

FINANCIAL STATEMENTS

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

SEPTEMBER 30, 2017 AND 2016

FINANCIAL STATEMENTS
JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a JACKSON PARISH HOSPITAL
SEPTEMBER 30, 2017 AND 2016
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of net position of Jackson Parish Hospital Service District No. 1, d/b/a Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana, ("the Hospital"), as of and for the years ended September 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years ended, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana as of September 30, 2017 and 2016, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Supplemental Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Accounting Standards*, we have also issued our report dated June 27, 2018 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Langlinais Broussard & Kohlenberg

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

June 27, 2018

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

STATEMENT OF NET POSITION

SEPTEMBER 30,

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 4,099,164	\$ 1,101,318
Accounts Receivables, Less Allowance for Doubtful		
Accounts of \$4,210,112 2017 in and \$3,867,120 in 2016	1,810,484	2,062,182
Due from Third Party Payors	551,361	1,301,014
Other Receivables	965,212	8,776
Inventories	408,658	393,763
Prepaid Expenses	<u>166,078</u>	<u>52,073</u>
 Total Current Assets	 <u>8,000,957</u>	 <u>4,919,126</u>
ASSETS WHOSE USE IS LIMITED:		
Internally Designated for Capital Acquisitions	5,333	5,319
By Bond Indenture	<u>500</u>	<u>500</u>
 Total Assets Whose Use is Limited	 <u>5,833</u>	 <u>5,819</u>
PROPERTY, PLANT AND EQUIPMENT:		
Property, Plant and Equipment Cost	11,706,208	11,462,093
Less: Accumulated Depreciation	<u>(8,566,665)</u>	<u>(7,780,372)</u>
 Total Property, Plant and Equipment	 <u>3,139,543</u>	 <u>3,681,721</u>
 TOTAL ASSETS	 <u>\$ 11,146,333</u>	 <u>\$ 8,606,666</u>

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

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

STATEMENT OF NET POSITION

SEPTEMBER 30,

LIABILITIES AND NET POSITION

	2017	2016
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	\$ 573,832	\$ 516,096
Accounts Payable	359,340	795,149
Accrued Salaries and Related Withholdings	787,462	721,120
Credit Balances	378,851	334,930
Due to Third Party Payors	629,083	118,067
Due to Employees for Employee Benefits	90,241	90,241
Interest Payable	2,241	3,544
Total Current Liabilities	2,821,050	2,579,147
LONG-TERM LIABILITIES:		
Long-Term Debt:		
General Obligation Issue 2008	-	329,000
Obligations under Capital Leases	427,280	502,482
Total Long-Term Liabilities	427,280	831,482
TOTAL LIABILITIES	3,248,330	3,410,629
NET POSITION:		
Invested in Capital, Net of Related Debt	2,138,431	2,334,143
Restricted: Debt Service (Expendable)	5,833	5,819
Unrestricted	5,753,739	2,856,075
TOTAL NET POSITION	7,898,003	5,196,037
TOTAL LIABILITIES AND NET POSITION	\$ 11,146,333	\$ 8,606,666

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

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

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

	2017	2016
OPERATING REVENUES:		
Net Patient Service Revenues before Provision for Doubtful Accounts	\$ 17,463,950	\$ 16,237,347
Provision for Doubtful Accounts	<u>(3,465,642)</u>	<u>(4,781,478)</u>
Net Patient Service Revenues after Provision for Doubtful Accounts	13,998,308	11,455,869
Intergovernmental Transfers - Operating	5,389,595	2,472,274
Other Operating Revenue	<u>237,527</u>	<u>188,974</u>
TOTAL OPERATING REVENUE	<u>19,625,430</u>	<u>14,117,117</u>
OPERATING EXPENSES:		
Professional Services	11,821,408	11,026,737
General and Administrative	6,855,911	6,569,286
Depreciation and Amortization	<u>786,293</u>	<u>785,750</u>
TOTAL OPERATING EXPENSES	<u>19,463,612</u>	<u>18,381,773</u>
INCOME (LOSS) FROM OPERATIONS	<u>161,818</u>	<u>(4,264,656)</u>
NON-OPERATING REVENUES (EXPENSES)		
Ad Valorem Taxes	2,461,196	2,415,473
Grant Income	111,522	112,225
Interest Income	6,693	8,285
Interest Expense	<u>(39,263)</u>	<u>(44,902)</u>
Gain (Loss) on Disposal of Asset	-	925
Loss on Legal Settlement	<u>-</u>	<u>(62,500)</u>
TOTAL NON-OPERATING REVENUES	<u>2,540,148</u>	<u>2,429,506</u>
CHANGE IN NET POSITION	<u>2,701,966</u>	<u>(1,835,150)</u>
TOTAL NET POSITION, BEGINNING	<u>5,196,037</u>	<u>7,031,187</u>
TOTAL NET POSITION, ENDING	<u>\$ 7,898,003</u>	<u>\$ 5,196,037</u>

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

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

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Patients	\$ 15,493,347	\$ 11,326,425
Cash Received from Other Revenues	237,527	188,974
Cash Received from Intergovernmental Transfers	5,389,595	2,472,274
Cash Payments to Suppliers for Goods and Services	(8,010,284)	(6,913,690)
Cash Payments to Employees for Services	<u>(11,102,844)</u>	<u>(10,398,080)</u>
Net Cash Flow Provided by (Used in) Operating Activities	<u>2,007,341</u>	<u>(3,324,097)</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:		
Ad Valorem Taxes	2,461,196	2,415,473
Grant Income	(844,914)	139,468
(Gain) Loss on Disposal of Asset	-	(925)
Loss on Legal Settlement	<u>-</u>	<u>62,500</u>
Net Cash Provided By Non-Capital Financing Activities	<u>1,616,282</u>	<u>2,616,516</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Fixed Assets	(245,425)	(1,119,198)
Principal Payments on Long-Term Debt	(505,832)	(470,724)
Interest Payments on Long-Term Debt	(40,565)	(46,559)
Proceeds from Capital Lease Obligations	<u>159,366</u>	<u>873,302</u>
Net Cash Used in Capital and Related Financing Activities	<u>(632,456)</u>	<u>(763,179)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	<u>6,693</u>	<u>8,285</u>
Net Cash Provided by Financing Activities	<u>6,693</u>	<u>8,285</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,997,860	(1,462,475)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR INCLUDING \$5,819 AND \$5,802 LIMITED AS TO USE FOR 2017 AND 2016, RESPECTIVELY	<u>1,107,137</u>	<u>2,569,612</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR INCLUDING \$5,833 AND \$5,819 LIMITED AS TO USE FOR 2017 AND 2016, RESPECTIVELY	<u>\$ 4,104,997</u>	<u>\$ 1,107,137</u>

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

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

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Gain (Loss)	\$ 161,818	\$ (4,264,656)
Adjustments to Reconcile Operating Income to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	786,293	785,750
Provision for Doubtful Accounts	3,465,642	4,781,478
Increase in Receivables and Due from Third Parties	(1,908,045)	(5,096,861)
(Increase) Decrease in Inventories and Prepaid Expenses	(128,900)	126,183
(Decrease) Increase in Accounts Payable and Accrued Expenses	(369,467)	344,009
NET CASH USED IN OPERATING ACTIVITIES	\$ 2,007,341	\$ (3,324,097)

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

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

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 and 2016

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

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 and 2016

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

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

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

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

Advertising. The Hospital expenses advertising cost as incurred.

Costs of borrowing. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in either fiscal year ended September 30, 2017 or 2016.

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

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

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

The Hospital received approximately 11.0 percent in 2017, and 14.5 percent in 2016, of its financial support from ad valorem taxes.

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

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

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

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 and 2016

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

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

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

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

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

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

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

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

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

Net patient service revenue. The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Inpatient acute care services, swing bed services and outpatient services rendered to Medicare program beneficiaries are reimbursed at cost plus 1% (subject to limits and rules), while other outpatient laboratory services are reimbursed on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through September 30, 2013.

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

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

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 and 2016

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

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

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

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

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

NOTE 2: NET PATIENT SERVICE REVENUE

The following schedule represents total Net Patient Service Revenue:

	2017	2016
Gross Patient Service Revenue	\$ 32,267,386	\$ 25,935,162
Less: Contractual Adjustments	(14,803,436)	(9,697,815)
Net Patient Service Revenue Before Provision for Doubtful Accounts	17,463,950	16,237,347
Less: Provision for Doubtful Accounts	(3,465,642)	(4,781,478)
Net Patient Service Revenue after Provision For Doubtful Accounts	\$ 13,998,308	\$ 11,455,869

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

	2017	2016
Medicare	\$ 3,572,060	\$ 3,871,154
Medicaid	5,799,975	2,777,801
All other payors	8,091,915	9,588,392
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	\$ 17,463,950	\$ 16,237,347

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

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 and 2016

NOTE 3: ACCOUNTS RECEIVABLE - PATIENTS

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

Patients Accounts Receivable consists of the following:

	2017	2016
Total Patient Accounts Receivable	\$ 7,876,725	\$ 7,225,749
Less: Allowance for Doubtful Accounts And Contractual Allowances	(6,066,241)	(5,163,567)
Net Patient Accounts Receivable	\$ 1,810,484	\$ 2,062,182

NOTE 4: MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 57% and 47% of its gross patient service revenue in 2017 and 2016, respectively, from patients covered by the Medicare and Medicaid programs.

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

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

September 30, 2017					
	Asset Life In Years	Beginning Balance	Additions	Deletions	Ending Balance
Land		\$ -	\$ -	\$ -	\$ 168,900
Construction in Progress		-	-	-	-
Total assets not being depreciated		168,900	-	-	168,900
Other Capital Assets:					
Land Improvements	5 - 25	245,192	4,280	-	249,472
Building	10 - 40	3,294,768	30,343	-	3,325,111
Capital Leased Property	5 - 25	873,302	159,366	-	1,032,668
Fixed Equipment	5 - 25	3,103,872	12,362	-	3,116,234
Movable Equipment	5 - 25	3,756,718	37,764	-	3,794,482
Automobile	5	19,341	-	-	19,341
Total other assets		11,293,193	244,115	-	11,537,308
Less: Accumulated Depreciation		(7,780,372)	(786,293)	-	(8,566,665)
Net Property, Plant and Equipment		\$ 3,681,721	\$ (542,178)	\$ -	\$ 3,139,543

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

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 and 2016

NOTE 5: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

September 30, 2016

	<u>Asset Life In Years</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land		\$ 28,900	\$ 140,000	\$ -	\$ 168,900
Construction in Progress		8,475	-	(8,475)	-
Total assets not being depreciated		<u>37,375</u>	<u>140,000</u>	<u>(8,475)</u>	<u>168,900</u>
Other Capital Assets:					
Land Improvements	5 - 25	204,698	40,494	-	245,192
Building	10 - 40	3,280,992	13,776	-	3,294,768
Capital Leased Property	5 - 25	-	873,302	-	873,302
Fixed Equipment	5 - 25	3,100,539	3,333	-	3,103,872
Movable Equipment	5 - 25	3,708,425	48,293	-	3,756,718
Automobile	5	19,341	-	-	19,341
Total other assets		<u>10,313,995</u>	<u>979,198</u>	<u>-</u>	<u>11,293,193</u>
Less: Accumulated Depreciation		<u>(6,994,622)</u>	<u>(785,750)</u>	<u>-</u>	<u>(7,780,372)</u>
Net Property, Plant and Equipment		<u>\$ 3,356,748</u>	<u>\$ 333,448</u>	<u>\$ (8,475)</u>	<u>\$ 3,681,721</u>

Depreciation expense for the years ended September 30, 2017 and 2016 amounted to \$786,293 and \$785,750, respectively.

NOTE 6: LONG-TERM DEBT

Long-term debt at September 30, 2017 and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
Certificates of indebtedness, dated December 4, 2008, in the amount of \$2,500,000 with an interest rate of 4.375% maturing serially on February 1 of each year beginning in 2010, with interest payable on February 1 and August 1 of each year, with the final maturity February 1, 2018, collateralized by Ad Valorem tax receipts; After February 1, 2013, interest rate is 3.375%	\$ 329,000	\$ 644,000
Capital Lease Obligation, for the acquisition of two GE Ultrasound machines, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, with the final maturity in 2020	150,097	190,744
Capital Lease Obligation, for the acquisition of a GE CT machine, collateralized by the equipment, payable in 48 monthly installments at a 3.25% interest rate, with the final maturity in 2019	259,655	354,734
Capital Lease Obligation, for the acquisition of Olympus Scope Equipment, collateralized by the equipment, payable in 48 monthly installments at a 3.25% interest rate, maturity in 2020	115,812	158,100

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

SEPTEMBER 30, 2017 and 2016

NOTE 6: LONG-TERM DEBT (CONTINUED)

Capital Lease Obligation, for the acquisition of Mindray Telemetry Equipment, collateralized by the equipment, payable in 48 monthly installments at a 4.00% interest rate, maturity in 2021

	146,548	-
Total Long-Term Debt	1,001,112	1,347,578
Less: Current Portion	(573,832)	(516,096)
Long-Term Portion	\$ 427,280	\$ 831,482

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

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

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

September 30, 2017

	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Issue 2008	\$ 644,000	\$ -	\$ 315,000	\$ 329,000
Capital Lease Obligations	703,578	159,366	190,832	672,112
Total	\$ 1,347,578	\$ 159,366	\$ 505,832	\$ 1,001,112

September 30, 2016

	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Issue 2008	\$ 945,000	\$ -	\$ 301,000	\$ 644,000
Capital Lease Obligations	-	873,302	169,724	703,578
Total	\$ 945,000	\$ 873,302	\$ 470,724	\$ 1,347,578

Balance due within one year:

	2017	2016
General obligation issue 2008	\$ 329,000	\$ 315,000
Capital Lease Obligations	244,832	201,096
Total	\$ 573,832	\$ 516,096

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

SEPTEMBER 30, 2017 and 2016

NOTE 6: LONG-TERM DEBT (CONTINUED)

Scheduled repayments on long-term debt are as follows:

<u>September 30, 2017</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	573,832	24,740	598,572
2019	253,202	10,818	264,020
2020	137,522	3,535	141,057
2021	<u>36,556</u>	<u>459</u>	<u>37,015</u>
Total	<u>\$ 1,001,112</u>	<u>\$ 39,552</u>	<u>\$ 1,040,664</u>

<u>September 30, 2016</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 516,096	\$ 36,307	\$ 552,403
2018	536,730	18,807	555,537
2019	214,582	6,402	220,984
2020	75,950	1,294	77,244
2021	<u>4,220</u>	<u>11</u>	<u>4,231</u>
Total	<u>\$ 1,347,578</u>	<u>\$ 62,821</u>	<u>\$ 1,410,399</u>

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

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

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

The composition of assets limited as to use at September 30, 2017 and 2016, is set forth in the following table.

	<u>2017</u>	<u>2016</u>
Cash:		
By board for capital improvements	\$ 5,333	\$ 5,319
By Bond indenture	<u>500</u>	<u>500</u>
	<u>\$ 5,833</u>	<u>\$ 5,819</u>

NOTE 8: CASH FLOWS SUPPLEMENTAL INFORMATION

Total interest paid by the Hospital was \$40,565 and \$46,559, for 2017 and 2016, respectively.

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

SEPTEMBER 30, 2017 and 2016

NOTE 9: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2017 and 2016, are as follows:

	2017	2016
Medicare	12%	11%
Medicaid	13	11
Commercial and other third-party payors	75	78
	100%	100%

NOTE 10: PENSION PLAN

The Hospital sponsors a defined contribution plan. The Plan Administrator is the Human Resources Director. Eligibility requirements are one year of employment and attaining the age of 21. Vesting is 50% at 3 years of service, 75% at 4 years and 100% at 5 years. The Plan's coverage includes death, disability and retirement benefits. The Hospital may amend the Plan at any time at its' sole discretion. However, no amendment may result in any participant's vested interest or any portion of the Plan's assets reverting back to the Hospital. The Hospital contributes 1% for all eligible employees. It will match up to 4% of employee salaries, if the employee also contributes 4%. The Hospital contributed \$133,982 and \$121,911 for the years ended September 30, 2017 and 2016, respectively.

NOTE 11: GRANT REVENUE

The Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$5,389,595 and \$2,472,274 for the years ended September 30, 2017 and 2016, respectively.

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

NOTE 12: BANK DEPOSITS AND INVESTMENTS

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

At September 30, 2017 and 2016, the Hospital had bank balances as follows:

	2017	2016
Insured (FDIC)	\$ 250,000	\$ 250,000
Letter of Credit	1,900,000	-
Collateralized by Securities Held by the Pledging Financial Institution's Trust Department in the Hospital's Name	2,328,211	2,672,869
Total	\$ 4,478,211	\$ 2,922,869
Carrying Value	\$ 4,515,357	\$ 1,318,464

As of September 30, 2017, the hospital was undercollateralized by \$37,146.

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

SEPTEMBER 30, 2017 and 2016

NOTE 13: PROFESSIONAL LIABILITY RISK

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

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

NOTE 14: CRITICAL ACCESS STATUS

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

NOTE 15: COMPENSATED ABSENCES/DUE TO EMPLOYEES FOR BENEFITS

Full time employees earn accrued time off (ATO) based on years of service, part time employees accrue ATO on a pro-rated basis based on years of service. All ATO balances will be paid upon termination. Sick pay is not vested and therefore not accrued. The Hospital's policy is to recognize the cost of sick pay when actually paid to employees. Accrued time off, which is included in accrued salaries and related withholdings, at September 30, 2017 and 2016 totaled \$411,057 and \$358,742, respectively.

Due to employee benefits calculated and over-withheld from employees in previous years, the Hospital has reflected a payable to employees in the amount of \$90,241 for the years ended September 30, 2017 and 2016.

NOTE 16: OPERATING LEASES

The Hospital leases various equipment under operating leases expiring at various dates through 2023. Total rental expense for the years ended September 30, 2017 and 2016 for all operating leases was approximately \$418,675 and \$373,090, respectively.

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

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

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

SEPTEMBER 30, 2017 and 2016

NOTE 16: OPERATING LEASES (CONTINUED)

September 30, 2016

2017	\$ 230,630
2018	33,023
2019	31,383
2020	<u>28,127</u>
Total	<u>\$ 323,163</u>

NOTE 17: CONTINGENCIES

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

Third-Party Reimbursement Programs.

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

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

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

Professional Liability Risk

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

Workman's Compensation Risk

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

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 and 2016

NOTE 17: CONTINGENCIES (CONTINUED)

Laws and Regulations

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

NOTE 18: GOVERNMENTAL REGULATIONS

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

NOTE 19: CHARITY CARE

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Hospital maintains records to identify and monitor the level of charity care it provides. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone and supplies furnished, based on established rates, were \$80,843 and \$432,875 as of September 30, 2017 and 2016, respectively.

Management estimates that approximately \$48,764 and \$306,804 of costs were related to charity care for the years ended September 30, 2017 and 2016, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

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

SEPTEMBER 30, 2017 and 2016

NOTE 20: NET POSITION

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

	2017	2016
Invested in Capital Assets, net of related debt	\$ 2,138,431	\$ 2,334,143
Restricted for:		
Debt Service (Expendable)	5,833	5,819
Unrestricted	5,753,739	2,856,075
Total Net Position	\$ 7,898,003	\$ 5,196,037

NOTE 21: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

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

NOTE 22: SUBSEQUENT EVENTS

Effective December 19, 2017, the hospital entered into a capital lease agreement with Vantage Financial for a GE Sonographic Pristina Mammography system in the amount of \$343,080, due in monthly installments, maturing in the year 2022, collateralized by the equipment.

Effective March 1, 2018, the hospital entered into a capital lease agreement with Cerner Corporation for a patient accounting software system in the amount of \$4,823,439, due in monthly installments, maturing in the year 2025, collateralized by the equipment.

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through June 27, 2018, the date the financial statements were available to be issued.

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

YEAR ENDED SEPTEMBER 30,

	2017	2016
INPATIENT SERVICE REVENUES		
Daily Patient Services:		
Room and Board	\$ 374,481	\$ 434,346
Observation	55,430	21,810
Total	429,911	456,156
Other Nursing Services:		
Central Supplies	494,724	568,648
Emergency Service	165,980	136,649
Total	660,704	705,297
Other Professional Services:		
Anesthesiology	504	229
Blood	19,732	27,931
Laboratory	594,210	383,199
Pharmacy	1,213,729	1,316,338
Radiology	506,322	418,697
Respiratory	918,202	953,403
Therapy Services	8,807	10,093
Total	3,261,506	3,109,890
TOTAL INPATIENT SERVICE REVENUE	4,352,121	4,271,343

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

YEAR ENDED SEPTEMBER 30,

	2017	2016
OUTPATIENT SERVICE REVENUES.		
Other Nursing Services:		
Central Supplies	856,794	694,945
Emergency Service	3,459,729	2,887,130
Observation	399,550	341,327
Operating Room	291,860	77,492
Total	5,007,933	4,000,894
Other Professional Services:		
Anesthesiology	59,981	243,009
Blood	34,186	57,885
Clinics	3,247,817	2,486,526
Laboratory	6,648,438	4,678,834
Hospitalist	10,626	-
Pharmacy	2,256,133	1,848,963
Emergency Room Professional Fees	2,538,064	1,926,444
Radiology	6,910,028	5,433,895
Respiratory	1,202,059	987,369
Total	22,907,332	17,662,925
TOTAL OUPATIENT SERVICE REVENUE	27,915,265	21,663,819
GROSS PATIENT SERVICE REVENUE	32,267,386	25,935,162
Less: Contractual Adjustments	14,803,436	9,697,815
NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	\$ 17,463,950	\$ 16,237,347

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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SCHEDULES OF OTHER OPERATING REVENUES

YEAR ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>
Cafeteria and Vending Sales	\$ 67,992	\$ 75,970
Medical Records	5,334	4,081
Other	<u>164,201</u>	<u>108,923</u>
Total	<u>\$ 237,527</u>	<u>\$ 188,974</u>

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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SCHEDULES OF PROFESSIONAL SERVICES

YEAR ENDED SEPTEMBER 30,

	2017	2016
Salaries and Fees:		
Central Supply	\$ 56,074	\$ 47,739
Clinics	2,363,976	2,260,738
Emergency Room	2,508,670	2,151,964
Hospitalist	337,425	441,665
Laboratory	1,092,038	1,072,415
Nursing	1,544,708	1,583,556
Operating Room and Anesthesiology	169,745	124,218
Pharmacy	271,765	267,103
Radiology	1,082,297	723,814
Respiratory	432,045	403,223
Therapy	10,595	95,089
Total Salaries and Fees	9,869,338	9,171,524
 Supplies and Other Expenses:		
Blood	32,518	45,827
Clinics	180,212	189,025
Emergency Room	105,420	91,628
Laboratory	416,691	394,920
Nursing	99,458	115,592
Operating Room and Anesthesiology	27,167	45,379
Pharmacy	522,154	448,695
Radiology	498,331	441,017
Respiratory	70,119	83,130
Total Supplies and Other Expenses	1,952,070	1,855,213
Total Professional Services	\$ 11,821,408	\$ 11,026,737

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

YEAR ENDED SEPTEMBER 30,

	2017	2016
Salaries and Fees:		
Administrative	\$ 1,417,352	\$ 1,406,373
Dietary	184,078	170,549
Housekeeping	236,092	204,888
Maintenance	313,331	320,158
Medical Records	191,534	198,389
Total Salaries and Fees	2,342,387	2,300,357
 Supplies and Other Expenses:		
Administrative	1,426,529	1,395,880
Dietary	126,676	176,647
Employee Benefits	1,914,671	1,763,435
Housekeeping	93,575	68,325
Information Technology	306,670	264,905
Insurance	158,728	180,006
Maintenance	426,461	373,422
Medical Records	60,214	46,309
Total Supplies and Other Expenses	4,513,524	4,268,929
 Total General and Administrative Services	 \$ 6,855,911	 \$ 6,569,286

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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SCHEDULES OF GOVERNING BOARD EXPENSES

YEAR ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>
	<u>COMPENSATION</u>	<u>COMPENSATION</u>
Barbara Johns	\$ 480	\$ 240
Fannie Williams	\$ -	\$ -
Freddy Tolar	\$ -	\$ -
Josh Smith	\$ -	\$ -
Railey Garrett	\$ -	\$ -
Herbert Simmons	\$ -	\$ -
Gussie McConnell	\$ 560	\$ -
Chris Bowman	\$ -	\$ -
Rebecca Crouch	\$ -	\$ -
Angela Curtis	\$ -	\$ -
Shontae Mims	\$ -	\$ -

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

SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>
JOHN MORGAN (5/8/17 - 9/30/17)		
Salary	\$ 64,307	\$ -
Benefits-Insurance	4,908	-
Benefits-Retirement	-	-
Tuition Reimbursement	-	-
Reimbursements	-	-
Travel	734	-
Conference Expenses	-	-
Registration Fees	-	-
	<u>\$ 69,949</u>	<u>\$ -</u>
TIM PAIGE (10/26/16 - 5/7/17)		
Salary	\$ 80,200	\$ -
Benefits-Insurance	3,742	-
Benefits-Retirement	3,208	-
Tuition Reimbursement	-	-
Reimbursements	-	-
Travel	1,386	-
Conference Expenses	-	-
Registration Fees	-	-
	<u>\$ 88,536</u>	<u>\$ -</u>
BOBBY JORDAN (10/1/16 - 10/26/16)		
Salary	\$ 31,397	\$ 150,000
Benefits-Insurance	-	-
Benefits-Retirement	-	-
Tuition Reimbursement	-	-
Reimbursements	-	381
Travel	-	-
Conference Expenses	-	2,519
Registration Fees	-	-
	<u>\$ 31,397</u>	<u>\$ 152,900</u>



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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jackson Parish Hospital Service District No.1, d/b/a Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana (the Hospital), as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 27, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider Findings 2017-5 through 2017-10 to be material weaknesses. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests identified findings of noncompliance that are required to be reported under *Government Auditing Standards*. These findings are listed as 2017-1 through 2017-4.

THE HOSPITAL'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

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

Sincerely,



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

June 27, 2018

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Years Ended September 30, 2017 and 2016

We have audited the financial statements of Jackson Parish Hospital Service District No. 1, d/b/a Jackson Parish Hospital (the Hospital), a component unit of the Jackson Parish Police Jury, State of Louisiana, as of and for the years ended September 30, 2017 and 2016, and have issued our report thereon dated June 27, 2018. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of September 30, 2017 and 2016 resulted in unmodified opinions.

Section I: Summary of Auditor's Reports

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

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

Section II: Financial Statement Findings

A - Issues of Noncompliance

Finding 2017-1 Audit Deadline

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

Condition: The Hospital did not meet the six month deadline for filing the audit report with the Legislative Auditor of the State of Louisiana. The hospital applied for and received a three-month extension with the Legislative Auditor. The hospital will meet this deadline.

Cause: The Hospital has experienced significant turnover in key senior management positions, as well as other accounting positions including accounts payable and payroll in each of the last two fiscal years under audit.

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

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

Management Response: CFO turnover at FYE created difficulty with timely filing. New, competent contract accountants and accounting staff have been put in place to ensure timely filing in the future.

Finding 2017-2 Undercollateralized

Criteria: Louisiana law requires deposits over \$250,000, the FDIC insured limit, to be secured by collateral (R.S. 39:1225).

Condition: The Hospital deposits were undercollateralized by \$37,146.

Cause: The total pledged securities of the hospital did not cover the total cash balance at 9/30/17 per the bank confirmation.

Effect: The Hospital is not in compliance with Louisiana RS 39:1225.

Recommendation: The hospital should ensure that it is in compliance with Louisiana RS 39:1225.

Management Response: The hospital is now in compliance with Louisiana RS 39:1225 and will maintain that compliance by daily observation of deposits and balances.

Finding 2017-3 Contracts

Criteria: The Hospital sought legal review and advice on provider contracts in first quarter of the fiscal year ended September 30, 2016.

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

Cause: The provider contracts were not revised in accordance with the attorney's recommendations.

Effect: The Hospital's contracts may be non-compliant with state and federal laws.

Recommendation: The Hospital should revise and enact contracts as recommended by Hospital attorneys.

Management Response: The Hospital is in the process of revising contracts and will continue to enact contracts as recommended by Hospital attorneys.

Finding 2017-4 Uniform Unclaimed Property Act

Criteria: Louisiana law requires a report of abandoned property to be filed before November 1st of each year and cover the twelve monthly next preceding July 1st of that year per Louisiana RS 9:159.

Condition: There are outstanding checks on the operating and payroll bank reconciliation that appear to be over one year old.

Cause: There are outstanding checks on the operating and payroll bank reconciliation that appear to be over one year old.

Effect: The Hospital may not be in compliance with Louisiana RS 9:159 and RS 9:160 if they have not completed the report of abandoned property or transferred to the administrator the property described in the report as unclaimed as required

Recommendation: The Hospital should file the report of abandoned property as required by Louisiana RS 9:159.

Management Response: The hospital has identified the outstanding checks and will file the report of abandoned property as required by Louisiana RS 9:159 before the end of FY 2018 and will monitor outstanding checks to prevent this finding in the future.

B - Material Weaknesses

Finding 2017-5 Financial Statement Preparation

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

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

Cause: The Hospital has a small accounting staff.

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

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

Management Response: The Hospital has contracted to competent accountants to ensure Hospital presents full disclosure financial statements to its board in accordance with Generally Accepted Accounting Principles.

Finding 2017-6 Lack of Segregation of Duties

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

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

Cause: The hospital has a small accounting staff.

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

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

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

Finding 2017-7 Proposed Audit Adjustments

Criteria and Condition: The proposed audit adjustments for the fiscal years ended September 30, 2017 and 2016 had material effects on the financial statements.

Cause: The Hospital did not detect the misstatements.

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

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

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

Finding 2017-8 Patient Accounts Receivable Maintenance and Collections

Criteria: The Hospital should maintain patient account balances to ensure balances reflected are accurate. The Hospital should perform an evaluation on self-pay collections and implement an appropriate collection process in accordance with applicable laws and regulations.

Condition: The Hospital reflected a large amount of credit balances and aged accounts in the accounts receivable subsidiary ledger.

Cause: Patient balances are not being monitored timely in order to establish whether credit balances are accurate and/or whether aged accounts should be deemed uncollectible.

Effect: Individual patient balances reflected in the accounts receivable subsidiary ledger may not reflect accurate balances due to untimely review and adjusting of Hospital staff. Accounts receivable reserve and adjustments to credit balances must be estimated to reflect appropriate general ledger balances.

Recommendation: The Hospital should establish a procedure in order for accounts to be evaluated timely in order to reflect the adjustments needed. Collection procedures should be evaluated to establish an up-front collections procedure and to establish whether outside credit agencies should be used.

Management Response: The Hospital has established a procedure in order for accounts to be evaluated timely in order to reflect the adjustments needed. A large amount of credit balances have been adjusted and/or repaid. Credit agencies have been consulted and collection procedures have been established.

Finding 2017-9 Accrued Compensated Absences

Criteria: The Hospital has experienced errors in employee accrued compensated absences in recent years.

Condition: The Hospital did not adjust each employee's balances in the payroll system subsidiary ledger to reflect adjustments recognized by the prior year's evaluation.

Cause: The accrued compensated balance was not updated in the payroll system subsidiary ledger.

Effect: The Hospital must manually estimate the liability for accrued compensated absences and adjust the general ledger accordingly.

Recommendation: The Hospital should update employee balances in the payroll system so that the accrued compensated absences balance may be properly presented and automatically calculated.

Management Response: The Hospital has reviewed and is now updating employee balances in the payroll system so that the accrued compensated absences balance may be properly presented and automatically calculated.

Finding 2017-10 Bank Reconciliations

Criteria: The Hospital did not perform bank reconciliations in a timely manner.

Condition: Bank reconciliations were not prepared on a monthly basis. One bank reconciliation was prepared at the end of the fiscal year.

Cause: Bank reconciliations were not prepared on a monthly basis. One bank reconciliation was prepared at the end of the fiscal year.

Effect: This could cause a misappropriation of assets if there is no management oversight over cash balances.

Recommendation: The Hospital should prepare bank reconciliations monthly.

Management Response: With hiring of contract accountants the hospital is now ensuring that bank reconciliations are being prepared monthly.

Section III: Management Letter Items

There are no management letter items at September 30, 2017.

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

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2017

Finding 2016-1 Audit Deadline: The Hospital did not meet the six month deadline for filing the audit report with the Legislative Auditor of the State of Louisiana.

Status: Unresolved. See Finding 2017-1.

Finding 2016-2 Nepotism: The former CFO may have been an immediate family member of the owner of a pest control service in which the hospital had a recurring contract.

Status: Resolved.

Finding 2016-3 Contracts: The Hospital's attorney provided a memorandum to Hospital administration advising that the contracts be revised due to current language that may constitute non-compliance with state and deferral laws.

Status: Unresolved. See Finding 2017-3.

Finding 2016-4 1099 Filing: The Hospital filed 1099s for the calendar year ended 2016 that did not include significant payments to certain vendors.

Status: Resolved

Finding 2016-5 Employee Benefits Policy: The Hospital did not update the employee benefits policy regarding employee discounts in order to clearly state the procedure in which the employee should obtain a discount.

Status: Resolved.

Finding 2016-6 Financial Statement Preparation: The Hospital relies on its outside auditors to assist in the preparation of full disclosure GAAP financial statements.

Status: Unresolved. See Finding 2017-5.

Finding 2016-7 Lack of Segregation of Duties: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated in all accounting areas.

Status: Unresolved. See Finding 2017-6.

Finding 2016-8 Proposed Audit Adjustments: The proposed audit adjustments for the fiscal years ended September 30, 2016 and 2015 had material effects on the financial statements.

Status: Unresolved. See Finding 2017-7.

Finding 2016-9 Prior Period Adjustment: A prior period adjustment has been made to re-state patient credit balances to a reasonably estimated amount.

Status: Resolved.

Finding 2016-10 Patient Accounts Receivable Maintenance and Collections: The hospital reflected a large amount of credit balances and aged accounts in the accounts receivable subsidiary ledger.

Status: Unresolved. See Finding 2017-8.

Finding 2016-11 Accrued Compensated Absences: The Hospital did not adjust each employee's balances in the payroll system to reflect adjustments recognized by the prior year's evaluation.

Status: Unresolved. See 2017-9.



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

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

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures described in Schedule A – Procedures and Results, which were agreed to by Jackson Parish Hospital Service District No. 1, d/b/a Jackson Parish Hospital, a component unit of the Jackson Parish Policy Jury, State of Louisiana, (“the Hospital”), and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA’s Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2016 through September 30, 2017. The Hospital’s management is responsible for those control and compliance areas identified in the SAUPs.

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

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

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

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

Langlinais Broussard & Kohlenberg

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

June 27, 2018

Schedule A – Procedures and Results

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget
Result: Policy does not mention monitoring or amendment processing procedures.
Management Response: Written policy will be revised to mention monitoring or amendment processing procedures.
 - b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
Result: No written policy currently in place.
Management Response: Written policy will be developed.
 - c) Disbursements, including processing, reviewing, and approving
Result: No written policy currently in place.
Management Response: Written policy will be developed.
 - d) Receipts, including receiving, recording, and preparing deposits
Result: No written policy currently in place.
Management Response: Written policy will be developed.
 - e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
Result: Policy provided including all of the above elements with the following exceptions noted; missing payroll processing procedures.
Management Response: Written policy will be revised to include payroll processing procedures.
 - f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
Result: Policy does not mention services requiring written contracts, standard terms and conditions, legal review, approval process, or monitoring process.
Management Response: Written policy will be revised.
 - 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
Result: No written policy currently in place.
Management Response: Written policy will be developed.

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

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

Result: Policy provided including all of the above functions.

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Result: Policy does not mention the Louisiana revised statute, response actions for violations, monitoring processes for violations, or employee annual ethics requirements.

Management Response: Written policy will be revised.

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

Result: No written policy currently in place.

Management Response: Written policy will be developed.

Board of Commissioners

- 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.

Result: The Board met once per month. Additional special meetings were held as needed.

- 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).

Result: Board minutes did not reference monthly budget to actual comparisons

Management Response: Monthly financials will be produced to have budget-to-actual comparisons for the board to discuss.

- i. 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.

Result: Not Applicable – no deficit spending noted.

- 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.

Result: Board discussed non-budgetary financial information such as contracts and disbursements at several of the monthly meetings.

Bank Reconciliations

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

Result: Document provided; no exceptions noted.

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 5 accounts). 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;

Result: Year-end bank reconciliation prepared; no monthly reconciliation performed.

Management Response: Monthly reconciliations being performed as of 10/01/17.

- 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

Result: Year-end bank reconciliation had evidence of management review; however monthly reconciliations were not prepared or reviewed.

Management Response: Monthly reconciliations and management review being performed as of 10/01/17.

- 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.

Result: 2 of the 5 bank accounts examined had outstanding items older than 6 months present.

Management Response: Outstanding items have been researched and are being monitored on a quarterly basis.

Collections

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

Result: Document provided; no exceptions noted.

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 5 locations). 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.

Result: Insurance policies currently in place do not provide fraud or theft protection for any of the hospital cash collection locations. All locations were noted to have adequate separation of duties relevant to cash collections. No cash collection locations required employees to share registers or drawers.

Management Response: Fraud and/or theft protection insurance is being reviewed.

- 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.

Result: Cash collection reconciliation process noted at all locations tested. Noted daily receipts are reconciled by employee not responsible for collections.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
- i) 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.

Result: 2 of the 28 daily collections tested were not deposited within one day of collection; however it was noted that both deposits were made within 2 days.

Management Response: Every attempt is being made to ensure collections are deposited within one day of the collected date.

- ii) 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.

Result: 1 of the 28 daily collections tested was not fully supported by documentation.

Management Response: Every attempt is being made to ensure that all transactions are supported by documentation.

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.

Result: The Hospital has policies in place addressing all of the above areas of concern.

Disbursements – General

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.

Result: Document provided; no exceptions noted.

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.

Result: All examined transactions utilized an electronic system.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Result: All examined transactions had separate approval documented.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Result: All examined transactions were supported by above listed documentation.

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.

Result: Inadequate separation of duties was noted between personnel responsible for payment processing and vendor addition.

Management Response: Duties are now being performed by two separate employees and the policy will be updated.

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.

Result: Adequate separation of duties was noted between personnel responsible for final payment authorization and purchase initiation / recording. John Morgan signs checks, but has no other involvement in the AP process.

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.

Result: Checks are preprinted. Unused checks are held by Megan under lock and key. Only employees with access to blank checks are Megan Hammonds and Michelle Gantt. Neither employee with access has signatory authority.

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.

Result: Checks are manually signed by CEO, COO, or chairman of the board. If checks are kept overnight they are maintained under the control of Megan Hammond, authorized user, until 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.

Result: Listing obtained with no exceptions.

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.

Result: All examined statements were reviewed and approved by non-card holders without exceptions.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Result: Finance charges and late fees were not 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:

- i) An original itemized receipt (i.e., identifies precisely what was purchased)

Result: All transactions were supported without exception.

- ii) Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Result: Purpose was provided for all transactions without exception.

iii) Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Result: Not Applicable – No policy for credit cards noted.

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.

Result: Not Applicable – No transactions were large enough to fall within the scope of Public Bid Law.

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 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.

Result: All examined transactions were compliant with Article 7, Section 14 without exception.

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.

Result: Documents provided; no exceptions noted.

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.

Result: Policy provided; all amounts adhere to current GSA rates.

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.

Result: 1 of the 3 expense reimbursements tested was reimbursed at a per diem rate above that stated in the company reimbursement policy.

Management Response: Policy will be reviewed, updated as necessary and followed.

b) Report whether each expense is supported by:

i) An original itemized receipt that identifies precisely what was purchased.

Result: All transactions were supported without exception.

- ii) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Result: Purpose was provided for all transactions without exception.

- iii) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Result: 1 of the 3 expense reimbursements tested was missing the "Travel and Request Authorization" Form required by company policy.

Management Response: Every attempt is being made to ensure that all transactions are supported by the required documentation

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.

Result: All examined transactions were in compliance with Article 7, Section 14 without exception.

- c) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Result: All expenses tested were noted to be approved in writing without exception.

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.

Result: Documents provided; no exceptions noted.

- 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.

Result: Written contract supporting services and amount paid located for all vendors tested without exception.

- 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:

- i) 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)

Result: Not Applicable – None of the selected contracts were subject to Louisiana Bid Law.

- ii) If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Result: Not Applicable – None of the selected contracts were subject to Louisiana Bid Law.

- 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.

Result: None of the examined contracts were noted to be amended during the fiscal year.

- 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.

Result: All supporting invoices for selected payments complied with terms of contracts without exception.

- 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).

Result: Not Applicable - Hospital currently has no policy in place related to contracts. No legal requirements noted.

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.

Result: All payments to selected employees agreed with terms and conditions of employment contracts without exception.

- 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.

Result: All changes to pay rates of selected employees were approved in writing and in accordance with client policies without exception.

- 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).

Result: All selected employees documented daily attendance and leave without exception.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials. .

Result: All attendance and leave records for selected employees were approved by a supervisor without exception.

- 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.

Result: All leave records for selected employees were supported by written documentation without exception.

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.

Result: Termination payments made to selected terminated employees were in strict accordance with policy and agreed to personnel file documentation without exception.

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.

Result: All federal tax payments examined were remitted on time without exception. It was noted that 19 of the 26 pay periods had retirement contributions remitted late. All quarterly L-1s were filed timely without exception. All quarterly 941s were filed late without exception.

Management Response: Beginning 10/01/17 CFO has been monitoring and ensuring all items listed pertaining to payroll taxes and retirement withholdings are being paid and reported on time.

Ethics

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.

Result: All selected employees completed required ethics training without exception.

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.

Result: No ethics violations were found as a result of this testing procedure.

Debt Service

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

Result: Not Applicable – No new debt was noted during the fiscal year.

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.

Result: All debt service payments were made as scheduled. No debt reserve requirements noted.

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.

Result: Not Applicable – Tax millage covering debt service is not dedicated exclusively to debt service. Excess collections are expected and allowed to be used for other purposes.

Other Areas

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.

Result: Per inquiry of management, no misappropriations of funds or assets were noted.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Result: Notice was not posted on its premises or on their website.

Management Response: This notice is now posted on the premises and 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.

Result: No exceptions were noted in regards to management's representations.