

**MADISON PARISH HOSPITAL
SERVICE DISTRICT
A Component Unit of
Madison Parish Police Jury**

Audits of Financial Statements

For the Years Ended
December 31, 2018 and 2017



Contents

Independent Auditor's Report	1 - 2
------------------------------	-------

Basic Financial Statements

Statements of Net Position	4
Statements of Revenues, Expenses, and Changes in Net Position	5
Statements of Cash Flows	6 - 7
Notes to Financial Statements	8 - 24

Supplementary Information

Schedule of Compensation, Benefits, and Other Payments to Agency Head	26
--	----

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27 - 28
--	---------

Schedule of Findings and Responses	29
------------------------------------	----

Schedule of Prior Year Audit Findings	30
---------------------------------------	----

Independent Auditor's Report

To the Fiscal Administrator and the
Members of the Board of Commissioners
Madison Parish Hospital Service District
Tallulah, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Madison Parish Hospital Service District, (the District), a component unit of Madison Parish Police Jury, State of Louisiana, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison Parish Hospital Service District as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2019 on our consideration of Madison Parish Hospital Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Baton Rouge, LA
April 23, 2019

BASIC FINANCIAL STATEMENTS

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Statements of Net Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash	\$ 4,672,254	\$ 4,328,032
Patient Accounts Receivable, Net	1,335,509	1,323,614
Grant Payments Receivable	1,716,156	1,779,759
Taxes Receivable	1,291,357	1,454,460
Inventory	255,169	241,963
Prepaid Expenses	221,900	200,688
Total Current Assets	9,492,345	9,328,516
Assets Limited to Use		
Cash - Designated	4,210,943	3,404,950
Total Restricted Assets	4,210,943	3,404,950
Capital Assets, Net	3,133,282	3,303,320
Intangible Assets, Net	1,557,900	307,272
Total Assets	\$ 18,394,470	\$ 16,344,058
Liabilities and Net Position		
Current Liabilities		
Current Maturities of Capital Lease Obligations	\$ 182,523	\$ 155,673
Accounts Payable	467,777	647,335
Accrued Expenses and Other Liabilities	773,452	638,958
Estimated Third-Party Payor Settlements Payable	1,002,772	471,641
Total Current Liabilities	2,426,524	1,913,607
Long-Term Capital Lease Obligations, Net of Current Maturities	241,802	287,457
Long-Term Third-Party Settlements Payable	614,167	1,011,601
Total Liabilities	3,282,493	3,212,665
Net Position		
Net Investment in Capital Assets	2,708,957	2,860,190
Unrestricted	12,403,020	10,271,203
Total Net Position	15,111,977	13,131,393
Total Liabilities and Net Position	\$ 18,394,470	\$ 16,344,058

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

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenues		
Net Patient Service Revenues	\$ 13,467,503	\$ 14,417,045
Less: Bad Debt Expense	(1,057,329)	(2,265,388)
Total Patient Service Revenues	<u>12,410,174</u>	12,151,657
Rural Health Grant Payments	3,573,534	3,499,475
Other Revenue	<u>29,006</u>	55,255
Total Operating Revenues	<u>16,012,714</u>	<u>15,706,387</u>
Operating Expenses		
Salaries and Wages	7,345,197	6,875,130
Purchased Services	1,957,560	2,043,542
Employee Benefits	3,036,474	2,771,901
Purchased Goods and Supplies	1,155,054	1,160,906
Legal and Professional Fees	1,269,310	1,252,916
Depreciation and Amortization	559,009	513,422
Repairs and Maintenance and Utilities	438,854	422,774
Other Expenses	<u>151,755</u>	361,951
Total Operating Expenses	<u>15,913,213</u>	<u>15,402,542</u>
Operating Income	<u>99,501</u>	<u>303,845</u>
Non-Operating Income (Expenses)		
Ad Valorem Taxes	1,281,960	1,341,929
Sales Taxes	621,910	679,505
Revenue Sharing	31,382	35,649
Interest Income	10,368	8,129
Per Diem	(2,775)	(825)
Loss on Disposal	-	(177,024)
Interest Expense	<u>(61,762)</u>	(50,406)
Total Non-Operating Income, Net	<u>1,881,083</u>	<u>1,836,957</u>
Change in Net Position	<u>1,980,584</u>	<u>2,140,802</u>
Net Position, Beginning of Year	<u>13,131,393</u>	<u>10,990,591</u>
Net Position, End of Year	<u><u>\$ 15,111,977</u></u>	<u><u>\$ 13,131,393</u></u>

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

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash Receipts from Patients and Third-Party Payors	\$ 12,560,982	\$ 11,486,424
Other Cash Receipts from Operations	3,637,137	3,379,464
Cash Payments to Employees for Salaries and Benefits	(10,302,041)	(9,653,146)
Cash Payments to Vendors for Operating Expenses and Fees	(5,131,645)	(5,125,180)
Net Cash Provided by Operating Activities	764,433	87,562
Cash Flows from Non-Capital Financing Activities		
Ad Valorem Taxes, Sales Taxes, and Revenue Sharing	2,098,355	2,086,780
Net Cash Provided by Non-Capital Financing Activities	2,098,355	2,086,780
Cash Flows from Capital and Related Financing Activities		
Acquisition of Property and Equipment	(253,143)	(567,255)
Acquisition of Intangible Assets	(1,243,729)	(80,908)
Principal Payments on Long-Term Debt	-	(73,033)
Principal Payments on Capital Leases	(164,307)	(145,827)
Interest Payments on Long-Term Debt and Capital Leases	(61,762)	(52,684)
Net Cash Used in Capital and Related Financing Activities	(1,722,941)	(919,707)
Cash Flows from Investing Activities		
Interest Income	10,368	8,129
Increase in Designated Cash	(805,993)	(1,133,561)
Net Cash Used in Investing Activities	(795,625)	(1,125,432)
Net Increase in Cash	344,222	129,203
Cash, Beginning of Year	4,328,032	4,198,829
Cash, End of Year	\$ 4,672,254	\$ 4,328,032

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

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating Income	\$ 99,501	\$ 303,845
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization Expense	559,009	513,422
(Increase) Decrease in Operating Assets		
Patient Accounts Receivable, Net	(11,895)	32,886
Prepaid Expenses	(21,212)	4,834
Inventory	(13,206)	(44,172)
Other Receivables	63,603	(120,011)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(179,558)	363,804
Accrued Expenses and Other Liabilities	134,494	(213,672)
Estimated Third-Party Payor Settlements Payable	133,697	(753,374)
	\$ 764,433	\$ 87,562
Supplemental Disclosure of Non-Cash Capital and Related Financing Activities		
New Equipment Capital Leases	\$ 145,502	\$ 137,920

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

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 1. Organization

Madison Parish Hospital Service District (the District) was created by the Police Jury of Madison Parish, Louisiana (the Parish), of which it is a component unit. It was created pursuant to Chapter 10, Title 46, of the Louisiana Revised Statutes of 1950, as amended (R.S. 46:1051, *et seq.*). The District's main purpose is to provide hospital facilities as well as support for Madison Parish Hospital (the Hospital). The District also operates the Hospital and its hospital-based Rural Health Care Clinic. The operations of both are accounted for in one enterprise fund.

The District is a political subdivision of the Madison Parish Police Jury (MPPJ), whose jurors are elected officials. The District's commissioners are appointed by the Madison Parish Police Jury with term limits. As the governing authority of the Parish, for reporting purposes, the Madison Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Madison Parish Police Jury based on Governmental Accounting Standards. The accompanying financial statements present information only on the funds maintained by the District and do not present information of MPPJ, the general governmental services provided by that governmental unit, or the other governmental units that comprise the MPPJ financial reporting entity.

On January 20, 2015, the Board of Commissioners was relieved of its responsibilities and an Independent Fiscal Administrator was appointed by the Louisiana Attorney General.

Nature of Activities

The Hospital operated by the District is considered a critical access rural hospital. The District provides outpatient emergency and inpatient hospital services as well as outpatient services through its hospital-based Rural Health Care Clinic adjacent to the Hospital. The Hospital and hospital-based Rural Health Care Clinic provide services to the public primarily located in Madison Parish, Louisiana.

Note 2. Summary of Significant Accounting Policies

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

Basis of Accounting: The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions (principally, government grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued): Government-mandated non-exchange transactions that are not program-specific, investment income, and interest on capital assets related debt are included in non-operating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Accounting Standards: These financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) standards.

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

Cash and Cash Equivalents: Cash consists of interest-bearing and non-interest-bearing demand deposits. Cash equivalents, if any, include all highly liquid investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. All amounts in excess of FDIC insured amounts are required to be secured by securities invested in the U.S. Government by Louisiana Statute. The District had no cash equivalents for the years ended December 31, 2018 and 2017.

Patient Accounts Receivable: The District grants credit without collateral to its patients, most of whom are local residents. Some are insured under third-party agreements. Patient accounts receivable are stated net of the allowance for estimated uncollectible amounts and third-party contractual adjustments. The allowance for uncollectible accounts is based on subsequent collections. This account is generally increased by charges to a provision for uncollectible accounts, and decreased by write-offs of accounts determined by management to be uncollectible. The District does not charge interest on past due accounts.

Receivables or payables related to estimated settlements on various risk contracts in which the District participates are reported as estimated third-party payor receivables or payables.

Inventory: Inventories represent medical and dietary supplies and are valued at the latest invoice price, which approximates the lower of cost (first-in, first-out method) or market.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Prepaid Expenses: Prepaid expenses are amortized on a straight-line basis over the period of the respective items and consist primarily of insurance premiums.

Capital Assets: Capital assets of the District are recorded at cost or, if donated, at fair value at date of donation. Depreciation is computed using the straight-line method over their estimated useful lives. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized.

The following estimated useful lives are generally used:

Buildings and Improvements	20 to 40 Years
Machinery and Equipment	5 to 7 Years
Medical Equipment	5 to 7 Years

Intangible Assets: Intangible assets' estimated useful lives are generally 5 years. Further, intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually. There were no impairments recorded in 2018 or 2017.

Net Patient Service Revenue and Concentration of Credit Risk: The District has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments with third-party payors are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of provision for contractual adjustments. The payment arrangements include:

Medicare

The District is designated as a critical access hospital and is paid for inpatient acute care, skilled swing-bed, and outpatient services rendered to Medicare program beneficiaries at one hundred one percent (101%) of actual cost subject to certain limitations. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare Administrative Contractor. Beginning April 1, 2013, a mandatory payment reduction, known as sequestration, of two percent (2%) went into effect. Under current legislation, sequestration is scheduled to last until 2025.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue and Concentration of Credit Risk (Continued)

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodology. The District is reimbursed at a tentative rate with the final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid program.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services before settlement amounts become final. Revenue derived from the Medicaid program is subject to audit and adjustment and must be accepted by the State of Louisiana, Department of Health before the settlement amount becomes final.

The District has recorded a net payable of \$193,431 at December 31, 2018 and a net receivable of \$328,381 at December 31, 2017 to Medicare and Medicaid programs which are included as a component of the estimated third-party settlements payable caption on the statements of net position, along with the balance due in relation to the matters described in Note 9.

The fiscal intermediary has completed its review of estimated Medicare settlements for fiscal years ended through December 31, 2016. The fiscal intermediary has completed its review of estimated Medicaid settlements for fiscal years ended through December 31, 2011. Annually, management evaluates the recorded estimated settlements and adjusts these balances based upon the results of the fiscal intermediary's audit of filed cost reports and additional information becoming available. The fiscal intermediary has not completed its audits of the estimated settlements for the years ended December 31, 2017 and 2018 for Medicare and for the years ended December 31, 2012 through 2018 for Medicaid. The Hospital does not anticipate significant adverse adjustments to the recorded settlements for those years.

Other Agreements

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

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue and Concentration of Credit Risk (Continued)

Charity Care

Effective November 1, 2016, the District approved a charity care policy. The policy allows the District to provide services without charge or at amounts less than established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care amounted to \$210,642 and \$449,439 for the years ended December 31, 2018 and 2017, respectively.

The following is a summary of net revenue by payor type for the years ended December 31, 2018 and 2017:

	2018	2017
Commercial and Self Pay	18.97%	19.83%
Medicare	43.26%	45.50%
Medicaid	37.77%	34.67%
Total	100.00%	100.00%

Payments to one vendor represented 5% of total expenses paid for the year ended December 31, 2018. Accounts payable to this vendor represented 13% of accounts payable at December 31, 2018.

Payments to one vendor represented 4.4% of total expenses paid for the year ended December 31, 2017. Accounts payable to this vendor represented 19% of accounts payable at December 31, 2017.

Gifts, Grants, and Bequests: Gifts, grants, and bequests not designated by donors for specific purposes are reported as non-operating revenue regardless of the use for which they might be designated by the Board of Commissioners. Grants are recognized as revenue when earned. Expense-driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met.

Rural Hospital Grant: The District provides medical care to patients in rural Madison Parish, some of which are unable to pay for the services received. Since the District serves a disproportionate share of low-income patients, it qualifies for additional reimbursements. The funds are received from another hospital service district and are reported as rural health grant payments in these financial statements.

Operating Revenues and Expenses: The District's statements of revenues, expenses, and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the District's principal activity. Non-exchange revenues, including taxes, grants, and revenue sharing payments 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.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Compensated Absences: Employees of the District are entitled to paid vacation and sick days depending on length of service and other factors. Vested or accumulated vacation pay is recorded as an expense and a liability as the benefits accrue to employees for service already rendered, and any unused amount is payable at termination.

During 2015, the District adopted a Paid-Time-Off (PTO) policy to replace the existing vacation and sick time benefits. Employees who had accrued "unused sick time" prior to the new policy effective date had these hours stored in a special account. They can only be used when an employee doesn't have PTO time available and only for illness. If an employee leaves employment, any unused hours in this special account are not paid. Employees (except for management and physicians with CEO approval) may not carry over more than 400 hours at the end of any calendar year. In September of 2017, the PTO policy was amended which permits employees to be paid for hours in excess of 88 hours.

Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Of particular significance to the Hospital's financial statements are estimates involving allowances for doubtful accounts and estimates of amounts to be received under government health care and other provider contracts. Actual results could differ from those estimates.

Ad Valorem Taxes: The District is permitted by state statute to levy taxes up to 13.11 (12.67 for 2018 and 2017) mills per \$1,000 of assessed valuation. Ad valorem taxes are levied each November 1 on the assessed value listed as of the prior January 1 for property located within the District. The assessed value for 2018 netted the District \$1,328,342 of tax revenue. The assessed value for 2017, upon which the levy was based, netted the District \$1,385,579 of tax revenue. Taxes become delinquent December 31 of each year. Delinquent property tax certificates are sold to the public beginning April 1, at which time a lien attaches to the property. In the election held on November 6, 2018, the tax was renewed for a period of 20 years.

Risk Management: The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; natural disasters; and medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. The District is a member of the Louisiana Patient's Compensation Fund for the purpose of malpractice insurance. All participating hospitals share proportionately in the expense of the fund. As a participant, the District has a statutory limitation of liability which provides that no award can be rendered against it in excess of \$500,000 plus interest and costs. The District has insurance coverage for health care claims and professional liability with aggregate coverage of \$2,500,000. The District is self-insured with stop-loss coverage for health insurance purposes as more fully discussed in Note 10.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Net Position: Net position of the District is displayed in three components. *Net Investment in Capital Assets* consists of capital assets, net of accumulated depreciation, and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted* consists of non-capital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the authority, including amounts deposited with trustees as required by bond indentures. The District typically uses restricted assets first, but reserves the right to selectively defer. *Unrestricted* consists of the remaining assets that do not meet the definition of net investment in capital assets or restricted.

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

New Accounting Pronouncements

The GASB issued Statement No. 87, *Leases*, in June 2017. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement will be effective for the District for the fiscal year ending December 31, 2020.

Note 3. Cash

The District had the following deposits reflected on the accompanying statements of net position for the years ended December 31, 2018 and 2017:

	2018	2017
Cash	\$ 4,672,254	\$ 4,328,032
Cash - Designated	4,210,943	3,404,950
Total	\$ 8,883,197	\$ 7,732,982

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District does not have a deposit policy for custodial credit risk. As of December 31, 2018, \$8,620,084 of the District's bank balance was exposed to custodial credit risk. However, these deposits were secured from risk by the pledge of securities with a market value of \$2,841,075 owned by the fiscal agent bank in the District's name and letters of credit in the amount of \$6,000,000.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 4. Patient Accounts Receivable, Net

The District grants credit without collateral to its patients, most of whom are local residents, and some are insured under third-party payor agreements. The mix of receivables from patients and third-party payors for the years ended December 31, 2018 and 2017, was as follows:

Payor Source	Net of Contractuals	Bad Debt Allowance	Net	% of Total
2018				
Medicare	\$ 371,703	\$ -	\$ 371,703	27.82%
Medicaid	537,693	-	537,693	40.27%
Commercial Insurance	451,251	(100,855)	350,396	26.23%
Self Pay	309,421	(233,704)	75,717	5.68%
Total	\$ 1,670,068	\$ (334,559)	\$ 1,335,509	100.00%
2017				
Medicare	\$ 489,286	\$ -	\$ 489,286	36.96%
Medicaid	372,210	-	372,210	28.13%
Commercial Insurance	422,159	(38,167)	383,992	29.01%
Self Pay	682,325	(604,199)	78,126	5.90%
Total	\$ 1,965,980	\$ (642,366)	\$ 1,323,614	100.00%

Note 5. Intangible Assets, Net

Intangible assets consist of software licensing. Costs of \$1,067,109 and \$955,540 are being amortized over the lives of the assets on a straight-line basis for the years ended December 31, 2018 and 2017, respectively. For the years ended December 31, 2018 and 2017, accumulated amortization totaled \$826,108 and \$725,676, respectively. Intangible assets, net of accumulated amortization, for the years ended December 31, 2018 and 2017, totaled \$241,001 and \$229,863, respectively. Amortization expense for the years ended December 31, 2018 and 2017, was \$100,432 and \$94,001, respectively. During the year ended December 31, 2018 and 2017, the District had incurred \$1,316,899 and \$77,408, respectively, in costs related to construction of a new facility.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 6. Capital Assets, Net

Capital assets for the years ended December 31, 2018 and 2017, consisted of the following:

	Balance 12/31/17	Additions	Deletions	Balance 12/31/18
Capital Assets, Not Being Depreciated				
Land	\$ 269,549	\$ -	\$ -	\$ 269,549
Capital Assets, Being Depreciated				
Buildings and Improvements	6,355,563	121,120	-	6,476,683
Medical Equipment	3,291,046	167,419	-	3,458,465
Total at Cost	9,646,609	288,539	-	9,935,148
Less: Accumulated Depreciation	(6,612,838)	(458,577)	-	(7,071,415)
Capital Assets, Being Depreciated, Net	3,033,771	(170,038)	-	2,863,733
Capital Assets, Net	\$ 3,303,320	\$ (170,038)	\$ -	\$ 3,133,282
	Balance 12/31/16	Additions	Deletions	Balance 12/31/17
Capital Assets, Not Being Depreciated				
Land	\$ 152,094	\$ 117,455	\$ -	\$ 269,549
Capital Assets, Being Depreciated				
Buildings and Improvements	6,456,425	381,872	(482,734)	6,355,563
Medical Equipment	3,924,801	230,463	(864,218)	3,291,046
Total at Cost	10,381,226	612,335	(1,346,952)	9,646,609
Less: Accumulated Depreciation	(7,349,142)	(419,421)	1,155,725	(6,612,838)
Capital Assets, Being Depreciated, Net	3,032,084	192,914	(191,227)	3,033,771
Capital Assets, Net	\$ 3,184,178	\$ 310,369	\$ (191,227)	\$ 3,303,320

Depreciation expense, which includes capital lease assets and does not include amortization of intangibles, incurred for the years ended December 31, 2018 and 2017, was \$458,577 and \$419,421, respectively. Included in the cost of assets above are capital lease assets with a cost of \$1,031,192 and \$878,200, respectively, as well as accumulated depreciation of \$626,468 and \$472,091, respectively, as of December 31, 2018 and 2017.

The District has been working with an architectural firm and general contractor in accordance with the Louisiana State CMAR Program guidelines. The construction drawings are approximately 50% - 60% complete. The general contractor's current estimate utilizing current drawings exceeds what was originally expected.

As a result, the District has hired a pre-construction consulting firm subsequent to year-end to assist the architectural firm in the modification of the drawings so that they more closely match the original estimate of approximately \$23 million in total construction costs. The consulting firm is expected to cost less than \$100,000 for its assistance.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 6. Capital Assets, Net (Continued)

Estimated architectural firm costs are 7.0748% of the total construction costs. The total amount billed by and paid to the architectural firm is \$1,047,678.20 through April 10, 2019, which approximates 62.50% of the total architectural fees to be earned of \$1,623,295.65. A total of \$290,667.15 of the total paid was paid subsequent to December 31, 2018.

Note 7. Leases

Capital Leases

The District had the following capital leases payable for the years ended December 31, 2018 and 2017:

Lessor	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018	Due Within One Year
GE Healthcare	\$ 31,169	\$ -	\$ (16,929)	\$ 14,240	\$ 14,240
Med One Capital	20,998	-	(20,998)	-	-
Balboa I	1,244	-	(1,244)	-	-
Siemens	185,415	-	(69,650)	115,765	72,313
Balboa II	10,621	-	(3,593)	7,028	3,894
GE Ultrasound	62,546	-	(17,308)	45,238	18,116
DeLage/AIS Printers	3,273	-	(808)	2,465	869
DeLage/AIS Printers	2,874	-	(691)	2,183	699
First American	97,990	-	(19,533)	78,457	20,520
Stago	27,000	-	(4,919)	22,081	4,770
DeLage/AIS Printers	-	15,275	(3,600)	11,675	5,022
DeLage/AIS Printers/Copiers	-	12,495	(1,074)	11,421	2,256
Regents Capital	-	107,332	(3,891)	103,441	37,999
Great American Financial	-	5,200	(69)	5,131	868
Great American Financial	-	5,200	-	5,200	957
Total	\$ 443,130	\$ 145,502	\$ (164,307)	\$ 424,325	\$ 182,523

Lessor	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Due Within One Year
GE Healthcare	\$ 47,925	\$ -	\$ (16,756)	\$ 31,169	\$ 16,929
Med One Capital	40,487	-	(19,489)	20,998	20,998
Balboa I	8,198	-	(6,954)	1,244	1,244
Siemens	252,500	-	(67,085)	185,415	69,650
Balboa II	13,936	-	(3,315)	10,621	3,593
GE Ultrasound	79,082	-	(16,536)	62,546	17,308
DeLage/AIS Printers	4,025	-	(752)	3,273	807
DeLage/AIS Printers	-	3,500	(626)	2,874	691
First American	-	107,420	(9,430)	97,990	19,534
Stago	-	27,000	-	27,000	4,919
Total	\$ 446,153	\$ 137,920	\$ (140,943)	\$ 443,130	\$ 155,673

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 7. Leases (Continued)

Capital Leases (Continued)

The terms and due dates of the District's capital lease obligations for the years ended December 31, 2018 and 2017, are as follows:

A medical equipment financing arrangement in the original amount of \$84,287, with an interest rate of 1.03% per annum, payable to GE Healthcare in sixty (60) monthly installments of \$1,431, beginning September 15, 2014, through the maturity date of August 15, 2019. The lease is secured by the equipment financed under the agreement.

A medical equipment financing arrangement in the original amount of \$340,098, with an interest rate of 3.76% per annum, payable to Siemens in sixty (60) monthly installments of \$6,286, beginning April 10, 2015, through the maturity date of March 10, 2020. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$17,647, with an interest rate of 8.08% per annum, payable to Balboa in sixty (60) monthly installments of \$360, beginning September 30, 2015, through the maturity date of September 22, 2020. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$94,241, with an interest rate of 2.66% per annum, payable to GE Healthcare in sixty (60) monthly installments of \$1,650.57, beginning May 18, 2016, through the maturity date of April 18, 2021. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$4,264, with an interest rate of 7.28% per annum, payable to DeLage/Automated Imaging Systems in sixty (60) monthly installments of \$85, beginning August 18, 2016, through the maturity date of August 18, 2021. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$3,500, with an interest rate of 1.23% per annum, payable to DeLage/Automated Imaging Systems in forty-eight (48) monthly installments of \$60, beginning January 5, 2017, through the maturity date of December 5, 2021. The lease is secured by the equipment financed under the agreement.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 7. Leases (Continued)

Capital Leases (Continued)

An equipment financing arrangement in the original amount of \$107,420, with an interest rate of 4.94% per annum, payable to First American Equipment Finance in sixty (60) monthly installments of \$1,994, beginning October 6, 2017, through the maturity date of July 6, 2022. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$27,000, with an interest rate of 8.49% per annum, payable to Stago U.S., in sixty (60) monthly installments of \$554, beginning January 30, 2018, through the maturity date of December 31, 2022. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$15,275, with an interest rate of 5.17% per annum, payable to DeLage Landen, in thirty-six (36) monthly installments of \$459, beginning March 28, 2018, through the maturity date of February 28, 2021. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$12,495, with an interest rate of 6.56% per annum, payable to DeLage Landen, in sixty (60) monthly installments of \$245, beginning July 1, 2018, through the maturity date of June 1, 2023. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$107,232, with an interest rate of 2.462% per annum, payable to Regents Capital, in thirty-six (36) monthly installments of \$3,343, beginning June 7, 2018, through the maturity date of July 7, 2021. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$5,200, with an interest rate of 9.02% per annum, payable to Great American Finance, in sixty (60) monthly installments of \$108, beginning December 8, 2018, through the maturity date of November 8, 2023. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$5,200, with an interest rate of 4.1% per annum, payable to Great American Finance, in sixty (60) monthly installments of \$96, beginning December 12, 2018, through the maturity date of November 12, 2023. The lease is secured by the equipment financed under the agreement.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 7. Leases (Continued)

Capital Leases (Continued)

The minimum future lease payments under capital leases for the year ended December 31, 2018, for each of the next five years in the aggregate are:

Year Ending December 31,	Amount
2019	\$ 197,193
2020	150,378
2021	73,741
2022	26,052
2023	<u>3,809</u>
Total Minimum Lease Payments under Capital Leases	451,173
Less: Amount Representing Interest	<u>(26,848)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 424,325</u></u>

Commitments Under Noncancelable Operating Leases

The District is committed under various noncancelable operating leases, all of which are for equipment. These leases expire in various years through 2022. Future minimum operating lease payments are as follows:

Year Ending December 31,	Amount
2019	\$ 101,934
2020	95,505
2021	66,467
2022	28,089
2023	<u>9,363</u>
Total	<u><u>\$ 301,358</u></u>

Total lease expense under noncancelable operating leases for the years ended December 31, 2018 and 2017, was \$119,473 and \$104,498, respectively.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 8. Settlement Agreement with the Office of Inspector General (OIG)

On April 19, 2017, the District negotiated an agreement to settle fraud and noncompliance in previous years which was included in the District's January 28, 2016 submission pursuant to the OIG's Self Disclosure Protocol. The settlement with the OIG was in the amount of \$1,800,000 which will be paid in six-month increments, with interest at 2.375%, as follows:

Year Ending December 31,	Principal	Interest	Total
2019	\$ 397,455	\$ 21,787	\$ 419,242
2020	406,998	12,244	419,242
2021	207,149	2,472	209,621
Total	\$ 1,011,602	\$ 36,503	\$ 1,048,105

Note 9. Contingencies

The District evaluates contingencies based upon the best available evidence. To the extent that the resolutions of these contingencies result in amounts which vary from the District's estimates, future earnings will be charged or credited.

Governmental Third-Party Reimbursement Programs

The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as a 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, if any, cannot be determined.

Retroactive cost settlements, based upon annual cost reports, are estimated for those programs subject to retroactive settlement and recorded in the financial statements. Final determination of retroactive cost settlements to be received under the Medicare and Medicaid regulations is subject to review by program representatives. The difference between a final settlement and an estimated settlement in any year is reported as an adjustment of net patient service revenue in the year the final settlement is made.

Health Care Industry

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

Litigation and Other Matters

Various claims in the ordinary course of business are pending against the District. Claims known in amount and expected to ultimately be paid have been accrued. Other claims, in

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

the opinion of management and counsel, are not material, and insurance is sufficient to cover adverse legal determination in these cases.

Note 10. Employee Medical Benefit Plan

The District is self-insured to provide group medical coverage for its employees. A third party administers the group medical coverage for the District. The District funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$55,000, for the plan years ended December 31, 2018 and 2017. There were no significant changes in insurance coverage from the prior year.

The liability for unpaid claims including incurred but not reported amounts, if any, is estimated based on actual claims paid subsequent to year-end and is included in accrued expenses in the accompanying statements of net position. Changes in the District's claims liability during the years ended December 31, 2018 and 2017, are reflected below:

Claims Liability 01/01/18	Claim Payments	Claims and Changes in Estimates	Claims Liability 12/31/18
\$ 128,470	\$ (1,148,251)	\$ 1,219,648	\$ 199,867

Claims Liability 01/01/17	Claim Payments	Claims and Changes in Estimates	Claims Liability 12/31/17
\$ 314,356	\$ (1,201,406)	\$ 1,015,520	\$ 128,470

Note 11. Employee Savings Plan and Trust

The District established an Employee Savings Plan and Trust (the Plan) on March 9, 2015, with an effective implementation date of July 1, 2015. The Plan was established in accordance with Internal Revenue Code (IRC) 457(b). Plans established under IRC 457(b) are eligible plans and are available to certain state and local governments. The plan assets are held in a Trust.

The 457(b) plan has many tax advantages, including one similar to a 401(k) plan which allows employees of the District who are participants to defer income taxation on retirement savings on both employee contributions and employer contributions, as well as earnings on these contributions into future years.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 11. Employee Savings Plan and Trust (Continued)

The Plan has an accounting year of July 1 through June 30. The District has agreed to match contributions made by the employee as follows:

- Matching contributions will be made every pay period, in amounts equal to 100% of the first 3% of compensation deferred by the participant, plus 50% of the next 2% of compensation deferred by the participant.
- Total 457(b) contributions, including elective deferrals by participants and matching contributions by the employer, shall not exceed the lesser of 100% of the participant's compensation or the Applicable Dollar Amount, which is \$18,000, plus an extra \$6,000 for participants who have attained age 50 or more during 2018.
- No employer contributions (contribution by the employer that is not a matching contribution) will be made to the Plan for the plan year beginning July 1, 2017 and ending June 30, 2018.

There was a total of 69 participants during the period January 1, 2018 through December 31, 2018. Actual participant contributions for the period ended December 31, 2018, were \$189,430, and the employer matching funds for the same period were \$139,208. Actual participant contributions for the period ended December 31, 2017, were \$167,872, and the employer matching funds for the same period were \$127,121. Amounts for both the participant contributions and the employer's match are transferred to the separate Trust within seven (7) business days.

Note 12. Payments to the Fiscal Administrator

The District made total payments to the Fiscal Administrator in the amount of \$27,730 and \$27,325, during the years ended December 31, 2018 and 2017, respectively, for earned hours worked, travel, lodging, meals, parking, and meeting registrations.

Note 13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 23, 2019, and determined that the following subsequent events should be disclosed:

In January 2019, a new clinic software system was installed and implemented. The District ceased using the CPSI system and went with Azalea's cloud-based clinic software system. By the end of March 2019, all the major issues and needed tweaks had been accomplished and the software billing and charting is flowing smoothly.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury

Notes to Financial Statements

Note 13. Subsequent Events

A parking lot extension dedicated to the landing of helicopters was constructed with lighting and fencing so employees and patients do not have to move their vehicles anymore. The District incurred total costs of approximately \$160,000 for lot extension.

Due to the delay in the final construction contract agreement, the Fiscal Administrator's service has been extended with the current Commissioners and Fiscal Review Committee's permission until final contract agreement is signed. Expect final discharge to be around middle of year now.

SUPPLEMENTARY INFORMATION

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2018

Agency Head
Theodore Topolewski, CEO

Purpose	Amount
Salary	\$292,555
Benefits - Insurance	\$5,021
Benefits - Retirement	\$0
Benefits - Other	\$1,388
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$2,280
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$84

See independent auditor's report.

**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**

To the Fiscal Administrator and the
Madison Parish Hospital Service District
Tallulah, 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 Madison Parish Hospital Service District (the District), a component unit of the Madison Parish Police Jury, State of Louisiana, for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 23, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Baton Rouge, LA
April 23, 2019

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Schedule of Findings and Responses
For the Year Ended December 31, 2018

I. Summary of Independent Auditor's Results

Financial Statement Audit

Type of auditor's report issued:

Unmodified Opinion

Internal control over financial reporting:

• Material weakness identified?

 Yes X No

• Significant deficiency identified that is not considered to be a material weakness?

 Yes X None Reported

Noncompliance material to the basic financial statements noted?

 Yes X No

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2018

I. Summary of Independent Auditor's Results

Financial Statement Audit

Type of auditor's report issued:

Unmodified Opinion

Internal control over financial reporting:

- Material weakness identified?

 Yes X No

- Significant deficiency identified that is not considered to be a material weakness?

 Yes X None Reported

Noncompliance material to the basic financial statements noted?

 Yes X No

AGREED-UPON PROCEDURES REPORT

Madison Parish Hospital Service District

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period of January 1, 2018 - December 31, 2018

To the Fiscal Administrator,
Madison Parish Hospital Service District and
Louisiana Legislative Auditor

We have performed the procedures enumerated below which were agreed to by Madison Parish Hospital Service District (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 to December 31, 2018. The District's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving.
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: We reviewed the District's policies and procedures and noted that each of the required elements was included. We noted that Debt Service does not apply as the District does not have any outstanding bonds at December 31, 2018.

Board or Finance Committee

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

Results: During the fiscal year, the District met quarterly. A quorum is not required for meetings since the Board of Commissioners was relinquished of its duties and an independent Fiscal Administrator was appointed by the Louisiana Legislative Auditor on January 20, 2015. The board minutes included financial update, budgets, and other non-budgetary items. The District did not have a deficit during the year ended December 31, 2018.

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 each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: For the accounts selected, all monthly bank reconciliations were prepared and included evidence that reconciliations were reviewed. We noted that reconciliations were signed but not dated. Alternatively, we viewed a screenshot of the "Date Modified" for the bank applicable completed bank reconciliation spreadsheets noting that they were completed within the 2-month period. We noted that the CFO, who is an authorized check signer, performs the review of the bank reconciliations.

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).

Results: We obtained management's representation that the listing provided is complete.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: We noted two cash collection locations. We noted that employees responsible for collecting cash were bonded. We noted that employees who collect cash are not allowed to deposit cash in the bank, per policy and procedures. We noted that the District had instances where employees share cash drawers.

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

Results: We noted that the District had a bond to cover employee theft.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Results: We noted that there were only 2 bank accounts that received deposits. We noted that the District did not date stamp their monthly receipts. Alternatively, we viewed emails regarding the status of the receipt and deposit of the check. The District stated it will begin time stamping the date of receipt for the General Fund checks moving forward. We noted no exceptions in our testing of deposits.

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).

Results: We obtained management's representation that the listing provided is complete.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: We noted that the District's purchasing policy does not require purchase orders for purchases under \$1,000 and that standing orders do not require a purchase order except that the initial purchase does require a purchase order. For disbursements under \$1,000 or for standing orders, we noted that the invoice was approved by personnel not involved in the initiation of the purchase. We noted no exceptions in our testing of the disbursements.

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

Results: We noted no exceptions in our testing of non-payroll disbursements.

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.

Results: We obtained management's representation that the listing provided is complete

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) were reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

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

Results: We noted that the District has 1 card. We noted evidence that the monthly combined statement and supporting documentation were reviewed and approved. We noted no finance charges were assessed.

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

Results: We noted no exceptions in our performance of this procedure.

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

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).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: We noted no exceptions in our performance of this procedure. We noted no meal reimbursements outside of per diem.

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.

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

Results: We obtained management's representation that the listing provided is complete. We noted a formal/written contract existed for all sampled contracts.

We noted that none of the five contracts was subject to the Louisiana Public Bid Law or Procurement Code.

We noted that the payment from each contract agreed to the supporting invoice and contract terms.

We noted that each contract was approved by the Fiscal Administrator.

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.

Results: We obtained management's representation that the listing provided is complete.

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.)
- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: We noted no exceptions on the procedures we performed.

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.

Results: We noted no exceptions on the procedures we performed.

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.

Results: We obtained management's representation that the employee and employer portions are paid and filed by the required deadlines.

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.
 - 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.

Results: We noted that for each employee sampled, they completed the training during the fiscal 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.

Results: We noted that no bonds/notes were issued during the 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.

Results: We noted that there were no bonds/notes outstanding at year-end.

Other

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.

Results: We noted no instances of misappropriation of public funds or assets, per inquiry with management and the Fiscal Administrator.

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.

Results: We noted the LLA hotline notice per LRS 24:523.1 posted on the entrance of the hospital and on its website.

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

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the results 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.

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

A Professional Accounting Corporation

Baton Rouge, LA
April 23, 2019