

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

Audits of Financial Statements

For the Years Ended
December 31, 2017 and 2016



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Independent Auditor's Report

To the Fiscal Administrator
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, 2017 and 2016, 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, 2017 and 2016, 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 17, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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

Covington, LA
April 17, 2018

BASIC FINANCIAL STATEMENTS

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Statements of Net Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash	\$ 4,328,032	\$ 4,198,829
Patient Accounts Receivable, Net	1,323,614	1,356,500
Grant Payments Receivable	1,779,759	1,659,748
Taxes Receivable	1,454,460	1,484,157
Inventory	241,963	197,791
Prepaid Expenses	200,688	205,522
Total Current Assets	9,328,516	9,102,547
Assets Limited to Use		
Cash - Designated	3,404,950	2,271,389
Total Restricted Assets	3,404,950	2,271,389
Capital Assets, Net	3,303,320	3,184,178
Intangible Assets, Net	307,272	329,324
Total Assets	\$ 16,344,058	\$ 14,887,438
Liabilities and Net Position		
Current Liabilities		
Current Maturities of Long-Term Debt	\$ -	\$ 73,033
Current Maturities of Capital Lease Obligations	155,673	135,771
Accounts Payable	647,335	283,531
Accrued Expenses and Other Liabilities	638,958	852,630
Estimated Third-Party Payor Settlements Payable	471,641	836,879
Total Current Liabilities	1,913,607	2,181,844
Long-Term Capital Lease Obligations, Net of Current Maturities	287,457	315,266
Long-Term Third-Party Settlements Payable	1,011,601	1,399,737
Total Liabilities	3,212,665	3,896,847
Net Position		
Net Investment in Capital Assets	2,860,190	2,660,108
Unrestricted	10,271,203	8,330,483
Total Net Position	13,131,393	10,990,591
Total Liabilities and Net Position	\$ 16,344,058	\$ 14,887,438

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, 2017 and 2016

	2017	2016
Operating Revenues		
Net Patient Service Revenues	\$ 14,417,045	\$ 14,102,107
Less: Bad Debt Expense	(2,265,388)	(2,420,386)
Total Patient Service Revenues	12,151,657	11,681,721
Rural Health Grant Payments	3,499,475	4,676,283
Other Revenue	55,255	71,329
Total Operating Revenues	15,706,387	16,429,333
Operating Expenses		
Salaries and Wages	6,875,130	6,875,153
Purchased Services	2,043,542	2,213,615
Employee Benefits	2,771,901	2,973,664
Purchased Good and Supplies	1,160,906	1,089,976
Legal and Professional Fees	1,252,916	1,295,086
Depreciation and Amortization	513,422	538,528
Repairs and Maintenance and Utilities	422,774	464,502
Other Expenses	361,951	247,447
Total Operating Expenses	15,402,542	15,697,971
Operating Income	303,845	731,362
Non-Operating Income (Expenses)		
Ad Valorem Taxes	1,341,929	1,365,383
Sales Taxes	679,505	657,166
Revenue Sharing	35,649	32,968
Interest Income	8,129	6,241
Per Diem	(825)	(1,050)
(Loss) Gain on Disposal	(177,024)	12,531
Interest Expense	(50,406)	(39,087)
Total Non-Operating Income	1,836,957	2,034,152
Change in Net Position	2,140,802	2,765,514
Net Position, Beginning of Year	10,990,591	8,225,077
Net Position, End of Year	\$ 13,131,393	\$ 10,990,591

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, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Cash Receipts from Patients and Third-Party Payors	\$ 11,486,424	\$ 12,521,736
Other Cash Receipts from Operations	3,379,464	3,087,864
Cash Payments to Employees for Salaries and Benefits	(9,653,146)	(9,706,643)
Cash Payments to Vendors for Operating Expenses and Fees	(5,125,180)	(5,209,755)
Net Cash Provided by Operating Activities	87,562	693,202
Cash Flows from Non-Capital Financing Activities		
Ad Valorem Taxes, Sales Taxes, and Revenue Sharing	2,086,780	2,078,826
Net Cash Provided by Non-Capital Financing Activities	2,086,780	2,078,826
Cash Flows from Capital and Related Financing Activities		
Acquisition of Property and Equipment	(567,255)	(367,082)
Acquisition of Intangible Assets	(80,908)	(58,014)
Principal Payments on Long-Term Debt	(73,033)	(37,968)
Principal Payments on Capital Leases	(145,827)	(140,915)
Interest Payments on Long-Term Debt and Capital Leases	(52,684)	(38,276)
Net Cash Used in Capital and Related Financing Activities	(919,707)	(642,255)
Cash Flows from Investing Activities		
Interest Income	8,129	6,241
Increase in Designated Cash	(1,133,561)	(1,633,221)
Net Cash Used in Investing Activities	(1,125,432)	(1,626,980)
Net Increase in Cash	129,203	502,793
Cash, Beginning of Year	4,198,829	3,696,036
Cash, End of Year	\$ 4,328,032	\$ 4,198,829

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, 2017 and 2016

	2017	2016
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating Income	\$ 303,845	\$ 731,362
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization Expense	513,422	538,528
(Increase) Decrease in Operating Assets		
Patient Accounts Receivable, Net	32,886	319,974
Estimated Third-Party Payor Settlements Receivable	-	283,425
Prepaid Expenses	4,834	(43,428)
Inventory	(44,172)	47,214
Other Receivables	(120,011)	(1,705,013)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	363,804	85,291
Accrued Expenses and Other Liabilities	(213,672)	199,233
Estimated Third-Party Payor Settlements Payable	(753,374)	236,616
	\$ 87,562	\$ 693,202
Supplemental Disclosure of Non-Cash Capital and Related Financing Activities		
New Equipment Capital Leases	\$ 137,920	\$ 98,505

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)

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 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 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, 2017 and 2016.

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 2017 or 2016.

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)

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 receivable of \$328,381 at December 31, 2017 and a net payable of \$251,052 at December 31, 2016 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 for Medicare and for the years ended December 31, 2012 through 2017 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)

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. Due to the lateness of the approval and implementation of the policy for the year ended 2016, the District provided no actual charity care in the year ended December 31, 2016. Charity care for the year ended December 31, 2017, amounted to \$449,439.

The following is a summary of net revenue by payor type for the years ended December 31, 2017 and 2016:

	2017	2016
Commercial and Self Pay	19.83%	13.33%
Medicare	45.50%	55.00%
Medicaid	34.67%	31.67%
Total	100.00%	100.00%

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.

Payments to one vendor represented 12% of total expenses paid for the year ended December 31, 2016. Accounts payable to this vendor represented 21% of accounts payable at December 31, 2016.

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 Directors. 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.

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)

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.

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 2017 and 2016) 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 2017 netted the District \$1,385,579 of tax revenue. The assessed value for 2016, upon which the levy was based, netted the District \$1,409,598 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. The expiration of the ad valorem tax is 2019.

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)

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 11.

Net Position: Net position of the District is classified 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.

Note 3. Cash

The District had the following deposits reflected on the accompanying statements of net position for the years ended December 31, 2017 and 2016:

	2017	2016
Cash	\$ 4,328,032	\$ 4,198,829
Cash - Designated	3,404,950	2,271,389
Total	\$ 7,732,982	\$ 6,470,218

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, 2017, \$7,415,443 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 \$4,205,748 owned by the fiscal agent bank in the District's name and a letter of credit in the amount of \$4,000,000.

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, 2017 and 2016, was as follows:

Payor Source	Net of Contractuals	Bad Debt Allowance	Net	% of Total
2017				
Medicare	\$ 489,286	\$ -	\$ 489,286	36.96%
Medicaid	372,210	-	372,210	28.13%
Commercial Insurance	422,159	(38,167)	383,992	29.00%
Self Pay	682,325	(604,199)	78,126	5.91%
Total	\$ 1,965,980	\$ (642,366)	\$ 1,323,614	100.00%
2016				
Medicare	\$ 575,537	\$ -	\$ 575,537	42.42%
Medicaid	368,643	-	368,643	27.18%
Commercial Insurance	375,449	(24,578)	350,871	25.87%
Self Pay	450,653	(389,204)	61,449	4.53%
Total	\$ 1,770,282	\$ (413,782)	\$ 1,356,500	100.00%

Note 5. Intangible Assets, Net

Intangible assets consist of software licensing. Costs of \$955,540 and \$963,239 are being amortized over the lives of the assets on a straight-line basis for the years ended December 31, 2017 and 2016, respectively. For the years ended December 31, 2017 and 2016, accumulated amortization totaled \$725,676 and \$633,915, respectively. Intangible assets, net of accumulated amortization, for the years ended December 31, 2017 and 2016, totaled \$229,863 and \$329,324, respectively. Amortization expense for the years ended December 31, 2017 and 2016, was \$94,001 and \$146,443, respectively. During the year ended December 31, 2017, the District incurred \$77,408 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, 2017 and 2016, consisted of the following:

	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

	Balance 12/31/15	Additions	Deletions	Balance 12/31/16
Capital Assets, Not Being Depreciated				
Land	\$ 152,094	\$ -	\$ -	\$ 152,094
Capital Assets, Being Depreciated				
Buildings and Improvements	6,185,747	270,678	-	6,456,425
Medical Equipment	4,015,489	207,590	(298,278)	3,924,801
Vehicles	8,000	-	(8,000)	-
Total at Cost	10,209,236	478,268	(306,278)	10,381,226
Less: Accumulated Depreciation	(7,262,373)	(392,085)	305,316	(7,349,142)
Capital Assets, Being Depreciated, Net	2,946,863	86,183	(962)	3,032,084
Capital Assets, Net	\$ 3,098,957	\$ 86,183	\$ (962)	\$ 3,184,178

Depreciation expense, which includes capital lease assets and does not include amortization of intangibles, incurred for the years ended December 31, 2017 and 2016, was \$419,421 and \$392,085, respectively. Included in the cost of assets above are capital lease assets with a cost of \$878,200 and \$723,046, respectively, as well as accumulated depreciation of \$472,091 and \$272,009, respectively, as of December 31, 2017 and 2016. On December 1, 2017, the Hospital entered into a contract with the architectural firm of Grace-Hebert to design its new facility and prepare the required Preliminary Architectural Report required for a USDA loan funding request.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Notes to Financial Statements

Note 7. Debt

The District had the following debt activity for the years ended December 31, 2017 and 2016:

	Balance 12/31/2016	Borrowings	Payments	Balance 12/31/2017	Due Within One Year
Certificates of Indebtedness, Series 2007	\$ 73,033	\$ -	\$ (73,033)	\$ -	\$ -
	Balance 12/31/2015	Borrowings	Payments	Balance 12/31/2016	Due Within One Year
Certificates of Indebtedness, Series 2007	\$ 111,035	\$ -	\$ (38,002)	\$ 73,033	\$ 73,033

Certificates of Indebtedness, Series 2007 - \$400,000 Certificates of Indebtedness, due in annual installments of \$31,000 to \$50,000 through September 1, 2017; interest at 5.16% per annum, payable semi-annually. Principal payments of \$73,033 and \$37,968 plus interest of \$3,977 and \$5,794 on the certificates of indebtedness bonds were paid during the years ended December 31, 2017 and 2016, respectively.

These certificates were issued for the purpose of acquiring and renovating a medical office building for use as a health clinic, and paying costs of issuance. The certificates are secured by and payable solely from the annual excess revenues of the District above statutory, necessary, and usual charges in each of the years in which the certificates are outstanding.

Note 8. Leases

Capital Leases

The District had the following capital leases payable for the year ended December 31, 2017:

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
Pinnacle	4,884	-	(4,884)	-	-
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	\$ 451,037	\$ 137,920	\$ (145,827)	\$ 443,130	\$ 155,673

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Notes to Financial Statements

Note 8. Leases (Continued)

Capital Leases (Continued)

The District had the following capital leases payable for the year ended December 31, 2016:

Lessor	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Due Within One Year
GE Healthcare	\$ 64,510	\$ -	\$ (16,585)	\$ 47,925	\$ 16,755
Automated Imaging System	13,556	-	(13,556)	-	-
Med One Capital	56,948	-	(16,461)	40,487	19,488
Pinnacle	9,975	-	(5,091)	4,884	4,886
Balboa I	14,350	-	(6,152)	8,198	6,954
Siemens	317,114	-	(64,614)	252,500	67,085
Balboa II	16,995	-	(3,059)	13,936	3,315
GE Ultrasound	-	94,241	(15,159)	79,082	16,536
DeLage/AIS Printers	-	4,264	(239)	4,025	752
Total	\$ 493,448	\$ 98,505	\$ (140,916)	\$ 451,037	\$ 135,771

The terms and due dates of the District's capital lease obligations for the years ended December 31, 2017 and 2016, 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 \$93,266, with an interest rate of 17% per annum, payable to Med One Capital Funding, LLC in seventy-two (72) monthly installments of \$2,075, beginning December 15, 2012, through the maturity date of November 15, 2018. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$16,687, with an interest rate of 19.35% per annum, payable to Pinnacle in thirty-two (32) monthly installments of \$588, beginning December 31, 2014, through the maturity date of August 31, 2017. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$19,029, with an interest rate of 12.31% per annum, payable to Balboa in thirty-six (36) monthly installments of \$632, beginning February 20, 2015, through the maturity date of February 7, 2018. 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 8. Leases (Continued)

Capital Leases (Continued)

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 \$1,570, 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.

An equipment financing arrangement in the original amount of \$107,420, with an interest rate of 4.93% per annum, payable to First American Equipment Finance in forty-eight (48) 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.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Notes to Financial Statements

Note 8. Leases (Continued)

Capital Leases (Continued)

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.

The minimum future lease payments under capital leases for the year ended December 31, 2017, for each of the next five years in the aggregate are:

2018	\$ 172,160
2019	146,652
2020	99,798
2021	40,947
2022	<u>20,665</u>
Total Minimum Lease Payments under Capital Leases	480,222
Less: Amount Representing Interest	<u>(37,092)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 443,130</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 2020. Future minimum operating lease payments are as follows:

2018	\$ 101,934
2019	95,505
2020	66,467
2021	28,089
2022	<u>9,363</u>
Total	<u>\$ 301,358</u>

Total lease expense under noncancelable operating leases for the years ended December 31, 2017 and 2016, was \$104,498 and \$145,402, respectively.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Notes to Financial Statements

Note 9. 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
2018	\$ 388,135	\$ 31,107	\$ 419,242
2019	397,455	21,787	419,242
2020	406,998	12,244	419,242
2021	207,149	2,472	209,621
Total	\$ 1,399,737	\$ 67,610	\$ 1,467,347

Note 10. 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.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Notes to Financial Statements

Note 10. Contingencies (Continued)

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

Note 11. 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, 2017 and 2016. 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, 2017 and 2016, are reflected below:

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

Claims Liability 01/01/16	Claim Payments	Claims and Changes in Estimates	Claims Liability 12/31/16
\$ 258,107	\$ (1,706,390)	\$ 1,762,639	\$ 314,356

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Notes to Financial Statements

Note 12. 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.

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 2017.
- 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, 2016 and ending June 30, 2017.

There were a total of 60 participants during the period January 1, 2017 through December 31, 2017. 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. Actual participant contributions for the period ended December 31, 2016, were \$155,804, and the employer matching funds for the same period were \$123,169. Amounts for both the participant contributions and the employer's match are transferred to the separate Trust within seven (7) business days.

Note 13. Payments to the Fiscal Administrator

The District made total payments in the amount of \$27,325 and \$31,239, during the years ended December 31, 2017 and 2016, respectively, for earned hours worked, travel, lodging, meals, parking, and meeting registrations.

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Notes to Financial Statements

Note 14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 17, 2018, and determined that the following subsequent events should be disclosed:

- [1] An architectural firm has been engaged and preliminary plans have been received for the construction of a new hospital and clinic on land next to the current campus.
- [2] A municipal advisor has been engaged to assist in the financing of the new facility as required by USDA Direct Facilities Loan program.
- [3] Management met with the Louisiana Office of the USDA and submitted a pre-application for the borrowing of funds through their Direct Facilities Loan program to build a new hospital and clinic.
- [4] The Police Jury has appointed three (3) new Commissioners in anticipation of assuming local control of the Hospital after adequate training on duties and responsibilities.
- [5] The hospital Fiscal Administrator has begun planning the training and education of the newly appointed Commissioners to begin the transition of control back to local authority.
- [6] Bond Council has been engaged and is assisting with the renewal of current ad valorem taxes received by the District; the renewal will be on the November 2018 ballot.

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, 2017

Agency Head
Theodore Topolewski, CEO

Purpose	Amount
Salary	\$279,913
Benefits - Insurance	\$1,964
Benefits - Retirement	\$0
Benefits - Other	\$1,133
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$41
Travel	\$706
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$97

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
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, 2017 and 2016, 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 17, 2018.

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 handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
April 17, 2018

MADISON PARISH HOSPITAL SERVICE DISTRICT
A Component Unit of Madison Parish Police Jury
Schedule of Findings and Responses
For the Year Ended December 31, 2017

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, 2017

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? X Yes No

2016-001 Public Bid Law

This finding has been resolved.

AGREED-UPON PROCEDURES REPORT

Madison Parish Hospital Service District

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period of January 1, 2017 - December 31, 2017

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, 2017 to December 31, 2017. 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 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.
 - 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**, including receiving, recording, and preparing deposits.
 - 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, and (5) monitoring card usage.
- 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. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) 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, 2017.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g., approval of contracts and disbursements) for at least one meeting during the fiscal period.

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, 2017.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

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

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Results: For the accounts selected, all monthly bank reconciliations were prepared and included evidence that reconciliations were reviewed. We noted that the CFO, who is an authorized check signer, performs the review of the bank reconciliations. We noted 3 outstanding checks totaling \$86 that have been outstanding for more than 6 months. The District investigated the outstanding checks and considers them to be valid outstanding checks.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

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

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
 - a) Obtain existing written documentation (e.g., insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g., sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

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 does not have any formal cash registers or drawers.

The District has a formal process to reconcile cash collections to the general ledger, primarily through bank reconciliations performed by a person who is not responsible for cash collections. We also noted that a reconciliation of cash receipts to deposit is performed daily.

We selected a week with the largest collection volume for testing. For the week selected, we noted that 1 out of 21 collections tested was deposited within 2 days of collection. All other collections were deposited on the same day or within one day of collection.

- 7. Obtain existing written documentation (e.g., policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Results: The CFO monitors revenues compared to budgeted amounts on a monthly basis. A daily reconciliation of the accounts receivable sub-ledger to the general ledger is performed. Reconciling items are reviewed and appropriate action taken. The CFO or CEO provides an update to the Board on accounts receivable balances, contractual adjustments percentages, and write-off percentages on a monthly basis.

Disbursements - General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

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

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g., purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

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. Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Results: We noted that new vendors are approved by administration.

11. Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Results: We noted that the persons with signatory authority have no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Results: We noted that blank check stock is maintained in a locked office with access restriction. We noted that access to print checks is limited to the accounting department personnel.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Results: The District does not use a signature stamp or machine. We noted that signed checks are returned to the accounting department for mailing.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were 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 was reviewed and approved. We noted no finance charges were assessed.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e., each of the 10 cards should have one month of transactions subject to testing).
 - a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased).

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization).
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., cash advances or non-business purchases, regardless of whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

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

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

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

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Results: We obtained the District's policies and procedures for travel expenses. The policy states that meals, incidentals, and mileage will be reimbursed at GSA rates in effect at time of travel. Lodging is reimbursed at actual cost.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose. (Note: For meal charges, there should also be documentation of the individuals participating.)
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: We noted no exceptions in comparing expense reimbursement transactions sampled to policy.

We noted no exceptions in reviewing the transactions' detail against the requirement of Article 7, Section 14 of the Louisiana Constitution.

We noted that all transactions were reviewed and approved by someone other than the person receiving reimbursement.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

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

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g., Lawrason Act or Home Rule Charter).

Results: 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 largest 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

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

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

We noted that compensation paid to each employee sampled was in accordance with the approved pay rate in their personnel file.

We noted that each employee tested received a raise during the year and that changes to pay rates/salaries were properly approved in writing.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- a) Report whether 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) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Results: We noted that daily attendance and leave for each employee sampled was documented. We noted that the PTO approval form was missing for 1 out of 24 employees tested.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Results: We obtained management's representation that the listing provided is complete. Termination payments for employees selected were made in accordance with policy and were approved by management.

25. Obtain supporting documentation (e.g., cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Results: The appropriate employee and employer portions of payroll taxes and retirement contributions were submitted to the applicable agencies by the required deadlines for all payroll tax and retirement contribution supporting documentation sampled.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

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

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Results: Per our discussion with management, there were no alleged ethics violations during the fiscal year.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Results: We noted that the only debt issued during the year were 3 capital leases. We noted that each lease included a non-appropriation clause.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Results: We noted that the District's debt consisted of capital leases and we noted that payments were made timely for each lease.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Results: We noted that the District has no tax millages relating to debt service.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation 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.

32. Observe and report whether the entity has posted on its premises and website, the notice required by LRS 24:523.1. This notice (available for download or print at www.la.la.gov/hotline) concerns 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.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Results: No exceptions were noted in obtained management representation.

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 Professional Accounting Corporation

Covington, LA
March 25, 2018