</u>

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

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 1-Summary of Significant Accounting Policies

A. Legal Organization

On February 21, 1968, the West Feliciana Parish Police Jury passed a resolution creating the West Feliciana Parish Hospital Service District No. 1 (“the Hospital”) under the authority of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The Hospital is a political subdivision of the West Feliciana Parish Police Jury, whose jurors are elected officials. The Hospital’s seven (7) commissioners are appointed by the West Feliciana Parish Police Jury. During the fiscal year ended October 31, 2018, the Hospital changed its legal name to The Hospital Service District of West Feliciana Parish Louisiana and its DBA name to West Feliciana Hospital.

B. Nature of Business

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

C. Basis of Accounting and Presentation

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

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

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

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

- The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted net position results when external constraints are placed on asset use by creditors, grantors, contributors, or laws through constitutional provisions or enabling legislation. At October 31, 2018 and 2017, the Hospital had \$11,196,624 and \$10,992,931, respectively, of net position restricted for debt service.

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 1-Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting and Presentation (Continued)

- The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position is often designated to indicate that management does not consider it to be available for general operations; however, these designations can be removed or modified. At October 31, 2018 and 2017, the Hospital had \$549,281 and \$1,538,552, respectively, of unrestricted net position that was reserved for capital projects.

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

D. Reporting Entity

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

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

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

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

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

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 1-Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

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

F. Cash and Cash Equivalents

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

G. Accounts Receivable and Allowance for Doubtful Accounts

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

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

H. Inventory

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

I. Investments

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

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 1-Summary of Significant Accounting Policies (Continued)

J. Capital Assets

Capital assets are stated at cost, except for assets donated to the Hospital. Donated assets are recorded at the appraised value at the date of donation. Depreciation is recorded on a straight-line basis over the useful lives of the assets. Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures in excess of \$5,000 for major renewals and betterments that extend the useful lives of capital assets are capitalized. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital did not have capitalized interest as of October 31, 2018. Total capitalized interest as of October 31, 2017 was \$688,486.

The following estimated useful lives are used:

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

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

K. Operating Revenue and Expenses

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

L. Net Patient Service Revenue

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

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

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

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 1-Summary of Significant Accounting Policies (Continued)

L. Net Patient Service Revenue (Continued)

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

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

M. Charity Care

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

N. Grants and Donations

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

O. Property Taxes

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

P. Income Taxes

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

Q. Advertising

Advertising costs are expensed as incurred. Advertising costs of \$136,763 and \$168,538 were expensed in 2018 and 2017, respectively.

R. Environmental Matters

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

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 1-Summary of Significant Accounting Policies (Continued)

S. Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental, and accident benefits. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self-insurance of 1) Hospital professional liability and comprehensive general liability and 2) statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss. As of October 31, 2018 and 2017, the Hospital has no known malpractice claims exceeding its coverage.

T. Fair Value Measurements

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

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

Level 1: Quoted prices (unadjusted) in active markets accessible at the measurement date.

Level 2: Prices based on observable inputs corroborated by market data, but no quoted active markets.

Level 3: Prices based on unobservable inputs, including situations where there is little, if any, market activity for the assets or liabilities. The inputs used in the determination of fair value require significant management judgment or estimation.

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

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 2-Deposits and Investments

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

	<u>2018</u>	<u>2017</u>
Operations		
Cash and cash equivalents	\$ 4,370,223	\$ 2,843,634
Certificates of deposit	3,077,694	3,021,596
Assets Limited As to Use		
Cash and cash equivalents	11,711,807	12,247,997
Certificates of deposit	34,098	33,611
Investments	-	249,875
Total	<u>\$19,193,822</u>	<u>\$18,396,713</u>

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

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

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

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

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

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

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

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 2-Deposits and Investments (Continued)

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name as of October 31, 2018 and 2017.

Account balances according to banks' records at October 31, 2018 and 2017, for the Hospital were as follows:

	<u>2018</u>	<u>2017</u>
Cash in banks	\$20,249,362	\$19,441,365
Insured by FDIC	\$ 2,792,703	\$ 3,132,133
Collateralization by fair market value of securities held by the pledging institution	\$21,019,135	\$16,309,232
Uncollateralized	\$ -	\$ -

Note 3-Assets Limited As To Use

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

	<u>2018</u>	<u>2017</u>
Cash – Held as Security Interest for the Hospital Revenue Bonds		
Whitney Bank - Savings yielding .10%	\$ 515,183	\$ 1,255,067
Investar Bank - Money Market account yielding .55%	9,561,573	9,509,140
Investar Bank - Reserve Fund yielding .20%	1,486,760	1,483,790
Investar Bank - Contingency Fund	127,000	-
Investar Bank - Sinking Fund	21,291	-
Total cash limited as to use	<u>\$11,711,807</u>	<u>\$12,247,997</u>
Certificates of Deposit – Board designated		
Merrill Lynch - CDs/Equivalent yielding 1.72%	\$ 34,098	\$ 33,611
Total certificates of deposit limited as to use	<u>\$ 34,098</u>	<u>\$ 33,611</u>
Investments – Board designated		
Treasury Bill	\$ -	\$ 249,875
Total investments limited as to use	<u>\$ -</u>	<u>\$ 249,875</u>
Total assets limited as to use	<u>\$11,745,905</u>	<u>\$12,531,483</u>

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 4-Certificates of Deposit

The Hospital has certificates of deposit with various federally insured financial institutions. The certificates of deposit bear interest at rates ranging from 0.05% to 3.92% per annum and have maturity dates ranging from six months to six years.

Note 5-Accounts Receivable - Patients

Patient account receivables consisted of the following at October 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Total patient accounts receivable	\$ 5,328,249	\$ 4,826,627
Less: allowance for uncollectible accounts	<u>(3,155,328)</u>	<u>(3,366,303)</u>
Net patient accounts receivable	<u>\$ 2,172,921</u>	<u>\$ 1,460,324</u>

Note 6-Accounts Receivable - Other

Accounts receivable - other consisted of the following at October 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Accrued uncompensated care	\$ 751,491	\$ 646,157
Uncollected sales tax revenue	158,996	295,300
Uncollected ad valorem tax revenue	175,074	134,859
Medicaid EHR incentive payments receivable	65,724	65,724
Insurance company reimbursement	40,527	251,898
All other	<u>147,906</u>	<u>101,314</u>
Total accounts receivable - other	<u>\$ 1,339,718</u>	<u>\$ 1,495,252</u>

Note 7-Capital Assets

A summary of capital assets additions, deductions, and balances for the year ended October 31, 2018 follows:

	<u>Balance</u> <u>October 31,</u> <u>2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deductions</u>	<u>Balance</u> <u>October 31,</u> <u>2018</u>
Land and land improvements	\$ 2,325,087	\$ 17,900	\$ -	\$ (13,237)	\$ 2,329,750
Buildings and leasehold improvements	27,818,172	296,405	557,698	(23,094)	28,649,181
Equipment	11,937,217	112,622	-	(979,914)	11,069,925
Construction in progress	<u>43,656</u>	<u>1,017,466</u>	<u>(557,698)</u>	<u>-</u>	<u>503,424</u>
Total capital assets	42,124,132	1,444,393	-	(1,016,245)	42,552,280
Accumulated depreciation	<u>(9,820,196)</u>	<u>(2,775,278)</u>	<u>-</u>	<u>1,016,245</u>	<u>(11,579,229)</u>
Total capital assets, net	<u>\$ 32,303,936</u>	<u>\$ (1,330,885)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,973,051</u>

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 7-Capital Assets (Continued)

A summary of capital assets additions, deductions, and balances for the year ended October 31, 2017 follows:

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

Note 8-Bond Anticipation Note

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

A schedule of changes in the Hospital's bond anticipation note for the year ended October 31, 2017 is as follows:

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

Note 9-Bonds Payable

The schedule of changes in the Hospital's bonds payable for the year ended October 31, 2018 is as follows:

	Balance October 31, 2017	Additions	Reductions	Balance October 31, 2018	Amount Due Within One Year
Bonds Payable					
Hospital Revenue Bonds					
20 Year	\$ 8,000,000	\$ -	\$ (254,517)	\$ 7,745,483	\$ 275,898
40 Year	<u>16,165,000</u>	<u>1,410,000</u>	<u>-</u>	<u>17,575,000</u>	<u>-</u>
Total bonds payable	<u>\$ 24,165,000</u>	<u>\$ 1,410,000</u>	<u>\$ (254,517)</u>	<u>\$ 25,320,483</u>	<u>\$ 275,898</u>

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 9-Bonds Payable (Continued)

The schedule of changes in the Hospital's bonds payable for the year ended October 31, 2017 is as follows:

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

Hospital Revenue Bonds - 20 Year

Hospital Revenue Bonds (Series 2017B) of \$8,000,000, issued on October 19, 2017, due in monthly installments of \$53,908 (principal and interest) beginning November 2017 for 20 years at an interest rate of 4.77% for year 1, 4.92% for year 2, 5.08% for year 3, and a fixed rate of 5.25% for years 4 through 10. The interest rate will be reset on the tenth (10th) anniversary date (October 19, 2027) based on the Wall Street Prime as of such date, plus one percent (1%) per annum (not to exceed 7% per annum) and the amortized monthly payments shall continue thereafter through October 19, 2037. Bonds are secured by a pledge of net revenue from the operations of the Hospital, a mortgage lien on the property, all Hospital equipment and appurtenances.

Hospital Revenue Bonds - 40 Year

Hospital Revenue Bonds (Series 2017A) of \$17,575,000, issued on October 19, 2017, bearing interest at 3.50% per annum. As of October 31, 2017, \$16,165,000 of bond proceeds had been disbursed to the Hospital. The remaining \$1,410,000 of the bond proceeds were disbursed during the year ended October 31, 2018. Principal and interest is payable over a forty (40) year period with the first two payments being for interest only due on October 19, 2018 and October 19, 2019. Thereafter, the bonds will be due in monthly installments of \$69,773 (principal and interest), commencing November 19, 2019 and continuing through October 19, 2057. Bonds are secured by a pledge of net revenue from the operations of the Hospital, a mortgage lien on the property, all Hospital equipment and appurtenances.

As required by the bond agreement, the Hospital is required to maintain three separate accounts: Sinking Fund, Reserve Fund, and Contingency Fund. The Sinking Fund is required to have an amount sufficient to pay promptly and fully the monthly principal and interest on the bonds due on the next payment date. The Reserve Fund must have an amount equal to the highest combined principal and interest falling due in any fiscal year on all bonds. The Reserve Fund was fully funded as of October 31, 2018 and 2017. The Contingency Fund shall have deposited a sum equal to five percent (5%) of the amount being paid monthly into the Sinking Fund to cover depreciation, extensions, additions, improvements and replacements necessary to properly operate the Hospital. The monthly payments into the Contingency Fund is increased to ten percent (10%) of the amount being paid monthly into the Sinking Fund when a sum equal to the Reserve Fund Requirement has been accumulated in the Reserve Fund.

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 9-Bonds Payable (Continued)

In a resolution adopted by the Board, four additional requirements for security of the bond required by Investar Bank are as follows. 1) A separate and identifiable fund in the amount of \$9,500,000 was required as additional security for the Bonds, which sum will decrease by one third on each anniversary date of the Bond delivery (commencing in the year 2018). 2) The "Hospital Reserve Fund" was fully funded upon closing. 3) The Hospital will set aside in a separate fund the sum of \$1,250,000 which shall be applied to the Phase I renovations of the old hospital building and the Cypress Building. To the extent such moneys are not needed to pay such renovations, then upon completion thereof, any remaining moneys shall be returned to the Operating Fund. 4) The Hospital shall be required to hold sufficient operating cash and investments (operating reserve) in an amount equal to at least 120 days operating cash (calculated as the difference of annual operating expenses of the Issuer for the succeeding budget period less non-cash depreciation and amortization, divided by 365). This operating reserve requirement is in addition to other required debt service funds provided that the amount of such operating reserve shall not exceed 25% of the then outstanding principal balance of the Bonds. The operating reserve amount shall be determined at the delivery of the Bonds and, thereafter annually at the end of each fiscal year. These accounts have been classified as assets limited as to use.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 275,898	\$ 370,993	\$ 646,891
2020	503,629	369,012	872,641
2021	513,908	366,761	880,669
2022	533,062	355,923	888,985
2023	557,321	340,274	897,595
Thereafter	<u>22,936,665</u>	<u>2,556,286</u>	<u>25,492,951</u>
	<u>\$ 25,320,483</u>	<u>\$ 4,359,249</u>	<u>\$ 29,679,732</u>

Note 10-Note Payable

The Hospital has a note payable to the Fire Protection District No. 1 of West Feliciana Parish for a portion of the cost to construct a Fire and EMS Station that the Fire Protection District and the Hospital both utilize. The original balance of the note payable was \$265,000. The note bears no interest and is to be paid in annual installments of \$30,000 with one final payment of \$25,000 due on December 1, 2024. The note is secured by the Hospital's portion of the Bluff's Fire Station.

The schedule of changes in the Hospital's note payable for the year ended October 31, 2018 is as follows:

	<u>Balance October 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance October 31, 2018</u>	<u>Amount Due Within One Year</u>
Note payable	\$ -	\$ 265,000	\$ (60,000)	\$ 205,000	\$ 30,000

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 10-Note Payable (Continued)

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

2019	\$	30,000
2020		30,000
2021		30,000
2022		30,000
2023		30,000
Thereafter		<u>55,000</u>
	<u>\$</u>	<u>205,000</u>

Note 11-Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone, based on established rates, were approximately \$43,300 and \$90,800 for the years ended October 31, 2018 and 2017, respectively. These charges are included in the provision for bad debts.

Management estimates that approximately \$38,600 and \$70,500 of costs were related to charity care for the years ended October 31, 2018 and 2017, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

Note 12-Grant Revenue

Intergovernmental Transfers – Operating Grant Income

The Hospital (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to Grantee’s service population subject to the availability of such grant funds. The aggregate IGT grant income for the years ended October 31, 2018 and 2017 was \$2,022,190 and \$1,596,748, respectively, which is included in other operating revenue in the accompanying statements of revenue, expenses, and changes in net position.

Note 13-Tax Revenue

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

Tax revenues were as follows:

	<u>2018</u>	<u>2017</u>
Sales tax	\$2,148,138	\$1,973,850
Ad valorem tax	177,309	220,567
State revenue sharing	<u>5,786</u>	<u>21,246</u>
Total tax revenues	<u>\$2,331,233</u>	<u>\$2,215,663</u>

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 14-Operating Leases

The Hospital (“lessor”) leases office space on its campus to various medical service providers, under operating leases with terms ranging from month-to-month to one year. Revenue from these leases totaled \$49,160 in 2018 and \$48,635 in 2017. This revenue is included in other non-operating revenue in the financial statements.

Note 15-Cash Flows Supplemental Information

Total cash and cash equivalents for October 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 4,370,223	\$ 2,843,634
Assets whose use is limited - cash	<u>11,711,807</u>	<u>12,247,997</u>
Total cash and cash equivalents	<u>\$16,082,030</u>	<u>\$15,091,631</u>

Note 16-Compensated Absences

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

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

Sick pay is not vested and therefore not accrued. Employees only vest in vacation leave after one year of employment. The Hospital’s policy is to recognize the cost of sick pay when actually paid to employees. Accrued compensated absences at October 31, 2018 and 2017 were \$299,899 and \$307,516, respectively.

Note 17-Retirement Plan

The Hospital has executed the Variable Annuity Life Insurance Company (VALIC) prototype Profit Sharing Plan with Cash or Deferred Arrangement Option Non Standardized Adoption Agreement No. 3. The defined contribution plan (457) provides benefits to substantially all employees. The Hospital matches contributions made by an employee up to six percent of the employee’s compensation. Total payroll for the fiscal years ended October 31, 2018 and 2017 was \$7,972,873 and \$7,423,663, respectively. Covered payroll for 2018 and 2017 was \$7,938,924 and \$7,389,961, respectively. Total pension expense was \$325,321 and \$295,444 for 2018 and 2017, respectively.

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

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

There were no assets measured at fair value on a recurring basis as of October 31, 2018. The following presents assets measured at fair value on a recurring basis as of October 31, 2017:

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

Note 19-Concentration of Credit Risk

The Hospital is located in St. Francisville, Louisiana and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables (net of allowances) from patients and third-party payors at October 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Medicare	42.3%	27.3%
Medicaid	27.1%	19.1%
Commercial and other third-party payors	27.5%	48.1%
Self-pay	<u>3.1%</u>	<u>5.5%</u>
	<u>100.0%</u>	<u>100.0%</u>

Note 20-Commitments

Commitments related to the renovation of the Cypress Building totaled \$718,071 at October 31, 2018. Commitments for the installation of new chiller systems totaled \$21,674 at October 31, 2018.

Note 21-Payments to Board Members

The following schedule shows the amount of board per diems paid during the years ended October 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Melvin Harvey	<u>\$ 320</u>	<u>\$ 800</u>
	<u>\$ 320</u>	<u>\$ 800</u>

Note 22-Legal Proceedings

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

The Hospital Service District of West Feliciana Parish Louisiana
Notes to Financial Statements
October 31, 2018

Note 23-Subsequent Events

Management evaluated all subsequent events through April 12, 2019, the date the financial statements were available to be issued. As a result, management noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Supplementary Information



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

Louis C. McKnight, III, CPA
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**Independent Auditor's Report
on Supplementary Information**

Board of Commissioners
The Hospital Service District of West Feliciana Parish Louisiana
St. Francisville, Louisiana

We have audited the basic financial statements of The Hospital Service District of West Feliciana Parish Louisiana as of and for the years ended October 31, 2018 and 2017, and have issued our report thereon dated April 12, 2019, which contained an unmodified opinion on those basic financial statements. Our audits were performed for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information, identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

April 12, 2019

The Hospital Service District of West Feliciana Parish Louisiana
Schedules of Net Patient Service Revenue
Years Ended October 31, 2018 and 2017

	2018	2017
Patient Service Revenue		
Ambulance service	\$ 1,507,044	\$ 1,297,901
Blood bank	13,054	20,114
Bone density	14,616	-
Central services	59,873	49,914
CT scan	3,433,936	2,732,354
Echocardiogram	72,404	48,765
Electrocardiology	145,288	115,024
Emergency services	4,827,550	4,570,297
Family medicine	764,942	803,984
Intensive outpatient psychiatry	1,347,150	1,575,630
Laboratory	4,214,280	3,718,459
Mammography	176,040	-
MRI scan	738,536	315,477
Nursing services	808,092	415,648
Occupational therapy	368,061	474,234
Pediatrics	1,166,414	1,057,500
Pharmacy	578,191	481,580
Physical therapy	2,038,431	2,212,829
Physician's fees	1,169,107	1,157,745
Radiology	1,845,116	1,636,271
Respiratory therapy	361,319	218,429
Sleep studies	198,300	291,000
Speech therapy	316,401	323,707
St. Francis Clinic	453,527	459,949
Ultrasound	373,908	388,998
Wound care	485,008	558,715
	27,476,588	24,924,524
Gross patient service revenue		
Less: contractual adjustments and discounts	4,883,469	8,925,277
Less: provision for bad debts	2,185,999	1,836,429
	\$ 20,407,120	\$ 14,162,818
Net patient service revenue		

The Hospital Service District of West Feliciana Parish Louisiana
Schedules of Operating Expenses
Salaries, Wages and Benefits
Years Ended October 31, 2018 and 2017

	2018	2017
Salaries, Wages and Benefits		
Administrative	\$ 384,021	\$ 302,203
Ambulance	726,208	789,695
Business office	678,389	591,224
Central supply	141,278	121,792
CT scan	57,697	5,994
Dietary management	173,276	149,708
Echocardiogram	15,949	6,033
Emergency room	687,169	400,560
Family medicine	364,497	280,508
Housekeeping	272,458	199,727
Information technology	263,711	269,657
Intensive outpatient psychiatry	496,978	489,653
Laboratory technicians	44,736	601,881
Medical records	188,536	165,959
MRI scan	55,247	23,538
Nursing services	1,073,505	975,282
Pediatrics	479,360	411,432
Plant operations	317,877	294,560
Purchasing	61,523	61,327
Radiology	403,123	402,796
Respiratory therapy	425,706	408,016
Social services	21,278	4,500
St. Francis Clinic	418,603	306,968
Ultrasound	125,638	86,106
Utilization review	94,310	74,542
All other	1,799	-
	7,972,872	7,423,661
Total salaries and wages		
Total benefits	1,919,745	1,836,468
	\$ 9,892,617	\$ 9,260,129
Total salaries, wages, and benefits	\$ 9,892,617	\$ 9,260,129

The Hospital Service District of West Feliciana Parish Louisiana
Schedules of Operating Expenses
Professional Services
Years Ended October 31, 2018 and 2017

	2018	2017
Professional Services		
Administrative	\$ 334,145	\$ 394,542
Ambulance	16,717	7,900
Anesthesia	4,800	4,800
Blood bank	11,949	24,384
Dietary	27,450	27,143
EKG	12,228	20,238
Emergency room physician fees	1,459,895	1,404,388
Information technology	183,793	180,461
Intensive outpatient psychiatry	227,428	249,602
Laboratory	1,720,728	442,603
Laundry/linen	54,340	36,945
Mammography	71,026	-
Medical records	43,027	6,969
MRI scan	-	94,255
Nursing services	16,790	15,833
Occupational therapy	171,357	191,092
Pediatrics	-	3,750
Pharmacy	133,229	93,428
Physical therapy	850,226	819,751
Physician medical director fee	22,275	-
Physician IP/OP fees	60,000	62,218
Plant operations	119,924	107,114
Radiology	11,346	26,519
Respiratory therapy	3,300	2,745
Sleep studies	28,650	46,200
Speech therapy	121,008	121,114
St. Francis Clinic	7,717	12,549
Ultrasound	63,920	63,730
Wound care	239,151	277,360
All other	27,754	19,964
	<hr/>	<hr/>
Total professional services	\$ 6,044,173	\$ 4,757,597
	<hr/> <hr/>	<hr/> <hr/>

West Feliciana Parish Hospital Service District No. 1
Schedules of Operating Expenses
Supplies and Other Expenses
Years Ended October 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Supplies and Other Expenses		
Administrative	\$ 34,503	\$ 38,891
Ambulance	82,670	81,868
Business office	20,409	17,570
Central services	60,962	57,232
CT scan	18,511	11,854
Dietary	119,289	105,617
Emergency room	30,026	29,832
Family medicine	15,883	34,873
Housekeeping	82,716	76,438
Information technology	44,020	40,233
Intensive outpatient psychiatry	13,135	14,774
Laboratory	39,612	289,615
Medical records	6,524	4,145
Nursing services	79,721	84,463
Pediatrics	100,991	96,396
Pharmacy	355,562	335,441
Physical therapy	44,094	50,704
Plant operations	98,155	93,255
Radiology	13,419	16,028
Respiratory therapy	38,285	45,739
St. Francis Clinic	55,495	22,233
Surgery	3,675	16,830
All other	21,765	28,813
	<u>\$ 1,379,422</u>	<u>\$ 1,592,844</u>
Total supplies and other expenses	<u>\$ 1,379,422</u>	<u>\$ 1,592,844</u>

The Hospital Service District of West Feliciana Parish Louisiana
Schedules of Operating Expenses
Other Operating Expenses
Years Ended October 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Other Operating Expenses		
Administrative	\$ 52,664	\$ 106,438
Audit and legal fees	230,852	179,091
Collection fees	755,724	534,339
CT scan	67,756	71,689
Dues and subscriptions	80,404	50,539
Education	84,607	117,727
Family medicine	16,165	14,527
Insurance	281,825	228,157
Intensive outpatient psychiatry	23,331	26,569
Laboratory	34,953	35,310
Mammography	22,500	-
Nursing services	30,844	5,741
Office space and resource sharing	601,209	608,964
Pediatrics	42,296	46,137
Physician FMP match	189,995	-
Physical therapy	6,600	2,150
Plant operations and utilities	454,735	318,508
Postage	12,458	8,583
Public relations	129,606	154,335
Radiology	52,934	34,519
St. Francis Clinic	18,846	12,384
Telephone	99,802	90,846
Ultrasound	13,521	7,403
All other	121,276	31,458
	<u>\$ 3,424,903</u>	<u>\$ 2,685,414</u>
Total other operating expenses	<u>\$ 3,424,903</u>	<u>\$ 2,685,414</u>

**The Hospital Service District of West Feliciana Parish Louisiana
Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
Year Ended October 31, 2018**

Agency Head Name: Ledoux Chastant, III, CEO

Purpose	Amount
Salary	\$ 177,050
Benefits - insurance (health)	16,693
Benefits - retirement	6,500
Benefits - disability and life insurance	1,704
Car allowance	4,800
Vehicle provided by agency	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	1,130
Conference travel	3,746
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0



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**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
The Hospital Service District of West Feliciana Parish Louisiana
St. Francisville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Hospital Service District of West Feliciana Parish Louisiana, as of and for the years ended October 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise The Hospital Service District of West Feliciana Parish Louisiana's basic financial statements as listed in the table of contents, and have issued our report thereon dated April 12, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

April 12, 2019

**The Hospital Service District of West Feliciana Parish Louisiana
Schedule of Findings and Responses
Year Ended October 31, 2018**

Part I - Summary of Audit Results

- 1) An unmodified opinion has been expressed on the financial statements of The Hospital Service District of West Feliciana Parish Louisiana, as of and for the year ended October 31, 2018, and the related notes to the financial statements.
- 2) No deficiencies in internal control over financial reporting that we consider to be material weaknesses were identified.
- 3) No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were identified.
- 4) A single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* was not required.
- 5) A management letter was not issued.

Part II – Financial Statement Findings

No findings were noted.

**The Hospital Service District of West Feliciana Parish Louisiana
Summary Schedule of Prior Audit Findings
Year Ended October 31, 2018**

Part I – Financial Statement Findings

No findings were noted.

Part II – Management Letter

A management letter was not issued for the year ended October 31, 2017.

**The Hospital Service District of
West Feliciana Parish Louisiana
Agreed-Upon Procedures Report
October 31, 2018**



Independent Accountant's Report on Applying Agreed-upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by The Hospital Service District of West Feliciana Parish 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 November 1, 2017 through October 31, 2018. The Entity's management is responsible for those control and compliance areas identified in the SAUPs.

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

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedures presented in italics.

Written Policies and Procedures

1. Obtained and inspected the entity's written policies and procedures and observed that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

No exceptions noted.

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions 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 of statements, and (5) monitoring card usage.

No exceptions noted.

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

No exceptions noted.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42.1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

No exceptions noted.

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

No exceptions noted.

Bank Reconciliations

2. Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Asked management to identify the entity's main operating account. Selected the entity's main operating account and randomly selected 4 additional accounts. Randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for each selected account, and observed that:

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Collections

- 3. Obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly selected 5 deposit sites.

No exceptions noted.

- 4. For each deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for each deposit site, obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at each collection location, and observed that job duties are properly segregated at each collection location such that:

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

Individuals responsible for collecting cash may share the same cash register or drawer with another employee.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

- 6. Randomly selected two deposit dates for each of the 5 bank accounts selected for procedure #2 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits were made on the same day). Obtained supporting documentation for each of the 10 deposits and:

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

- 7. Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Selected the entity's only location that processes payments.

No exceptions noted.

- 8. For each location selected under #7 above, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to

employee job duties (if the agency has no written policies and procedures, inquired of employees about their job duties), and observed that job duties are properly segregated such that:

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

9. For each location selected under #7 above, obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. Randomly selected 5 disbursements, obtained supporting documentation for each transaction and:

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

No exceptions noted.

- b) Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #8, as applicable.

No exceptions noted.

Travel and Travel-related Expense Reimbursements (excluding card transactions)

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

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

Meals are reimbursed according to the TIER III rates established by the State of Louisiana; however, the Entity's policy for meal reimbursement is not dependent on the location of travel as outlined in the State of Louisiana Travel Guide.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Payroll and Personnel

- 11. Obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly selected five employees/officials, obtained their related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

No exceptions noted.

- 12. Randomly selected one pay period during the fiscal period. For the 5 employees/officials selected under #11 above, obtained attendance records and leave documentation for the pay period, and:

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

13. Obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly selected two employees/officials, obtained related documentation of the hours and pay rates used in management's termination payment calculations, agreed the hours to the employee/officials' cumulative leave records, and agreed the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No exceptions noted.

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

No exceptions noted.

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

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

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

April 12, 2019



WEST FELICIANA PARISH
HOSPITAL

PO Box 368 • 5266 Commerce Street • St. Francisville, Louisiana 70775 • Phone (225) 635-3811 • Fax (225) 635-2435 • www.wfph.org
April 17, 2019

Hawthorn, Waymouth & Carroll, L.L.P.
Certified Public Accountants
8545 United Plaza Boulevard, Suite 200
Baton Rouge, Louisiana 70809

The following is Management's response to the October 31, 2018 Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures exceptions:

4. a) Employees that are responsible for cash collections do not share cash drawer/registers.

Individuals responsible for collecting cash may share the same cash register or drawer with another employee.

Management's Response: Management establishes separate cash drawers for those responsible for cash collections whenever feasible. Some cashiers do share the same cash drawer, however when on duty each cashier has a unique log in for the accounting system.

10. a) If reimbursed using a per diem, agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Meals are reimbursed according to the TIER III rates established by the State of Louisiana; however, the Entity's policy for meal reimbursement is not dependent on the location of travel as outlined in the State of Louisiana Travel Guide.

Management's Response: The Hospital's policy for meal reimbursement was followed. Rates established are not dependent on the location of travel, but were set as single meal rates irrespective of travel location for simplicity.

Ledoux Chastant III

CEO

Linda Harvey

CFO