

**West Feliciana Parish Hospital  
Service District No. 1  
A Component Unit of the  
West Feliciana Parish Police Jury  
St. Francisville, Louisiana  
October 31, 2014**

## Table of Contents

Management's Discussion and Analysis	Page 3
Independent Auditor's Report	Page 7
General Purpose Financial Statements	
Statements of Net Position	Page 9
Statements of Revenues, Expenses, and Changes in Net Position	Page 10
Statements of Cash Flows	Page 11
Notes to Financial Statements	Page 13
Supplementary Information	
Independent Auditor's Report on Supplementary Information	Page 29
Schedule of Net Patient Service Revenue	Page 30
Schedule of Operating Expenses	Page 31
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	Page 35
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	Page 36
Schedule of Findings and Responses	Page 38
Schedule of Prior Year Findings and Responses	Page 40

**West Feliciana Parish Hospital Service District No. 1**  
**Management's Discussion and Analysis of the Basic Financial Statements**  
**October 31, 2014**

This portion of the Hospital's annual financial reporting presents background information and management's review of the Hospital's financial performance during the fiscal year ending October 31, 2014. This Section should be interpreted within the context of financial statements as displayed in this report.

**FINANCIAL HIGHLIGHTS**

Fiscal year 2014 continued the trend in providing another solid financial year for the Hospital. Programs that began in 2012 and 2013, such as the IOP and physician services, continued to be healthy contributors to the outpatient revenue of the Hospital. Additionally, the Laboratory, Physical Therapy, Wound Care and Sleep Studies departments all showed double digit increases in volume over the previous year. The inpatient swing bed program also had a significant increase in occupancy over the census of 2013.

This additional activity, along with other operational activities, resulted in a good financial performance that is reflected in the financial statements, particularly in the Statement of Net Position. For example, total net position increased over the previous year by approximately \$930,000. Capital assets (net of depreciation) increased approximately \$1,077,000. Cash and cash equivalents related to operations increased by approximately \$386,000 despite using cash to pay for the additions to construction in progress totaling approximately \$1,597,000 and the purchase of capital assets totaling approximately \$504,000.

**REQUIRED FINANCIAL STATEMENTS**

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

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

**FINANCIAL ANALYSIS OF THE HOSPITAL SERVICE DISTRICT**

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

**West Feliciana Parish Hospital Service District No. 1**  
**Management's Discussion and Analysis of the Basic Financial Statements**  
**October 31, 2014**

**Net Position**

Condensed statements of net position as of October 31, 2014, 2013, and 2012 are displayed in the following table:

**Condensed Statements of Net Position**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 12,472,062	\$ 12,692,805	\$ 14,002,473
Assets limited as to use	11,089,312	10,539,918	10,447,750
Capital assets	<u>7,825,248</u>	<u>6,747,983</u>	<u>6,066,280</u>
Total assets	<u>\$ 31,386,622</u>	<u>\$ 29,980,706</u>	<u>\$ 30,516,503</u>
Current liabilities	\$ 1,572,598	\$ 1,097,032	\$ 3,263,349
Net position	<u>29,814,024</u>	<u>28,883,674</u>	<u>27,253,154</u>
Total liabilities and net position	<u>\$ 31,386,622</u>	<u>\$ 29,980,706</u>	<u>\$ 30,516,503</u>

The following table presents the components of the Hospital's net position as of October 31, 2014, 2013, and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net investment in capital assets	\$ 7,825,248	\$ 6,747,983	\$ 6,066,280
Reserved for capital projects (expendable)	11,089,312	10,539,918	10,447,750
Unrestricted	<u>10,899,464</u>	<u>11,595,773</u>	<u>10,739,124</u>
Total net position	<u>\$ 29,814,024</u>	<u>\$ 28,883,674</u>	<u>\$ 27,253,154</u>

**Capital Assets**

The following table presents the components of capital assets at October 31, 2014, 2013, and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 1,372,877	\$ 1,372,877	\$ 554,633
Buildings and leasehold improvements	6,191,396	6,124,032	6,070,058
Equipment	6,696,458	6,414,015	6,015,056
Construction in progress	<u>1,744,755</u>	<u>284,143</u>	<u>49,465</u>
	16,005,486	14,195,067	12,689,212
Less: accumulated depreciation	<u>8,180,238</u>	<u>7,447,084</u>	<u>6,622,932</u>
Total capital assets, net	<u>\$ 7,825,248</u>	<u>\$ 6,747,983</u>	<u>\$ 6,066,280</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Management's Discussion and Analysis of the Basic Financial Statements**  
**October 31, 2014**

**Summary of Revenue, Expenses, and Changes in Net Position**

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net patient service revenue			
less provision for bad debts	\$ 12,038,673	\$ 10,700,281	\$ 11,337,815
Other operating revenue	<u>2,576,426</u>	<u>3,826,214</u>	<u>3,694,552</u>
Total operating revenue	<u>14,615,099</u>	<u>14,526,495</u>	<u>15,032,367</u>
Salary expense	7,711,600	7,353,027	6,741,489
Other operating expenses	7,249,925	6,778,475	7,474,713
Depreciation	<u>882,572</u>	<u>923,093</u>	<u>797,102</u>
Total operating expenses	<u>15,844,097</u>	<u>15,054,595</u>	<u>15,013,304</u>
Tax revenues	1,986,465	1,949,243	2,093,537
Interest income	95,108	161,863	281,694
Other non-operating revenue	84,114	51,438	45,891
Non-operating expenses	<u>(6,339)</u>	<u>(3,924)</u>	<u>(2,314)</u>
Total non-operating revenues	<u>2,159,348</u>	<u>2,158,620</u>	<u>2,418,808</u>
<b>Change in Net Position</b>	930,350	1,630,520	2,437,871
<b>Net Position at beginning of fiscal year</b>	<u>28,883,674</u>	<u>27,253,154</u>	<u>24,815,283</u>
<b>Net Position at conclusion of fiscal year</b>	<u>\$ 29,814,024</u>	<u>\$ 28,883,674</u>	<u>\$ 27,253,154</u>

**SOURCES OF REVENUE**

The Hospital derives the majority of its total revenue from patient service operations. The following table displays payor mix percentages as a function of total billed charges during 2014, 2013, and 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Medicare	27%	25%	25%
Medicaid	19%	21%	21%
Commercial and other	40%	39%	40%
Self-Pay	14%	15%	14%

The Hospital derives additional revenues from Ad Valorem Taxes, Grants, and Donations.

**West Feliciana Parish Hospital Service District No. 1  
Management's Discussion and Analysis of the Basic Financial Statements  
October 31, 2014**

**OPERATING AND FINANCIAL PERFORMANCE**

The Hospital's primary source of revenue is derived from patient services and is driven by admissions. The practical end of patient revenue involves converting admissions and treatment into cash collections. The industry standard regarding management of receivables is the measure of outstanding days in accounts receivable. The following table displays both inpatient days, along with days in accounts receivable from 2014, 2013, and 2012.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Inpatient Days	366	236	375
Net Outstanding Days in A/R	34	31	38

**BUDGET AND STRATEGY FOR FISCAL YEAR 2015**

The 2015 Budget was approved by the Board of Commissioners during its October 2014 meeting. The 2015 budget anticipates the start of construction for the new hospital facility.

Most of last year was spent in the completion of the design of the new facility, securing funding for the project, and developing the infrastructure to build the new Hospital. Currently, the ground breaking for the project is set for the summer of 2015.

While much of our attention will be devoted to the construction project, another area that will require hospital resources is the anticipated implementation of ICD-10, which is scheduled to start in October 2015. The Hospital will have to monitor the impact of this conversion on the billing and cash flow of the Hospital.

Another part of the overall strategy is to expand the number of physician specialists offering services in the West Feliciana community. Last year, the Hospital invested significant resources to refurbish several buildings on campus to make it possible to expand physician services in the future.

As the landscape of healthcare continues to change, the Hospital will remain vigilant and continue to evaluate the different opportunities that will present themselves in the next several years, such as affiliations with Accountable Care Organizations and other changes in the delivery models. The Hospital must also be aware of the changes in reimbursements as budget pressures continue to limit payments to healthcare institutions both from the State and Federal sources.

**CONTACTING THE HOSPITAL'S CHIEF FINANCIAL OFFICER**

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

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

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. MCKNIGHT, III, C.P.A.  
CHARLES R. PEVEY, JR., C.P.A.  
DAVID J. BROUSSARD, C.P.A.  
NEAL D. KING, C.P.A.  
KARIN S. LEJEUNE, C.P.A.  
ALYCE S. SCHMITT, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200  
BATON ROUGE, LOUISIANA 70809  
(225) 923-3000 • FAX (225) 923-3008

**Independent Auditor's Report**

Board of Commissioners  
West Feliciana Parish Hospital Service District No. 1  
St. Francisville, Louisiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of West Feliciana Parish Hospital Service District No. 1 (a Component Unit of the West Feliciana Parish Police Jury), which comprise the statements of net position as of October 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Feliciana Parish Hospital Service District No. 1 as of October 31, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2015 on our consideration of West Feliciana Parish Hospital Service District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Feliciana Parish Hospital Service District No. 1's internal control over financial reporting and compliance.

*Hawthorn, Weymouth & Powell, LLP*

April 20, 2015

**West Feliciana Parish Hospital Service District No. 1**  
**Statements of Net Position**  
**October 31, 2014 and 2013**

<b>A s s e t s</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,686,062	\$ 4,300,293
Certificates of deposit	2,997,251	3,457,256
Accounts receivable, less allowance for doubtful accounts	1,368,559	1,142,156
Due from third party payors	107,277	838,020
Accounts receivable - other	2,548,159	2,255,811
Inventory	502,229	451,569
Prepaid expenses	<u>262,525</u>	<u>247,700</u>
Total current assets	<u>12,472,062</u>	<u>12,692,805</u>
<b>Assets Limited As to Use</b>		
Cash and cash equivalents	5,238,252	2,576,977
Certificates of deposit	1,038,904	2,305,933
Investments	<u>4,812,156</u>	<u>5,657,008</u>
Total assets limited as to use	<u>11,089,312</u>	<u>10,539,918</u>
<b>Capital Assets</b>		
Land and land improvements	1,372,877	1,372,877
Buildings and leasehold improvements	6,191,396	6,124,032
Equipment	6,696,458	6,414,015
Construction in progress	<u>1,744,755</u>	<u>284,143</u>
	16,005,486	14,195,067
Less: accumulated depreciation	<u>8,180,238</u>	<u>7,447,084</u>
Total capital assets, net	<u>7,825,248</u>	<u>6,747,983</u>
Total assets	<u>\$ 31,386,622</u>	<u>\$ 29,980,706</u>
<b>L i a b i l i t i e s   a n d   N e t   P o s i t i o n</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 515,409	\$ 420,225
Accrued expenses	285,241	242,681
Due to third party payors	298,180	-
Accrued salaries and wages	223,010	207,846
Accrued compensated absences	<u>250,758</u>	<u>226,280</u>
Total current liabilities	<u>1,572,598</u>	<u>1,097,032</u>
<b>Net Position</b>		
Net investment in capital assets	7,825,248	6,747,983
Reserved for capital projects (expendable)	11,089,312	10,539,918
Unrestricted	<u>10,899,464</u>	<u>11,595,773</u>
Total net position	<u>29,814,024</u>	<u>28,883,674</u>
Total liabilities and net position	<u>\$ 31,386,622</u>	<u>\$ 29,980,706</u>

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

**West Feliciana Parish Hospital Service District No. 1**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended October 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Operating Revenue</b>		
Patient service revenue (net of contractual adjustments and discounts)	\$14,966,643	\$13,552,758
Provision for bad debts	<u>(2,927,970)</u>	<u>(2,852,477)</u>
Net patient service revenue less provision for bad debts	12,038,673	10,700,281
Other operating revenue	<u>2,576,426</u>	<u>3,826,214</u>
Total operating revenue	<u>14,615,099</u>	<u>14,526,495</u>
<b>Operating Expenses</b>		
Salaries, wages and benefits	7,711,600	7,353,027
Professional services	3,513,443	3,263,091
Supplies	1,239,849	1,323,998
Other operating expenses	2,496,633	2,191,386
Depreciation	<u>882,572</u>	<u>923,093</u>
Total operating expenses	<u>15,844,097</u>	<u>15,054,595</u>
Operating income (loss)	<u>(1,228,998)</u>	<u>(528,100)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Interest income	95,108	161,863
Interest expense	(3,613)	(3,924)
Tax revenues	1,986,465	1,949,243
Gain (loss) on sale of assets	(2,726)	5,356
Other non-operating revenues	<u>84,114</u>	<u>46,082</u>
Total non-operating revenues	<u>2,159,348</u>	<u>2,158,620</u>
<b>Change in Net Position</b>	930,350	1,630,520
<b>Net Position, beginning of year</b>	<u>28,883,674</u>	<u>27,253,154</u>
<b>Net Position, end of year</b>	<u>\$29,814,024</u>	<u>\$28,883,674</u>

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

**West Feliciana Parish Hospital Service District No. 1**  
**Statements of Cash Flows**  
**Years Ended October 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from and on behalf of patients	\$ 15,104,734	\$ 12,607,766
Payments to suppliers for goods and services	(6,879,486)	(6,725,259)
Payments to employees for services	<u>(7,671,958)</u>	<u>(7,280,611)</u>
Net cash provided by (used in) operating activities	<u>553,290</u>	<u>(1,398,104)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>		
Tax receipts	1,922,274	1,989,868
Other income	<u>103</u>	<u>105,045</u>
Net cash provided by non-capital financing activities	<u>1,922,377</u>	<u>2,094,913</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of capital assets	(2,100,859)	(1,604,796)
Interest paid	<u>(3,613)</u>	<u>(3,924)</u>
Net cash used in capital and related financing activities	<u>(2,104,472)</u>	<u>(1,608,720)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of certificates of deposit	(10,228)	(100,860)
Sales and maturities of certificates of deposit	1,737,262	746,000
Purchase of investments	—	(1,386,497)
Sales and maturities of investments	844,852	1,437,000
Interest income	101,863	147,159
Proceeds from sale of assets	<u>2,100</u>	<u>5,356</u>
Net cash provided by investing activities	<u>2,675,849</u>	<u>848,158</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	3,047,044	(63,753)
<b>Cash and Cash Equivalents, beginning of year</b>		
Including \$2,576,977 and \$1,751,860 limited		
as to use for 2014 and 2013, respectively	<u>6,877,270</u>	<u>6,941,023</u>
<b>Cash and Cash Equivalents, end of year</b>		
Including \$5,238,252 and \$2,576,977 limited		
as to use for 2014 and 2013, respectively	<u>\$ 9,924,314</u>	<u>\$ 6,877,270</u>

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

**West Feliciana Parish Hospital Service District No. 1**  
**Statements of Cash Flows**  
**Years Ended October 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>		
<b>Provided by (Used in) Operating Activities</b>		
Operating income (loss)	\$ (1,228,998)	\$ (528,100)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	882,572	923,093
Provision for doubtful accounts	2,927,970	2,852,477
(Increase) Decrease in assets:		
Patient accounts receivable	(2,878,525)	(5,178,480)
Due from third party payors	730,743	1,586,456
Other receivables	(290,553)	(1,179,180)
Inventory	(50,660)	(14,361)
Prepaid expenses	(14,825)	(59,711)
Increase (Decrease) in liabilities:		
Accounts payable	95,184	46,773
Accrued expenses	42,560	80,513
Due to third party payors	298,180	-
Accrued salaries and wages	15,164	55,855
Accrued compensated absences	24,478	16,561
	<u>553,290</u>	<u>(1,398,104)</u>
Net cash provided by (used in) operating activities	<u>\$ 553,290</u>	<u>\$ (1,398,104)</u>

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

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 1-Summary of Significant Accounting Policies**

A. Legal Organization

On February 21, 1968, the West Feliciana Parish Police Jury passed a resolution creating the West Feliciana Parish Hospital Service District No. 1 ("the Hospital") under the authority of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The Hospital is a political subdivision of the West Feliciana Parish Police Jury, whose jurors are elected officials. The Hospital's seven (7) commissioners are appointed by the West Feliciana Parish Police Jury.

B. Nature of Business

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

C. Basis of Accounting and Presentation

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

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

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

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

- The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted net position results when external constraints are placed on asset use by creditors, grantors, contributors, or laws through constitutional provisions or enabling legislation.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 1-Summary of Significant Accounting Policies (Continued)**

C. Basis of Accounting and Presentation (Continued)

- The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position is often designated to indicate that management does not consider it to be available for general operations; however, these designations can be removed or modified. At October 31, 2014 and 2013, the Hospital had \$11,089,312 and \$10,539,918, respectively, of unrestricted net position that was reserved for capital projects.

D. Reporting Entity

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

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

This criteria includes:

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

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

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 1-Summary of Significant Accounting Policies (Continued)**

E. Use of Estimates

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

F. Cash and Cash Equivalents

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

G. Accounts Receivable and Allowance for Doubtful Accounts

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

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

H. Inventory

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

I. Investments

Investments in debt and equity securities are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at amortized cost, which approximates fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 1-Summary of Significant Accounting Policies (Continued)**

J. Capital Assets

Capital assets are stated at cost, except for assets donated to the Hospital. Donated assets are recorded at the appraised value at the date of donation. Depreciation is recorded on a straight-line basis over the useful lives of the assets. Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures in excess of \$5,000 for major renewals and betterments that extend the useful lives of capital assets are capitalized. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital had no capitalized interest for the years ended October 31, 2014 and 2013.

The following estimated useful lives are used:

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

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

K. Operating Revenues and Expenses

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

L. Net Patient Service Revenue

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

The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Inpatient acute care services, swing bed services and outpatient services rendered to Medicare program beneficiaries are reimbursed at cost plus one percent (subject to limits, rules and regulations), while other outpatient laboratory services are reimbursed on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through October 31, 2012.

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services to Medicaid program beneficiaries are reimbursed at cost plus ten percent, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through October 31, 2011.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 1-Summary of Significant Accounting Policies (Continued)**

L. Net Patient Service Revenue (Continued)

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

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

M. Charity Care

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

N. Grants and Donations

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

O. Property Taxes

The Hospital receives a 2.00 mill property tax, which is levied January 1 each year, payable by December 31 of that year. The Hospital records the expected revenues to be received based on factors such as previous years' collections of assessments and the estimated taxable assessed value for the current year. Adjustments are made upon final receipt. The tax is in effect through 2016.

P. Income Taxes

The Hospital is exempt from income taxes under Internal Revenue Code Section 115.

Q. Advertising

Advertising costs are expensed as incurred. Advertising costs of \$119,488 and \$197,846 were expensed in 2014 and 2013, respectively.

R. Environmental Matters

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

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 1-Summary of Significant Accounting Policies (Continued)**

S. Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental, and accident benefits. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self-insurance of 1) Hospital professional liability and comprehensive general liability and 2) statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss. As of October 31, 2014 and 2013, the Hospital has no known malpractice claims exceeding its coverage.

T. Fair Value Measurements

The Hospital follows FASB ASC 820, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. This topic establishes a hierarchal framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment.

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

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

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

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

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

U. Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's financial statement presentation. The reclassifications had no effect on net position or the change in net position.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 2-Deposits and Investments**

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

	<u>2014</u>	<u>2013</u>
Operations		
Cash and cash equivalents	\$ 4,686,062	\$ 4,300,293
Certificates of deposit	2,997,251	3,457,256
Assets Limited As to Use		
Cash and cash equivalents	5,238,252	2,576,977
Certificates of deposit	1,038,904	2,305,933
Investments	<u>4,812,156</u>	<u>5,657,008</u>
Total	<u>\$18,772,625</u>	<u>\$18,297,467</u>

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

The Hospital's investments are generally reported at fair value, as discussed in Note 1. At October 31, 2014 and 2013, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by a custodial bank that is an agent of the Hospital:

Type	Fair Value	Maturities in Years			
		Less than 1	1 - 5	6 - 10	More than 10
<b>October 31, 2014</b>					
U.S. Agencies	\$ 4,563,030	\$ 105,954	\$ 4,457,076	\$ -	\$ -
U.S. Treasury Bills	<u>249,126</u>	<u>-</u>	<u>249,126</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 4,812,156</u>	<u>\$ 105,954</u>	<u>\$ 4,706,202</u>	<u>\$ -</u>	<u>\$ -</u>
<b>October 31, 2013</b>					
U.S. Agencies	\$ 5,408,132	\$ 708,431	\$ 4,699,701	\$ -	\$ -
U.S. Treasury Bills	<u>248,876</u>	<u>-</u>	<u>248,876</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 5,657,008</u>	<u>\$ 708,431</u>	<u>\$ 4,948,577</u>	<u>\$ -</u>	<u>\$ -</u>

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

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 2-Deposits and Investments (Continued)**

*Credit Risk:* Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital limits this risk by investment in obligations of the U.S. government or other investments authorized by statute. At October 31, 2014, the Hospital's investments in U.S. agency obligations were comprised of bonds and notes issued by the Federal Home Loan Bank, the Federal National Mortgage Association, and the Federal Farm Credit Bank. These investments were rated either AA+ or AA- by Standards & Poor's and either AAA or A2 by Moody's Investors Service.

*Concentration of Credit Risk:* The Hospital's investment policy does not limit the amount the Hospital may invest in any one issuer. The Hospital's investments in Federal Home Loan Bank, Federal National Mortgage Association, and Federal Farm Credit Bank are each in excess of 5% of the Hospital's total investments. These investments are 64%, 19%, and 12%, respectively, of total investments at October 31, 2014.

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

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name as of October 31, 2013. As of October 31, 2014, the Hospital had deposits of \$217,797 that were unsecured and uncollateralized.

Account balances according to banks' records at October 31, 2014 and 2013, for the Hospital were as follows:

	<u>2014</u>	<u>2013</u>
Cash in banks	\$ 13,458,585	\$ 9,745,450
Insured by FDIC	\$ 2,575,212	\$ 2,075,212
Collateralization by fair market value of securities held by the pledging institution	\$ 10,665,576	\$ 7,670,238
Uncollateralized	\$ 217,797	\$ -

**Note 3-Certificates of Deposit**

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

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 4-Assets Limited As To Use**

Assets whose use is limited under Board designations for the replacement of depreciable capital assets are summarized as follows:

	<u>2014</u>	<u>2013</u>
<b>Cash</b>		
Whitney Bank - Savings yielding .10%	\$ 5,238,252	\$ 2,576,977
Total cash limited as to use	<u>\$ 5,238,252</u>	<u>\$ 2,576,977</u>
<b>Certificates of Deposit</b>		
Merrill Lynch - CDs/Equivalents yielding .11% to 1.85%	\$ 1,038,904	\$ 2,305,933
Total certificates of deposit limited as to use	<u>\$ 1,038,904</u>	<u>\$ 2,305,933</u>
<b>Investments</b>		
Merrill Lynch - FNMA Notes, FHLB Bonds and Notes, and FFCB Bonds, yielding up to 10.35%	\$ 4,563,030	\$ 5,408,132
Treasury Bills	<u>249,126</u>	<u>248,876</u>
Total investments limited as to use	<u>\$ 4,812,156</u>	<u>\$ 5,657,008</u>
Total assets limited as to use	<u>\$ 11,089,312</u>	<u>\$ 10,539,918</u>

**Note 5-Accounts Receivable - Patients**

Patient account receivables consisted of the following at October 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Total patient accounts receivable	\$ 4,635,454	\$ 4,983,715
Less: allowance for uncollectible accounts	<u>(3,266,895)</u>	<u>(3,841,559)</u>
Net patient accounts receivable	<u>\$ 1,368,559</u>	<u>\$ 1,142,156</u>

**Note 6-Accounts Receivable - Other**

Accounts receivable - other consisted of the following at October 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Accrued uncompensated care	\$ 688,713	\$ 765,294
Uncollected sales tax revenue	263,808	223,162
Uncollected ad valorem tax revenue	436,917	425,572
Medicare/Medicaid EHR incentive payments receivable	1,074,710	860,738
All other	<u>84,011</u>	<u>(18,955)</u>
Total accounts receivable - other	<u>\$ 2,548,159</u>	<u>\$ 2,255,811</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 7-Capital Assets**

A summary of capital assets additions, deductions, and balances at October 31, 2014 and 2013 are as follows:

	<b>Balance</b> <b>October 31,</b> <b><u>2013</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b>Balance</b> <b>October 31,</b> <b><u>2014</u></b>
Land and land improvements	\$ 1,372,877	\$ -	\$ -	\$ 1,372,877
Buildings and leasehold improvements	6,124,032	67,364	-	6,191,396
Equipment	6,414,015	436,688	(154,245)	6,696,458
Construction in progress	<u>284,143</u>	<u>1,596,807</u>	<u>(136,195)</u>	<u>1,744,755</u>
Total capital assets	14,195,067	2,100,859	(290,440)	16,005,486
Accumulated depreciation	<u>(7,447,084)</u>	<u>(882,572)</u>	<u>149,418</u>	<u>(8,180,238)</u>
 Total capital assets, net	 <u>\$ 6,747,983</u>	 <u>\$1,218,287</u>	 <u>\$ (141,022)</u>	 <u>\$ 7,825,248</u>
	 <b>Balance</b> <b>October 31,</b> <b><u>2012</u></b>	 <b><u>Additions</u></b>	 <b><u>Deductions</u></b>	 <b>Balance</b> <b>October 31,</b> <b><u>2013</u></b>
Land and land improvements	\$ 554,633	\$ 818,244	\$ -	\$ 1,372,877
Buildings and leasehold improvements	6,070,058	53,974	-	6,124,032
Equipment	6,015,056	497,900	(98,941)	6,414,015
Construction in progress	<u>49,465</u>	<u>234,678</u>	<u>-</u>	<u>284,143</u>
Total capital assets	12,689,212	1,604,796	(98,941)	14,195,067
Accumulated depreciation	<u>(6,622,932)</u>	<u>(923,093)</u>	<u>98,941</u>	<u>(7,447,084)</u>
 Total capital assets, net	 <u>\$ 6,066,280</u>	 <u>\$ 681,703</u>	 <u>\$ -</u>	 <u>\$ 6,747,983</u>

**Note 8-Net Patient Service Revenue**

The following schedule represents Net Patient Service Revenue at October 31, 2014 and 2013:

	<b><u>2014</u></b>	<b><u>2013</u></b>
Gross patient service revenue	\$ 23,827,455	\$ 20,292,091
Less: contractual adjustments and provision for bad debts	<u>11,788,782</u>	<u>9,591,810</u>
 Net patient service revenue	 <u>\$ 12,038,673</u>	 <u>\$ 10,700,281</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 9-Charity Care**

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone, based on established rates, were approximately \$455,000 and \$560,000 for the years ended October 31, 2014 and 2013, respectively. These charges are included in the provision for bad debts.

Management estimates that approximately \$303,000 and \$416,000 of costs were related to charity care for the years ended October 31, 2014 and 2013, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

**Note 10-Grant Revenue**

Rural Hospital Upper Payment Limit

The Hospital routinely provides a substantial amount of uncompensated care to patients in its service area. To receive adequate reimbursement for the essential healthcare services provided to disadvantaged and low income populations, the Hospital entered into a grant distribution cooperative endeavor agreement with Building Healthy Communities, Inc. (BHC).

Under this agreement, BHC has agreed to cooperate in the establishment of a funding program by contributing a portion of the Upper Payment Limit (UPL) payments that result from Medicaid State Plan Amendments (SPA) to rural hospitals, including West Feliciana Parish Hospital Service District No. 1. The purpose of the UPL payments is to help ensure adequate and essential healthcare services are accessible and available to low-income and/or indigent citizens.

For the years ended October 31, 2014 and 2013, the Hospital received grants of \$2,238,047 and \$3,131,313, respectively, under this agreement, which is recognized as grant revenue and included in other operating revenue in the accompanying statements of revenues, expenses, and changes in net position. As a condition of the grant agreement, the Hospital, along with other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement.

Electronic Health Records Incentive Payments

The American Recovery and Reinvestment Act of 2009 includes provisions for implementing health information technology under the Health Information for Economic and Clinical Health Act (HITECH). The provisions are designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. In subsequent years, providers must demonstrate meaningful use of such technology to qualify for additional Medicaid incentive payments. Hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in federal fiscal year 2015.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 10-Grant Revenue (Continued)**

Electronic Health Records Incentive Payments (Continued)

The Hospital uses a grant accounting model to recognize revenue for the Medicare and Medicaid EHR incentive payments. Under this accounting policy, EHR incentive payment revenue is recognized when the Hospital is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the grant revenue will be received. Medicaid EHR incentive payment revenue totaling \$213,972 and \$641,250 was recognized for the years ended October 31, 2014 and 2013, respectively. Medicare EHR incentive payment revenue totaling \$23,200 was recognized for the year ended October 31, 2014 and none in 2013. This revenue is included in other operating revenue in the accompanying statements of revenues, expenses, and changes in net position. Income from incentive payments is subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated. Additionally, the Hospital's attestation compliance with the meaningful use criteria is subject to audit by the federal government.

**Note 11-Tax Revenue**

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

Tax revenues were as follows:

	<u>2014</u>	<u>2013</u>
Sales tax	\$1,439,920	\$1,417,091
Ad valorem tax	524,107	510,035
State revenue sharing	<u>22,438</u>	<u>22,117</u>
Total tax revenues	<u>\$1,986,465</u>	<u>\$1,949,243</u>

**Note 12-Operating Leases**

Lessee

The Hospital leases various equipment and facilities classified under operating leases. At October 31, 2014, there were no operating leases with remaining terms in excess of one year. Lease expense for the year ended October 31, 2014 totaled \$6,078. There was no lease expense recorded in 2013 due to a credit memorandum issued by an equipment vendor.

Lessor

The Hospital leases office space on its campus to various medical service providers, under operating leases with terms ranging from month-to-month to one year. Revenues from these leases totaled \$63,890 in 2014 and \$30,478 in 2013. These revenues are included in other non-operating revenue in the financial statements.

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 13-Cash Flows Supplemental Information**

Total cash and cash equivalents for October 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$4,686,062	\$4,300,293
Assets whose use is limited - cash	<u>5,238,252</u>	<u>2,576,977</u>
 Total cash and cash equivalents	 <u>\$9,924,314</u>	 <u>\$6,877,270</u>

**Note 14-Compensated Absences**

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

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

Sick pay is not vested and therefore not accrued. Employees only vest in vacation leave after one year of employment. The Hospital's policy is to recognize the cost of sick pay when actually paid to employees. Accrued compensated absences at October 31, 2014 and 2013 were \$250,758 and \$226,280, respectively.

**Note 15-Retirement Plan**

The Hospital has executed the Variable Annuity Life Insurance Company (VALIC) prototype Profit Sharing Plan with Cash or Deferred Arrangement Option Non Standardized Adoption Agreement No. 3. The defined contribution plan (457) provides benefits to substantially all employees. The Hospital matches contributions made by an employee up to six percent of the employee's compensation. Total payroll for the fiscal years ended October 31, 2014 and 2013 was \$6,124,858 and \$5,867,526, respectively. Covered payroll for 2014 and 2013 was \$6,083,396 and \$5,821,883, respectively. Total pension expense was \$216,454 and \$197,272 for 2014 and 2013, respectively.

**Note 16-Assets Measured at Fair Value on a Recurring Basis**

The following presents assets measured at fair value on a recurring basis as of October 31, 2014:

	<u>Fair Value</u>	<u>Assets at Fair Value as of</u>		
		<u>October 31, 2014</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Agencies	\$4,563,030	\$4,563,030	\$ -	\$ -
U.S. Treasury Bills	<u>249,126</u>	<u>249,126</u>	<u>-</u>	<u>-</u>
	<u>\$4,812,156</u>	<u>\$4,812,156</u>	<u>\$ -</u>	<u>\$ -</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 16-Assets Measured at Fair Value on a Recurring Basis (Continued)**

The following presents assets measured at fair value on a recurring basis as of October 31, 2013:

	<b>Fair Value</b>	<b>Assets at Fair Value as of October 31, 2013</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. Agencies	\$ 5,408,132	\$ 5,408,132	\$ —	\$ —
U.S. Treasury Bills	<u>248,876</u>	<u>248,876</u>	<u>—</u>	<u>—</u>
	<u>\$ 5,657,008</u>	<u>\$ 5,657,008</u>	<u>\$ —</u>	<u>\$ —</u>

**Note 17-Commitments**

Commitments for the purchase of consumables and services related to hematology and chemistry analyzer systems totaled \$383,874 at October 31, 2014. Commitments related to the construction and financing of a new hospital facility totaled \$1,170,224 at October 31, 2014.

**Note 18-Concentration of Credit Risk**

The Hospital is located in St. Francisville, Louisiana and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables (net of allowances) from patients and third-party payors at October 31, 2014 and 2013 is as follows:

	<b>2014</b>	<b>2013</b>
Medicare	38.9%	34.2%
Medicaid	20.1%	23.9%
Commercial and other third-party payors	33.8%	33.9%
Self-pay	<u>7.2%</u>	<u>8.0%</u>
	<u>100.0%</u>	<u>100.0%</u>

**Note 19-Payments to Board Members**

The following is a schedule showing the amount paid to board members for the years ended October 31, 2014 and 2013. All remaining board members have declined compensation.

	<b>2014</b>	<b>2013</b>
Mitch Brasier	\$ —	\$ 280
Melvin Harvey	440	440
Raymond Minor	360	440
Sydney Walker	<u>320</u>	<u>—</u>
	<u>\$ 1,120</u>	<u>\$ 1,160</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Notes to Financial Statements**  
**October 31, 2014**

**Note 20-Related Party Transactions**

On August 20, 2013, the Hospital purchased 7.67 acres of land from the West Feliciana Parish Police Jury, a political subdivision of the State of Louisiana, for the total purchase price of \$813,000 (\$106,000 per acre).

**Note 21-Legal Proceedings**

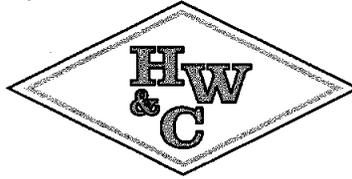
The Hospital is involved in various lawsuits of which the outcome is not determinable. Management has judged the assertions and plans to vigorously defend against all claims filed.

**Note 22-Subsequent Events**

Management evaluated all subsequent events through April 20, 2015, the date the financial statements were available to be issued, and determined that no events occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Supplementary Information**

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.



LOUIS C. MCKNIGHT, III, C.P.A.  
CHARLES R. PEVEY, JR., C.P.A.  
DAVID J. BROUSSARD, C.P.A.  
NEAL D. KING, C.P.A.  
KARIN S. LEJEUNE, C.P.A.  
ALYCE S. SCHMITT, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200  
BATON ROUGE, LOUISIANA 70809  
(225) 923-3000 • FAX (225) 923-3008

**Independent Auditor's Report  
on Supplementary Information**

Board of Commissioners  
West Feliciana Parish Hospital Service District No. 1  
St. Francisville, Louisiana

We have audited the basic financial statements of West Feliciana Parish Hospital Service District No. 1 as of and for the years ended October 31, 2014 and 2013, and have issued our report thereon dated April 20, 2015, which contained an unmodified opinion on those basic financial statements. Our audits were performed for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information, identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Hawthorn, Waymouth & Carroll, LLP*

April 20, 2015

**West Feliciana Parish Hospital Service District No. 1**  
**Schedule of Net Patient Service Revenue**  
**Years Ended October 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Patient Service Revenue</b>		
Ambulance service	\$ 1,178,059	\$ 1,177,270
Blood bank	27,018	16,376
Central services	50,818	48,075
CT Scan	2,439,555	1,591,026
Diabetes clinic	8,696	21,479
Echocardiogram	94,191	95,227
Electrocardiology	116,896	117,936
Emergency services	3,707,903	3,560,102
Family medicine	546,918	446,307
Intensive outpatient psychiatry	1,682,670	1,591,200
Laboratory	4,922,315	4,354,272
MRI Scan	293,737	366,950
Nursing services	623,879	542,097
Occupational therapy	54,565	117,852
Pediatrics	1,042,000	629,069
Pharmacy	745,242	647,210
Physical therapy	1,785,960	1,453,786
Physician's fees	1,280,574	1,155,169
Radiology - diagnostic	1,548,802	1,024,623
Respiratory therapy	417,969	375,863
Sleep studies	134,700	74,400
Speech therapy	222,571	110,751
Ultrasound	405,357	368,827
Wound care	497,060	406,224
	<hr/>	<hr/>
Gross patient service revenue	23,827,455	20,292,091
	<hr/>	<hr/>
Less: contractual adjustments and discounts	8,860,812	6,739,333
	<hr/>	<hr/>
Net patient service revenue	<u>\$ 14,966,643</u>	<u>\$ 13,552,758</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Schedule of Operating Expenses**  
**Years Ended October 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Salaries, Wages and Benefits</b>		
Administrative	\$ 285,403	\$ 234,396
Ambulance	726,631	642,632
Business office	522,411	513,824
Central supply	98,445	83,146
CT scan	245	90
Diabetes clinic	2,138	12,439
Dietary management	110,574	111,847
Echocardiogram	334	32,774
Emergency room	330,865	429,544
Family medicine	205,409	197,197
Housekeeping	151,262	149,679
Information technology	197,417	138,006
Intensive outpatient psychiatry	414,890	299,072
Laboratory technicians	591,384	591,006
Medical records	161,397	150,089
Nursing services	879,737	890,871
Pediatrics	276,649	206,476
Plant operations	236,571	222,375
Purchasing	50,694	53,255
Radiology	383,168	381,548
Respiratory therapy	343,123	346,960
Social services	45,466	40,223
Ultrasound	59,876	51,941
Utilization review	<u>50,769</u>	<u>88,136</u>
Total salaries and wages	6,124,858	5,867,526
Total benefits	<u>1,586,742</u>	<u>1,485,501</u>
Total salaries, wages, and benefits	<u>\$ 7,711,600</u>	<u>\$ 7,353,027</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Schedule of Operating Expenses (Continued)**  
**Years Ended October 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Professional Services</b>		
Administrative	\$ 201,241	\$ 135,406
Ambulance	4,577	4,282
Anesthesia	4,800	4,800
Blood bank	24,843	19,637
Business office	24,342	13,393
Dietary	22,135	24,010
EKG	11,208	10,389
Emergency room physician fees	1,311,680	1,304,832
Information technology	9,194	11,411
Intensive outpatient psychiatry	210,302	229,431
Laboratory	242,644	167,586
Laundry/linen	33,744	22,716
Medical records	252	1,503
MRI scan	95,679	110,450
Nursing services	13,850	24,132
Occupational therapy	19,430	43,806
Pharmacy	90,681	85,861
Physical therapy	559,040	500,094
Plant operations	85,964	91,997
Radiology	31,746	50,561
Respiratory therapy	1,210	2,070
Sleep studies	22,000	11,550
Social services	6,074	16,387
Speech therapy	66,748	33,433
Ultrasound	63,875	52,624
Wound care	330,075	273,075
All other	<u>26,109</u>	<u>17,655</u>
 Total professional services	 <u>\$ 3,513,443</u>	 <u>\$ 3,263,091</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Schedule of Operating Expenses (Continued)**  
**Years Ended October 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Supplies and Other Expenses</b>		
Administrative	\$ 24,822	\$ 17,252
Ambulance	80,835	96,084
Business office	26,933	25,594
Central services	60,365	47,368
CT scan	15,839	8,219
Diabetes clinic	1,354	1,645
Dietary	101,320	86,036
Emergency Room	27,398	24,324
Family medicine	17,530	20,629
Housekeeping	42,828	41,849
Information technology	27,006	14,584
Intensive outpatient psychiatry	23,566	52,442
Laboratory	287,857	342,670
Medical records	12,175	5,455
Nursing services	60,363	60,735
Pediatrics	54,102	69,205
Pharmacy	215,586	231,744
Physical therapy	36,932	26,766
Plant operations	74,357	90,804
Radiology	15,754	23,884
Respiratory therapy	19,989	26,141
All other	<u>12,938</u>	<u>10,568</u>
Total supplies and other expenses	<u>\$ 1,239,849</u>	<u>\$ 1,323,998</u>

**West Feliciana Parish Hospital Service District No. 1**  
**Schedule of Operating Expenses (Continued)**  
**Years Ended October 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Other Operating Expenses</b>		
Administrative	\$ 73,557	\$ 59,719
Audit and legal fees	286,079	261,288
Business office	127,928	163,922
Collection fees	508,121	279,290
CT scan	68,990	75,926
Dues and subscriptions	28,240	16,812
Education	101,416	106,593
Family medicine	12,318	11,602
Insurance	212,735	178,751
Intensive outpatient psychiatry	25,896	32,945
Laboratory	24,347	32,716
Nursing services	4,568	694
Office space and resource sharing	559,249	489,813
Pediatrics	11,553	17,288
Physical therapy	3,011	1,358
Plant operations	187,334	172,409
Postage	8,626	7,688
Public relations	99,736	167,399
Radiology	47,187	36,804
Telephone	52,573	50,826
Ultrasound	6,304	6,830
All other	<u>46,865</u>	<u>20,713</u>
 Total other operating expenses	 <u>\$ 2,496,633</u>	 <u>\$ 2,191,386</u>

**West Feliciana Parish Hospital Service District No. 1  
Schedule of Compensation, Benefits and Other  
Payments to Agency Head or Chief Executive Officer  
Year Ended October 31, 2014**

**Agency Head Name: Ledoux Chastant, III, CEO**

Salary	\$176,396
Benefits	
Insurance	17,260
Retirement	750
Registration fees	1,339
Conference travel	<u>7,999</u>
	<u>\$203,744</u>

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. McKNIGHT, III, C.P.A.  
CHARLES R. PEVEY, JR., C.P.A.  
DAVID J. BROUSSARD, C.P.A.  
NEAL D. KING, C.P.A.  
KARIN S. LEJEUNE, C.P.A.  
ALYCE S. SCHMITT, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200  
BATON ROUGE, LOUISIANA 70809  
(225) 923-3000 • FAX (225) 923-3008

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards***

Board of Commissioners  
West Feliciana Parish Hospital Service District No. 1  
St. Francisville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West Feliciana Parish Hospital Service District No. 1, which comprise the statement of net position as of October 31, 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered West Feliciana Parish Hospital Service District No. 1'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 West Feliciana Parish Hospital Service District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of West Feliciana Parish Hospital Service District No. 1'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2014-002, that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West Feliciana Parish Hospital Service District No. 1'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as Finding 2014-001.

### **West Feliciana Parish Hospital Service District No. 1's Response to Findings**

West Feliciana Parish Hospital Service District No. 1's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. West Feliciana Parish Hospital Service District No. 1's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April 20, 2015

**West Feliciana Parish Hospital Service District No.1**  
**Schedule of Findings and Responses**  
**October 31, 2014**

**Findings - Financial Statement Audit**

**Noncompliance with State Laws and Regulations**

*2014-001: Uncollateralized Deposits*

**Condition:**

The market value of securities pledged to secure deposits were insufficient at one bank. The Hospital's deposits at one financial institution were under-collateralized by \$217,797.

**Criteria:**

Louisiana Revised Statutes (R.S.) 39:1225 requires that the amount of security maintained on bank deposits shall at all times be equal to one hundred percent of the amount of bank deposits except that portion of the deposits insured by the FDIC.

**Cause:**

The Hospital relies on each bank to ensure that its deposits are properly collateralized; however, it is ultimately the responsibility of management of the Hospital.

**Effect:**

Noncompliance with state law exposes the deposits of the Hospital to risk in the case of bank failure.

**Auditor's Recommendation:**

As part of internal control over cash collateralization, the Hospital should implement procedures to ensure all cash deposits are properly collateralized. This includes monitoring the bank balances of all accounts and working with the financial institutions to ensure that collateral is adequate. Management should monitor the collateral on a monthly basis.

**Management's Response:**

The Hospital has multiple bank accounts at several institutions. One of the Hospital's accounts at the Bank of St. Francisville was not listed as one of the accounts that required the bank to collateralize it along with all of the other Hospital accounts. Once this was realized, the bank was contacted and the bank immediately made the internal change to assure that this account was collateralized to the same level as all of the other Hospital accounts.

In the future, the Hospital's CFO will check with the banking institutions that the Hospital has deposits with to ensure compliance with Louisiana Revised Statutes (R.S.) 39.1225.

**West Feliciana Parish Hospital Service District No.1**  
**Schedule of Findings and Responses (Continued)**  
**October 31, 2014**

**Findings - Financial Statement Audit** (Continued)

**Significant Deficiency**

*2014-002: Excess Holiday Pay*

**Condition:**

Employees were compensated with holiday pay, which is calculated as one and a half times regular pay, on a non-holiday.

**Criteria:**

There should be controls in place to ensure that correct pay rates are being used when processing payroll.

**Cause:**

The Hospital did not review the holiday dates that were set up in the payroll system prior to the processing of certain payrolls.

**Effect:**

The Hospital overpaid its employees by \$6,045.48.

**Auditor's Recommendation:**

Management should review procedures to ensure that holiday pay is only paid for valid holidays. Management should review all payroll registers prior to the final payroll processing.

**Management's Response:**

This occurrence happened because the flag in the Payroll system that generates holiday pay was not reset for the new year. Therefore, the Mardi Gras Holiday was processed off cycle in 2014 causing the Mardi Gras Holiday to be paid twice.

As part of the corrective action, February 22, 2015 and March 3, 2015 payrolls were processed to take back the additional money that was paid erroneously in 2014. At this point, the overpayment of Holiday pay has been corrected. In order to prevent this error in the future, the CFO will review all payrolls prior to the final processing. Also, the Payroll Manager will review the payroll system at the beginning of a new payroll cycle to ensure the flags are set properly.

**West Feliciana Parish Hospital Service District No. 1**  
**Schedule of Prior Year Findings and Responses**  
**October 31, 2014**

**Findings - Financial Statement Audit**

*2013-001 Untimely Recordation of Service Charges*

**Condition:**

Patient service charges for service dates prior to year-end were not recorded in the current fiscal year.

**Criteria:**

Charges for patient services should be recorded in the period in which the services are performed.

**Effect:**

Patient service revenue was recognized in the subsequent year, which resulted in an understatement of revenue in the current year.

**Cause:**

Procedures to ensure that charges were recorded in the proper period were not followed by one department of the Hospital.

**Auditor's Recommendation:**

The Hospital should improve internal controls to ensure that all patient charges are being recorded in the period in which the service took place.

**Management's Response:**

The error was largely due to the billing of Physical Therapy patients who tend to have services for several weeks. In the past, patients were billed upon discharge or after a period of time had elapsed. Because of this, patient bills could be dropped after year-end. The new process is to bill Physical Therapy patients on a weekly basis or through the end of a period, whichever happens first. This should eliminate the recording of revenue in an incorrect period.

**Status:**

This finding has been resolved.

**West Feliciana Parish Hospital Service District No.1**  
**Schedule of Prior Year Findings and Responses (Continued)**  
**October 31, 2014**

**Findings - Financial Statement Audit** (Continued)

*2013-002 Inadequate Controls Over Credit Cards*

**Condition:**

Several expenditures charged to the Hospital's credit card were lacking supporting documentation and/or approval.

**Criteria:**

Cash disbursement controls should include maintaining adequate, appropriate supporting documentation and proper approval for all purchases.

**Effect:**

The propriety of the transactions mentioned above where supporting documentation could not be located, could not be determined.

**Cause:**

The Hospital has inadequate controls over credit card usage, which increases its risk for misappropriation of the Hospital's assets.

**Auditor's Recommendation:**

We recommend that proper supporting documentation for all credit card charges be retained and kept with the original credit card statement. In addition, it is recommended that a member of the Board of Commissioners or designee review and document approval of the CEO's credit card activity on a monthly basis.

**Management's Response:**

The number of expenditures that lacked supporting documentation was small given the volume of total expenditures charged on the credit cards. However, it is the Hospital's desire to eliminate all expenditures without proper documentation. The current practice is to have the Purchasing Department keep a log of all expenditures which lack documentation on a monthly basis. This log is sent to the CEO, and the CEO will follow up with the department managers whose department did not turn in the documentation. The items that lacked supporting documentation have been reviewed and the expenditures seem appropriate.

Also, the Hospital has implemented the auditor's recommendation of having the CEO's credit card purchases signed off by a Board Member.

**Status:**

This finding has been resolved.

**West Feliciana Parish Hospital Service District No.1**  
**Schedule of Prior Year Findings and Responses (Continued)**  
**October 31, 2014**

**Findings - Financial Statement Audit** (Continued)

*2013-003 Clinic Accounts Receivable*

**Condition:**

The Physician and Pediatric Clinics' accounts receivable software does not interface with the Hospital's general ledger. No accounts receivable subsidiary or aging analysis was generated as of 10/31/13 for the WFPH Pediatric Clinic.

**Criteria:**

To ensure accuracy and operating efficiency, all software should interface with the central software system.

**Effect:**

The Clinic's accounts receivable are not being reconciled, possibly allowing errors or misappropriations to go undetected.

**Cause:**

The Clinic's patient billing and receivable software does not interface with the Hospital's general ledger. The Clinic does not have policies and procedures in place over accounts receivable to ensure they are accurate and appropriately settled or collected.

**Auditor's Recommendation:**

We recommend the Hospital consider purchasing interface software which would facilitate the integration of the Clinic's accounts receivable information in the Hospital's general ledger accounting software.

**Management's Response:**

We moved our Pediatrician Practice to Dr. Pat Schneider's Practice in July of 2013. There were delays in billing for some services largely due to waiting on clearance of the new credentialing needed to be in place because of the move to the new location. This then delayed billing, which in turn delayed dropping claims, which affected the Accounts Receivable reports. Since 10/31/2013, these issues have been resolved and the process of billing and reporting of Accounts Receivable are timely. The auditor's recommendation of purchasing software to interface the two systems is not practical at this point because the cost to do so is \$5,000 to \$10,000, and Dr. Schneider's Practice may change software vendors before year's end and a new interface would need to be purchased at that point. Our plan in the short run is to make sure the bills are dropped timely and monitor Accounts Receivable reports. Once a long range discussion is made as to the Practice software, then the purchase of an interface could be considered.

**Status:**

This finding has been resolved.