

FINANCIAL STATEMENTS

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL

SEPTEMBER 30, 2018 AND 2017

FINANCIAL STATEMENTS
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d/b/a JACKSON PARISH HOSPITAL
SEPTEMBER 30, 2018 AND 2017
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Jackson Parish Hospital Service District No. 1
d/b/a Jackson Parish Hospital
Jonesboro, Louisiana

We have audited the accompanying financial statements of Jackson Parish Hospital Service District No. 1, d/b/a Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana, ("the Hospital"), as of and for the years ended September 30, 2018 and 2017, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana as of September 30, 2018 and 2017, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Accounting Standards*, we have also issued our report dated March 27, 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 the effectiveness of the Hospital's internal control over financial reporting or on compliance. The 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.



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

March 27, 2019

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENT OF NET POSITION

SEPTEMBER 30,

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 6,745,695	\$ 4,099,164
Accounts Receivables, Less Allowance for Doubtful		
Accounts of \$1,732,018 in 2018 in and \$4,210,112 in 2017	1,646,840	1,810,484
Due from Third Party Payors	1,127,808	582,179
Other Receivables	1,203,144	965,212
Inventories	382,046	408,658
Prepaid Expenses	<u>67,845</u>	<u>166,078</u>
 Total Current Assets	 <u>11,173,378</u>	 <u>8,031,775</u>
ASSETS WHOSE USE IS LIMITED:		
Internally Designated for Capital Acquisitions	5,349	5,333
By Bond Indenture	<u>-</u>	<u>500</u>
 Total Assets Whose Use is Limited	 <u>5,349</u>	 <u>5,833</u>
PROPERTY, PLANT AND EQUIPMENT:		
Property, Plant and Equipment Cost	12,980,014	11,706,208
Less: Accumulated Depreciation	<u>(9,333,335)</u>	<u>(8,566,665)</u>
 Total Property, Plant and Equipment	 <u>3,646,679</u>	 <u>3,139,543</u>
 TOTAL ASSETS	 <u>\$ 14,825,406</u>	 <u>\$ 11,177,151</u>

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

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENT OF NET POSITION

SEPTEMBER 30,

LIABILITIES AND NET POSITION

	2018	2017
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	\$ 375,142	\$ 573,832
Accounts Payable	247,672	359,340
Accrued Salaries and Related Withholdings	901,089	787,462
Credit Balances	267,075	378,851
Due to Third Party Payors	58,645	659,901
Due to Employees for Employee Benefits	90,241	90,241
Interest Payable	-	2,241
	1,939,864	2,851,868
LONG-TERM LIABILITIES:		
Long-Term Debt:		
Obligations under Capital Leases	613,962	427,280
	613,962	427,280
	2,553,826	3,279,148
NET POSITION:		
Invested in Capital, Net of Related Debt	2,657,575	2,138,431
Restricted Net Position (Expendable)	5,349	5,833
Unrestricted	9,608,656	5,753,739
TOTAL NET POSITION	12,271,580	7,898,003
TOTAL LIABILITIES AND NET POSITION	\$ 14,825,406	\$ 11,177,151

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

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

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

	2018	2017
OPERATING REVENUES:		
Net Patient Service Revenues before Provision for Doubtful Accounts	\$ 15,823,627	\$ 17,463,950
Provision for Doubtful Accounts	(1,376,460)	(3,465,642)
Net Patient Service Revenues after Provision for Doubtful Accounts	14,447,167	13,998,308
Intergovernmental Transfers - Operating	6,025,113	5,389,595
Other Operating Revenue	263,535	237,527
TOTAL OPERATING REVENUE	20,735,815	19,625,430
OPERATING EXPENSES:		
Professional Services	10,886,545	11,821,408
General and Administrative	6,990,874	6,855,911
Depreciation and Amortization	911,995	786,293
TOTAL OPERATING EXPENSES	18,789,414	19,463,612
INCOME (LOSS) FROM OPERATIONS	1,946,401	161,818
NON-OPERATING REVENUES (EXPENSES)		
Ad Valorem Taxes	2,316,470	2,461,196
Grant Income	123,331	111,522
Interest Income	15,454	6,693
Interest Expense	(29,354)	(39,263)
Gain (Loss) on Disposal of Asset	1,275	-
TOTAL NON-OPERATING REVENUES	2,427,176	2,540,148
CHANGE IN NET POSITION	4,373,577	2,701,966
TOTAL NET POSITION, BEGINNING	7,898,003	5,196,037
TOTAL NET POSITION, ENDING	\$ 12,271,580	\$ 7,898,003

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

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Patients	\$ 13,593,172	\$ 15,493,347
Cash Received from Other Revenues	263,535	237,527
Cash Received from Intergovernmental Transfers	6,025,113	5,389,595
Cash Payments to Suppliers for Goods and Services	(7,742,157)	(8,010,284)
Cash Payments to Employees for Services	(10,246,930)	(11,102,844)
Net Cash Flow Provided by (Used in) Operating Activities	1,892,733	2,007,341
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:		
Ad Valorem Taxes	2,316,470	2,461,196
Grant Income	(114,601)	(844,914)
(Gain) Loss on Disposal of Asset	(1,275)	-
Net Cash Provided By Non-Capital Financing Activities	2,200,594	1,616,282
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Fixed Assets	(768,295)	(86,059)
Principal Payments on Long-Term Debt	(662,844)	(505,832)
Interest Payments on Long-Term Debt	(31,595)	(40,565)
Net Cash Used in Capital and Related Financing Activities	(1,462,734)	(632,456)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	15,454	6,693
Net Cash Provided by Financing Activities	15,454	6,693
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,646,047	2,997,860
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR INCLUDING \$5,833 AND \$5,819 LIMITED AS TO USE FOR 2018 AND 2017, RESPECTIVELY	4,104,997	1,107,137
CASH AND CASH EQUIVALENTS AT END OF YEAR INCLUDING \$5,349 AND \$5,833 LIMITED AS TO USE FOR 2018 AND 2017, RESPECTIVELY	\$ 6,751,044	\$ 4,104,997

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

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Gain (Loss)	\$ 1,946,401	\$ 161,818
Adjustments to Reconcile Operating Income to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	911,995	786,293
Provision for Doubtful Accounts	1,376,460	3,465,642
Increase in Receivables and Due from Third Parties	(2,468,927)	(1,908,045)
Decrease (Increase) in Inventories and Prepaid Expenses	124,845	(128,900)
Increase (Decrease) in Accounts Payable and Accrued Expenses	1,959	(369,467)
NET CASH USED IN OPERATING ACTIVITIES	\$ 1,892,733	\$ 2,007,341
Non-Cash Financing Activity:		
Acquisition of Assets by Capital Lease	\$ 650,836	\$ 159,365

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

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

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

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

Basis of accounting. The accompanying basic financial statements of the Hospital have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB 34 established standards for external financial reporting for all state and local governmental entities, which included a balance sheet or statement of net position, a statement of revenues, expenditures and changes in net position, and a statement of cash flows utilizing the direct method of presentation. GASB 34 is found throughout the GASB Codification. The Hospital follows standards issued by GASB found in the GASB Codification.

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

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

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

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

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

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

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

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

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

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

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

Advertising. The Hospital expenses advertising cost as incurred.

Costs of borrowing. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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

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

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

The Hospital received approximately 10.0 percent in 2018, and 11.0 percent in 2017, of its financial support from ad valorem taxes.

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

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

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

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

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

Reclassifications. To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets. Such reclassifications include the reclassification of revenue groupings and/or expense groupings in the supplemental schedules.

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

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

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

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

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

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

Net patient service revenue. The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Inpatient acute care services, swing bed services and outpatient services rendered to Medicare program beneficiaries are reimbursed at cost plus 1% (subject to limits and rules), while other outpatient laboratory services are reimbursed on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through September 30, 2016.

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services to Medicaid program beneficiaries are reimbursed at cost plus 10%, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through September 30, 2011.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

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

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

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

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

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

NOTE 2: NET PATIENT SERVICE REVENUE

The following schedule represents total Net Patient Service Revenue:

	<u>2018</u>	<u>2017</u>
Gross Patient Service Revenue	\$ 30,241,261	\$ 32,267,386
Less: Contractual Adjustments	<u>(14,417,634)</u>	<u>(14,803,436)</u>
Net Patient Service Revenue Before Provision for Doubtful Accounts	15,823,627	17,463,950
Less: Provision for Doubtful Accounts	<u>(1,376,460)</u>	<u>(3,465,642)</u>
Net Patient Service Revenue after Provision For Doubtful Accounts	<u>\$ 14,447,167</u>	<u>\$ 13,998,308</u>

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

	<u>2018</u>	<u>2017</u>
Medicare	\$ 3,865,589	\$ 3,572,060
Medicaid	5,545,000	5,799,975
All other payors	<u>6,413,038</u>	<u>8,091,915</u>
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	<u>\$ 15,823,627</u>	<u>\$ 17,463,950</u>

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

NOTE 3: ACCOUNTS RECEIVABLE - PATIENTS

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

Patients Accounts Receivable consists of the following:

	2018	2017
Total Patient Accounts Receivable	\$ 4,933,956	\$ 7,876,725
Less: Allowance for Doubtful Accounts And Contractual Allowances	(3,287,116)	(6,066,241)
Net Patient Accounts Receivable	\$ 1,646,840	\$ 1,810,484

NOTE 4: MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 58% and 57% of its gross patient service revenue in 2018 and 2017, respectively, from patients covered by the Medicare and Medicaid programs.

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

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

September 30, 2018					
	Asset Life In Years	Beginning Balance	Additions	Deletions	Ending Balance
Land		\$ 168,900	\$ -	\$ -	\$ 168,900
Construction in Progress		-	324,265	-	324,265
Total assets not being depreciated		168,900	324,265	-	493,165
Other Capital Assets:					
Land Improvements	5 - 25	249,472	-	-	249,472
Building	10 - 40	3,325,111	74,620	-	3,399,731
Capital Leased Property	5 - 25	1,032,668	650,835	-	1,683,503
Fixed Equipment	5 - 25	3,116,234	9,266	-	3,125,500
Movable Equipment	5 - 25	3,794,482	360,145	(133,525)	4,021,102
Automobile	5	19,341	-	(11,800)	7,541
Total other assets		11,537,308	1,094,866	(145,325)	12,486,849
Less: Accumulated Depreciation		(8,566,665)	(911,995)	145,325	(9,333,335)
Net Property, Plant and Equipment		\$ 3,139,543	\$ 507,136	\$ -	\$ 3,646,679

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

NOTE 5: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

September 30, 2017

	Asset Life In Years	Beginning Balance	Additions	Deletions	Ending Balance
Land		\$ 168,900	\$ -	\$ -	\$ 168,900
Construction in Progress		-	-	-	-
Total assets not being depreciated		168,900	-	-	168,900
Other Capital Assets:					
Land Improvements	5 - 25	245,192	4,280	-	249,472
Building	10 - 40	3,294,768	30,343	-	3,325,111
Capital Leased Property	5 - 25	873,302	159,366	-	1,032,668
Fixed Equipment	5 - 25	3,103,872	12,362	-	3,116,234
Movable Equipment	5 - 25	3,756,718	37,764	-	3,794,482
Automobile	5	19,341	-	-	19,341
Total other assets		11,293,193	244,115	-	11,537,308
Less: Accumulated Depreciation		(7,780,372)	(786,293)	-	(8,566,665)
Net Property, Plant and Equipment		\$ 3,681,721	\$ (542,178)	\$ -	\$ 3,139,543

Depreciation expense for the years ended September 30, 2018 and 2017 amounted to \$911,995 and \$786,293, respectively.

NOTE 6: LONG-TERM DEBT

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

	2018	2017
Certificates of indebtedness, dated December 4, 2008, in the amount of \$2,500,000 with an interest rate of 4.375% maturing serially on February 1 of each year beginning in 2010, with interest payable on February 1 and August 1 of each year, with the final maturity February 1, 2018, collateralized by Ad Valorem tax receipts; After February 1, 2013, interest rate is 3.375%	\$ -	\$ 329,000
Capital Lease Obligation, for the acquisition of two GE Ultrasound machines, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, with the final maturity in 2020	104,354	150,097
Capital Lease Obligation, for the acquisition of a GE CT machine, collateralized by the equipment, payable in 48 monthly installments at a 3.25% interest rate, with the final maturity in 2019	142,113	259,655
Capital Lease Obligation, for the acquisition of Olympus Scope Equipment, collateralized by the equipment, payable in 48 monthly installments at a 3.25% interest rate, maturity in 2020	68,425	115,812

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

NOTE 6: LONG-TERM DEBT (CONTINUED)

Capital Lease Obligation, for the acquisition of Mindray Telemetry Equipment, collateralized by the equipment, payable in 48 monthly installments at a 4.00% interest rate, maturity in 2021	111,897	146,548
Capital Lease Obligation, for the acquisition of Omnicell Medication Dispensing Equipment, collateralized by the equipment, payable in 60 monthly installments at a 4.75% interest rate, maturity in 2023	178,873	-
Capital Lease Obligation, for the acquisition of Server Equipment, collateralized by the equipment, payable in 60 monthly installments at a 4.25% interest rate, maturity in 2022	110,551	-
Capital Lease Obligation, for the acquisition of 3D Mammogram Equipment, collateralized by the equipment, payable in 60 monthly installments at a 4.75% interest rate, maturity in 2023	<u>272,891</u>	<u>-</u>
Total Long-Term Debt	989,104	1,001,112
Less: Current Portion	<u>(375,142)</u>	<u>(573,832)</u>
Long-Term Portion	<u>\$ 613,962</u>	<u>\$ 427,280</u>

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

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

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

	<u>September 30, 2018</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Issue 2008	\$ 329,000	\$ -	\$ 329,000	\$ -
Capital Lease Obligations	<u>672,112</u>	<u>650,836</u>	<u>333,844</u>	<u>989,104</u>
Total	<u>\$ 1,001,112</u>	<u>\$ 650,836</u>	<u>\$ 662,844</u>	<u>\$ 989,104</u>
	<u>September 30, 2017</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Issue 2008	\$ 644,000	\$ -	\$ 315,000	\$ 329,000
Capital Lease Obligations	<u>703,578</u>	<u>159,366</u>	<u>190,832</u>	<u>672,112</u>
Total	<u>\$ 1,347,578</u>	<u>\$ 159,366</u>	<u>\$ 505,832</u>	<u>\$ 1,001,112</u>

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Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

NOTE 6: LONG-TERM DEBT (CONTINUED)

Balance due within one year:

	2018	2017
General obligation issue 2008	\$ -	\$ 329,000
Capital Lease Obligations	375,142	244,832
Total	\$ 375,142	\$ 573,832

Scheduled repayments on long-term debt are as follows:

September 30, 2018

	Principal	Interest	Total
2019	375,142	34,415	409,557
2020	261,283	21,411	282,694
2021	173,810	12,328	186,138
2022	132,096	5,454	137,550
2023	46,773	557	47,330
Total	\$ 989,104	\$ 74,165	\$ 1,063,269

September 30, 2017

	Principal	Interest	Total
2018	573,832	24,740	598,572
2019	253,202	10,818	264,020
2020	137,522	3,535	141,057
2021	36,556	459	37,015
Total	\$ 1,001,112	\$ 39,552	\$ 1,040,664

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

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

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

The composition of assets limited as to use at September 30, 2018 and 2017, is set forth in the following table.

	2018	2017
Cash:		
By board for capital improvements	\$ 5,349	\$ 5,333
By Bond indenture	-	500
	\$ 5,349	\$ 5,833

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

NOTE 8: CASH FLOWS SUPPLEMENTAL INFORMATION

Total interest paid by the Hospital was \$31,595 and \$40,565, for 2018 and 2017, respectively.

NOTE 9: CONCENTRATIONS OF CREDIT RISK

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

	<u>2018</u>	<u>2017</u>
Medicare	12%	12%
Medicaid	20	13
Commercial and other third-party payors	68	75
	<u>100%</u>	<u>100%</u>

NOTE 10: PENSION PLAN

The Hospital sponsors a defined contribution plan. The Plan Administrator is the hospital. Eligibility requirements are one year of employment and attaining the age of 21. Vesting is 50% at 3 years of service, 75% at 4 years and 100% at 5 years. The Plan's coverage includes death, disability and retirement benefits. The Hospital may amend the Plan at any time at its' sole discretion. However, no amendment may result in any participant's vested interest or any portion of the Plan's assets reverting back to the Hospital. The Hospital contributes 1% for all eligible employees. It will match up to 4% of employee salaries, if the employee also contributes 4%. Forfeitures of matching contributions that relate to excess amounts may be used to reduce employer contributions. Forfeitures reflected in pension expense as a reduction of employer contributions were approximately \$24,081 and \$-0- for the years ended September 30, 2018 and 2017, respectively. The Hospital contributed \$105,813 and \$133,982 for the years ended September 30, 2018 and 2017, respectively. The accrued pension plan liability was \$10,105 and \$9,940 for the years ended September 30, 2018 and 2017, respectively.

NOTE 11: GRANT REVENUE

The Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$6,025,113 and \$5,389,595 for the years ended September 30, 2018 and 2017, respectively.

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

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

NOTE 12: BANK DEPOSITS AND INVESTMENTS

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

Louisiana state statutes require that all of the deposits of the hospital must be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance.

At September 30, 2018 and 2017, the Hospital had bank balances as follows:

	2018	2017
Insured (FDIC)	\$ 250,000	\$ 250,000
Letter of Credit	4,900,000	1,900,000
Collateralized by Securities Held by the Pledging Financial Institution's Trust Department in the Hospital's Name	3,306,088	2,328,211
Total	\$ 8,456,088	\$ 4,478,211
Carrying Value	\$ 7,121,311	\$ 4,515,357

NOTE 13: PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund (PCF) established by the State of Louisiana to provide medical professional liability coverage to health care providers. The PCF provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The PCF places no limitation on the number of occurrences covered. In connection with the establishment of the PCF's, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence.

The courts have not tested the constitutionality of this legislation, although the Louisiana Supreme Court has decided that this limit does not apply in cases of strict liability. The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital.

NOTE 14: CRITICAL ACCESS STATUS

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

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

NOTE 15: COMPENSATED ABSENCES/DUE TO EMPLOYEES FOR BENEFITS

Full time employees earn accrued time off (ATO) based on years of service, part time employees accrue ATO on a pro-rated basis based on years of service. All ATO balances will be paid upon termination. Sick pay is not vested and therefore not accrued. The Hospital's policy is to recognize the cost of sick pay when actually paid to employees. Accrued time off, which is included in accrued salaries and related withholdings, at September 30, 2018 and 2017 totaled \$491,273 and \$411,057, respectively.

Due to employee benefits calculated and over-withheld from employees in previous years, the Hospital has reflected a payable to employees in the amount of \$90,241 for the years ended September 30, 2018 and 2017.

NOTE 16: OPERATING LEASES

The Hospital leases various equipment under operating leases expiring at various dates through 2023. Total rental expense for the years ended September 30, 2018 and 2017 for all operating leases was approximately \$300,956 and \$445,496, respectively.

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

<u>September 30, 2018</u>	
2019	\$ 94,554
2020	53,539
2021	41,572
2022	41,572
2023	18,193
Total	<u>\$ 249,430</u>

<u>September 30, 2017</u>	
2018	\$ 104,290
2019	102,650
2020	51,527
2021	23,400
2022	23,400
2023	13,650
Total	<u>\$ 318,917</u>

NOTE 17: CONTINGENCIES

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

Third-Party Reimbursement Programs.

Cost reimbursements and claims are subject to examination by agencies administering the programs. The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

NOTE 17: CONTINGENCIES (CONTINUED)

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

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

Professional Liability Risk

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

Workman's Compensation Risk

The Hospital participated in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund in 2018 and 2017, respectively. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any.

Laws and Regulations

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

NOTE 18: GOVERNMENTAL REGULATIONS

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

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

NOTE 19: CHARITY CARE

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Hospital maintains records to identify and monitor the level of charity care it provides. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone and supplies furnished, based on established rates, were \$56,017 and \$80,843 as of September 30, 2018 and 2017, respectively.

Management estimates that approximately \$34,804 and \$48,764 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 20: NET POSITION

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

	<u>2018</u>	<u>2017</u>
Invested in Capital Assets, net of related debt	\$ 2,657,575	\$ 2,138,431
Restricted for:		
Debt Service (Expendable)	5,349	5,833
Unrestricted	<u>9,608,656</u>	<u>5,753,739</u>
Total Net Position	<u>\$ 12,271,580</u>	<u>\$ 7,898,003</u>

NOTE 21: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Beginning after December 18, 2018, a new revenue recognition standard will be in effect, Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers.

FASB's new lease accounting standard, ASU 2016-02, Leases (Topic 842), was issued on February 25, 2016. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. The ASU on leases will take effect for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early application will be permitted for all organizations.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

NOTE 22: SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through March 27, 2019, the date the financial statements were available to be issued.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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SCHEDULES OF PATIENT SERVICE REVENUES

YEAR ENDED SEPTEMBER 30,

	2018	2017
INPATIENT SERVICE REVENUES		
Daily Patient Services:		
Room and Board	\$ 371,744	\$ 374,481
Observation	27,840	55,430
Total	399,584	429,911
Other Nursing Services:		
Central Supplies	430,616	494,724
Emergency Service	151,470	165,980
Total	582,086	660,704
Other Professional Services:		
Anesthesiology	168	504
Blood	11,232	19,732
Laboratory	636,880	594,210
Pharmacy	1,145,565	1,213,729
Radiology	478,283	506,322
Respiratory	646,616	918,202
Therapy Services	28,024	8,807
Total	2,946,768	3,261,506
TOTAL INPATIENT SERVICE REVENUE	3,928,438	4,352,121

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
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SCHEDULE OF PATIENT SERVICE REVENUES

YEAR ENDED SEPTEMBER 30,

	<u>2018</u>	<u>2017</u>
OUTPATIENT SERVICE REVENUES		
Other Nursing Services:		
Central Supplies	717,533	856,794
Emergency Service	3,388,065	3,459,729
Observation	214,185	399,550
Operating Room	<u>422,050</u>	<u>291,860</u>
Total	<u>4,741,833</u>	<u>5,007,933</u>
Other Professional Services:		
Anesthesiology	37,632	59,981
Blood	26,596	34,186
Clinics	3,016,253	3,247,817
Laboratory	7,119,982	6,648,438
Hospitalist	10,890	10,626
Pharmacy	1,830,813	2,256,133
Professional Fees	1,685,127	2,538,064
Radiology	6,975,177	6,910,028
Respiratory	<u>868,520</u>	<u>1,202,059</u>
Total	<u>21,570,990</u>	<u>22,907,332</u>
TOTAL OUPATIENT SERVICE REVENUE	<u>26,312,823</u>	<u>27,915,265</u>
GROSS PATIENT SERVICE REVENUE	30,241,261	32,267,386
Less: Contractual Adjustments	<u>14,417,634</u>	<u>14,803,436</u>
NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	<u>\$ 15,823,627</u>	<u>\$ 17,463,950</u>

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

SCHEDULES OF OTHER OPERATING REVENUES

YEAR ENDED SEPTEMBER 30,

	<u>2018</u>	<u>2017</u>
Cafeteria and Vending Sales	\$ 62,994	\$ 67,992
Medical Records	4,185	5,334
Other	<u>196,356</u>	<u>164,201</u>
Total	<u>\$ 263,535</u>	<u>\$ 237,527</u>

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Jonesboro, Louisiana

SCHEDULES OF PROFESSIONAL SERVICES

YEAR ENDED SEPTEMBER 30,

	<u>2018</u>	<u>2017</u>
Salaries and Fees:		
Central Supply	\$ 35,939	\$ 56,074
Clinics	2,133,760	2,363,976
Emergency Room	1,950,251	2,508,670
Hospitalist	249,525	337,425
Laboratory	1,083,499	1,092,038
Nursing	1,717,938	1,544,708
Operating Room and Anesthesiology	99,765	169,745
Pharmacy	275,936	271,765
Radiology	1,021,340	1,082,297
Respiratory	445,715	432,045
Therapy	76,753	10,595
Total Salaries and Fees	<u>9,090,421</u>	<u>9,869,338</u>
 Supplies and Other Expenses:		
Blood	24,752	32,518
Clinics	162,336	180,212
Emergency Room	100,507	105,420
Laboratory	394,988	416,691
Nursing	147,939	99,458
Operating Room and Anesthesiology	44,096	27,167
Pharmacy	402,283	522,154
Radiology	445,367	498,331
Respiratory	73,856	70,119
Total Supplies and Other Expenses	<u>1,796,124</u>	<u>1,952,070</u>
Total Professional Services	<u>\$ 10,886,545</u>	<u>\$ 11,821,408</u>

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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SCHEDULES OF GENERAL AND ADMINISTRATIVE

YEAR ENDED SEPTEMBER 30,

	2018	2017
Salaries and Fees:		
Administrative	\$ 1,334,259	\$ 1,417,352
Dietary	191,725	184,078
Housekeeping	229,134	236,092
Maintenance	218,115	313,331
Medical Records	174,514	191,534
Total Salaries and Fees	2,147,747	2,342,387
 Supplies and Other Expenses:		
Administrative	1,720,924	1,426,529
Dietary	156,550	126,676
Employee Benefits	2,059,119	1,914,671
Housekeeping	69,970	93,575
Information Technology	181,233	306,670
Insurance	211,372	158,728
Maintenance	385,192	426,461
Medical Records	58,766	60,214
Total Supplies and Other Expenses	4,843,126	4,513,524
Total General and Administrative Services	\$ 6,990,873	\$ 6,855,911

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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Jonesboro, Louisiana

SCHEDULES OF GOVERNING BOARD EXPENSES

YEAR ENDED SEPTEMBER 30,

	<u>2018</u>	<u>2017</u>
	<u>COMPENSATION</u>	<u>COMPENSATION</u>
Barbara Johns	\$ -	\$ 480
Gussie McConnell	\$ -	\$ 560
Chris Bowman	\$ -	\$ -
Rebecca Crouch	\$ 400	\$ -
Angela Curtis	\$ 360	\$ -
Shontae Mims	\$ 440	\$ -

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER

SEPTEMBER 30,

	2018	2017
JOHN MORGAN		
Salary	\$ 167,782	\$ 64,307
Benefits-Insurance	12,621	4,908
Benefits-Retirement	-	-
Tuition Reimbursement	-	-
Reimbursements	767	-
Travel	2,616	734
Conference Expenses	-	-
Registration Fees	-	-
	<u>\$ 183,786</u>	<u>\$ 69,949</u>
TIM PAIGE (10/26/16 - 5/7/17)		
Salary	\$ -	\$ 80,200
Benefits-Insurance	-	3,742
Benefits-Retirement	-	3,208
Tuition Reimbursement	-	-
Reimbursements	-	-
Travel	-	1,386
Conference Expenses	-	-
Registration Fees	-	-
	<u>\$ -</u>	<u>\$ 88,536</u>
BOBBY JORDAN (10/1/16 - 10/26/16)		
Salary	\$ -	\$ 31,397
Benefits-Insurance	-	-
Benefits-Retirement	-	-
Tuition Reimbursement	-	-
Reimbursements	-	-
Travel	-	-
Conference Expenses	-	-
Registration Fees	-	-
	<u>\$ -</u>	<u>\$ 31,397</u>



Glen P. Langlinais, CPA
Gayla F. Russo, CPA

Michael P. Broussard, CPA
Patrick M. Guidry, CPA
Elizabeth L. Whitford, CPA
Johnathon P. Trahan, CPA
John W. O'Bryan, CPA
Barrett B. Perry, CPA
Elizabeth N. DeBaillon, CPA

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

Board of Commissioners
Jackson Parish Hospital Service District No. 1
d/b/a Jackson Parish Hospital
Jonesboro, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jackson Parish Hospital Service District No.1, d/b/a Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana (the Hospital), as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 27, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan", we did identify certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider Findings 2018-1 through 2018-3 to be material weaknesses. 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.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

THE HOSPITAL'S RESPONSE TO FINDINGS

The Hospital's responses to the findings identified in our audit is described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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

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

Sincerely,

Langlinais Broussard & Kohlenberg

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

March 27, 2019

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
JONESBORO, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Years Ended September 30, 2018 and 2017

We have audited the financial statements of Jackson Parish Hospital Service District No. 1, d/b/a Jackson Parish Hospital (the Hospital), a component unit of the Jackson Parish Police Jury, State of Louisiana, as of and for the years ended September 30, 2018 and 2017, and have issued our report thereon dated March 27, 2019. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of September 30, 2018 and 2017 resulted in unmodified opinions.

Section I: Summary of Auditor's Reports

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

Compliance	
Compliance Material to Financial Statements	No
Internal Control	
Material Weaknesses:	Yes
Significant Deficiencies:	No

Section II: Financial Statement Findings

Material Weaknesses

Finding 2018-1 Financial Statement Preparation

Criteria: The Hospital does not present full disclosure financial statements to its board in accordance with Generally Accepted Accounting Principles.

Condition: As is common in small operations, the Hospital relies on its outside auditors to assist in the preparation of full disclosure GAAP financial statements.

Cause: The Hospital has a small accounting staff.

Effect: The Hospital designates an employee with skilled knowledge and experience to review the draft of the prepared financial statements and footnotes prior to approving them and accepting responsibility for their contents and presentation.

Recommendation: The hospital's accounting personnel should attend education courses to further their knowledge in the application of Generally Accepted Accounting Principles.

Management Response: The Hospital's accounting staff will continue education of Generally Accepted Accounting Principles.

Finding 2018-2 Lack of Segregation of Duties

Criteria: Best practices in internal controls would facilitate segregation of duties in all accounting functions and oversight in each area.

Condition: Due to a limited number of available employees, the authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated in all accounting areas.

Cause: The hospital has a small accounting staff.

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

Recommendation: The authorization, recording, and reconciliation of transactions and decisions as well as the custody of assets related to those transactions and decisions should be segregated as much as possible. Management should consider the cost/benefit of segregation of duties and continue to monitor areas where lack of segregation exists.

Management Response: Policies and procedures are being reviewed, updated, and implemented as necessary to create a separation of duties to the fullest extent possible without significantly increasing Hospital staffing.

Finding 2018-3 Proposed Audit Adjustments

Criteria and Condition: The proposed audit adjustments for the fiscal years ended September 30, 2018 and 2017 had material effects on the financial statements.

Cause: The Hospital did not detect the misstatements.

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

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

Management Response: The Hospital has contracted competent accountants to perform a comprehensive review of financial statements, estimates, and journal entries before closing the fiscal year.

Section III: Management Letter Items

There are no management letter items at September 30, 2018.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
JONESBORO, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2018

Finding 2017-1 Audit Deadline: The Hospital did not meet the six month deadline for filing the audit report with the Legislative Auditor of the State of Louisiana.

Status: Resolved.

Finding 2017-2 Undercollateralized: The total pledged securities of the hospital did not cover the total cash balance at 9/30/17 per the bank confirmation.

Status: Resolved.

Finding 2017-3 Contracts: The Hospital's attorney provided a memorandum to Hospital administration advising that the contracts be revised due to current language that may constitute non-compliance with state and deferral laws.

Status: Resolved.

Finding 2017-4 Uniformed Unclaimed Property Act: There are outstanding checks on the operating and payroll bank reconciliation that appear to be over one year old.

Status: Resolved

Finding 2017-5 Financial Statement Preparation: The Hospital relies on its outside auditors to assist in the preparation of full disclosure GAAP financial statements.

Status: Unresolved. See Finding 2018-1.

Finding 2017-6 Lack of Segregation of Duties: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated in all accounting areas.

Status: Unresolved. See Finding 2018-2.

Finding 2017-7 Proposed Audit Adjustments: The proposed audit adjustments for the fiscal years ended September 30, 2018 and 2017 had material effects on the financial statements.

Status: Unresolved. See Finding 2018-3.

Finding 2017-8 Patient Accounts Receivable Maintenance and Collections: The hospital reflected a large amount of credit balances and aged accounts in the accounts receivable subsidiary ledger.

Status: Resolved

Finding 2017-9 Accrued Compensated Absences: The Hospital did not adjust each employee's balances in the payroll system to reflect adjustments recognized by the prior year's evaluation.

Status: Resolved.

Finding 2017-10 Bank Reconciliations: Bank reconciliations were not prepared on a monthly basis. One bank reconciliation was prepared at the end of the fiscal year.

Status: Resolved.



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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Chairman and Board of Commissioners
Jackson Parish Hospital Service District No. 1
d/b/a Jackson Parish Hospital
Jonesboro, Louisiana

We have performed the procedures described in Schedule A – Procedures and Results, which were agreed to by Jackson Parish Hospital Service District No. 1, d/b/a Jackson Parish Hospital, a component unit of the Jackson Parish Policy Jury, State of Louisiana, (“the Hospital”), and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA’s Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2017 through September 30, 2018. The Hospital’s management is responsible for those control and compliance areas identified in the SAUPs.

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

The procedures and associated findings are described in Schedule A – Procedures and Results.

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

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

Langlinais Broussard & Kohlenberg

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

March 27, 2019

Schedule A – Procedures and Results

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

Result: This policy does not include the components of monitoring and amendment as stated above.

Management Response: The policy will be revised to include monitoring and amendment

- 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.

Result: This policy does not include the component of a list of documents required to be maintained for all bids and price quotes as stated above.

Management Response: The Policy will be revised to include a list of documents required to be maintained for all bids and price quotes as stated.

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

Result: This policy included all requirements listed above.

- 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).

Result: This policy included all requirements listed above.

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

Result: This policy included all requirements listed above.

- 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

Result: This policy included all requirements listed above.

- 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)

Result: This policy included all requirements listed above.

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

Result: This policy included all requirements listed above.

- 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.

Result: This policy does not include the response actions to be taken if ethics violation occurs, a system for monitoring ethic violations, or the employee annual ethic requirements as stated above.

Management Response: The policy will be revised to include the response actions to be taken if ethics violations occur, a system for monitoring ethics violations, or the employee annual ethics requirements.

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

Result: This policy does not include the components of continuing disclosure/EMMA reporting requirements, debt reserve requirements, and debt service requirements.

Management Response: The policy will be revised to including continuing disclosure/EMMA reporting requirements, debt service requirements and debt service requirements.

Board of Commissioners

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.

Result: This procedure was performed with no exceptions noted.

- 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.

Result: This procedure was performed with no exceptions noted.

- 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.

Result: This procedure was performed with no exceptions noted.

Bank Reconciliations

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)

Result: The five bank reconciliations selected did not include evidence (*initialed and dated*) that they were prepared within 2 months of the related statement closing date.

Management Response: All bank reconciliations will be prepared and documented within 2 months of related statements closing date.

- 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

Result: This procedure was performed, with no exceptions noted.

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

Result: This procedure was performed, with no exceptions noted.

Collections

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).

Result: This procedure was performed, with no exceptions noted.

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.

Result: This procedure was performed, with exceptions noted. There are shared drawers for employees that are responsible for cash collections.

Management Response: Management will ensure that all 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.

Result: This procedure was performed, with no exceptions noted.

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

Result: This procedure was performed, with no exceptions noted.

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

Result: This procedure was performed, with no exceptions noted.

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

Result: This procedure was performed, with no exceptions noted.

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). Obtain supporting documentation for each of the 10 deposits and:

a) Observe that receipts are sequentially pre-numbered.

Result: This procedure was performed, with no exceptions noted.

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

Result: This procedure was performed, with no exceptions noted.

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

Result: This procedure was performed, with no exceptions noted.

- 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).

Result: This procedure was performed, with no exceptions noted.

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

Result: This procedure was performed, with no exceptions noted.

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

- 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).

Result: This procedure was performed, with no exceptions noted.

- 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.

Result: This procedure was performed, with no exceptions noted.

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

Result: This procedure was performed, with no exceptions noted.

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

Result: This procedure was performed, with no exceptions noted.

- 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.

Result: This procedure was performed, with no exceptions noted.

- 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.

Result: This procedure was performed, with no exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Result: This procedure was performed, with no exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

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.

Result: Procedure Not Applicable – No exceptions noted in prior year

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.

Result: Procedure Not Applicable – No exceptions noted in prior year

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Result: Procedure Not Applicable – No exceptions noted in prior year

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).

Result: Procedure Not Applicable – No exceptions noted in prior year

Travel and Expense Reimbursement

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).

Result: N/A - The reimbursements selected did not include a per diem reimbursement.

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

Result: This procedure was performed, with no exceptions noted.

- 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).

Result: This procedure was performed, with no exceptions noted.

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

Result: This procedure was performed, with no exceptions noted.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Result: Procedure Not Applicable – No exceptions noted in prior year

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Result: Procedure Not Applicable – No exceptions noted in prior year

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Result: Procedure Not Applicable – No exceptions noted in prior year

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Result: Procedure Not Applicable – No exceptions noted in prior year

Payroll and Personnel

16. 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.

Result: This procedure was performed, with no exceptions noted

17. 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.)

Result: This procedure was performed, with no exceptions noted

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

Result: This procedure was performed, with no exceptions noted

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

Result: This procedure was performed, with no exceptions noted

18. 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' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Result: This procedure was performed with no exceptions noted.

19. 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.

Result: This procedure was performed, with no exceptions noted

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Result: Procedure Not Applicable – No exceptions noted in prior year

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Result: Procedure Not Applicable – No exceptions noted in prior year

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Result: Procedure Not Applicable – No exceptions noted in prior year

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Result: Procedure Not Applicable – No exceptions noted in prior year

Other Areas

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Result: There are no known misappropriations of public funds and assets during the fiscal period.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Result: The entity has the notice, required by R.S. 24:523.1, concerning the reporting of misappropriation, fraud, waste, or abuse of public funds posted on its premises and website