

REEVES MEMORIAL MEDICAL CENTER

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2019, 2018, AND 2017



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

Reeves Memorial Medical Center
 Financial Statements
 and
 Independent Auditors' Report
 Years Ended December 31, 2019, 2018, and 2017

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

This section of the Hospital Service District's (the "District") annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended on December 31, 2019. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The District's total assets increased in FY 2019 by \$1,004,111 compared to a decrease in FY 2018 of \$5,561,588 and an increase in FY 2017 of \$4,809,931. The majority of the increase in fiscal year 2019, is due to investment in an additional certificate of deposit. In FY 2019, the District paid Medicare \$369,595 for the settlement of the FY 2016 cost report and received \$824,250 for settlement of FY 2018 cost report. In fiscal year 2017 \$5,088,371 Intergovernmental Transfers (IGT) were not distributed at year-end. Capital leases of \$268,907, \$80,086 and \$81,578 were entered into in FY 2019, 2018 and 2017, respectively.
- Patient volume decreased in FY 2019 and FY 2018 versus patient volume increase in FY 2017. The District reported operating income of \$760,227, \$449,999 and \$741,012 in FY 2019, 2018 and 2017, respectively. Operating expenses in 2019, 2018, and 2017 include \$14,939,916, \$16,058,706 and \$19,056,375, respectively, which were Intergovernmental Transfers (IGT) expenses. Operating expenses increased by \$721,684 in FY 2019 compared to increases in FY 2018 and 2017 of \$838,741 and \$950,073, respectively.
- The District collaborated with a rural hospital trade organization to establish a grant program (IGT). The District entered into cooperative endeavor agreements with other regional public rural hospitals. These grants were to be used for providing healthcare to indigent and/or low-income patients. IGT grants of \$14,939,916, \$16,058,706 and \$19,056,375 were received and distributed by the District during FYs 2019, 2018, and 2017, respectively.
- The District received property tax revenues of \$256,830, \$253,428, and \$267,421, for fiscal years 2019, 2018, and 2017, respectively. The 5.34 mills ad valorem tax expired in fiscal year 2011 and was renewed for 2012 through 2021. The 5.11 mills was renewed in March 2015 for another 10 years. In FY 2016, the District board voted to increase the 5.34 mills to 5.47 mills to maintain the ad valorem tax equal to prior year tax collections.

Required Financial Statements

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

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

Financial Analysis of the Hospital Service District

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

Net Position

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

TABLE 1
Condensed Statements of Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total current assets	\$ 5,779,705	\$ 5,838,176	\$ 11,222,965	\$ 6,155,041
Capital assets - net	2,332,124	2,254,713	2,444,484	2,575,065
Other assets	<u>1,479,376</u>	<u>494,205</u>	<u>481,233</u>	<u>608,645</u>
 Total assets	 <u>\$ 9,591,205</u>	 <u>\$ 8,587,094</u>	 <u>\$ 14,148,682</u>	 <u>\$ 9,338,751</u>
 Current liabilities	 \$ 2,135,242	 \$ 2,120,046	 \$ 8,337,731	 \$ 4,457,741
Long-term liabilities	1,543,551	1,536,233	1,656,415	1,753,982
Invested in capital assets, net of related debt	621,251	537,951	624,722	587,882
Restricted: Bond reserve fund	69,024	70,233	69,190	2,597,917
Unrestricted	<u>5,222,137</u>	<u>4,322,631</u>	<u>3,460,624</u>	<u>(58,771)</u>
 Total liabilities and net position	 <u>\$ 9,591,205</u>	 <u>\$ 8,587,094</u>	 <u>\$ 14,148,682</u>	 <u>\$ 9,338,751</u>

As can be seen in Table 1, total assets increased in FY 2019 by \$1,004,111 with a decrease in FY 2018 of \$5,561,588 and an increase in 2017 of \$4,809,931. During FY 2019, the District paid Medicare \$369,595 for settlement of the FY 2016 cost report and received \$824,250 for settlement of FY 2018 cost report. The District also distributed all the intergovernmental transfers monies at year end.

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

Summary of Changes in Net Position

The following table presents a summary of the District's historical revenues and expenses for each of the fiscal years ended December 31, 2019, 2018, 2017, and 2016.

TABLE 2
Summary of Revenues, Expenses, and Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues:				
Net patient service revenue	\$ 25,239,102	\$ 26,023,891	\$ 28,689,496	\$ 24,450,406
Other revenue	<u>1,176,794</u>	<u>478,883</u>	<u>263,219</u>	<u>270,772</u>
Total revenues	<u>26,415,896</u>	<u>26,502,774</u>	<u>28,952,715</u>	<u>24,721,178</u>
Expenses:				
Salaries and benefits	5,426,110	4,986,627	4,699,295	4,266,467
Medical supplies and drugs	1,360,384	1,315,817	891,809	585,239
Professional fees	1,539,611	1,252,226	993,748	997,174
Other expenses	1,858,522	1,913,505	2,029,675	1,829,248
Intergovernmental transfers expense	14,939,916	16,058,706	19,056,375	16,454,575
Insurance	117,298	135,636	125,930	126,280
Depreciation	<u>413,828</u>	<u>390,258</u>	<u>414,871</u>	<u>400,847</u>
Total expenses	<u>25,655,669</u>	<u>26,052,775</u>	<u>28,211,703</u>	<u>24,659,830</u>
Operating income (loss)	760,227	449,999	741,012	61,348
Nonoperating revenues (expenses)				
Interest income	34,615	19,474	38,445	37,605
Interest expense	(62,950)	(51,931)	(55,898)	(59,502)
Gain (loss) on disposal of asset	-0-	93,150	5,000	111
Property tax revenue	<u>256,830</u>	<u>253,428</u>	<u>267,421</u>	<u>263,780</u>
Nonoperating income (loss), net	228,495	314,121	254,968	241,994
Changes in net position before capital grants	988,722	764,120	995,980	303,342
Capital grants	<u>6,354</u>	<u>-0-</u>	<u>24,482</u>	<u>5,049</u>
Changes in net position before other comprehensive income	995,076	764,120	1,020,462	308,391
Other comprehensive income				
Change in unrealized gain (loss) on securities	<u>(13,479)</u>	<u>12,159</u>	<u>7,046</u>	<u>10,508</u>
Changes in net position	\$ <u>981,597</u>	\$ <u>776,279</u>	\$ <u>1,027,508</u>	\$ <u>318,899</u>

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

Sources of Revenue

Operating Revenue

During fiscal year 2019, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the District's facilities. On December 30, 2005, the District changed its status for Medicare reimbursement purposes from a prospectively paid (PPS) hospital to a cost-based reimbursement or critical access hospital. This change resulted in more reimbursement from Medicare. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes grants to provide healthcare to indigent and/or low-income patients. If the District continues to meet the criteria, grant money may be available for a short period of time. Other revenue also contains cafeteria sales, HPSA incentive income, and other miscellaneous services.

The District collaborated with a rural hospital trade organization to establish a grant program. The District entered into cooperative endeavor agreements with other regional public rural hospitals. These grants were to be used for providing healthcare to indigent and/or low-income patients. An intergovernmental transfers grant flow through of \$14,939,916 was received by the District in fiscal year 2019. All monies from the intergovernmental transfers grant were distributed at year end. An intergovernmental transfers grant flow through of \$16,058,706 was received and distributed by the District in fiscal year 2018.

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

**TABLE 3
Payor Mix by Percentage**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare	45%	46%	53%	53%
Medicaid	15%	20%	22%	21%
Blue Cross	11%	10%	10%	11%
Commercial and other third-party payors	27%	22%	13%	10%
Other	<u>2%</u>	<u>2%</u>	<u>2%</u>	5%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Non-operating Income

The District holds investments in its Statements of Net Position that are invested primarily in Certificates of Deposit. Total investments were \$1,408,170, \$421,480, \$409,321, and \$402,275 for 2019, 2018, 2017, and 2016, respectively. Interest income earned from investments were \$34,615, \$19,474, \$38,445, and \$37,605 for fiscal years 2019, 2018, 2017, and 2016, respectively. The District received ad valorem tax revenue of \$256,830, \$253,428, \$267,421, and \$263,780 in fiscal years 2019, 2018, 2017, and 2016, respectively. Capital grant income for fiscal years 2019, 2018, 2017, and 2016 was \$6,354, \$0, \$24,482, and \$5,049, respectively.

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

Operating and Financial Performance

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between 2019, 2018, 2017, and 2016:

In FY 2019, acute and swing patient days increased by 91 days, compared to a 217 day decrease and 801 day increase in FY 2018 and 2017, respectively. Therapy revenues increased by \$410,158 compared to increases in FY 2018 and FY 2017 of \$1,041,767 and \$883,863, respectively. Other revenue increased by \$709,635 in FY 2019, due to the District's participation in the 340B pharmaceutical program and processing fees.

As a critical access hospital, the average length of stay is required to be 4.00 days or less. The Acute day's average length of stay was 3.66 for patients in fiscal year 2019.

In FY 2019 the net patient service revenue, without the \$15,634,392 IGT included, increased by \$116,290 due to changes in patient volume. Without consideration of the \$16,535,471 included in net patient service revenue, the District's net patient service revenue increased by \$596,578 in FY 2018 due to increases in Therapy charges and volume. Net patient service revenue saw an increase of \$1,511,116 in FY 2017 due to increase in acute and swing bed volume.

The gross accounts receivable balance decreased by \$846,649 in FY 2019 compared to an increase of \$603,054 and \$368,802 in FY 2018 and 2017, respectively. The decrease is primarily due to the increase in collections by Impact Healthcare. The District continues to exert every effort to assist patients in finding funding sources for health care.

Salaries & benefits grew in FY 2019, 2018, and 2017 by \$439,483, \$287,332, and \$432,828, respectively. A cost of living increase of 1.5% was granted in FY 2018 and 2017, with merit increases of up to 3% and incentive bonuses for physicians granted in FY 2018. The District adjusts pay rates as needed to compete with other area hospitals for personnel.

In FY 2019 Provision for Bad Debts decreased by \$127,068, compared to an increase of \$51,829 and \$26,935 in FY 2018 and 2017, respectively.

Depreciation increased slightly in fiscal year 2019 by \$23,570, compared to a decrease of \$24,613 in FY 2018 and an increase of \$14,024 in FY 2017. Medical Supplies and Drugs increased by \$44,567, \$424,008, and \$306,570 in FY 2019, 2018, and 2017, respectively, due to increased cost of pharmacy drugs and 340B pharmaceutical program drug purchases. Professional fees increased by \$287,385 in FY 2019, due to adding a physician and nurse practitioner to the emergency department, compared to an increase of \$258,478 in FY 2018 and a decrease of \$3,426 in FY 2017. Other expenses and insurance had a combined decrease of \$73,321 in FY 2019, versus a \$106,464 decrease in FY 2018 and a \$200,077 increase in FY 2017.

Capital Assets

During fiscal year 2019, the District completed the CT Building addition in the amount of \$211,928. With the completion of the CT room, the District purchased, under a capital lease, cat scan equipment in the amount of \$190,183, as well as various other fixed assets in the amount of \$95,608. All are included in Table 4 below.

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

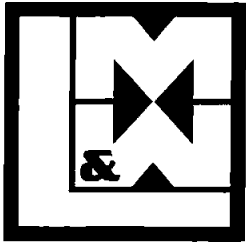
Capital Assets (Continued)

**TABLE 4
Capital Assets**

	December 31, <u>2019</u>	December 31, <u>2018</u>	December 31, <u>2017</u>	December 31, <u>2016</u>
Land	\$ 36,840	\$ 36,840	\$ 36,840	\$ 36,840
Land improvements	37,882	37,882	37,882	37,882
Leasehold improvements	22,583	22,014	17,083	17,083
Buildings	2,725,789	2,513,861	2,456,511	2,442,311
Fixed equipment	442,673	442,673	405,712	405,712
Major moveable equipment	3,661,148	3,411,767	3,571,023	3,371,969
Transportation equipment	87,344	87,894	105,891	66,312
Minor equipment	300	300	300	300
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,961</u>
 Total	 7,014,559	 6,553,231	 6,631,242	 6,389,370
Accumulated depreciation	<u>4,682,435</u>	<u>4,298,518</u>	<u>4,186,758</u>	<u>3,814,305</u>
 Net capital assets	 \$ <u>2,332,124</u>	 \$ <u>2,254,713</u>	 \$ <u>2,444,484</u>	 \$ <u>2,575,065</u>

Contacting the Hospital Service District's Financial Manager

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



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana d/b/a Reeves Memorial Medical Center (the "District"), a component unit of the Union Parish Police Jury, Bernice, Louisiana, as of and for the years ended December 31, 2019, 2018, and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reeves Memorial Medical Center as of December 31, 2019, 2018, and 2017, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana and do not purport to, and do not, present fairly the financial position of the Union Parish Police Jury as of December 31, 2019, 2018, and 2017, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.



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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Alexandria, Louisiana

September 14, 2020



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

ASSETS	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets:			
Cash and cash equivalents (Notes 2 & 3)	\$ 3,175,065	\$ 3,335,087	\$ 3,720,292
Accounts receivable, net (Note 4)	926,050	1,205,000	1,192,893
Estimated third-party payor settlements	613,614	549,054	317,337
Other receivables	611,267	301,860	478,640
Limited-use assets required for current liabilities	-0-	-0-	5,087,463
Inventory	316,800	325,763	276,692
Prepaid expenses	136,909	121,412	149,648
Total current assets	<u>5,779,705</u>	<u>5,838,176</u>	<u>11,222,965</u>
Non-current assets:			
Nondepreciable capital assets (Note 5)	36,840	36,840	36,840
Depreciable capital assets, net (Note 5)	2,295,284	2,217,873	2,407,644
Limited-use assets (Note 6)	69,392	70,911	70,098
Investments (Note 3)	1,408,170	421,480	409,321
Other assets (Note 7)	1,814	1,814	1,814
Total assets	<u>\$ 9,591,205</u>	<u>\$ 8,587,094</u>	<u>\$ 14,148,682</u>
 LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable	\$ 267,421	\$ 285,675	\$ 371,908
Accrued expenses and withholdings payable (Note 9)	436,322	408,552	365,285
Estimated third-party payor settlements	1,264,177	1,245,290	2,349,728
Intergovernmental transfer payable	-0-	-0-	5,087,463
Current portion of long-term debt (Note 8)	167,322	180,529	163,347
Total current liabilities	<u>2,135,242</u>	<u>2,120,046</u>	<u>8,337,731</u>
Long-term debt (Note 8)	<u>1,543,551</u>	<u>1,536,233</u>	<u>1,656,415</u>
Total liabilities	<u>3,678,793</u>	<u>3,656,279</u>	<u>9,994,146</u>
Net position:			
Invested in capital assets, net of related debt	621,251	537,951	624,722
Restricted: Bond reserve fund	69,024	70,233	69,190
Unrestricted	5,222,137	4,322,631	3,460,624
Total net position	<u>5,912,412</u>	<u>4,930,815</u>	<u>4,154,536</u>
Total liabilities and net position	<u>\$ 9,591,205</u>	<u>\$ 8,587,094</u>	<u>\$ 14,148,682</u>

See accompanying notes to financial statements.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues:			
Net patient service revenue (Note 12)	\$ 25,239,102	\$ 26,023,891	\$ 28,689,496
Grant income	43,512	55,236	60,121
Contributions	-0-	-0-	500
Other operating revenue	<u>1,133,282</u>	<u>423,647</u>	<u>202,598</u>
Total revenues	<u>26,415,896</u>	<u>26,502,774</u>	<u>28,952,715</u>
Expenses:			
Salaries and benefits	5,426,110	4,986,627	4,699,295
Medical supplies and drugs	1,360,384	1,315,817	891,809
Professional fees	1,539,611	1,252,226	993,748
Other expenses	1,858,522	1,913,505	2,029,675
Intergovernmental transfer expense (Note 19)	14,939,916	16,058,706	19,056,375
Insurance	117,298	135,636	125,930
Depreciation and amortization	<u>413,828</u>	<u>390,258</u>	<u>414,871</u>
Total expenses	<u>25,655,669</u>	<u>26,052,775</u>	<u>28,211,703</u>
Operating income (loss)	760,227	449,999	741,012
Nonoperating revenues (expenses)			
Interest income	34,615	19,474	38,445
Interest expense	(62,950)	(51,931)	(55,898)
Gain (loss) on disposal of assets	-0-	93,150	5,000
Property tax revenue (Note 14)	<u>256,830</u>	<u>253,428</u>	<u>267,421</u>
Nonoperating income (loss), net	228,495	314,121	254,968
Changes in net position before capital grants	988,722	764,120	995,980
Capital grants	<u>6,354</u>	<u>-0-</u>	<u>24,482</u>
Changes in net position before other comprehensive income	995,076	764,120	1,020,462
Other comprehensive income			
Change in unrealized gain (loss) on securities	<u>(13,479)</u>	<u>12,159</u>	<u>7,046</u>
Changes in net position	<u>981,597</u>	<u>776,279</u>	<u>1,027,508</u>
Beginning net position	<u>4,930,815</u>	<u>4,154,536</u>	<u>3,127,028</u>
Ending net position	\$ <u>5,912,412</u>	\$ <u>4,930,815</u>	\$ <u>4,154,536</u>

See accompanying notes to financial statements.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 25,472,379	\$ 24,675,629	\$ 29,808,370
Other receipts from operations	867,387	655,663	228,352
Cash paid to governmental entities	(14,939,916)	(16,058,706)	(19,056,375)
Cash payments to employees and for employee-related cost	(5,398,340)	(4,943,360)	(4,649,676)
Cash payments for other operating expenses	<u>(4,900,064)</u>	<u>(4,724,022)</u>	<u>(4,118,472)</u>
Net cash provided (used) by operating activities	<u>1,101,446</u>	<u>(394,796)</u>	<u>2,212,199</u>
Cash flows from investing activities:			
Interest income	34,615	19,474	38,445
Cash invested in certificates of deposits	<u>(1,000,169)</u>	<u>-0-</u>	<u>-0-</u>
Net cash provided (used) by investing activities	<u>(965,554)</u>	<u>19,474</u>	<u>38,445</u>
Cash flows from non-capital financing activities			
Ad valorem taxes	<u>256,830</u>	<u>253,428</u>	<u>267,421</u>
Net cash provided (used) by non-capital financing activities	<u>256,830</u>	<u>253,428</u>	<u>267,421</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(251,110)	(178,794)	(202,712)
Proceeds from sale of assets	-0-	93,150	5,000
Disposal of assets	36,961	58,393	-0-
Proceeds from capital grants	6,354	-0-	24,482
Cash invested in limited use assets	841	(1,043)	134,901
Payments on long-term debt	(282,840)	(183,086)	(159,606)
Interest expense on long-term debt	<u>(62,950)</u>	<u>(51,931)</u>	<u>(55,898)</u>
Net cash provided (used) by capital and related financing activities	<u>(552,744)</u>	<u>(263,311)</u>	<u>(253,833)</u>
Net increase (decrease) in cash and cash equivalents	(160,022)	(385,205)	2,264,232
Beginning cash and cash equivalents	<u>3,335,087</u>	<u>3,720,292</u>	<u>1,456,060</u>
Ending cash and cash equivalents	\$ <u>3,175,065</u>	\$ <u>3,335,087</u>	\$ <u>3,720,292</u>

See accompanying notes to financial statements.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 760,227	\$ 449,999	\$ 741,012
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	413,689	390,258	414,871
Changes in:			
Accounts receivable, net	278,950	(12,107)	108,841
Estimated third-party payor settlements	(45,673)	(1,336,155)	1,010,033
Other receivables	(309,407)	176,780	(34,867)
Limited-use asset	678	230	(443)
Inventory	8,963	(49,071)	(33,033)
Prepaid expenses	(15,497)	28,236	(41,188)
Accounts payable	(18,254)	(86,233)	(2,646)
Accrued expenses and withholdings payable	<u>27,770</u>	<u>43,267</u>	<u>49,619</u>
 Net cash provided (used) by operating activities	 <u>\$ 1,101,446</u>	 <u>\$ (394,796)</u>	 <u>\$ 2,212,199</u>
 Supplemental disclosures of cash flow information:			
 Cash paid during the period for:			
Interest	<u>\$ 62,950</u>	<u>\$ 51,931</u>	<u>\$ 55,898</u>
 Unrealized gain (loss) recorded to investments and net position	 <u>\$ (13,479)</u>	 <u>\$ 12,159</u>	 <u>\$ 7,046</u>
 Equipment acquired under capital lease	 <u>\$ 276,951</u>	 <u>\$ 80,086</u>	 <u>\$ 81,578</u>

See accompanying notes to financial statements.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

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

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

Nature of Business

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Enterprise Fund

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

Basis of Accounting

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

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Credit Risk

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

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

Significant Concentration of Economic Dependence

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

Net Patient Service Revenues

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

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

Patient Accounts Receivable

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

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Inventory

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

Capital Assets

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

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

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

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

Net Position

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

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Revenues

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

Revenues and Expenses

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

Grants and Contributions

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

Charity Care

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

Use of Estimates

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

Reclassifications

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

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

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

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The District's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the District's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the District. At December 31, 2019, 2018, and 2017, management is not aware of any liability resulting from environmental matters.

Advertising

The Hospital expenses advertising cost as incurred. Advertising expense for the years ended December 31, 2019, 2018, and 2017 totaled \$6,131, \$9,397, and \$9,573, respectively.

Recently Issued Accounting Principles

In June 2018, the GASB issued Statement No. 87 (GASB 87). The objective of GASB Statement No. 87, Leases, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increased the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is still evaluating the potential impact of adoption on the District's financial statements. The requirements of this Statement have been postponed due to the COVID-19 pandemic and the revised effective date is for financial statements for periods beginning after June 15, 2021.

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the District to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the

Ward 3, 4 and 10 Hospital Service District
 Of the Parish of Union, State of Louisiana
 Reeves Memorial Medical Center
 Notes to Financial Statements
 Years Ended December 31, 2019, 2018, and 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

deposits of the District be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Custodial Credit Risks – Custodial credit risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District’s deposits were entirely insured or entirely collateralized by securities held by the pledging bank’s trust department in the District’s name at December 31, 2019, 2018, and 2017.

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

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

Account balances according to bank’s records at December 31, 2019, for the District are as follows:

	Origin Bank <u>Cash</u>	Origin Bank <u>Certificates of Deposits</u>
Cash in banks	\$ <u>3,302,391</u>	\$ <u>1,202,921</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>3,358,480</u>	\$ <u>952,921</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Carrying amount			
Deposits	\$ 3,175,065	\$ 3,335,087	\$ 3,720,292
Investments	1,223,052	222,883	222,883
Donated stocks	<u>185,118</u>	<u>198,597</u>	<u>186,438</u>
	<u>\$ 4,583,235</u>	<u>\$ 3,756,567</u>	<u>\$ 4,129,613</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 3,175,065	\$ 3,335,087	\$ 3,720,292
Investments	<u>1,408,170</u>	<u>421,480</u>	<u>409,321</u>
	<u>\$ 4,583,235</u>	<u>\$ 3,756,567</u>	<u>\$ 4,129,613</u>

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

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

		----- Fair Value -----		
	<u>Shares</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Exxon Corporation	800	\$ 55,824	\$ 54,552	\$ 66,912
Pfizer	3300	<u>129,294</u>	<u>144,045</u>	<u>119,526</u>
Total market value		185,118	198,597	186,438
Less cost basis		<u>(14,456)</u>	<u>(14,456)</u>	<u>(14,456)</u>
Unrealized gain (loss)		<u>\$ 170,662</u>	<u>\$ 184,141</u>	<u>\$ 171,982</u>

Ward 3, 4 and 10 Hospital Service District
 Of the Parish of Union, State of Louisiana
 Reeves Memorial Medical Center
 Notes to Financial Statements
 Years Ended December 31, 2019, 2018, and 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Patient accounts receivable	\$ 2,267,790	\$ 3,114,439	\$ 2,511,385
Estimated allowance for uncollectibles	<u>(1,341,740)</u>	<u>(1,909,439)</u>	<u>(1,318,492)</u>
Net patient accounts receivable	\$ <u>926,050</u>	\$ <u>1,205,000</u>	\$ <u>1,192,893</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Medicare	25%	19%	34%
Medicaid	16%	19%	14%
Commercial and other third-party payors	21%	16%	13%
Blue Cross	6%	11%	10%
Patients	<u>32%</u>	<u>35%</u>	<u>29%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 5 - CAPITAL ASSETS

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

	December 31, <u>2018</u>	<u>Additions</u>	<u>Dispositions</u>	December 31, <u>2019</u>
Nondepreciable capital assets				
Land	\$ 36,840	\$ -0-	\$ -0-	\$ 36,840
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total nondepreciable capital assets	<u>\$ 36,840</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 36,840</u>
Depreciable capital assets				
Land improvements	\$ 37,882	\$ -0-	\$ -0-	\$ 37,882
Leasehold improvements	22,014	569	-0-	22,583
Buildings	2,513,861	211,928	-0-	2,725,789
Fixed equipment	442,673	-0-	-0-	442,673
Major moveable equipment	3,411,767	255,860	6,479	3,661,148
Transportation equipment	87,894	29,935	30,485	87,344
Minor equipment	<u>300</u>	<u>-0-</u>	<u>-0-</u>	<u>300</u>
Total depreciable capital assets	6,516,391	498,292	36,964	6,977,719
Accumulated depreciation	<u>4,298,518</u>	<u>413,828</u>	<u>29,911</u>	<u>4,682,435</u>
Total depreciable capital assets, net	<u>\$ 2,217,873</u>	<u>\$ 84,464</u>	<u>\$ 7,053</u>	<u>\$ 2,295,284</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
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Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 5 - CAPITAL ASSETS (Continued)

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

	December 31, <u>2017</u>	<u>Additions</u>	<u>Dispositions</u>	December 31, <u>2018</u>
Nondepreciable capital assets				
Land	\$ 36,840	\$ -0-	\$ -0-	\$ 36,840
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total nondepreciable capital assets	\$ <u>36,840</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>36,840</u>
Depreciable capital assets				
Land improvements	\$ 37,882	\$ -0-	\$ -0-	\$ 37,882
Leasehold improvements	17,083	4,931	-0-	22,014
Buildings	2,456,511	57,350	-0-	2,513,861
Fixed equipment	405,712	36,961	-0-	442,673
Major moveable equipment	3,571,023	159,069	318,325	3,411,767
Transportation equipment	105,891	-0-	17,997	87,894
Minor equipment	<u>300</u>	<u>-0-</u>	<u>-0-</u>	<u>300</u>
Total depreciable capital assets	6,594,402	258,311	336,322	6,516,391
Accumulated depreciation	<u>4,186,758</u>	<u>390,258</u>	<u>278,498</u>	<u>4,298,518</u>
Total depreciable capital assets, net	\$ <u>2,407,644</u>	\$ <u>(131,947)</u>	\$ <u>57,824</u>	\$ <u>2,217,873</u>

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Notes to Financial Statements
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NOTE 5 - CAPITAL ASSETS (Continued)

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

	December 31, <u>2016</u>	<u>Additions</u>	<u>Dispositions</u>	December 31, <u>2017</u>
Nondepreciable capital assets				
Land	\$ 36,840	\$ -0-	\$ -0-	\$ 36,840
Construction in progress	<u>10,961</u>	<u>-0-</u>	<u>10,961</u>	<u>-0-</u>
Total nondepreciable capital assets	\$ <u>47,801</u>	\$ <u>-0-</u>	\$ <u>10,961</u>	\$ <u>36,840</u>
Depreciable capital assets				
Land improvements	\$ 37,882	\$ -0-	\$ -0-	\$ 37,882
Leasehold improvements	17,083	-0-	-0-	17,083
Buildings	2,442,311	14,200	-0-	2,456,511
Fixed equipment	405,712	-0-	-0-	405,712
Major moveable equipment	3,371,969	241,472	42,418	3,571,023
Transportation equipment	66,312	39,579	-0-	105,891
Minor equipment	<u>300</u>	<u>-0-</u>	<u>-0-</u>	<u>300</u>
Total depreciable capital assets	6,341,569	295,251	42,418	6,594,402
Accumulated depreciation	<u>3,814,305</u>	<u>414,871</u>	<u>42,418</u>	<u>4,186,758</u>
Total depreciable capital assets, net	\$ <u>2,527,264</u>	\$ <u>(119,620)</u>	\$ <u>-0-</u>	\$ <u>2,407,644</u>

Ward 3, 4 and 10 Hospital Service District
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Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 6 - LIMITED-USE ASSETS

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Restricted by third-parties</u>			
Bond paying agent fund	\$ 16,272	\$ 16,600	\$ 15,688
Bond contingency fund	52,752	52,541	52,410
Capital lease fund	<u>-0-</u>	<u>1,092</u>	<u>1,092</u>
Total restricted by third-parties	69,024	70,233	69,190
 <u>Restricted by board</u>			
Intergovernmental transfer	368	678	5,088,371
 Total limited-use assets	 69,392	 70,911	 5,157,561
Less required for current liabilities	<u>-0-</u>	<u>-0-</u>	<u>(5,087,463)</u>
 Limited use assets	 \$ <u>69,392</u>	 \$ <u>70,911</u>	 \$ <u>70,098</u>

NOTE 7 - OTHER ASSETS

Other assets consist of the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Meter deposits	\$ <u>1,814</u>	\$ <u>1,814</u>	\$ <u>1,814</u>
 Total	 \$ <u>1,814</u>	 \$ <u>1,814</u>	 \$ <u>1,814</u>

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 Reeves Memorial Medical Center
 Notes to Financial Statements
 Years Ended December 31, 2019, 2018, and 2017

NOTE 8 - LONG-TERM DEBT

The following is a summary of long-term debt at December 31, 2019, 2018, and 2017:

	December 31,			December 31,	
	<u>2018</u>	<u>Additions</u>	<u>Payments</u>	<u>2019</u>	<u>Due Within</u>
					<u>One Year</u>
Capital Leases	\$ 176,054	\$ 276,951	\$ 185,183	\$ 267,822	\$ 66,834
Series 2013 Hospital Revenue Bonds - R-1	1,207,048	-0-	76,504	1,130,544	68,455
Series 2013 Hospital Revenue Bonds - R-2	<u>333,660</u>	<u>-0-</u>	<u>21,153</u>	<u>312,507</u>	<u>32,033</u>
Total	\$ <u>1,716,762</u>	\$ <u>276,951</u>	\$ <u>282,840</u>	\$ <u>1,710,873</u>	\$ <u>167,322</u>

	December 31,			December 31,	
	<u>2017</u>	<u>Additions</u>	<u>Payments</u>	<u>2018</u>	<u>Due Within</u>
					<u>One Year</u>
Capital Leases	\$ 183,148	\$ 80,086	\$ 87,180	\$ 176,054	\$ 83,040
Series 2013 Hospital Revenue Bonds - R-1	1,272,472	-0-	65,424	1,207,048	66,412
Series 2013 Hospital Revenue Bonds - R-2	<u>364,142</u>	<u>-0-</u>	<u>30,482</u>	<u>333,660</u>	<u>31,077</u>
Total	\$ <u>1,819,762</u>	\$ <u>80,086</u>	\$ <u>183,086</u>	\$ <u>1,716,762</u>	\$ <u>180,529</u>

	December 31,			December 31,	
	<u>2016</u>	<u>Additions</u>	<u>Payments</u>	<u>2017</u>	<u>Due Within</u>
					<u>One Year</u>
Capital Leases	\$ 168,154	\$ 81,578	\$ 66,584	\$ 183,148	\$ 67,590
Series 2013 Hospital Revenue Bonds - R-1	1,365,494	-0-	93,022	1,272,472	65,332
Series 2013 Hospital Revenue Bonds - R-2	<u>364,142</u>	<u>-0-</u>	<u>-0-</u>	<u>364,142</u>	<u>30,425</u>
Total	\$ <u>1,897,790</u>	\$ <u>81,578</u>	\$ <u>159,606</u>	\$ <u>1,819,762</u>	\$ <u>163,347</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 8 - LONG-TERM DEBT (Continued)

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

- On December 10, 2018, a Government Obligation Contract was executed between KS State Bank and the District. Computer hardware was leased for the total amount of \$268,907 at an interest rate of 6.002%, for 60 months, terminating March 1, 2024, secured by equipment.
- On March 31, 2017, a Capital Lease Agreement was executed between GE Capital and the District. A GE Logiq S8 Ultrasound was leased for the total amount of \$81,578 at an interest rate of 1.526%, for 60 months, terminating March 30, 2022, secured by equipment.
- On November 20, 2013, Series 2013 Hospital Service Bonds, known as R-1, were issued in the principal amount of \$1,550,000, at 3.05%, rate subject to adjustment on the 5th, 10th, and 15th anniversary dates based upon then current 5 year Treasury rate (not to exceed 5% per annum) due in 2033, collateralized by a pledge and dedication of District revenue. These bonds are further secured by a mortgage of all properties owned by the District. They will mature 20 years from the date of delivery.
- On November 20, 2013, Series 2013 Hospital Service Bonds, known as R-2, were issued in the principal amount of \$450,000, at 3.05%, rate subject to readjustment on the 5th and 10th anniversary dates, due in 2026, collateralized by a pledge and dedication of District revenue. These bonds are further secured by a mortgage. They will mature on their monthly anniversary date in August 2027.

The District issued the \$2,000,000 of revenue bonds for the purpose of improving and renovating the Reeves Memorial Medical Center, including equipment, accessories and furnishings, to prepay (refund) the District's outstanding Hospital Revenue Bond, dated August 20, 2002 issued in the principal amount of \$650,000 and cost of issuance of the Bonds.

As required by the bond agreement, the District is required to maintain two separate accounts: Sinking Fund and Contingency Fund. The Sinking Fund is required in order to have sufficient monies to pay promptly and fully the principal and interest on the bonds due the next payment day. 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 Reeves Memorial Medical Center. The sum equal to five percent (5%) of the Sinking Fund will continue until the amount of \$100,000 is deposited into the Contingency Fund. Should the Contingency Fund sum thereafter be reduced to less than \$100,000, monthly payments shall recommence until Contingency Fund balance is \$100,000.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 8 - LONG-TERM DEBT (Continued)

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

<u>Year ending December 31,</u>	<u>Bonds</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 100,657	\$ 42,620	\$ 65,604	\$ 13,267
2021	103,771	39,506	68,950	9,921
2022	106,980	36,296	63,697	6,440
2023	110,289	32,987	60,374	2,921
2024	113,700	29,577	9,197	157
2025-2029	526,918	96,175	-0-	-0-
2030-2034	<u>380,736</u>	<u>23,687</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>1,443,051</u>	\$ <u>300,848</u>	\$ <u>267,822</u>	\$ <u>32,706</u>

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$96,812 is included in depreciation expense. Net book value of capital leases is \$288,077, \$219,059, and \$207,693, in 2019, 2018, and 2017, respectively.

NOTE 9 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Accrued interest	\$ 2,480	\$ 2,480	\$ 2,629
Accrued payroll taxes	5,209	5,209	3,426
Accrued expenses	-0-	-0-	118
Accrued vacation	270,831	276,154	255,131
Accrued payroll	<u>157,802</u>	<u>124,709</u>	<u>103,981</u>
Total	\$ <u>436,322</u>	\$ <u>408,552</u>	\$ <u>365,285</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 10 - COMPENSATED ABSENCES

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

NOTE 11 - RETIREMENT PLAN

On January 1, 2012, the District instituted the Reeves Memorial Medical Center 457 Plan, which is a defined contribution plan (exempt under Section 457 of the Internal Revenue Code). Security Benefits is the Plan's third-party administrator. At December 31, 2019, 2018, and 2017 there were 46, 45, and 49 plan members, respectively. Employees are eligible to participate in the plan beginning on the date of hire, with a maximum contribution of up to 100% of compensation. The contribution limit for those under age 50 not to exceed \$19,000, \$18,500, and \$18,000 in calendar years 2019, 2018, and 2017, respectively. For those 50 or older \$25,000, \$24,500, and \$24,000 are the contribution limits for calendar years 2019, 2018, and 2017, respectively. The District has elected to match 100% of the first 2% of the participating employees' compensation deferred to the plan. The District may choose to make annual discretionary non-elective contributions based on the employees' compensation during the plan year. The District holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in their contributions and in the employer match posted to their account.

The District's contributions were \$51,479, \$49,756, and \$51,909, compared to employee contributions of \$131,743, \$124,157, and \$128,855, for the years ended December 31, 2019, 2018, and 2017, respectively.

NOTE 12 - NET PATIENT SERVICE REVENUE

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

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

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

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

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

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Gross charges	\$ 17,675,744	\$ 18,125,304	\$ 17,369,217
Less charges associated with charity patients	<u>(18,066)</u>	<u>(24,703)</u>	<u>(11,733)</u>
Gross patient service revenue	17,657,678	18,100,601	17,357,484
Add increases in revenue:			
Intergovernmental transfer	15,634,392	16,535,471	19,797,654
Less deductions from revenue:			
Contractual adjustments	(7,180,507)	(7,681,933)	(7,506,647)
Policy and other discounts	<u>(206,241)</u>	<u>(136,960)</u>	<u>(217,536)</u>
Patient service revenue (net of contractual adjustments and discounts)	25,905,322	26,817,179	29,430,955
Less provision for bad debt	<u>(666,220)</u>	<u>(793,288)</u>	<u>(741,459)</u>
Net patient service revenues	\$ <u>25,239,102</u>	\$ <u>26,023,891</u>	\$ <u>28,689,496</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Medicare and Medicaid charges	\$ 10,662,618	\$ 11,888,922	\$ 13,064,881
Contractual adjustments	<u>(4,509,463)</u>	<u>(5,457,671)</u>	<u>(6,042,402)</u>
Program patient service revenue	\$ <u>6,153,155</u>	\$ <u>6,431,251</u>	\$ <u>7,022,479</u>
Percent of total gross patient charges	<u>60%</u>	<u>66%</u>	<u>75%</u>
Percent of total net patient revenues without IGT	<u>64%</u>	<u>68%</u>	<u>79%</u>

The District experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. These adjustments resulted in an increase of \$23,000 in net patient revenue in fiscal year 2018 and a decrease of \$27,000 in net patient service revenue in fiscal year 2017.

NOTE 13 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal poverty guidelines based on a 200% scale. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies, and other operating expenses. The costs of caring for charity care patients were approximately \$10,280, \$12,549, and \$5,679, in 2019, 2018, and 2017, respectively.

NOTE 14 - PROPERTY TAX REVENUE

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

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 15 - PROFESSIONAL LIABILITY RISK

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

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

NOTE 16 - WORKER'S COMPENSATION RISK

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

NOTE 17 - CONTINGENCIES

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

The principal contingencies are described below:

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

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

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 17 - CONTINGENCIES (Continued)

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

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

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

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

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

NOTE 18 - GRANT REVENUE

The District recognized operating grant income of \$25,500, \$25,500, and \$25,500 in years 2019, 2018, and 2017, respectively, from Medicaid for physician meaningful use.

NOTE 19 - INTERGOVERNMENTAL TRANSFERS-ACCESS GRANTS

The District ("Grantor") collaborated with a rural hospital trade organization ("RHC") to establish a grant program, whereby Grantor entered into cooperative endeavor agreements ("CEAs") with other regional public rural hospitals ("Grantees") to provide intergovernmental transfers-access grant ("IGT") funds to enhance access to adequate and essential medically necessary healthcare services to the rural communities served by Grantees. Grant amounts were calculated based upon schedules prepared by RHC when it was determined that sufficient funds were available to make such IGT grants. The aggregate IGT grant expense is \$14,939,916, \$16,058,706 and \$19,056,375 for the years ended December 31, 2019, 2018, and 2017, respectively.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 20 - RELATED PARTY

The District has a management agreement with Impact Healthcare Solutions, LLC to manage the hospital. Additionally, Impact provides billing and collection services. Total amounts paid for these services were \$532,755, \$542,325, and \$592,924, for December 31, 2019, 2018, and 2017, respectively.

NOTE 21 - SUBSEQUENT EVENT

Management has evaluated subsequent events through the date of the financial statements were to be issued, August 24, 2020, and determined the following material events occurred that require disclosure:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and in March 2020, declared it to be a pandemic. Actions taken around the world to mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures of certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many geographical areas, including the geographical area in which the District operates.

After year-end, the District applied for and received an SBA Loan, as part of the Paycheck Protection Plan, for the amount of \$870,592. The intent of management is to spend the loan proceeds on payroll and other items that would qualify the District to convert these loan proceeds to a grant, which would not have to be repaid.

After year-end, the District applied for and received an accelerated/advance payment from the Medicare program for the amount of \$2,530,479. The intent of management is to use the monies to supplement reduced Medicare reimbursement due to the COVID-19 pandemic. The advanced payment will be paid back to Medicare through a recoupment process beginning 120 days after the payment was received.

After year-end, the District received funding provided by the Cares Act and HHS to supplement loss revenue during the COVID-19 pandemic for the amount of \$3,886,246. The intent of management is to spend the monies to supplement the decline in revenue due to the COVID-19 pandemic. Management is unable to evaluate the amount that will have to be paid back, thus the monies remain in nonoperating revenue at the date financial statements were issued.

After year-end, the District received funding provided by the Cares Act and HHS to hospitals which had a high volume per bed of COVID-19 admissions for the amount of \$900,000. The intent of management is to spend the monies on resources needed to continue treatment of COVID-19 patients.

No subsequent events occurring after September 14, 2020 have been evaluated for inclusion in these financial statements.

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Notes to Financial Statements
Years Ended December 31, 2019, 2018, and 2017

NOTE 20 - RELATED PARTY

The District has a management agreement with Impact Healthcare Solutions, LLC to manage the hospital. Additionally, Impact provides billing and collection services. Total amounts paid for these services were \$532,755, \$542,325, and \$592,924, for December 31, 2019, 2018, and 2017, respectively.

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After year-end, the District received funding provided by the Cares Act and HHS to supplement loss revenue during the COVID-19 pandemic for the amount of \$3,886,246. The intent of management is to spend the monies to supplement the decline in revenue due to the COVID-19 pandemic. Management is unable to evaluate the amount that will have to be paid back, thus the monies remain in nonoperating revenue at the date financial statements were issued.

After year-end, the District received funding provided by the Cares Act and HHS to hospitals which had a high volume per bed of COVID-19 admissions for the amount of \$900,000. The intent of management is to spend the monies on resources needed to continue treatment of COVID-19 patients.

No subsequent events occurring after August 24, 2020 have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Daily patient services:			
Room and board	\$ 954,312	\$ 1,020,381	\$ 1,015,313
Swing	<u>1,499,068</u>	<u>2,162,136</u>	<u>2,436,665</u>
 Total daily patient services	 <u>2,453,380</u>	 <u>3,182,517</u>	 <u>3,451,978</u>
 Other professional services:			
Radiology	2,418,054	2,115,382	1,954,401
Laboratory	2,459,509	2,393,702	2,280,576
Blood	25,852	46,352	48,890
Respiratory therapy	277,812	336,760	413,282
Physical therapy	1,630,070	1,289,099	809,019
Occupational therapy	1,073,024	1,009,129	514,371
Speech therapy	99,528	94,236	27,307
EKG	62,906	47,944	53,626
Medical supply	710,100	873,378	1,091,459
Pharmacy	2,934,842	3,116,986	3,005,439
Rural health clinic	1,456,026	1,643,066	1,520,417
Wound care	184,430	207,998	291,611
Emergency room	1,785,461	1,706,005	1,825,881
Monitor	<u>104,750</u>	<u>62,750</u>	<u>80,960</u>
 Total other professional services	 \$ <u>15,222,364</u>	 \$ <u>14,942,787</u>	 \$ <u>13,917,239</u>

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedules of Net Patient Service Revenue (Continued)
Years Ended December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Gross charges	\$ 17,675,744	\$ 18,125,304	\$ 17,369,217
Less charges associated with charity patients	<u>18,066</u>	<u>24,703</u>	<u>11,733</u>
Gross patient service revenue	17,657,678	18,100,601	17,357,484
Deductions from revenue:			
Medicare and Medicaid contractual adjustments	4,475,769	5,457,671	6,042,402
Intergovernmental transfers-access grant	(15,634,392)	(16,535,471)	(19,797,654)
Other contractual adjustments	2,704,738	2,224,262	1,464,245
Policy and other discounts	<u>206,241</u>	<u>136,960</u>	<u>217,536</u>
Patient service revenue (net of contractual adjustments and discounts)	25,905,322	26,817,179	29,430,955
Less provision for bad debt	<u>666,220</u>	<u>793,288</u>	<u>741,459</u>
Net patient service revenue less provision for bad debt	\$ <u>25,239,102</u>	\$ <u>26,023,891</u>	\$ <u>28,689,496</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
HPSA incentive	\$ 18,972	\$ 23,475	\$ 15,659
Dietary revenue	12,661	11,156	12,351
Health information	3,386	8,888	9,133
Discounts taken	59,996	56,589	35,310
Pharmacy revenue	3,585	5,979	6,182
340B pharmaceutical program	738,921	200,721	-0-
Grant administrative fee	25,230	41,662	43,648
Insurance recovery	19,126	-0-	9,950
Administrative processing fee	230,861	55,618	55,635
Miscellaneous revenue	<u>20,544</u>	<u>19,559</u>	<u>14,730</u>
 Total other revenue	 \$ <u>1,133,282</u>	 \$ <u>423,647</u>	 \$ <u>202,598</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Administration	\$ 515,840	\$ 488,217	\$ 472,112
Plant maintenance	139,523	123,285	103,831
Housekeeping	76,130	59,251	51,333
Dietary	123,823	110,433	100,333
Social services	-0-	-0-	16,526
Nursing administration	87,176	93,115	89,881
Health information	160,944	128,227	114,365
Nursing services	1,271,823	1,141,226	1,032,721
Radiology	162,583	155,943	147,480
Laboratory	260,059	250,954	237,954
Respiratory therapy	67,591	67,112	67,739
EKG and EEG	6,640	4,785	5,093
Central supply	30,198	29,582	28,625
Pharmacy	190,457	185,808	183,194
Rural health clinic	1,259,290	983,012	820,183
Emergency room	<u>277,042</u>	<u>440,269</u>	<u>550,929</u>
 Total salaries	 <u>4,629,119</u>	 <u>4,261,219</u>	 <u>4,022,299</u>
 Payroll taxes	 313,946	 288,805	 269,935
Health/life insurance	379,963	326,771	287,636
457 matching contribution	51,479	49,756	51,909
Worker's compensation	<u>51,603</u>	<u>60,076</u>	<u>67,516</u>
 Total benefits	 <u>796,991</u>	 <u>725,408</u>	 <u>676,996</u>
 Total salaries and benefits	 \$ <u>5,426,110</u>	 \$ <u>4,986,627</u>	 \$ <u>4,699,295</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Nursing services	\$ 26,262	\$ 35,165	\$ 34,694
Radiology	13,264	24,304	25,741
Laboratory	126,675	126,080	114,042
Blood	16,538	27,650	33,002
Respiratory therapy	9,616	7,554	8,176
Physical and occupational therapy	2,092	1,666	694
Pharmacy	944,521	980,200	640,381
340B pharmaceutical program	183,934	73,650	-0-
Wound care	-0-	372	258
Rural health clinic	37,482	39,176	36,696
Emergency room	<u>-0-</u>	<u>-0-</u>	<u>(1,875)</u>
 Total medical supplies and drugs	 \$ <u>1,360,384</u>	 \$ <u>1,315,817</u>	 \$ <u>891,809</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Health information	\$ 1,138	\$ 776	\$ 450
Nursing	24,648	20,923	38,418
Radiology	14,268	12,510	11,692
Laboratory	115,958	114,960	111,014
Physical therapy	365,071	292,603	175,659
Occupational therapy	259,132	243,230	114,616
Speech therapy	47,480	47,341	10,187
Pharmacy	35,250	23,865	20,400
Respiratory therapy	-0-	-0-	160
Wound care	18,260	66,055	154,650
Rural health clinic	15,400	5,000	-0-
Emergency room	<u>643,006</u>	<u>424,963</u>	<u>356,502</u>
 Total professional fees	 \$ <u>1,539,611</u>	 \$ <u>1,252,226</u>	 \$ <u>993,748</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Purchased services	\$ 787,718	\$ 841,895	\$ 919,713
Accounting and legal	87,649	71,548	58,103
Non medical supplies	277,452	278,583	363,903
Repairs and maintenance	276,504	265,037	242,494
Utilities	84,646	82,512	80,857
Telephone	46,978	51,039	69,322
Travel	30,017	29,492	27,935
Rentals	150,800	190,852	171,710
Training	18,624	3,956	6,881
Promotion and advertising	6,131	9,397	9,573
Licensing and publications	37,894	43,894	38,535
Miscellaneous	45,538	36,786	31,824
Tax assessor fees	<u>8,571</u>	<u>8,514</u>	<u>8,825</u>
 Total other expenses	 \$ <u><u>1,858,522</u></u>	 \$ <u><u>1,913,505</u></u>	 \$ <u><u>2,029,675</u></u>

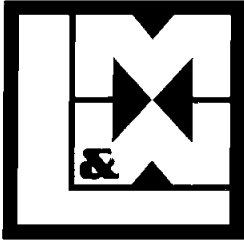
Ward 3, 4 and 10 Hospital Service District
 Of the Parish of Union, State of Louisiana
 Reeves Memorial Medical Center
 Schedules of Per Diem and Other Compensation Paid to Board Members
 Years Ended December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board members:			
Penya Moses	\$ 360	\$ 240	\$ 240
Mike Holley	360	400	360
Jennifer Lenard	320	320	280
Edwin Watley	320	400	280
Michael Brandon	<u>360</u>	<u>400</u>	<u>360</u>
 Total	 \$ <u>1,720</u>	 \$ <u>1,760</u>	 \$ <u>1,520</u>

Ward 3, 4 and 10 Hospital Service District
 Of the Parish of Union, State of Louisiana
 Reeves Memorial Medical Center
 Schedule of Compensation, Benefits, and Other Payments
 to Chief Executive Officer
 Year Ended December 31, 2019

Agency Head Name: David Caston
 Position: CEO
 Time Period: January 1, 2019 to December 31, 2019

<u>Purpose</u>	<u>Amount</u>
Salary	153,900
Health insurance	-0-
Retirement	-0-
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	6,750
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ward 3, 4 and 10 Hospital Service District of the Parish of Union, State of Louisiana d/b/a Reeves Memorial Medical Center (the "District"), a component unit of the Union Parish Police Jury, as of and for the years ended December 31, 2019, 2018, and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 14, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies: 2019-001 and 2019-002.

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

Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of this Report

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

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



Certified Public Accountants
Alexandria, Louisiana

September 14, 2020



Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedule of Current Year Findings and Responses
Year Ended December 31, 2019

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – Not applicable

Section II. Financial Statement Findings

FINDING 2019-001 - Segregation of Duties

Fiscal Year Initially Reported: December 31, 2007

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

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

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

FINDING 2019-002 – Third-Party Settlements

Fiscal Year Initially Reported: December 31, 2019

Finding: Management is responsible for calculating and recording estimates of interim Medicare and Medicaid cost settlements. An adjustment of \$128,828 was made to record the fiscal year 2019 as-filed cost report receivable from Medicaid.

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

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedule of Current Year Findings and Responses
Year Ended December 31, 2019

Section II. Financial Statement Findings (Continued)

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

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable

Ward 3, 4 and 10 Hospital Service District
Of the Parish of Union, State of Louisiana
Reeves Memorial Medical Center
Schedule of Prior Year Findings and Responses
Year Ended December 31, 2019

Section I. Financial Statement Findings

FINDING 2018-001 - Financial Statements

Fiscal Year Initially Reported: December 31, 2007

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

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

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

Current Status: This matter has been resolved.

FINDING 2018-002 - Segregation of Duties

Fiscal Year Initially Reported: December 31, 2007

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

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

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

Current Status: This matter has not been resolved.

Section II. Federal Award Findings

Not applicable

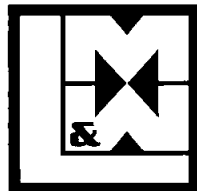
Section III. Management Letter

Not applicable

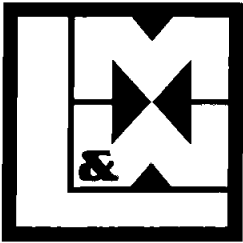
REEVES MEMORIAL MEDICAL CENTER

INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED UPON
PROCEDURES

FOR THE YEAR ENDED
DECEMBER 31, 2019



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Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Ward 3, 4 & 10 Hospital Service District of Parish of Union State of Louisiana and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe 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
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts/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).
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event

Exceptions: The policy for contracting does not address the standard terms or conditions of contracts or the monitoring of contracts.

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

Debt service policy did not include debt issuance approval process.

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

Collections

- 2. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 3. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - 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.



- 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.
 - 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.
4. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
5. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Collections" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Exceptions: No exceptions noted.

Ethics

6. Obtain a listing of employees/officials employed during the fiscal period and managements representation that the listing is complete. Randomly select 5 employees/officials from the listing, obtain ethics documentation from management, and:
- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Exceptions: Of the five (5) employees selected, three (3) employees were required to complete the ethics training per R.S. 42:1170. All three (3) employees completed the required ethics during the fiscal year.

Of the five employees selected, zero (0) attested through signed verification that he or she has read the entity's ethics policy during the fiscal year.

Management's Response: Management will develop and implement a policy requiring employees to attest annually that they have read the Hospital's ethics policy.



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

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

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



Certified Public Accountants
Alexandria, Louisiana

September 14, 2020



