

**TANGIPAOA PARISH HOSPITAL  
SERVICE DISTRICT NO. 2**

**D/B/A HOOD MEMORIAL HOSPITAL**

Financial Statements  
September 30, 2018 and 2017

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## Independent Auditor's Report

To the Board of Commissioners  
Tangipahoa Parish Hospital Service District No. 2  
d/b/a Hood Memorial Hospital  
Amite, Louisiana

### Report on Financial Statements

We have audited the accompanying financial statements of the Tangipahoa Parish Hospital Service District No. 2 (d/b/a Hood Memorial Hospital) (the Hospital) as of and for the year ended September 30, 2018, 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 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 opinion.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tangipahoa Parish Hospital Service District No. 2 (d/b/a Hood Memorial Hospital), as of September 30, 2018, 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.

## **Prior Period Financial Statements**

The basic financial statements of the Hospital as of September 30, 2017, were audited by other auditors whose report dated March 27, 2018, expressed an unmodified opinion on those statements.

## **Other Matter**

### ***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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The schedules identified in the table of contents as supplementary information are presented for purposes of additional analysis and are 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA  
March 29, 2019

**TANGIPAOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Statements of Net Position  
September 30, 2018 and 2017**

	2018	2017
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 117,007	\$ 84,045
Patient Accounts Receivable, Net of Allowances for Uncollectible Accounts of \$1,157,719 and \$1,198,205 in 2018 and 2017, Respectively	1,362,383	1,821,743
Due from Third Party Payors	226,161	844,603
Grant Receivables	321,919	384,883
Other Receivables	14,955	-
Inventories	264,192	291,729
Prepaid Expenses	11,899	60,379
	<hr/>	<hr/>
<b>Total Current Assets</b>	<b>2,318,516</b>	<b>3,487,382</b>
<b>Assets Whose Use is Limited or Restricted</b>		
By Bond Indenture		
Bond Account	100	2,355
Board Designated Funds		
Cash	24,544	9,995
Investments	38,059	54,949
Accrued Interest Receivable	157	225
	<hr/>	<hr/>
<b>Total Assets Whose Use is Limited or Restricted</b>	<b>62,860</b>	<b>67,524</b>
<b>Property, Plant, and Equipment</b>		
Property, Plant, and Equipment, Net of Accumulated Depreciation	2,644,583	2,187,481
	<hr/>	<hr/>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 5,025,959</b>	<b>\$ 5,742,387</b>

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

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Statements of Net Position (Continued)  
September 30, 2018 and 2017**

	2018	2017
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 1,175,154	\$ 506,828
Accrued Salaries and Related Withholdings	609,748	595,285
Due to Third Party Payors	555,897	555,896
Accrued Estimated Health Benefits	133,361	172,381
Patient Credit Balances	246,841	32,591
Current Portion of Limited Tax Bonds, Series 2013	80,000	80,000
Current Portion of Capital Lease Obligations	159,139	32,089
Current Portion of Cost Report Repayment Plans	-	318,593
Accrued Interest Payable	992	1,225
<b>Total Current Liabilities</b>	<b>2,961,132</b>	<b>2,294,888</b>
<b>Long-Term Liabilities</b>		
Limited Tax Bonds, Series 2013	260,000	340,000
Capital Lease Obligations	496,569	112,051
<b>Total Long-Term Liabilities</b>	<b>756,569</b>	<b>452,051</b>
<b>Total Liabilities</b>	<b>3,717,701</b>	<b>2,746,939</b>
<b>Net Position</b>		
Invested in Capital Net of Related Debt	1,648,875	1,624,471
Restricted		
Bond Construction Account (Expendable)	100	2,355
By Board (Expendable)	62,760	65,169
Unrestricted	(403,477)	1,303,453
<b>Total Net Position</b>	<b>1,308,258</b>	<b>2,995,448</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 5,025,959</b>	<b>\$ 5,742,387</b>

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

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended September 30, 2018 and 2017**

	2018	2017
<b>Revenues</b>		
Net Patient Service Revenues Before Provision for Doubtful Accounts	\$ 15,618,389	\$ 17,416,642
Provision for Doubtful Accounts	<u>(1,750,019)</u>	<u>(1,784,720)</u>
Net Patient Service Revenues After Provision for Doubtful Accounts	13,868,370	15,631,922
Intergovernmental Transfers - Operating Grants	1,504,384	1,728,731
Other Operating Revenue	<u>140,327</u>	<u>138,113</u>
<b>Total Revenues</b>	<u>15,513,081</u>	<u>17,498,766</u>
<b>Operating Expenses</b>		
Salaries and Wages	8,528,826	8,389,102
Professional Fees	3,598,941	3,775,855
Employee Benefits	2,042,774	2,096,168
Supplies and Other	2,319,489	2,448,682
Depreciation and Amortization	433,580	372,027
Insurance	309,144	250,305
Telephone and Utilities	<u>253,060</u>	<u>268,974</u>
<b>Total Operating Expenses</b>	<u>17,485,814</u>	<u>17,601,113</u>
<b>Operating Loss</b>	<u>(1,972,733)</u>	<u>(102,347)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Grant Income	3,929	715,155
Insurance Recovery	127,708	3,036
Ad Valorem Taxes	189,983	196,676
Donation Revenue	35,000	31,795
Interest Expense	(72,046)	(60,229)
Unrealized Loss on Investments	(2,619)	(2,366)
Investment Income	2,513	3,329
Other	<u>1,075</u>	<u>-</u>
<b>Total Non-Operating Revenues, Net</b>	<u>285,543</u>	<u>887,396</u>
<b>Change in Net Position</b>	<u>(1,687,190)</u>	<u>785,049</u>
<b>Net Position, Beginning of Year</b>	<u>2,995,448</u>	<u>2,210,399</u>
<b>Net Position, End of Year</b>	<u>\$ 1,308,258</u>	<u>\$ 2,995,448</u>

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

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Statements of Cash Flows  
For the Years Ended September 30, 2018 and 2017**

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Receipts from and on Behalf of Patients	\$ 15,160,393	\$ 15,020,384
Cash Received from Intergovernmental Transfer	1,567,348	1,654,119
Payments to Suppliers and Contractors	(5,736,291)	(6,781,462)
Cash Payments to Employees for Services and Benefits	(10,611,081)	(10,298,589)
Other Receipts from Operations	141,402	138,113
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>521,771</b>	<b>(267,435)</b>
<b>Cash Flows from Non Capital Financing Activities</b>		
Non-Capital Grant Income	3,929	9,091
Proceeds from Cost Report Repayment Plans	-	555,646
Principal Payments on Cost Report Repayment Plans	(318,593)	(930,764)
<b>Net Cash Used in Non Capital Financing Activities</b>	<b>(314,664)</b>	<b>(366,027)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital Grant Income	-	706,064
Ad Valorem Taxes	189,983	196,676
Proceeds from Insurance Recovery	127,708	3,036
Proceeds from Donation Revenue	-	31,795
Purchases of Property and Equipment	(225,359)	(268,544)
Principal Payments on Limited Tax Bonds, Series 2013	(80,000)	(75,000)
Principal Payments on Capital Lease Obligations	(118,756)	(36,633)
Interest Payments on Bonds and Capital Lease Obligations	(72,279)	(60,448)
<b>Net Cash (Used in) Provided by Capital and Related Financing Activities</b>	<b>(178,703)</b>	<b>496,946</b>
<b>Cash Flows from Investing Activities</b>		
Investment Income	2,581	3,329
Proceeds from the Sale of Assets Whose Use is Limited	14,271	19,069
<b>Net Cash Provided by Investing Activities</b>	<b>16,852</b>	<b>22,398</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>45,256</b>	<b>(114,118)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>96,395</b>	<b>210,513</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 141,651</b>	<b>\$ 96,395</b>
<b>Cash and Cash Equivalents</b>		
Unrestricted Cash and Cash Equivalents	\$ 117,007	\$ 84,045
Cash and Cash Equivalents Whose Use is Limited	24,644	12,350
<b>Total Cash and Cash Equivalents</b>	<b>\$ 141,651</b>	<b>\$ 96,395</b>

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

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Statements of Cash Flows (Continued)  
For the Years Ended September 30, 2018 and 2017**

	2018	2017
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Operating Loss	\$ (1,972,733)	\$ (102,347)
Adjustments to Reconcile Operating Loss to Net Cash		
Provided by (Used in) Operating Activities		
Depreciation and Amortization	433,580	372,027
Provision for Doubtful Accounts	1,750,019	1,784,720
Changes in Operating Assets and Liabilities:		
Patient Accounts Receivable and Due from (to) Third Parties	(457,966)	(2,362,345)
Grant and Other Receivables	48,009	(74,612)
Inventories and Prepaid Expenses	103,083	(33,913)
Accounts Payable and Accrued Expenses	617,779	149,035
	<u>521,771</u>	<u>(267,435)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 521,771</b>	<b>\$ (267,435)</b>
<b>Non Cash Investing, Capital, and Financing Activities</b>		
Decrease in the Fair Market Value of Investments	\$ (2,619)	\$ (2,366)
Assets Contributed by Third Party	\$ 35,000	\$ -
Acquisition of Capital Leased Assets	\$ 630,323	\$ 93,559

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

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Notes to Financial Statements**

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**Note 1. Reporting Entity**

Hood Memorial Hospital (the Hospital) was created by the Tangipahoa Parish Council, as Hospital Service District No. 2 of Tangipahoa Parish, Louisiana, on November 17, 1964 (recreated on October 19, 1965) under the provision of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950 and is exempt from federal and state income taxes. The governing authority of the District is the Tangipahoa Parish Council and accordingly, appoints members to the Hospital Board. For this reason, the Hospital is considered a component unit of the Tangipahoa Parish Council, the financial reporting entity of Tangipahoa Parish. The Board exercises all administrative functions with respect to the operation and management of the Hospital.

The accompanying basic financial statements present information only on the funds maintained by the Hospital and do not present information on the Council.

**Note 2. Significant Accounting Policies**

**Accrual Basis of Accounting**

The accrual basis of accounting is used by the Hospital. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Under this basis of accounting, all assets and liabilities associated with the operation of the Hospital are included in the statements of net position.

**Accounting Standards**

The Hospital's financials are presented using the economic resources measurement focus and the accrual basis of accounting under Governmental Accounting Standards Board (GASB) Statement No. 20 (GASB Cod. Sec. PBO), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That-Use Proprietary Fund Accounting*. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, and to the AICPA, Audit and Accounting Guide - *Health Care Organizations*, published by the American Institute of Certified Public Accountants, and standards set by the GASB, which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Notes to Financial Statements**

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**Note 2. Significant Accounting Policies (Continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid instruments with an original maturity of three month or less excluding amounts whose use is limited by board designation.

**Patient Accounts Receivable**

Patient accounts receivable are reported at their outstanding unpaid balance adjusted for any write-offs and the allowance for doubtful accounts.

Accounts are considered past due at the time that the balance is thirty days delinquent. Accounts are sent to collections when no payment has been received on the account for one hundred twenty days. Accounts are written off when all collection efforts have been exhausted.

**Allowance for Doubtful Accounts**

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for doubtful accounts charged to earnings. Losses are charged against the allowance when management believes the uncollectability of an account is confirmed. Subsequent recoveries, if any, are credited to the allowance.

**Inventories**

Inventories, which consist primarily of drugs and supplies, are valued at the lower of cost (first-in, first-out method) or market.

**Investments in Debt and Equity Securities**

Investments are stated at fair market value based on quoted market prices. 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.

**Property, Plant, and Equipment**

Property and equipment acquisitions are recorded at cost, or a estimated fair value if donated. 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 obligations are 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. Equipment lives range as follows:

Buildings and Land Improvements	10 - 40 Years
Fixed Equipment	5 - 20 Years
Major Movable Equipment	5 - 20 Years

**TANGIPAOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Notes to Financial Statements**

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**Note 2. Significant Accounting Policies (Continued)**

**Net Position**

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended*, net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

***Net Investment in Capital Assets***

This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

***Restricted***

This component of net position consists of assets that have constraints that are externally 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***

All other net position is reported in this category.

**Restricted Resources**

Restricted funds may be designated by the board in order to comply with bond covenants, contracts, or other specific purposes. The board of commissioners must authorize use of restricted funds.

**Net Patient Service Revenues**

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

**Operating and Non-Operating Revenue**

Operating revenue includes net patient revenue, cafeteria and vendor sales, rental income, and other revenues determined by management to be derived from operations of the Hospital. Non-operating revenues include ad valorem taxes, grant revenue, donation revenue, interest income and gains or losses not considered to be derived from operations of the Hospital.

**TANGIPAOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Notes to Financial Statements**

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**Note 2. Significant Accounting Policies (Continued)**

**Ad Valorem Taxes**

The Hospital received approximately 1.20% and 1.10% of its financial support from ad valorem taxes for the years ended September 30, 2018 and 2017, respectively. Current taxes are received beginning in December of each year and become delinquent after January 31 of the following year.

**Grants and Contributions**

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

**Compensated Absences**

Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences are included as a component of accrued salaries and related withholdings on the Hospital's statement of net position. The balance in accrued compensated absences is \$367,219 and \$347,755 as of September 30, 2018 and 2017, respectively.

**Self-Insured Medical Claims**

The Hospital is self-insured for employee medical claims up to predetermined stop-loss amounts. Claims in excess of the stop-loss amounts are insured through a commercial insurance carrier. Management accrues its best estimate of probable claim amounts incurred but not reported based on its previous loss experience. The amount accrued for estimated health benefits for the years ended September 30, 2018 and 2017 is \$133,361 and \$172,381, respectively.

**Income Taxes**

The Hospital is a political subdivision and exempt from taxes.

**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.

**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. Commercial insurance coverage is purchased for claims arising from such matters.

**TANGIPAOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Notes to Financial Statements**

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**Note 2. Significant Accounting Policies (Continued)**

**Recently Issued Accounting Principles**

In March 2018, GASB issued Statement No. 85. The objective of GASB Statement No. 85, *Omnibus 2018*, is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018.

In June 2018, the GASB issued Statement No. 87 (GASB 87). The objective of GASB Statement No. 87, *Leases*, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In March 2018, the GASB issued Statement No. 88. The objective of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, is to improve consistency in information that is disclosed in notes to government financial statements related to debt and to provide financial statement users with additional essential information about debt. Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In June 2018, the GASB issued Statement No. 89. The objective of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, is to establish accounting requirements for interest cost incurred before the end of a construction period. Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Notes to Financial Statements**

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**Note 3. 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 73% and 63% of its gross patient service revenue for the fiscal years ended September 30, 2018 and 2017, respectively from patients covered by the Medicare and Medicaid programs.

**Note 4. Net Patient Service Revenue**

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

**Medicare**

Effective April 1, 2003, the Hospital was certified as a Critical Access Hospital. Inpatient services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. 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 audited by the Medicare fiscal intermediary through September 30, 2013.

**Medicaid**

Inpatient services are reimbursed at a fixed rate per day for medical/surgical patients. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, with certain limitations and exceptions. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports filed by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2012.

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 filed annual cost reports with these payors. These cost reports have varying final settlement dates and most are still outstanding.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Notes to Financial Statements**

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**Note 4. Net Patient Service Revenue (Continued)**

**Other**

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

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

	<b>2018</b>	2017
Medicare	<b>\$ 7,520,130</b>	\$ 7,170,342
Medicaid and Coordinated Care Networks	<b>5,014,303</b>	5,550,753
All Other Payors	<b>3,083,956</b>	4,695,547
<b>Total Net Patient Service Revenue Before Provision for Doubtful Accounts</b>	<b><u>\$ 15,618,389</u></b>	<u>\$ 17,416,642</u>

The following schedule represents total net patient sales revenue:

	<b>2018</b>	2017
Gross Patient Service Revenue	<b>\$ 28,910,583</b>	\$ 30,365,643
Less: Contractual Adjustments	<b>(13,292,194)</b>	(12,949,001)
	<b>15,618,389</b>	17,416,642
Less: Provision for Doubtful Accounts	<b>(1,750,019)</b>	(1,784,720)
<b>Net Patient Service Revenue After Provision for Doubtful Accounts</b>	<b><u>\$ 13,868,370</u></b>	<u>\$ 15,631,922</u>

**TANGIPAOHA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
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**Notes to Financial Statements**

**Note 5. 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 Medicare, Medicaid, Commercial, and Self-Pay patients, the Hospital records a significant allowance for contractual adjustments and allowance for doubtful accounts 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 the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Patients accounts receivable consists of the following:

	2018	2017
Total Patient Accounts Receivable	\$ 3,687,037	\$ 3,896,572
Less: Allowance for Doubtful Accounts and Contractual Allowances	<u>(2,324,654)</u>	<u>(2,074,829)</u>
<b>Net Patient Accounts Receivable</b>	<b>\$ 1,362,383</b>	<b>\$ 1,821,743</b>

**Note 6. Property, Plant, and Equipment**

Property, plant, and equipment, by major category, is as follows:

	Balance September 30, 2017	Additions	Deletions	Transfers	Balance September 30, 2018
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 87,893	\$ -	\$ -	\$ -	\$ 87,893
Construction in Progress	11,250	-	-	(11,250)	-
<b>Total Capital Assets Not Being Depreciated</b>	<u>99,143</u>	<u>-</u>	<u>-</u>	<u>(11,250)</u>	<u>87,893</u>
<b>Capital Assets Being Depreciated</b>					
Land Improvements	149,211	36,477	-	-	185,688
Buildings	4,030,463	15,579	-	11,250	4,057,292
Equipment	2,534,231	838,626	-	-	3,372,857
<b>Total Capital Assets Being Depreciated</b>	<u>6,713,905</u>	<u>890,682</u>	<u>-</u>	<u>11,250</u>	<u>7,615,837</u>
<b>Less Accumulated Depreciation</b>	<u>(4,625,567)</u>	<u>(433,580)</u>	<u>-</u>	<u>-</u>	<u>(5,059,147)</u>
<b>Capital Assets Being Depreciated, Net</b>	<u>2,088,338</u>	<u>457,102</u>	<u>-</u>	<u>11,250</u>	<u>2,556,690</u>
<b>Total</b>	<u>\$ 2,187,481</u>	<u>\$ 457,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,644,583</u>

**TANGIPAOHA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
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**Notes to Financial Statements**

**Note 6. Property, Plant, and Equipment (Continued)**

	Balance September 30, 2016	Additions	Deletions	Transfers	Balance September 30, 2017
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 87,893	\$ -	\$ -	\$ -	\$ 87,893
Construction in Progress	-	11,250	-	-	11,250
<b>Total Capital Assets Not Being Depreciated</b>	<b>87,893</b>	<b>11,250</b>	<b>-</b>	<b>-</b>	<b>99,143</b>
<b>Capital Assets Being Depreciated</b>					
Land Improvements	183,600	-	(34,389)	-	149,211
Buildings	3,953,302	101,632	(24,471)	-	4,030,463
Equipment	3,408,438	249,220	(1,123,427)	-	2,534,231
<b>Total Capital Assets Being Depreciated</b>	<b>7,545,340</b>	<b>350,852</b>	<b>(1,182,287)</b>	<b>-</b>	<b>6,713,905</b>
<b>Less Accumulated Depreciation</b>	<b>(5,436,053)</b>	<b>(372,027)</b>	<b>1,182,513</b>	<b>-</b>	<b>(4,625,567)</b>
<b>Capital Assets Being Depreciated, Net</b>	<b>2,109,287</b>	<b>(21,175)</b>	<b>226</b>	<b>-</b>	<b>2,088,338</b>
<b>Total</b>	<b>\$ 2,197,180</b>	<b>\$ (9,925)</b>	<b>\$ 226</b>	<b>\$ -</b>	<b>\$ 2,187,481</b>

Total depreciation expense for the years ended September 30, 2018 and 2017 is \$433,580 and \$372,027, respectively.

**Note 7. Long-Term Debt**

On April 22, 2013, the Hospital board approved a resolution to issue \$700,000 of Limited Tax Bonds. The Hospital issued these bonds on July 3, 2013 for the purposes of constructing, acquiring and improving hospital facilities of the District, and paying the costs of issuance of the bond. The bonds are collateralized by an irrevocable pledge and dedication of the funds to be derived from the levy and collection of the 5 mills ad valorem tax to be levied each year through the year 2021. They mature annually beginning on March 1, 2014 and ending on March 1, 2022. The bonds maturing on and after March 1, 2020 are callable for redemption at the option of the Issuer in full or in part at any time on or after March 1, 2019, at the principal amount, plus accrued interest to the date of redemption. The bonds bear an interest rate of 3.50%, and interest payments are due semi-annually on March 1, and September 1, of each year.

In April 2016, Medicare approved an extended repayment plan for the 2015 Medicare Cost Report Settlement for \$510,785 for 17 months with an interest rate of 9.750%, with initial payment due May 4, 2016 and final payment due September 4, 2017.

In April 2016, Medicare approved an extended repayment plan for the 2015 Medicare Cost Report Settlement for \$23,126 for 17 months with an interest rate of 9.750%, with initial payment due May 4, 2016 and final payment due September 4, 2017.

**TANGIPAOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
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**Notes to Financial Statements**

**Note 7. Long-Term Debt (Continued)**

In July 2016, Medicare approved an extended repayment plan for the 2016 Lump Sum Adjustments for \$189,179 for 11 months with an interest rate of 10.000%, with initial payment due July 8, 2016 and final payment due May 8, 2017.

In September 2016, the Hospital requested an extended repayment plan for the 2016 Lump Sum Adjustments for \$169,998 for 12 months with an interest rate of 9.625%, with initial payment due October 6, 2016 and final payment due September 6, 2017.

In April 2017, the Hospital requested an extended repayment plan for the 2016 Lump Sum Adjustments for \$555,646 for 10 months with an interest rate of 9.50%, with initial payment due May 3, 2017 and final payment due February 3, 2018.

Long-term debt at September 30, 2018 and 2017 consists of the following:

	2018	2017
Limited Tax Bonds, Series 2013	\$ 340,000	\$ 420,000
Cost Report and Lump Sum Adjustment		
Repayment Loans	-	318,593
	<b>340,000</b>	<b>738,593</b>
<b>Less: Amounts Due Within One Year</b>	<b>80,000</b>	<b>398,593</b>
<b>Total, Net of Amounts Due Within One Year</b>	<b>\$ 260,000</b>	<b>\$ 340,000</b>

A summary of long-term debt activity for the years ended September 30, 2018 and 2017 is as follows:

September 30, 2018	Beginning Balance	Additions	Reductions	Ending Balance
Limited Tax Bonds, Series 2013	\$ 420,000	\$ -	\$ 80,000	\$ 340,000
Cost Report and Lump Sum Adjustment				
Repayment Loans	318,593	-	318,593	-
<b>Total</b>	<b>\$ 738,593</b>	<b>\$ -</b>	<b>\$ 398,593</b>	<b>\$ 340,000</b>

  

September 30, 2017	Beginning Balance	Additions	Reductions	Ending Balance
Limited Tax Bonds, Series 2013	\$ 495,000	\$ -	\$ 75,000	\$ 420,000
Cost Report and Lump Sum Adjustment				
Repayment Loans	693,712	555,646	930,765	318,593
<b>Total</b>	<b>\$ 1,188,712</b>	<b>\$ 555,646</b>	<b>\$ 1,005,765</b>	<b>\$ 738,593</b>

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
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**Notes to Financial Statements**

**Note 7. Long-Term Debt (Continued)**

Scheduled repayments on long-term debt are as follows:

<b>Years Ended September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 80,000	\$ 10,500	\$ 90,500
2020	85,000	7,613	92,613
2021	85,000	4,638	89,638
2022	90,000	1,575	91,575
<b>Total</b>	<b>\$ 340,000</b>	<b>\$ 24,326</b>	<b>\$ 364,326</b>

**Note 8. Capital Lease Obligations**

A summary of changes in capital lease obligations for the year ended September 30, 2018 and 2017 follows:

<b>September 30, 2018</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Systemx Analyzers	\$ -	\$ 71,875	\$ 4,977	\$ 66,898	\$ 12,625
Fuji D-EVO Detectors	-	96,143	13,076	83,067	18,072
CT Scan	-	462,306	68,615	393,691	94,978
Telemetry	59,433	-	14,479	44,954	15,182
Ultrasound	84,707	-	17,610	67,097	18,282
<b>Total</b>	<b>\$ 144,140</b>	<b>\$ 630,324</b>	<b>\$ 118,757</b>	<b>\$ 655,707</b>	<b>\$ 159,139</b>

<b>September 30, 2017</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Diagnostica Stago	\$ 9,314	\$ -	\$ 9,314	\$ -	\$ -
IBM	4,658	-	4,658	-	-
Telemetry	73,242	-	13,809	59,433	14,479
Ultrasound	-	93,559	8,852	84,707	17,610
<b>Total</b>	<b>\$ 87,214</b>	<b>\$ 93,559</b>	<b>\$ 36,633</b>	<b>\$ 144,140</b>	<b>\$ 32,089</b>

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
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**Notes to Financial Statements**

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**Note 8. Capital Lease Obligations (Continued)**

Future minimum lease payments, by year, under the capital lease obligations consisted of the following:

<b>For the Year Ended September 30,</b>	<b>Amount</b>
2019	\$ 179,029
2020	179,029
2021	176,198
2022	151,797
2023	15,649
	<u>701,702</u>
Less: Amounts Representing Imputed Interest	<u>(45,995)</u>
Present Value of Net Minimum Lease Payments (Including \$159,139 Classified as Current)	<u>\$ 655,707</u>

**Note 9. Concentrations of Credit Risk**

The Hospital grants credit without collateral to its patients, most of who are local residents and are often insured under third-party payor agreements. The mix of receivables from patients and third-party payors, net of contractual allowances and discounts, at September 30, 2018 and 2017, was as follows:

	<b>2018</b>	<b>2017</b>
Medicare	<b>21.6 %</b>	38.4 %
Medicaid	<b>19.4</b>	13.0
Commercial and Other Third-Party Payors	<b>59.0</b>	48.6
<b>Total</b>	<b>100.0 %</b>	100.0 %

**Note 10. Bank Deposits and Investments**

Louisiana state statutes authorize the Hospital to invest in obligations of the U. S. Treasury and other Federal agencies, certificates of deposit of state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by financial institution having one of the two highest rating categories published by Standard & Poor's or Moody's, and mutual or trust funds registered with the Securities and Exchange Commission (provided the underlying investments of these funds meet certain restrictions). Statutes also require that all of the deposits of the Hospital be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
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**Notes to Financial Statements**

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**Note 10. Bank Deposits and Investments (Continued)**

As of September 30, 2018 and 2017, the balances reported by financial institutions for cash, certificates of deposit and money market accounts totaled \$263,659 and \$338,049 respectively. Of those balances, \$250,000 was covered by federal depository insurance and \$13,659 and \$88,049 was collateralized with securities held by the pledging bank in the Hospital's name, respectively. Total market value of securities pledged by the bank was \$800,750 and \$1,017,501 for September 30, 2018 and 2017, respectively. At September 30, 2018 and 2017, none of the Hospital's bank balances were exposed to custodial credit risk.

Custodial credit risk for investments 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 investments or collateral securities that are in the possession of an outside party. The Hospital does not have a deposit policy for custodial credit risk. Investments in U. S. Government obligations are not exposed to custodial credit risk because they are backed by the full faith and credit of the U.S. Government. The Hospital had investments in obligations of the U.S. Government with a fair value of \$38,059 and \$54,949 at September 30, 2018 and 2017, respectively. The Hospital also held a money market account with a third party investment firm in the amount of \$24,284 and \$7,497 for the years ended September 30, 2018 and 2017, respectively.

As required under GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an Amendment of GASB Statement No. 3, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than five percent (5%) of the fair value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. At September 30, 2018 and 2017, the Hospital had no investments requiring concentration of credit risk disclosure.

**Fair Value of Financial Instruments**

FASB Accounting Standards Codification Topic 820, *Fair Value Measurements* (Topic 820). Topic 820 requires disclosures that stratify amounts measured at fair value based on the inputs used to derive fair value measurements. These levels are:

Level 1 - inputs are based upon adjusted quoted prices for identical instruments traded in active markets.

Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
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**Notes to Financial Statements**

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**Note 10. Bank Deposits and Investments (Continued)**

**Fair Value of Financial Instruments (Continued)**

Level 3 - inputs are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

All investments are based on Level 1 inputs. The Hospital relies on the valuation procedures and methodologies of the external managers hired specifically to invest in such securities or in strategies which employ such securities.

**Note 11. Pension Plan**

The Hood Memorial Hospital Employees' pension plan is a 403(b) tax deferred annuity plan. The Hospital is the administrator of the plan. Under the terms of the plan, eligible employees of the Hospital may enter into an agreement to contribute a required minimum contribution of 3% of their gross salary to participate in the plan. The Hospital is then obligated to contribute 5% per the contract (excluding overtime salary). Employer contributions are vested by a percentage based on the employee's years of service. Once the contributions are made, the Hospital has no further liability. Total expense for the years ended September 30, 2018 and 2017 was \$225,675 and \$208,872, respectively.

**Note 12. Risk Management**

The Hospital is exposed to various risks of loss related to 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 and accident benefits.

**Workers Compensation**

The Hospital is a member of a separate trust fund established by the Louisiana Hospital Association that encompasses self-insurance for workers' compensation. The management of the trust fund has complete control over the rate setting process.

**Medical Malpractice**

During 1976, the State of Louisiana enacted legislation that created a statutory limit of \$500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Funds) to provide professional liability insurance to participating health care providers. The Hospital participates in the State Insurance Fund, which provides up to \$400,000 coverage for settlement amounts in excess of \$100,000 per claim. The Hospital is insured through the Louisiana Hospital Association Trust Fund with respect to the first \$100,000 of each claim.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
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**Notes to Financial Statements**

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**Note 12. Risk Management (Continued)**

**Employee Medical Benefits**

As disclosed in Note 7, the Hospital is self-insured for employee medical benefits up to predetermined stop-loss amounts. The Hospital has purchased commercial insurance for claims in excess of stop loss limits.

For all other risks of loss, the Hospital has purchased commercial insurance. Settled claims have not exceeded the commercial insurance in any of the three preceding years.

**Note 13. Ad Valorem Taxes**

In March 2012, the voters of Tangipahoa Parish approved a 5 mill property tax. The future tax revenues can be used for the expansion and/or operations of the Hospital. AS detailed in Note 7, the board made a resolution to issue \$700,000 of Limited Tax Bonds to be payable from the irrevocable pledge and dedication of the funds to be derived from the levy and collection of a 5 mills ad valorem tax. The Hospital recognized \$189,983 and \$196,676 in ad valorem tax revenue for the years ended September 30, 2018 and 2017.

The property tax calendar is as follows

January 1	Property Assessed
August 31	Taxes Levied
December 31	Taxes Due and Payable

Property taxes are recognized as revenue in the fiscal year that they are due.

**Note 14. Governmental Regulations**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
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**Notes to Financial Statements**

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**Note 14. Governmental Regulations (Continued)**

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a so-called Recovery Audit Contractor (RAC) program on a permanent and nationwide basis. 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 but not longer than three years 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.

A five-state pilot program concluded in March 2008, with a nationwide rollout of the RAC effort done in phases beginning in 2009. The experiences during the pilot found far more overpayments than underpayments.

Similarly, the Centers for Medicare & Medicaid Services (CMS) created new entities titled Audit Medicaid Integrity Contractors (MIC) in order to continue its efforts to ensure the highest integrity of its healthcare programs. The goal of the provider audits is to identify overpayments and to ultimately decrease the payment of inappropriate Medicaid claims. The MIC is to review claims submitted by all types of Medicaid providers, including all settings of care and types of services, with most audits taking place at staff headquarters and on occasion on-site at a provider's place of business.

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. The PPACA has created sweeping changes across the healthcare industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Management of the Hospital is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other consultants to optimize available reimbursement.

**Note 15. Charity Care**

The Hospital provides services without charge or at amounts less than its rates to patients who meet the criteria of its charity care policy. The criteria for charity care consider items such as family income, net worth, extent of financial obligations for healthcare services, etc. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported in net patient service revenue.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
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**Notes to Financial Statements**

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**Note 15. Charity Care (Continued)**

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 forgone, based on established rates, were approximately \$-0- and \$46 for the years ended September 30, 2018 and 2017, respectively.

Management estimates that approximately \$-0- and \$26 of costs were related to charity care for the years ended September 30, 2018 and 2017, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients

**Note 16. 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) funds 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 \$1,504,384 and \$1,728,731 for the years ended September 30, 2018 and 2017, respectively. The amount of funds receivable in relation to this grant was \$321,919 and \$384,883 at September 30, 2018 and 2017, respectively.

The Hospital recognized non-operating grant income of \$-0- and \$706,064 for the years ended September 30, 2018 and 2017, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use" which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in over three stages, with each progressive stage incorporating more stringent measures. The Hospital's policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the Hospital meets certain criteria in future implementation.

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

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

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Notes to Financial Statements**

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**Note 17. Current Economic Conditions**

The current economic conditions continue to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large declines and unanticipated declines in the fair value of investments and other assets, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Unemployment rates have made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in asset values, including allowances for accounts receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity.

**Note 18. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 29, 2019, and determined that the following events are required to be disclosed:

**Cooperative Endeavor Agreement with North Oaks Health System**

On November 30, 2018, the Hospital entered into a Cooperative Endeavor Agreement (CEA) with Tangipahoa Parish Hospital Service District No. 1, d/b/a North Oaks Health System (North Oaks). The CEA was entered into in order for the Hospital to utilize North Oaks personnel to assist in the assessment and oversight of operational, financial, regulatory, clinical, facility and technological needs of the Hospital in exchange for a monthly consulting fee to be paid by the Hospital. The CEA is effective through December 31, 2019.

**Average Length of Stay Finding**

The Hospital received notification from its Medicare intermediary that based on the Hospital's cost report covering the fiscal year ended September 30, 2018, it had exceeded the average length of stay requirement defined in the Conditions of Participation for Critical Access Hospitals at 42 CFR 485.620(b). Management is currently evaluating the information provided by its Medicare intermediary, as well as the information presented in the cost report. At this time, there have been no proposed penalties or sanctions associated with exceeding the average length of stay requirement.

No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**OTHER SUPPLEMENTARY INFORMATION**

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Patient Service Revenue**  
**For the Years Ended September 30, 2018 and 2017**

	2018	2017
<b>Inpatient Service Revenues</b>		
Daily Patient Services		
Room and Board	\$ 407,157	\$ 357,650
Swing-Bed	2,003,091	2,068,666
Central Supply	375,923	295,714
	<hr/>	<hr/>
<b>Total</b>	<b>2,786,171</b>	<b>2,722,030</b>
	<hr/>	<hr/>
Other Nursing Services		
Emergency Service	43,253	47,419
	<hr/>	<hr/>
<b>Total</b>	<b>43,253</b>	<b>47,419</b>
	<hr/>	<hr/>
Other Professional Services		
Blood	19,951	17,111
Electrocardiology	62,220	50,640
Intravenous Therapy	17,380	27,407
Laboratory	1,111,430	964,749
Pharmacy	3,193,577	3,077,294
Radiology	193,314	213,154
Respiratory	302,454	349,662
Therapy Services	1,063,035	1,078,025
Wound Care	537,083	395,688
	<hr/>	<hr/>
<b>Total</b>	<b>6,500,444</b>	<b>6,173,730</b>
	<hr/>	<hr/>
<b>Total Inpatient Service Revenue</b>	<b>9,329,868</b>	<b>8,943,179</b>

See independent auditor's report.

**TANGIPAOHA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Patients Service Revenues (Continued)**  
**For the Years Ended September 30, 2018 and 2017**

	2018	2017
<b>Outpatient Service Revenues</b>		
Other Nursing Services		
Emergency Service	\$ 2,963,992	\$ 4,872,813
Central Supply	17,346	12,845
	<hr/>	<hr/>
<b>Total</b>	<b>2,981,338</b>	4,885,658
	<hr/>	<hr/>
Other Professional Services		
Blood	21,356	18,930
Clinic	1,765,580	1,533,992
Electrocardiology	276,150	261,720
Intravenous Therapy	300,725	333,093
Laboratory	7,755,442	7,525,104
Pharmacy	1,027,497	1,209,895
Nursing Services	11,286	10,422
Professional Fee	52,632	30,435
Radiology	4,002,895	4,299,542
Respiratory	106,240	99,268
Therapy Services	9,160	2,025
Treatment Room	128,468	88,342
Wound Care	1,119,075	1,092,412
Kid Med	22,871	31,626
	<hr/>	<hr/>
<b>Total</b>	<b>16,599,377</b>	16,536,806
	<hr/>	<hr/>
Total Outpatient Service Revenue	<b>19,580,715</b>	21,422,464
	<hr/>	<hr/>
Gross Patient Service Revenue	<b>28,910,583</b>	30,365,643
	<hr/>	<hr/>
Contractual Adjustments	<b>(13,292,194)</b>	(12,949,001)
	<hr/>	<hr/>
<b>Net Patient Service Revenue Before</b>		
<b>Provision for Doubtful Accounts</b>	<b>\$ 15,618,389</b>	\$ 17,416,642
	<hr/>	<hr/>

See independent auditor's report.

**TANGIPAOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Other Operating Revenues**  
**For the Years Ended September 30, 2018 and 2017**

	<b>2018</b>	2017
Rental Income	\$ <b>66,484</b>	\$ 73,850
Other Revenue	<b>73,843</b>	64,263
<b>Total</b>	<b>\$ 140,327</b>	\$ 138,113

See independent auditor's report.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Salaries and Professional Fees**  
**For the Years Ended September 30, 2018 and 2017**

	2018	2017
<b>Salaries</b>		
Administrative	\$ 663,240	\$ 682,199
Central Supply	69,462	66,400
Clinics	1,410,209	1,202,387
Dietary	160,988	149,374
Emergency Room	1,056,901	1,131,173
Housekeeping	176,077	178,541
Information Technology	58,809	67,215
Laboratory	604,519	562,519
Maintenance	134,489	166,001
Medical and Surgical	109,602	117,427
Medical Records	172,783	160,067
Mid Level Hospitalists	250,689	227,820
Nursing	2,065,709	2,055,845
Pharmacy	317,397	324,947
QI/Education	276,055	285,043
Radiology	494,243	514,338
Respiratory	307,577	305,080
Social Services	46,510	40,171
Wound Care	153,567	152,555
<b>Total Salaries</b>	<b>\$ 8,528,826</b>	<b>\$ 8,389,102</b>

See independent auditor's report.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Supplies and Other**  
**For the Years Ended September 30, 2018 and 2017**

	2018	2017
<b>Supplies and Other</b>		
Administrative	\$ 160,656	\$ 135,485
Blood	37,405	41,897
CT Scan	311	66,300
Central Supply	47,079	51,110
Clinics	106,305	95,528
Dietary	148,837	153,918
Emergency Room	77,433	99,901
Housekeeping	70,082	77,750
Hospitalists	739	693
Inhalation Therapy	10,163	15,346
Medical Records	3,850	4,361
Laboratory	404,939	613,599
Maintenance	46,100	70,696
Nursing	238,847	135,948
Other	3,729	9,980
Pharmacy	746,202	757,803
Physician Office	5,432	12,050
Q/Education	20,462	29,707
Radiology	45,216	31,583
Physical/Occupational/Speech Therapy	469	407
Ultrasound	12,983	820
Wound Care	132,250	43,800
<b>Total Supplies and Other</b>	<b>\$ 2,319,489</b>	<b>\$ 2,448,682</b>

See independent auditor's report.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Governing Board Compensation**  
**For the Years Ended September 30, 2018 and 2017**

<b>Commissioner</b>	<b>2018</b>	<b>2017</b>
Raymond Cutrer	\$ 440	\$ 400
Charles Guzzardo	440	480
Dr. Arthur Mauterer	440	480
Mike Sumrall *	120	360
Randy Bracy **	280	-
Robbie Lee Jr.	440	320
<b>Total</b>	<b>\$ 2,160</b>	<b>\$ 2,040</b>

\* - Term ended January 2018

\*\* - Term began January 2018

See independent auditor's report.

**TANGIPAOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Compensation, Benefits, and**  
**Other Payments to Agency Head**  
**For the Year Ended September 30, 2018**

**Agency Head: Edward Dugar, CEO**

<b>Purpose</b>	<b>Amount</b>
Salary	\$115,482
Benefits - Insurance	\$6,906
Benefits - Retirement	\$5,774
Benefits - Other	\$1,300

See independent auditor's report.

**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**

Independent Auditor's Report

To the Board of Commissioners  
Tangipahoa Parish Hospital Service District No. 2  
d/b/a Hood Memorial Hospital  
Amite, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tangipahoa Parish Hospital Service District No. 2 (d/b/a Hood Memorial Hospital) (the Hospital) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated March 29, 2019.

**Internal Control Over Financial Reporting**

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

*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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2018-003 through 2018-005 that we consider to be significant deficiencies.

### **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 disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002.

### **Hood Memorial Hospital's Responses to Findings**

Hood Memorial Hospital's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Hood Memorial Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA  
March 29, 2019

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Schedule of Findings and Responses  
For the Year Ended September 30, 2018**

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**Finding 2018-001 Payroll Tax Filings**

**Criteria:** Employers that withhold income tax from wages must file the Employer's Quarterly Return of Louisiana Withholding Tax (Form L-1).

**Condition:** For three quarters, the Form L-1 was filed late.

**Cause:** The Hospital has limited staffing and there was turnover within the Payroll department during the fiscal year.

**Effect:** Hospital can incur penalties and interest for untimely filings.

**Recommendation:** Management should implement a system to ensure that all payroll tax reports are filed on a timely basis.

**Management Response:** The Hospital has assigned it new payroll clerk the duty to submit all payroll tax returns timely. Management will verify that all returns have been filed by their filing deadline date.

**Finding 2018-002 Employee Gifts**

**Criteria:** Article VII, Section 14 of the Louisiana State Constitution prohibits the use of public assets for private purposes, including compensation or payments for services already rendered.

**Condition:** The Hospital issued gift cards to employees during the fiscal year.

**Cause:** Management became aware subsequent to issuing the gift cards that this may be a violation of the Louisiana State Constitution.

**Effect:** The Hospital may be in violation of Article VII, Section 14 of Louisiana State Constitution.

**Recommendation:** Hospital funds should not be used to purchase gift cards.

**Management Response:** Hood Memorial Hospital provided its employees a Christmas gift of \$25 through the form of a gift card. This was addressed in the audit of Hood Memorial Hospital's 2017 financial statements. However, this was not brought to our attention until after we had provided gift cards in December of 2017. Management has ceased providing gifts to employees.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Schedule of Findings and Responses (Continued)  
For the Year Ended September 30, 2018**

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**Finding 2018-003 Lack of Segregation of Duties**

**Criteria:** A sound system of internal controls requires that the entity maintain adequate segregation of duties to safeguard the entity's assets.

**Condition:** Our audit procedures indicated that the Hospital has limited staff and resources to adequately segregate duties in all areas.

**Cause:** The Hospital has limited staff and resources to adequately segregate duties in all areas.

**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 custody of assets related to those transactions and decisions should be segregated functions. Management should increase oversight in areas where this does not occur. Opportunities to enhance internal controls include:

1. Assigning the bank reconciliation function to an employee independent of the cash receipt and disbursement process
2. Forwarding signed checks to an employee independent of the disbursement process for mailing to the payee
3. Review of personnel changes (including pay rate changes) by an employee independent of the payroll/personnel function
4. Independent review and validation of calculations pertaining to contractual adjustment allowance and allowance for doubtful accounts (see Finding 2018-005)

**Management Response:** The Hospital is limited in its ability to segregate all duties due to lack of employees and cost. However, the Hospital will work diligently to achieve as many of the recommendations listed above as possible.

**Finding 2018-004 Utilization of Hospital Software**

**Criteria:** Financial transactions should be recorded into an accounting system which can then generate the necessary financial reports needed by both internal and external users.

**Condition:** Management utilizes a software system (CPSI) that covers the major functions of the Hospital. This includes revenue, payroll and vendor management. However, at month end, entries are recorded into a secondary system (Quickbooks) in order to ease the preparation of the financial statements.

**Cause:** Activity is being recorded in separate software systems.

**Effect:** The use of separate systems requires additional time, allows for the potential of human error when manually recording journal entries and requires more work to reconcile to the general ledger.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Schedule of Findings and Responses (Continued)  
For the Year Ended September 30, 2018**

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**Recommendation:** Management should fully use all modules of its main hospital software.

**Management Response:** Hospital management is working with external consultants to fully utilize the CPSI. The Hospital anticipates that this will be completed during the current fiscal year (year ending September 30, 2019).

**Finding 2018-005 Periodic Validation of Contractual Allowances and Bad Debt Provisions**

**Criteria:** Assumptions and calculations associated with the calculation of third-party payor contractual allowances and provisions for uncollectible accounts should be reviewed and validated by a member of management that is not directly involved with the calculations.

**Condition:** The Hospital prepares a monthly reconciliation of receivables associated with patient services. Amounts covered by third-party payors, including Medicare and Medicaid, are adjusted based on prospectively determined amounts or based on contracts with the third-party. Based on our review of the calculation worksheet for contractual allowances and discussions with management, percentages used in the calculation of contractual allowances as of September 30, 2018 were revised.

**Cause:** The Hospital does not have an individual that reviews the contractual allowance worksheet to validate that the percentages used in the calculations are appropriate and reasonable.

**Effect:** The accuracy of the Hospital's financial statements may be compromised.

**Recommendation:** We recommend someone independent of the contractual allowance calculation periodically review the inputs and assumptions used in the calculation worksheet to assess whether the inputs and assumptions are appropriate and reasonable.

**Management Response:** Through its cooperative endeavor agreement with North Oaks Hospital, an individual will periodically review the inputs and assumptions used to calculate the monthly estimate of contractual allowances and estimated for the allowance for doubtful accounts.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2018**

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**Prior Year Findings Related to the Basic Financial Statements and Status:**

**2017-1 Payroll Tax Filings**

IRS Form 941 for the 2<sup>nd</sup> quarter of 2017 was not timely filed. L-1s for fiscal year 2017 were not timely filed.

**Current Status:** Unresolved. See Finding 2018-001.

**Finding 2017-2 Employee Gifts**

The Hospital issued gift cards to employees for various reasons during the year, in possible violation of Article 7, Section 14 of Louisiana State Constitution.

**Current Status:** Partially resolved. Although we noted that the Hospital provided gift cards in December 2017, we noted no gift cards issued or provided in December 2018.

**Finding 2017-3 Donation of Public Property**

The Hospital donated a passenger van to the Tangipahoa Parish Council on Aging, in possible violation of Article 7, Section 14 of Louisiana State Constitution.

**Current Status:** Resolved.

**Finding 2017-4 Lack of Segregation of Duties**

The Hospital has limited staff and resources to adequately segregate duties in all areas.

**Current Status:** Unresolved. See finding 2018-003.

**Finding 2017-5 Proposed Audit Adjustments**

The proposed audit adjustments for the fiscal years ended September 30, 2017 and 2016 had material effects on the financial statements. Several proposed audit adjustments included routine bookkeeping and reclassification entries that should be done before year-end closing.

**Current Status:** Resolved. There were no significant audit adjustments proposed for the fiscal year ended September 30, 2018.

**TANGIPAOA PARISH HOSPITAL SERVICE DISTRICT NO. 2  
D/B/A HOOD MEMORIAL HOSPITAL**

**Summary Schedule of Prior Audit Findings (Continued)  
For the Year Ended September 30, 2018**

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**Finding 2017-6 Utilization of Hospital Software**

Hospital software is not being fully utilized to maintain accuracy of accounting records. Activity is being recorded in separate software systems.

**Current Status:** Unresolved. See Finding 2018-004

**Finding 2017-7 Journal Entry Documentation**

The Hospital does not have an organized system of monthly journal entries in order to maintain the general ledger.

**Current Status:** Resolved. The CFO maintains a monthly binder of all journal entries posted to the system, along with supporting documentation or reference to supporting documentation.

## AGREED-UPON PROCEDURES REPORT

Hospital Service District No. 2 of Tangipahoa Parish, Louisiana,  
d/b/a Hood Memorial Hospital

Independent Accountant's Report  
On Applying Agreed-Upon Procedures

For the Period October 1, 2017 - September 30, 2018

To the Board of Commissioners of  
Hospital Service District No. 2 of  
Tangipahoa Parish, Louisiana,  
d/b/a Hood Memorial Hospital and  
the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Hospital Service District No. 2 of Tangipahoa Parish, Louisiana, d/b/a Hood Memorial Hospital (the Hospital) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year October 1, 2017 through September 30, 2018. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated results are as follows:

### ***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) ***Disbursements***, including processing, reviewing, and approving.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Results:**

- a) **Budgeting** – The Hospital's policy only addressed the preparation process. The Hospital is not subject to the Local Government Budget Act since it operates under an Enterprise Fund.
- b) **Purchasing** – The Hospital's policy does not address the following:
  - 1. Controls to ensure compliance with public bid law
  - 2. Documentation required to be maintained for all bids and price quotes
- c) **Disbursements** – No exceptions noted.
- d) **Receipts** – No exceptions noted.
- e) **Payroll/Personnel** – No exceptions noted.
- f) **Contracting** – The Hospital's policy does not address the following:
  - 1. Standard terms and conditions
  - 2. Legal review
- g) **Credit cards** – The Hospital does not have a written credit card policy.
- h) **Travel** – No exceptions were noted in the prior year report.
- i) **Ethics** – No exceptions noted.
- j) **Debt Service** – The Hospital does not have a policy addressing debt service.

### ***Board or Finance Committee***

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2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
  - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
  - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

**Results:** We reviewed the board minutes for the fiscal period and noted the following:

- a) The board met at least monthly.
- b) The Hospital does not report on the governmental accounting model; however, each month, financial information was presented to the board for review and discussion.
- c) The Hospital does not have a general fund.

### ***Bank Reconciliations***

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3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

**Results:** We noted the following:

- a) Bank reconciliations were prepared within two months of the related statement closing date.
- b) Bank reconciliations are not reviewed by a member of management or a board member that is independent of the cash function.
- c) One of the Hospital's six bank accounts tested had reconciling items that have been outstanding for more than 12 months from the statement closing date. This pertains to the Hospital's self-insurance account that is administered by the Hospital's third-party insurance provider. The insurance provider issues checks from this account. The Hospital reconciles the account on a monthly basis.

### ***Collections***

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4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

**Results:** Obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared, and management's representation that the listing is complete. Selected both sites.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

**Results:** Obtained a listing of the collection locations and obtained management's representation that the listing is complete.

For procedure a), we noted that one of the two collection locations did not have adequate separation of duties, such that it was noted that employees share cash drawer. Procedures b) through d) were satisfied without exception.

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

**Results:** Management stated that all employees who have access to cash are covered by a bond or insurance policy for theft.

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

**Results:** For each of the randomly selected items, the elements in a) through e) were satisfied without exception.

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

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8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

**Results:** Obtained a listing of locations that process payments for the fiscal period, and management's representation that the listing is complete. There is only one location for which payments are processed.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

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

**Results:** We noted no exceptions with procedures a) through c). For procedure d), signed checks are returned to the accounts payable clerk for mailing.

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

**Results:** We noted no exceptions.

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

**Results:** Obtained a listing of all active cards and management's representation that the listing is complete. All three active cards were selected for testing.

- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
  - b) Observe that finance charges and late fees were not assessed on the selected statements.

**Results:** We noted no exceptions.

- 13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

**Results:** For the randomly selected transactions, observed that each was supported by the items listed in 1) through 3) above.

### ***Travel and Travel-Related Expense Reimbursements (excluding card transactions)***

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14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Results:** Obtained management's representation that the listing or general ledger of all travel and travel-related expense reimbursements is complete. For the randomly selected transactions, we noted no exceptions for procedures a) through c). For procedure d), we noted one instance in which the travel reimbursement was not approved by someone other than the person receiving the reimbursement.

### ***Payroll and Personnel***

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15. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

**Results:** Obtained listing of employees employed during the fiscal period and management's representation that the listing is complete. Agreed the paid salaries to authorized rates in the employee files for the 5 randomly selected employees without exception.

- 16. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

**Results:** Randomly selected one pay period for the 5 employees selected, and observed the items listed in a) through c) above without exception.

- 17. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

**Results:** Obtained the listing of employees that received termination payments during the fiscal year and management's representation that the list is complete. For the two randomly selected employees, agreed the payments to the supporting documentation without exception.

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

**Results:** Obtained management's representation that, except for three instances of late filing with the Louisiana Department of Revenue, the employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

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This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform, an examination or review, the objective of which would be the expression of an opinion or conclusion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Hospital Service District No. 2 of Tangipahoa Parish, Louisiana, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document. Management has elected not to include responses or corrective actions to matters included in this document.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Metairie, LA  
March 29, 2019