FINANCIAL STATEMENTS

JACKSON PARISH HOSPITAL

SEPTEMBER 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Jackson Parish Hospital
Jonesboro, Louisiana

We have audited the accompanying statement of net position of Jackson Parish Hospital Service District No. 1, dba Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana, ("the Hospital"), as of and for the year ended September 30, 2014, and the related statement of revenues, expenses, and changes in net position and statement of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 qualified audit opinion.

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BASIS FOR QUALIFIED OPINION

The Hospital's financial statements do not disclose the estimated amount of loss from the alleged misappropriation of funds as a separate line item on the Statement of Revenues, Expenses, and Changes in Net Position. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

QUALIFIED OPINION

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion paragraph above, the financial statements referred to above present fairly, in all material respects, the financial position of Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana as of September 30, 2014, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the omission of the information described in the Basis for Qualified Opinion paragraph above, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Accounting Standards*, we have also issued our report dated August 5, 2015 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Langlinais Broussard & Kohlenberg

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

August 5, 2015

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENT OF NET POSITION **SEPTEMBER 30,**

ASSETS

	2014
CURRENT ASSETS:	
Cash and Cash Equivalents	$ 2,025,644
Accounts Receivables, Less Allowance for Doubtful Accounts of $1,759,713	2,198,023
Cost Report Settlements	1,335,947
Inventories	613,629
Prepaid Expenses	66,482
Other Receivables	13,881
Total Current Assets	6,253,606
ASSETS WHOSE USE IS LIMITED:	
Internally Designated for Capital Acquisitions	5,284
By Bond Indenture	500
Total Assets Whose Use is Limited	5,784
PROPERTY, PLANT AND EQUIPMENT:	
Property, Plant and Equipment Cost	9,778,050
Less: Accumulated Depreciation	(6,497,613)
Total Property, Plant and Equipment	3,280,437
TOTAL ASSETS	$ 9,539,827

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

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENT OF NET POSITION **SEPTEMBER 30,**

LIABILITIES AND NET POSITION

	2014
CURRENT LIABILITIES:	
Current Portion of Long-Term Debt	$ 288,000
Accounts Payable	326,719
Accrued Salaries and Related Withholdings	605,847
Patient Credit Balances	119,610
Interest Payable	6,936
Total Current Liabilities	1,347,112
LONG-TERM LIABILITIES:	
Long-Term Debt:	
General Obligation Issue 2008	945,000
Total Long-Term Liabilities	945,000
TOTAL LIABILITIES	2,292,112
NET POSITION:	
Invested in Capital, Net of Related Debt	2,047,437
Restricted: Debt Service (Expendable)	5,784
Unrestricted	5,194,494
TOTAL NET POSITION	7,247,715
TOTAL LIABILITIES AND NET POSITION	$ 9,539,827

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

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED SEPTEMBER 30,

	2014
OPERATING REVENUES:	
Net Patient Service Revenues before Provision for Doubtful Accounts	$ 14,558,210
Provision for Doubtful Accounts	(3,453,933)
Net Patient Service Revenues after Provision for Doubtful Accounts	11,104,277
Other Operating Revenue	89,856
TOTAL OPERATING REVENUE	11,194,133
OPERATING EXPENSES:	
Professional Services	10,209,849
General and Administrative	5,406,866
Depreciation and Amortization	498,511
TOTAL OPERATING EXPENSES	16,115,226
LOSS FROM OPERATIONS	(4,921,093)
NON-OPERATING REVENUES (EXPENSES)	
Grant Income	1,922,073
Ad Valorem Taxes	2,561,386
Insurance Refund	193,224
Interest Income	10,774
Interest Expense	(44,719)
TOTAL NON-OPERATING REVENUES	4,642,738
CHANGE IN NET POSITION	(278,355)
TOTAL NET POSITION, BEGINNING	7,526,070
TOTAL NET POSITION, ENDING	$ 7,247,715

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

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENT OF CASH FLOWS	YEAR ENDED SEPTEMBER 30,
	2014
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Patients	$ 10,631,806
Cash Received from Other Revenues	89,856
Cash Payments to Suppliers for Goods and Services	(5,918,817)
Cash Payments to Employees for Services and Benefits	(9,786,009)
Net Cash Flow Used in Operating Activities	(4,983,164)
CASH FLOW FROM NON CAPITAL FINANCING ACTIVITIES:	
Ad Valorem Taxes	2,561,386
Grant Income	1,928,876
Net Cash Provided By Non Capital Financing Activities	4,490,262
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Fixed Assets	(394,506)
Principal Payments on Long-Term Debt	(276,000)
Interest Payments on Long-Term Debt	(46,272)
Insurance Refund	193,224
Net Cash Used in Capital and Related Financing Activities	(523,554)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Income	10,774
Net Cash Provided by Financing Activities	10,774
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,005,682)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR INCLUDING $188,103 LIMITED AS TO USE	3,037,109
CASH AND CASH EQUIVALENTS AT END OF YEAR INCLUDING $5,784 LIMITED AS TO USE	$ 2,031,427
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating Loss	$ (4,921,093)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by (Used in) Operating Activities:	
Depreciation and Amortization	498,511
Provision for Doubtful Accounts	3,453,933
Increase in Receivables and Due from Third Parties	(3,926,403)
Increase in Inventories and Prepaid Expenses	(38,301)
Decrease in Accounts Payable and Accrued Expenses	(49,811)
NET CASH USED IN OPERATING ACTIVITIES	$ (4,983,164)

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

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

Reporting Entity. Jackson Parish Hospital Service District No. 1 (the Hospital) was created in 1950, by the Parish Government of Jackson Parish, Louisiana to operate, control, and manage matters concerning the parish's health care functions. The Jackson Parish Police Jury appoints the Board of Commissioners of the Hospital, and the Hospital may not issue debt without the Parish's approval. For this reason, the Hospital is considered to be a component unit of the Jackson Parish Government, Jackson Parish, Louisiana.

Basis of accounting. The accompanying basic financial statements of the Hospital have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Hospital follows standards issued by GASB found in the GASB Codification.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Proprietary fund accounting. The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized using the economic resources measurement focus and the accrual basis of accounting. Substantially all revenues and expenses are subject to accrual.

Inventories. Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment. Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligation is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

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

Grants and donations. Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and donations may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expense.

Operating revenues and expenses. The Hospital's statements of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing 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.

Income taxes. The Hospital is a political subdivision and exempt from taxes.

Advertising. The Hospital expenses advertising cost as incurred.

Costs of borrowing. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in the fiscal year ended September 30, 2014.

Cash and cash equivalents. Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of ninety days or less. Under state law, the Hospital may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Trade receivables and allowance for uncollectible accounts. Trade receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experiences applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Ad valorem Taxes. The Hospital's property tax is levied by the parish on the taxable real property in the district in late October of each year. Bills are sent out in November of each year, and becomes a lien the following March. The collection period for the Hospital's property taxes is from December (at which time they become delinquent) to the succeeding May.

The Hospital received approximately sixteen percent of its financial support from ad valorem taxes in 2014.

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

Restricted resources. When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

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

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

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

Investments in debt and equity securities. 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.

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

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

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

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

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Net patient service revenue. 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 1% (subject to limits and rules), 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 by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through September 30, 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 10%, 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 by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through September 30, 2010.

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

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

The Hospital has 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 used to adjust income in the period when such differences arise.

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

NOTE 2: NET PATIENT SERVICE REVENUE

The following schedule represents total Net Patient Service Revenue:

	2014
Gross Patient Service Revenue	$ 23,244,220
Less: Contractual Adjustments	(8,686,010)
Net Patient Service Revenue Before Provision for Doubtful Accounts	14,558,210
Less: Provision for Doubtful Accounts	(3,453,933)
Net Patient Service Revenue after Provision For Doubtful Accounts	$ 11,104,277

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

	2014
Medicare	$ 4,525,932
Medicaid	3,061,535
All Other Payors	6,970,743
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	$ 14,558,210

NOTE 3: ACCOUNTS RECEIVABLE - PATIENTS

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

Patients Accounts Receivable consists of the following:

	2014
Total Patient Accounts Receivable	$ 5,496,677
Less: Allowance for Doubtful Accounts And Contractual Allowances	(3,298,654)
Net Patient Accounts Receivable	$ 2,198,023

NOTE 4: MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 54% of its gross patient service revenue in 2014 from patients covered by the Medicare and Medicaid programs.

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, is as follows at September 30, 2014:

	Asset life in years	Beginning Balance	Additions	Deletions	Ending Balance
Land		$ 28,900	$ -	$ -	$ 28,900
Land Improvements	5 - 25	204,698	-	-	204,698
Building	10 - 40	3,280,992	-	-	3,280,992
Fixed Equipment	5 - 25	3,100,539	-	-	3,100,539
Movable Equipment	5 - 25	2,749,074	394,506	-	3,143,580
Automobile	5	19,341	-	-	19,341
Total cost		9,383,544	394,506	-	9,778,050
Less: Accumulated Depreciation		(6,006,850)	(490,763)	-	(6,497,613)
Net Property, Plant and Equipment		$3,376,694	$ (96,257)	$ -	$3,280,437

Depreciation expense for the year ended September 30, 2014 amounted to $490,763.

NOTE 6: LONG-TERM DEBT

Long-term debt at September 30, 2014 consisted of the following:

	2014
Certificates of indebtedness, dated December 4, 2008, in the amount of $2,500,000 with an interest rate of 4.375% maturing serially on February 1 of each year beginning in 2010, with interest payable on February 1 and August 1 of each year, with the final maturity February 1, 2018, collateralized by Ad Valorem tax receipts; After February 1, 2013, interest rate is 3.375%	$ 1,233,000
Total Long-Term Debt	1,233,000
Less: Current Portion	(288,000)
Long-Term Portion	$ 945,000

During the fiscal year ended September 30, 2013, the bondholder, Jonesboro State Bank, agreed to a change in terms to reduce the interest rate from 4.375% to 3.375% to be effective after the February 1, 2013 interest payment.

Under the terms of the Note Indentures, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the financial statements.

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

	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Issue 2008	$1,509,000	$ -	$ 276,000	$ 1,233,000
Total	$1,509,000	$ -	$ 276,000	$ 1,233,000

Balance due within one year:

	2014
General obligation issue 2008	$ 288,000

Scheduled repayments on long-term debt are as follows:

	Principal	Interest	Total
2015	288,000	36,754	324,754
2016	301,000	26,814	327,814
2017	315,000	16,419	331,419
2018	329,000	5,552	334,552
Total	$1,233,000	$ 85,539	$ 1,318,539

NOTE 7: ASSETS LIMITED AS TO USE AND RESTRICTED NET POSITION

In relation to the revenue bonds issued on December 4, 2008 with a face value of $2,500,000, the hospital entered into an agreement to reserve cash funds as follows:

"All of the avails or proceeds of the Tax for each tax roll year shall be set aside in the Debt Service fund until such time as there is on deposit sufficient proceeds of the Tax to pay all principal and interest falling due on the Certificates in the ensuing year."

The composition of assets limited as to use at September 30, 2014, is set forth in the following table.

	2014
Cash:	
By Board for Capital Improvements	$ 5,284
By Bond Indenture	500
	$ 5,784

NOTE 8: CASH FLOWS SUPPLEMENTAL INFORMATION

Total interest paid by the Hospital was $46,272 for 2014.

NOTE 9: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2014 is as follows:

	2014
Medicare	20%
Medicaid	11
Commercial and other third-party payors	69
	100%

NOTE 10: PENSION PLAN

The Hospital sponsors a defined contribution plan. The Plan Administrator is the Human Resources Director. Eligibility requirements are one year of employment and attaining the age of 21. Vesting is 50% at 3 years of service, 75% at 4 years and 100% at 5 years. The Plan's coverage includes death, disability and retirement benefits. The Hospital may amend the Plan at any time at its' sole discretion. However, no amendment may result in any participant's vested interest or any portion of the Plan's assets reverting back to the Hospital. The Hospital contributes 1% for all eligible employees. It will match up to 4% of employee salaries, if the employee also contributes 4%. The Hospital contributed $164,864 for the year ended September 30, 2014.

NOTE 11: GRANT REVENUE

The Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The aggregate IGT grant income is $1,770,200 for the years ended September 30, 2014, respectively.

Various other grants were received during the year for other uses.

NOTE 12: BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana.

At September 30, 2014 the Hospital had bank balances as follows:

	2014
Insured (FDIC)	$ 250,000
Collateralized by Securities Held by the Pledging Financial Institution's Trust Department in the Hospital's Name	3,115,392
Total	$ 3,365,392
Carrying Value	$ 2,000,670

NOTE 13: PROFESSIONAL LIABILITY RISK

The Hospital 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 PCF provides for $400,000 in coverage per occurrence above the first $100,000 per occurrence for which the Hospital is at risk. The PCF places no limitation on the number of occurrences covered. In connection with the establishment of the PCF's, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to $500,000 per occurrence.

The courts have not tested the constitutionality of this legislation, although the Louisiana Supreme Court has decided that this limit does not apply in cases of strict liability. The Hospital'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 re-determined utilizing actual losses of the Hospital.

NOTE 14: CRITICAL ACCESS STATUS

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

NOTE 15: COMPENSATED ABSENCES

Full time employees earn accrued time off (ATO) based on years of service, part time employees accrue ATO on a pro-rated basis based on years of service. All ATO balances will be paid upon termination. Sick pay is not vested and therefore not accrued. The Hospital's policy is to recognize the cost of sick pay when actually paid to employees. Accrued time off, which is included in accrued salaries and related withholdings, at September 30, 2014 totaled $305,160.

NOTE 16: OPERATING LEASES

The Hospital leases various equipment under operating leases expiring at various dates through 2018. Total rental expense for the year ended September 30, 2014 for all operating leases was approximately $672,150.

The following is a schedule by year of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

Years ending September 30,	Amount
2015	$ 265,187
2016	95,873
2017	36,175
2018	28,127
Total	$ 425,362

NOTE 17: CONTINGENCIES

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

Third-Party Reimbursement Programs.

Cost reimbursements and claims are subject to examination by agencies administering the programs. The Hospital 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.

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

Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government law 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

The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund of the Louisiana Hospital Association Trust Fund.

NOTE 17: CONTINGENCIES, CONTINUED

Workman's Compensation Risk

The Hospital participated in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund in 2014. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any.

Laws and Regulations

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

NOTE 18: GOVERNMENTAL REGULATIONS

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Hospital. Federal healthcare reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Hospital's principal payors. It is not possible at this time to determine the impact on the Hospital of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Hospital in the future years.

NOTE 19: CHARITY CARE

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Hospital maintains records to identify and monitor the level of charity care it provides. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone and supplies furnished, based on established rates, were $52,996 as of September 30, 2014.

Management estimates that approximately $36,742 of costs were related to charity care for the year ended September 30, 2014. 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 20: NET POSITION

Net position for the years ended September 30, are as follows:

	2014
Invested in Capital Assets, net of related debt	$ 2,047,437
Restricted for:	
Debt Service (Expendable)	5,784
Unrestricted	5,194,494
Total Net Position	$ 7,247,715

NOTE 21: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) recently issued *GASBS 65-Items Previously Reported as Assets and Liabilities*, which changes the way debt issue costs are reported - from amortizing over the life of the bond, to expensing in the period incurred. The hospital implemented these amendments during the current fiscal year. These amendments are applied retrospectively for all prior periods presented.

NOTE 22: SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through August 5, 2015, the date the financial statements were available to be issued.

Subsequent to the year end, the hospital started offering group health insurance to its employees in order to meet the guidelines of the Affordable Healthcare Act.

The Louisiana Legislative Auditor's Office performed an investigative audit subsequent to the fiscal year end. Their report was released on April 8, 2015. The effect of the investigation on the financial statements is not known.

SCHEDULES OF PATIENT SERVICE REVENUES **YEAR ENDED SEPTEMBER 30,**

	2014
INPATIENT SERVICE REVENUES	
Daily Patient Services:	
Room and Board	$ 695,562
Total	695,562
Other Nursing Services:	
Central Supplies	732,210
Emergency Service	127,269
Operating Room	313,823
Total	1,173,302
Other Professional Services:	
Anesthesiology	18,241
Blood	33,974
Laboratory	539,278
Pharmacy	1,705,831
Radiology	564,569
Respiratory	1,020,275
Therapy Services	19,192
Total	3,901,360
TOTAL INPATIENT SERVICE REVENUE	5,770,224

SCHEDULE OF PATIENT SERVICE REVENUES **YEAR ENDED SEPTEMBER 30,**

	2014
OUTPATIENT SERVICE REVENUES	
Other Nursing Services:	
Central Supplies	478,514
Emergency Service	2,569,575
Operating Room	122,552
Total	3,170,641
Other Professional Services:	
Anesthesiology	172,847
Blood	35,697
Clinics	1,676,788
Hospitalist	451,736
Laboratory	4,079,773
Pharmacy	1,579,668
Emergency Room Professional	1,580,504
Radiology	4,268,519
Respiratory	457,823
Total	14,303,355
TOTAL OUPATIENT SERVICE REVENUE	17,473,996
GROSS PATIENT SERVICE REVENUE	23,244,220
Less: Contractual Adjustments	(8,686,010)
NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	$ 14,558,210

SCHEDULES OF OTHER OPERATING REVENUES	**YEAR ENDED SEPTEMBER 30,**
	2014
Cafeteria and Vending Sales	$ 66,114
Medical Records	1,522
Other	22,220
Total	$ 89,856

SCHEDULES OF PROFESSIONAL SERVICES	**YEAR ENDED SEPTEMBER 30,**
	2014
Salaries and Fees:	
Anesthesiology	$ 98,230
Central Supply	59,975
Clinics	1,716,376
Emergency Room	1,694,301
Hospitalist	245,000
Laboratory	923,314
Nursing	1,823,652
Operating Room	8,607
Pharmacy	242,675
Radiology	697,914
Respiratory	497,170
Therapy	95,025
Total Salaries and Fees	8,102,239
Supplies and Other Expenses:	
Blood	46,683
Clinics	222,272
Laboratory	432,749
Nursing	146,573
Pharmacy	632,651
Radiology	541,443
Respiratory	50,845
Other	34,394
Total Supplies and Other Expenses	2,107,610
Total Professional Services	$ 10,209,849

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

SCHEDULES OF GENERAL AND ADMINISTRATIVE	YEAR ENDED SEPTEMBER 30,
	2014
Salaries and Fees:	
Administrative	$ 1,302,514
Dietary	177,816
Housekeeping	175,227
Maintenance	287,876
Medical Records	206,003
Total Salaries and Fees	2,149,436
Supplies and Other Expenses:	
Administrative	531,125
Dietary	137,365
Employee Benefits	1,616,570
Housekeeping	108,767
Information Technology	204,038
Insurance	254,140
Maintenance	361,916
Medical Records	43,509
Total Supplies and Other Expenses	3,257,430
Total General and Administrative Services	$ 5,406,866

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER **SEPTEMBER 30,**

		2014
ROBERT LLOYD MONGER		
Salary	$	110,000
Health Insurance Stipend		5,750
Benefits-Insurance		34
Benefits-Retirement		1,100
Conference Expenses		4,797
	$	121,681

SCHEDULES OF GOVERNING BOARD EXPENSES **YEAR ENDED SEPTEMBER 30,**

	2014	
	NUMBER OF MEETINGS ATTENDED	COMPENSATION
Barbara Johns	10	$ 280
David Chestnut	10	$ -
Debra Jackson	7	$ 120
Fannie Williams	8	$ -
Lonnie Menzina	3	$ -
Sean Disotell	7	$ -
Claudine Cartwright	7	$ -
Freddy Tolar	2	$ -

LANGLINAIS
BROUSSARD
& KOHLENBERG
CERTIFIED PUBLIC ACCOUNTANTS

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

Chris A. Kohlenberg, CPA, MBA, MHA Retired

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

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

Board of Commissioners
Jackson Parish Hospital
Hospital Service District No. 1
Parish of Jackson
Jonesboro, 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 Jackson Parish Hospital Service District No.1, dba Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana (the Hospital), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated August 5, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests identified findings of noncompliance that are required to be reported under *Government Auditing Standards.* These findings are listed as 2014-1 and 2014-2, as well as 2014-10 through 2014-14.

PURPOSE OF THIS REPORT

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

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

Sincerely,

Langlinais Broussard & Kohlenberg

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

August 5, 2015

JACKSON PARISH HOSPITAL
JONESBORO, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN
For the years ended September 30, 2014

We have audited the financial statements of Jackson Parish Hospital Service District No. 1, dba Jackson Parish Hospital (the Hospital), a component unit of the Jackson Parish Police Jury, State of Louisiana, as of and for the years ended September 30, 2014, and have issued our report thereon dated August 5, 2015. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of September 30, 2014 resulted in a qualified opinion.

Section I: Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements:

Internal Control

Material Weaknesses:	Yes
Significant Deficiencies:	Yes

Compliance

Compliance Material to Financial Statements	Yes

Section II: Financial Statement Findings

A – Issues of Noncompliance

Finding 2014-1 Audit Deadline

Condition: The Hospital did not meet the six month deadline for filing the audit report with the Legislative Auditor of the State of Louisiana.

Criteria: Louisiana law requires audits of governmental districts to be filed within six months of the entity's fiscal year end under RS 24:513.

Effect: The Hospital is not in compliance with Louisiana RS 24:513.

Recommendation: Audit reports should be filed with the Legislative Auditor's office within six months of the year end to be in compliance with Louisiana RS 24:513.

Management Response: Management recognizes that the untimely submission of this audit report is not compliant. In addressing internal issues that contributed to the delayed completion of this report, the Chief Financial Officer has made it a priority to ensure that all future audit reports are filed prior to the six month deadline.

Finding 2014-2 Nepotism

Condition: The Hospital employed two immediate family members in the pharmacy department; with one serving as the department director. The Hospital's internal policy states that exceptions may be made for part-time positions.

Criteria: Louisiana law requires no member of the immediate family of an agency head shall be employed in his agency.

Effect: The Hospital may not be in compliance with Louisiana RS 42:1119.

Recommendation: Immediate family members employed by the Hospital District should not be in a supervisory capacity over the other. The Hospital's policy should be evaluated for compliance with RS 42:1119.

Finding 2014-2 Nepotism, Continued

Management Response: This issue, specifically, has been rectified. The Director of Human Resources will evaluate current hospital policies to ensure that, moving forward, there is a policy in place to prevent any future occurrences of nepotism.

B- Significant Deficiencies and Material Weaknesses

Finding 2014-3 Financial Statement Preparation

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

Effect: Under U.S. generally accepted auditing principles, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Recommendation: The hospital's accounting personnel should continue to attend education courses to further their knowledge in the application of Generally Accepted Accounting Principles. The hospital should also consider outsourcing the preparation of its financials to its independent auditors and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Management Response: Management recognizes that it is unable to cost effectively employ the staffing needed to satisfy this material weakness. Hospital accounting personnel will attend educational events to ensure that the accounting department is adequately knowledgeable in regards to the application of Generally Accepted Accounting Principles.

Finding 2014-4 Lack of Segregation of Duties

Condition and Criteria: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Effect: Failure to adequately segregate accounting and financial functions increases the risk that errors and irregularities including fraud may occur and not be prevented or detected.

Recommendation: The authorization, recording, and reconciliation of transactions and decisions as well as the custody of assets related to those transactions and decisions should be segregated functions. Management should increase oversight in areas where this does not occur.

Management Response: Management recognizes that it is unable to cost effectively segregate duties with the number of employees available. However, we are evaluating the potential of adding another full time employee to our accounting staff. To minimize risk, the Chief Financial Officer will supervise and review accounting procedures on a regular basis.

Finding 2014-5 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal year ended September 30, 2014 had material effects on the financial statements.

Effect: The Hospital's financial statements have been adjusted to reflect all proposed audit journal entries approved by management.

Recommendation: Management should perform a comprehensive review of financial statements, estimates, and journal entries before closing the fiscal year.

Management Response: The Chief Financial Officer will perform a comprehensive review of financial statements, estimates, and journal entries before closing the fiscal year.

Finding 2014-6 Journal Entry Support

Condition and Criteria: Journal entries posted to cash to reconcile the operating cash account do not have adequate supporting documentation.

Effect: Adjusting cash differences without investigation increases the risk that errors and irregularities including fraud may occur and not be prevented or detected.

Recommendation: Significant differences in cash reconciliations must be investigated and addressed appropriately.

Management Response: New accounting policies will be created to ensure that proper backup and support is produced prior to the posting of journal entries. Proper record keeping of this support will be established and the Chief Financial Officer will oversee this process to ensure that proper supporting documentation is available for journal entries.

Finding 2014-7 Employee Benefits Program

Condition and Criteria: The Employee Benefits Policy regarding Employee Discounts does not clearly state the procedure in which the employee should obtain the discount. The business office could not show support for the authorization of discounts for employees who had used the services of the Hospital.

Effect: Adjustments related to employee discounts for services provided by the Hospital could be unauthorized and inaccurate.

Recommendation: A clear employee discount policy should be written to provide the procedure in which employees should apply for the discount. The policy should state what authorization should occur before an employees' account may be discounted. Support for the adjustment should exist for eligibility and authorization of the employee discount. Management should oversee this process.

Management Response: Management recognizes that this policy needs clarification. We will work as a team to determine the appropriate changes to this policy in order to ensure that any discounts for services provided by the hospital are properly authorized. We will also retain support of the approval for adjustment.

Finding 2014-8 Lack of Oversight from Management: Payroll

Condition and Criteria: Management does not review the final detailed payroll register after each payroll run.

Effect: Failure to adequately supervise the payroll process increases the risk that errors and irregularities including fraud may occur and not be prevented or detected.

Recommendation: Management should review payroll register before and after payroll run and verify that direct deposit transmittal total equals the approved payroll register total. Management should review for ghost employees, high pay amounts, overtime or unusual pay, pay rates, multiple checks, etc. Management should also be attentive to ATO time taken and periodically test ATO hours paid on the pay register to the amounts deducted from the Benefit Allocation Report. The payroll master changes list should also be reviewed periodically for variables changed and for manual adjustments to benefit balances. When these oversight controls are performed, documentation should exist to show evidence of the procedure performed.

Management Response: The Chief Financial Officer will review the payroll register before and after each payroll run in order to verify the total payments for payroll match the approved amount. The Controller will also conduct periodic reviews of the payroll master changes list to ensure that only authorized changes are made to employee profiles. All profile changes will need proper supporting documentation.

Finding 2014-9 Board Authorization of Cash Restrictions

Condition and Criteria: A transfer was made from the reserved sinking fund to the operating account without board authorization.

Effect: Restricted cash may have been transferred to unrestricted cash without proper authorization.

Recommendation: Restrictions as well as the release of restrictions on cash should be authorized by the Board of Commissioners and documented in Board Minutes.

Management Response: Management recognizes that transfers from this restricted account to an unrestricted account must be authorized by the Board of Commissioners. The Chief Financial Officer will make sure that any future transactions affecting a restricted account are authorized by the Board of Commissioners and documented in the Board Minutes.

The following findings resulted from the investigative audit issued by the Legislative Auditor of the State of Louisiana on April 8, 2015:

Finding 2014-10 Unearned and Unauthorized Payments of Accrued Time Off

Conditions and Criteria: The Jackson Parish Hospital's (Hospital) former Human Resource employee, Elizabeth Cheatwood, and its former accounts payable clerk, Vickie Booker, received a combined $89,960 in excessive payments for accrued time off from January 2009 to November 2014. Based upon our review of Hospital documents, these payments were both unearned and unauthorized.

Effect: Since Ms. Cheatwood and Ms. Booker were not entitled to these payments, they may have violated state and federal law.

Recommendation: Management should recover any signature stamps in the custody of employees; remove the custody of blank checks from any employee with authority to approve payments or payroll transactions with the accounting system; limit or eliminate the ATO payout practice; seek legal counsel regarding recovery of Hospital funds; ensure ATO balances are properly maintained; review all payroll runs to ensure all payroll checks are proper; and manually adjust employee ATO balances for all unrecorded ATO payouts.

Management Response: All signature stamps have been recovered, removed from service, destroyed and discarded. The Hospital Accountant maintains payroll checks. The A/P Clerk maintains A/P checks. Neither individual has the authority to approve or sign them. All payroll runs are reviewed by the CFO to ensure that payroll checks are proper. Any extra payroll runs will be for voids and reissues only and will require approval by CFO, CEO, or designee. The Hospital has hired a temporary accounting employee as of July 5, 2015, to perform an ATO reconciliation project under the direct supervision of the Chief Financial Officer.

Finding 2014-11 Improper Payroll Deductions for Supplemental Insurance and Uniforms

Conditions and Criteria: Ms. Cheatwood and Ms. Booker improperly received a combined $25,723 of supplemental health insurance policies and $7,474 of uniforms offered through the Hospital from December 2008 to December 2014. Based on our review of Hospital records, Ms. Cheatwood and Ms. Booker did not pay for these benefits.

Effect: Since Ms. Cheatwood and Ms. Booker did not pay for these benefits and, as such, may have violated state and federal law.

Recommendation: Management should reconcile past payroll deduction by employee and recover any funds due to Hospital or reimburse employees for overpayments; reconcile employee payroll deductions for insurance prior to payment; limit or eliminate payroll deductions for items such as pharmacy prescriptions and uniforms; create a check-out policy and procedure to ensure exiting employee insurance is canceled; improve cashier record keeping practices to ensure complete and accurate records are kept of all Hospital collections.

Finding 2014-11 Improper Payroll Deductions for Supplemental Insurance and Uniforms, Continued

Management Response: Reconciliation of past payroll deductions is in process, but it will be a time intensive project. A temporary accounting employee has been hired as of July 5,2015 to perform a deduction reconciliation project under the direct supervision of the Chief Financial Officer. We will engage legal counsel relative to restitution. Reconciliation of employee payroll deductions for insurance has been done since the first pay period of February 2015. Human Resources will establish and adjust any deductions and Accounting will verify and reconcile. This reconciliation will be done each pay period to ensure proper deductions are made and reconciled to the insurance invoice. As of January 1, 2015, nothing, aside from insurance, is available for purchase through payroll deduction. A check-out policy was created in July 2015 and the associated form tracks the completion of all necessary steps to make sure that exiting employees are handled appropriately. Except for the cafeteria, each area that received cash now posts payments to the system, which automatically generates a receipt. In the cafeteria, a sign has been posted to remind customers to receive a receipt from the dedicated cash register there.

Finding 2014-12 Mismanagement of Payroll Deductions

Conditions and Criteria: The Hospital did not reconcile its health and supplemental insurance invoices or other employee benefits to payroll deductions to ensure the Hospital received the proper amount from its employees. This resulted in undetected errors to employee payroll deductions and caused the Hospital to pay $200,997 for employee benefits that were not reimbursed by its employees from 2009 to 2014.

Effect: Since the Hospital did not collect all amounts due from employees, the payments on behalf of employees without reimbursement may violate state law and the state constitution.

Recommendation: Management should reconcile past payroll deduction by employee and recover any funds due to Hospital or reimburse employees for overpayments; reconcile employee payroll deductions for insurance prior to payment; limit or eliminate payroll deductions for items such as pharmacy prescriptions and uniforms; create a check-out policy and procedure to ensure exiting employee insurance is canceled; improve cashier record keeping practices to ensure complete and accurate records are kept of all Hospital collections.

Management Response: Reconciliation of past payroll deductions is in process, but it will be a time intensive project. A temporary accounting employee has been hired to perform a deduction reconciliation project under the direct supervision of the Chief Financial Officer. We will engage legal counsel relative to restitution. Reconciliation of employee payroll deductions for insurance has been done since the first pay period of February 2015. Human Resources will establish and adjust any deductions and Accounting will verify and reconcile. This reconciliation will be done each pay period to ensure proper deductions are made and reconciled to the insurance invoice. As of January 1, 2015, nothing, aside from insurance, is available for purchase through payroll deduction. A check-out policy has been created and the associated form tracks the completion of all necessary steps to make sure that exiting employees are handled appropriately. Except for the cafeteria, each area that received cash now posts payments to the system, which automatically generates a receipt. In the cafeteria, a sign has been posted to remind customers to receive a receipt from the dedicated cash register there.

Finding 2014-13 Improper Insurance Stipend Payment

Condition and Criteria: Ms. Cheatwood received a stipend for health insurance in the amount of $26,072 from January 1, 2009 to December 31, 2014. Based on review of Hospital records, Ms. Cheatwood was not entitled to receive these funds.

Effect: Since Ms. Cheatwood was not entitled to receive these funds she may have violated state and federal law.

Finding 2014-13 Improper Insurance Stipend Payment, Continued

Recommendation: Management should reconcile employee payroll deductions for insurance prior to payment; limit or eliminate payroll deductions for items such as pharmacy prescriptions and uniforms; create a check-out policy and procedure to ensure exiting employee insurance is canceled; and improve cashier record keeping practices to ensure complete and accurate records are kept of all Hospital collections.

Management Response: As of January 1, 2015, Jackson Parish Hospital began offering group health insurance and has discontinued the practice of stipend payments to employees.

Finding 2014-14 Former Employee Took Hospital Collections for Personal Use

Condition and Criteria: Hospital records indicate that from January 2012 to December 2014, the Hospital collected $121,968 in cash that was never deposited into its operating bank account. Former Hospital employee, Ms. Vickie Booker, stated that she took cash from Hospital collections and deposited it to her personal bank account or spent it.

Effect: By taking cash from Hospital collections for her personal use, Ms. Booker may have violated state law.

Recommendation: Management should improve cashier record keeping practices to ensure complete and accurate records are kept of all Hospital collections; reconcile collections to deposits and investigate any discrepancies; establish a chain of custody of collections; and make daily deposits when practicable.

Management Response: Except for the cafeteria, each area that receives cash now posts payments to the system, which automatically generates a receipt. In the cafeteria, a sign was posted in May 2015 to remind customers to receive a receipt from the dedicated cash register there. We developed and implemented a new collections reconciliation form as of December 2014 for daily use. The clinics record what cash is taken in each day. We reconcile this amount with the amount posted. Our accounting staff has put proper reconciliation procedures into place as of 5/4/2015. As of 11/15/2014, we initiated the consistent practice of making daily deposits. Cash receipts are taken in and deposited on the following day.

Additional management response regarding Findings 2014-10 through 2014-14:

Upon discovery of the criminal activity, the private investigator contracted by the Hospital immediately notified the Jackson Parish Sheriff's Office and the Louisiana State Police. As of the date of the audit report, the investigation is complete and charges have been filed. The District Attorney for Jackson Parish recused himself from the case and it was assigned to the Attorney General's Office. The case has not gone to trial as of the date of the audit report. The charges filed are as follows:

Elizabeth Cheatwood: Felony theft (5 counts); Forgery (4 counts); Distribution of a legend drug (16 counts); Criminal conspiracy (1 count); Attempt and conspiracy (16 counts); Obstruction of justice (1 count)

Vickie Booker: Felony theft (3 counts)

Hospital administration and the board is seeking restitution from the former employees who have been criminally charged. Restitution has not been paid as of the date of the audit report. There was also a list of employees who, while not criminally charged, took advantage of this scheme and participated in receiving extra checks. These employees were terminated. The hospital has obtained legal counsel and is in the process of requesting restitution from these employees. In the event that they refuse, the hospital will pursue civil action.

Section III: Management Letter Items

There are no management letter items at September 30, 2014.

JACKSON PARISH HOSPITAL
JONESBORO, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2014

Finding 2013-1 Financial Statement Preparation: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing principles, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Status: Unresolved. See Finding 2014-3.

Finding 2013-2 Segregation of Duties: The hospital has several employees whose duties are not segregated.

Status: Unresolved. See Finding 2014-4.

Finding 2013-3 Proposed Audit Adjustments: The proposed audit adjustments for the fiscal year ended September 30, 2013 had material effects on the financial statements.

Status: Unresolved. See Finding 2014-5.