

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

Financial Statements

September 30, 2019 and 2018



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## Independent Auditor's Report

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

### Report on Financial Statements

We have audited the accompanying financial statements of the Tangipahoa Parish Hospital Service District No. 2 (d/b/a Hood Memorial Hospital) (the Hospital) as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tangipahoa Parish Hospital Service District No. 2 (d/b/a Hood Memorial Hospital), as of September 30, 2019 and 2018, and the changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2020 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA  
March 24, 2020

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Statements of Net Position**  
**September 30, 2019 and 2018**

	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,016,244	\$ 117,007
Patient Accounts Receivable, Net	1,044,411	1,362,383
Due from Third Party Payors	1,284,912	226,161
Grant Receivables	-	321,919
Other Receivables	-	14,955
Inventories	234,210	264,192
Prepaid Expenses	20,528	11,899
<b>Total Current Assets</b>	<b>3,600,305</b>	<b>2,318,516</b>
<b>Assets Whose Use is Limited or Restricted</b>		
By Bond Indenture		
Bond Account	100	100
Board Designated Funds		
Cash	34,553	24,544
Investments	29,731	38,059
Accrued Interest Receivable	148	157
<b>Total Assets Whose Use is Limited or Restricted</b>	<b>64,532</b>	<b>62,860</b>
<b>Property, Plant, and Equipment</b>		
Property, Plant, and Equipment, Net of Accumulated Depreciation	2,148,333	2,644,583
<b>Total Assets</b>	<b>\$ 5,813,170</b>	<b>\$ 5,025,959</b>

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

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Statements of Net Position (Continued)**  
**September 30, 2019 and 2018**

	2019	2018
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 763,970	\$ 1,175,154
Accrued Salaries and Related Withholdings	344,996	609,748
Due to Third Party Payors	475,387	555,897
Accrued Estimated Health Benefits	211,774	133,361
Patient Credit Balances	-	246,841
Current Portion of Limited Tax Bonds, Series 2013	85,000	80,000
Current Portion of Capital Lease Obligations	142,099	159,139
Accrued Interest Payable	-	992
<b>Total Current Liabilities</b>	<b>2,023,226</b>	<b>2,961,132</b>
<b>Long-Term Liabilities</b>		
Limited Tax Bonds, Series 2013	175,000	260,000
Capital Lease Obligations	298,076	496,569
<b>Total Long-Term Liabilities</b>	<b>473,076</b>	<b>756,569</b>
<b>Total Liabilities</b>	<b>2,496,302</b>	<b>3,717,701</b>
<b>Net Position</b>		
Invested in Capital Net of Related Debt	1,448,158	1,648,875
Restricted		
Bond Construction Account (Expendable)	100	100
By Board (Expendable)	64,432	62,760
Unrestricted	1,804,178	(403,477)
<b>Total Net Position</b>	<b>3,316,868</b>	<b>1,308,258</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 5,813,170</b>	<b>\$ 5,025,959</b>

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

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
<b>Revenues</b>		
Net Patient Service Revenue Before Provision for Doubtful Accounts	\$ 16,596,587	\$ 15,618,389
Provision for Doubtful Accounts	(1,376,171)	(1,750,019)
Net Patient Service Revenues After Provision for Doubtful Accounts	15,220,416	13,868,370
Intergovernmental Transfers - Operating Grants	3,180,630	1,504,384
Other Operating Revenue	140,836	140,327
<b>Total Revenues</b>	<b>18,541,882</b>	<b>15,513,081</b>
<b>Operating Expenses</b>		
Salaries and Wages	7,649,617	8,528,826
Professional Fees	4,596,378	3,598,941
Employee Benefits	1,798,733	2,042,774
Supplies and Other	1,664,515	2,319,489
Depreciation and Amortization	519,316	433,580
Insurance	243,649	309,144
Telephone and Utilities	244,898	253,060
<b>Total Operating Expenses</b>	<b>16,717,106</b>	<b>17,485,814</b>
<b>Operating Income (Loss)</b>	<b>1,824,776</b>	<b>(1,972,733)</b>
<b>Non-Operating Revenues (Expenses)</b>		
Grant Income	34,819	3,929
Insurance Recovery	-	127,708
Ad Valorem Taxes	194,698	189,983
Donation Revenue	-	35,000
Interest Expense	(49,931)	(72,046)
Unrealized Gain (Loss) on Investments	34	(2,619)
Investment Income	4,214	2,513
Other	-	1,075
<b>Total Non-Operating Revenues, Net</b>	<b>183,834</b>	<b>285,543</b>
<b>Change in Net Position</b>	<b>2,008,610</b>	<b>(1,687,190)</b>
<b>Net Position, Beginning of Year</b>	<b>1,308,258</b>	<b>2,995,448</b>
<b>Net Position, End of Year</b>	<b>\$ 3,316,868</b>	<b>\$ 1,308,258</b>

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

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Statements of Cash Flows**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Receipts from and on Behalf of Patients	\$ 14,152,286	\$ 15,160,393
Cash Received from Intergovernmental Transfers - Operating Grants	3,502,549	1,567,348
Payments to Suppliers and Contractors	(7,139,271)	(5,736,291)
Cash Payments to Employees for Services and Benefits	(9,619,734)	(10,611,081)
Other Receipts from Operations	140,836	141,402
<b>Net Cash Provided by Operating Activities</b>	<b>1,036,666</b>	<b>521,771</b>
<b>Cash Flows from Non Capital Financing Activities</b>		
Non-Capital Grant Income	34,819	3,929
Principal Payments on Cost Report Repayment Plans	-	(318,593)
<b>Net Cash Provided by (Used in) Non Capital Financing Activities</b>	<b>34,819</b>	<b>(314,664)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Ad Valorem Taxes	194,698	189,983
Proceeds from Insurance Recovery	-	127,708
Purchases of Property and Equipment	-	(225,359)
Principal Payments on Limited Tax Bonds, Series 2013	(80,000)	(80,000)
Principal Payments on Capital Lease Obligations	(238,599)	(118,756)
Interest Payments on Bonds and Capital Lease Obligations	(50,923)	(72,279)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(174,824)</b>	<b>(178,703)</b>
<b>Cash Flows from Investing Activities</b>		
Investment Income	4,223	2,581
Proceeds from the Sale of Assets Whose Use is Limited	8,362	14,271
<b>Net Cash Provided by Investing Activities</b>	<b>12,585</b>	<b>16,852</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>909,246</b>	<b>45,256</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>141,651</b>	<b>96,395</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,050,897</b>	<b>\$ 141,651</b>
<b>Cash and Cash Equivalents</b>		
Unrestricted Cash and Cash Equivalents	\$ 1,016,244	\$ 117,007
Cash and Cash Equivalents Whose Use is Limited	34,653	24,644
<b>Total Cash and Cash Equivalents</b>	<b>\$ 1,050,897</b>	<b>\$ 141,651</b>

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



**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Statements of Cash Flows (Continued)**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Operating Income (Loss)	\$ 1,824,776	\$ (1,972,733)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation and Amortization	519,316	433,580
Provision for Doubtful Accounts	1,376,171	1,750,019
Changes in Operating Assets and Liabilities		
Patient Accounts Receivable and Due from (to) Third Parties	(2,444,301)	(457,966)
Grant and Other Receivables	336,874	48,009
Inventories and Prepaid Expenses	21,353	103,083
Accounts Payable and Accrued Expenses	(597,523)	617,779
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,036,666</b>	<b>\$ 521,771</b>
<b>Non Cash Investing, Capital, and Financing Activities</b>		
Increase (Decrease) in the Fair Market Value of Investments	\$ 34	\$ (2,619)
Assets Contributed by Third Party	\$ -	\$ 35,000
Acquisition of Capital Leased Assets	\$ -	\$ 630,323

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

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

**Notes to Financial Statements**

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**Note 1. Reporting Entity**

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

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

**Note 2. Significant Accounting Policies**

**Accrual Basis of Accounting**

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

**Accounting Standards**

The Hospital's financials are presented using the economic resources measurement focus and the accrual basis of accounting under Governmental Accounting Standards Board (GASB) Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That-Use Proprietary Fund Accounting*. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, and to the American Institute of Certified Public Accountants (AICPA), *Audit and Accounting Guide - Health Care Organizations*, published by the AICPA, and standards set by the GASB, which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

**Use of Estimates**

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

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

**Notes to Financial Statements**

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

**Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid instruments with an original maturity of three months or less excluding amounts whose use are limited by the Board designation.

**Patient Accounts Receivable**

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

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

**Allowance for Doubtful Accounts**

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

**Inventories**

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

**Investments in Debt and Equity Securities**

Investments are stated at fair market value based on quoted market prices. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

**Property, Plant, and Equipment**

Property, plant, and equipment acquisitions with a minimum value of \$5,000 per item are recorded at cost, or an estimated fair value if donated, and that have an economic useful life that extends beyond 24 months.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Equipment lives range as follows:

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

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

**Notes to Financial Statements**

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

**Net Position**

In accordance with GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

***Net Investment in Capital Assets***

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

***Restricted***

This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

***Unrestricted***

All other net position is reported in this category.

**Restricted Resources**

**Net Patient Service Revenues**

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

**Operating and Non-Operating Revenue**

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

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

**Notes to Financial Statements**

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

**Ad Valorem Taxes**

The Hospital received approximately 1.06% and 1.20% of its financial support from ad valorem taxes for the years ended September 30, 2019 and 2018, respectively. Current taxes are received beginning in December of each year and become delinquent after January 31<sup>st</sup> of the following year. See Note 14 for additional disclosure regarding ad valorem tax revenues.

**Grants and Contributions**

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

**Compensated Absences**

Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences are included as a component of accrued salaries and related withholdings on the Hospital's statements of net position. The balance in accrued compensated absences is \$181,493 and \$367,219 as of September 30, 2019 and 2018, respectively.

**Self-Insured Medical Claims**

The Hospital is self-insured for employee medical claims up to predetermined stop-loss amounts. Claims in excess of the stop-loss amounts are insured through a commercial insurance carrier. Management accrues its best estimate of probable claim amounts incurred but not reported based on its previous loss experience. The amount accrued for estimated health benefits for the years ended September 30, 2019 and 2018 is \$211,774 and \$133,361, respectively.

**Income Taxes**

The Hospital is a political subdivision and exempt from taxes.

**Environmental Matters**

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

**Risk Management**

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

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

**Notes to Financial Statements**

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

**Recently Issued Accounting Principles**

In June 2018, the GASB issued Statement 87 (GASB 87). The objective of GASB 87, *Leases*, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2018, the GASB issued Statement 89 (GASB 89). The objective of GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, is to establish accounting requirements for interest cost incurred before the end of a construction period. Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**Note 3. Major Source of Revenue**

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 72.6% and 72.7% of its gross patient service revenue for the fiscal years ended September 30, 2019 and 2018, respectively, from patients covered by the Medicare and Medicaid programs.

**Note 4. Net Patient Service Revenue**

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

**Medicare**

Effective April 1, 2003, the Hospital was certified as a Critical Access Hospital. Inpatient services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2013.

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

**Notes to Financial Statements**

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

**Medicaid**

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

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

**Other**

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

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue based on its standard rates for services provided. Based on 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.

The following schedule represents total net patient service revenue:

	<b>2019</b>	2018
Gross Patient Service Revenue	<b>\$ 27,308,328</b>	\$ 28,910,583
Less: Contractual Adjustments	<b>(10,711,741)</b>	(13,292,194)
	<b>16,596,587</b>	15,618,389
Less: Provision for Doubtful Accounts	<b>(1,376,171)</b>	(1,750,019)
<b>Net Patient Service Revenue</b>	<b>\$ 15,220,416</b>	\$ 13,868,370

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

**Notes to Financial Statements**

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**Note 5. Bank Deposits and Investments**

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

As of September 30, 2019 and 2018, the balances reported by financial institutions for cash, certificates of deposit and money market accounts totaled \$1,153,805 and \$263,659, respectively. Of those balances, \$252,227 and \$250,000 was covered by federal depository insurance as of September 30, 2019 and 2018, respectively, and \$901,578 and \$13,659 was collateralized with securities held by the pledging bank in the Hospital's name as of September 30, 2019 and 2018, respectively. Total market value of securities pledged by the bank was \$1,409,206 and \$800,750 for September 30, 2019 and 2018, respectively. At September 30, 2019 and 2018, none of the Hospital's bank balances were exposed to custodial credit risk.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Hospital does not have a deposit policy for custodial credit risk. Investments in U. S. Government obligations are not exposed to custodial credit risk because they are backed by the full faith and credit of the U.S. Government. The Hospital had investments in obligations of the U.S. Government with a fair value of \$29,731 and \$38,059 at September 30, 2019 and 2018, respectively. The Hospital also held a money market account with a third-party investment firm in the amount of \$34,553 and \$24,284 for the years ended September 30, 2019 and 2018, respectively.

As required under GASB Statement 40 (GASB 40), *Deposit and Investment Risk Disclosures*, an Amendment of GASB Statement 3 (GASB 3), concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than five percent (5%) of the fair value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. At September 30, 2019 and 2018, the Hospital had no investments requiring concentration of credit risk disclosure.



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

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**Note 5. Bank Deposits and Investments (Continued)**

**Fair Value of Financial Instruments**

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

- Level 1 Inputs are based upon adjusted quoted prices for identical instruments traded in active markets.
- Level 2 Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 Inputs are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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

**Note 6. Accounts Receivable - Patients**

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

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

**Notes to Financial Statements**

**Note 6. Accounts Receivable - Patients (Continued)**

Patients accounts receivable consists of the following:

	2019	2018
Total Patient Accounts Receivable	\$ 3,135,116	\$ 3,687,037
Less: Third-Party Contractual Adjustments	(879,188)	(1,166,935)
Less: Allowance for Doubtful Accounts	(1,211,517)	(1,157,719)
<b>Net Patient Accounts Receivable</b>	<b>\$ 1,044,411</b>	<b>\$ 1,362,383</b>

**Note 7. Property, Plant, and Equipment**

Property, plant, and equipment, by major category, at September 30, 2019 are as follows:

	Balance September 30, 2018	Additions	Deletions	Transfers	Balance September 30, 2019
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 87,893	\$ -	\$ -	\$ -	\$ 87,893
<b>Total Capital Assets Not Being Depreciated</b>	87,893	-	-	-	87,893
<b>Capital Assets Being Depreciated</b>					
Land Improvements	185,688	-	(65,922)	-	119,766
Buildings	4,057,292	-	-	-	4,057,292
Equipment	3,372,857	-	(86,226)	-	3,286,631
<b>Total Capital Assets Being Depreciated</b>	7,615,837	-	(152,148)	-	7,463,689
<b>Less: Accumulated Depreciation</b>	(5,059,147)	(519,316)	175,214	-	(5,403,249)
<b>Capital Assets Being Depreciated, Net</b>	2,556,690	(519,316)	23,066	-	2,060,440
<b>Total</b>	<b>\$ 2,644,583</b>	<b>\$ (519,316)</b>	<b>\$ 23,066</b>	<b>\$ -</b>	<b>\$ 2,148,333</b>

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

**Notes to Financial Statements**

**Note 7. Property, Plant, and Equipment (Continued)**

Property, plant, and equipment, by major category, at September 30, 2018 are as follows:

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

Total depreciation expense for the years ended September 30, 2019 and 2018 was \$519,316 and \$433,580, respectively.

**Note 8. Long-Term Debt**

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

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

**Notes to Financial Statements**

**Note 8. Long-Term Debt (Continued)**

Long-term debt at September 30, 2019 and 2018 consisted of the following:

	2019	2018
Limited Tax Bonds, Series 2013	\$ 260,000	\$ 340,000
Less: Amounts Due Within One Year	85,000	80,000
<b>Total, Net of Amounts Due Within One Year</b>	<b>\$ 175,000</b>	<b>\$ 260,000</b>

A summary of long-term debt activity for the years ended September 30, 2019 and 2018 is as follows:

September 30, 2019	Beginning Balance	Additions	Reductions	Ending Balance
Limited Tax Bonds, Series 2013	\$ 340,000	\$ -	\$ 80,000	\$ 260,000
<b>Total</b>	<b>\$ 340,000</b>	<b>\$ -</b>	<b>\$ 80,000</b>	<b>\$ 260,000</b>

  

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

Scheduled repayments on long-term debt are as follows:

Year Ending September 30,	Principal	Interest	Total
2020	\$ 85,000	\$ 7,613	\$ 92,613
2021	85,000	4,638	89,638
2022	90,000	1,575	91,575
<b>Total</b>	<b>\$ 260,000</b>	<b>\$ 13,826</b>	<b>\$ 273,826</b>

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

**Note 9. Capital Lease Obligations**

A summary of changes in capital lease obligations for the year ended September 30, 2019 and 2018 follows:

September 30, 2019	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Systemex Analyzers	\$ 66,898	\$ -	\$ 12,624	\$ 54,274	\$ 13,651
Fuji D-EVO Detectors	83,067	-	18,073	64,994	18,740
CT Scan	393,691	-	102,556	291,135	93,789
Telemetry	44,954	-	15,182	29,772	15,919
Ultrasound	67,097	-	67,097	-	-
<b>Total</b>	<b>\$ 655,707</b>	<b>\$ -</b>	<b>\$ 215,532</b>	<b>\$ 440,175</b>	<b>\$ 142,099</b>

  

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

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

Year Ending September 30,	Amount
2020	\$ 158,543
2021	155,712
2022	141,554
2023	15,649
2024	-
	<u>471,458</u>
Less: Amounts Representing Imputed Interest	<u>(31,283)</u>
<b>Present Value of Net Minimum Lease Payments (Including \$142,099 Classified as Current)</b>	<u><u>\$ 440,175</u></u>

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

**Notes to Financial Statements**

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**Note 10. Commitments and Contingencies**

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

On November 30, 2018, the Hospital entered into a Cooperative Endeavor Agreement (CEA) with Tangipahoa Parish Hospital Service District No. 1, d/b/a North Oaks Health System (North Oaks). The CEA was entered in order for the Hospital to utilize North Oaks personnel to assist in the assessment and oversight of operational, financial, regulatory, clinical, facility, and technological needs of the Hospital in exchange for a monthly consulting fee of \$46,027 to be paid by the Hospital. The CEA was renewed in November 2019 and extended through December 31, 2022.

Future payments under the CEA through December 2022 are as follows:

<b>Year Ending September 30,</b>	<b>Amount</b>
2020	\$ 552,324
2021	552,324
2022	552,324
2023	<u>138,081</u>
<b>Total</b>	<u><u>\$ 1,795,053</u></u>

**Operating Leases**

The Hospital leases certain equipment through operating leases that expire through 2024. Future minimum lease payments under noncancelable operating leases through 2024 are as follows:

<b>Year Ending September 30,</b>	<b>Amount</b>
2020	\$ 36,820
2021	33,682
2022	14,069
2023	1,000
2024	<u>834</u>
<b>Total</b>	<u><u>\$ 86,405</u></u>

Rent expense for the years ended September 30, 2019 and 2018 totaled \$55,319 and \$55,761, respectively.

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

**Notes to Financial Statements**

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**Note 11. Concentrations of Credit Risk**

The Hospital grants credit without collateral to its patients, most of who are local residents and are often insured under third-party payor agreements. The mix of receivables from patients and third-party payors, net of contractual allowances and discounts, at September 30, 2019 and 2018, was as follows:

	<b>2019</b>	2018
Medicare	<b>26.4 %</b>	21.6 %
Medicaid	<b>9.1</b>	19.4
Commercial, Managed Care, and Other Third-Party Payors	<b>64.5</b>	59.0
<b>Total</b>	<b>100.0 %</b>	100.0 %

**Note 12. Pension Plan**

The Hood Memorial Hospital Employees' pension plan is a 403(b) tax-deferred annuity plan. The Hospital is the administrator of the plan. Under the terms of the plan, eligible employees of the Hospital may enter into an agreement to contribute a required minimum contribution of 3% of their gross salary to participate in the plan. The Hospital is then obligated to contribute 5% per the contract (excluding overtime salary). Employer contributions are vested by a percentage based on the employee's years of service. Once the contributions are made, the Hospital has no further liability. Total expense for the years ended September 30, 2019 and 2018 was \$191,618 and \$225,675, respectively.

**Note 13. Risk Management**

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health and accident benefits.

**Workers Compensation**

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

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

**Notes to Financial Statements**

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**Note 13. Risk Management (Continued)**

**Medical Malpractice**

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

**Employee Medical Benefits**

As disclosed in Note 8, the Hospital is self-insured for employee medical benefits up to predetermined stop-loss amounts. The Hospital has purchased commercial insurance for claims in excess of stop loss limits.

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

Effective November 1, 2019, the Hospital switched to a full-indemnity insurance program, whereby risk of loss is transferred to the third-party insurance provider.

**Note 14. Ad Valorem Taxes**

In March 2012, the voters of Tangipahoa Parish approved a 5 mill property tax. The future tax revenues can be used for the expansion and/or operations of the Hospital. As detailed in Note 8, the board made a resolution to issue \$700,000 of Limited Tax Bonds to be payable from the irrevocable pledge and dedication of the funds to be derived from the levy and collection of a 5 mills ad valorem tax. The Hospital recognized \$194,698 and \$189,983 in ad valorem tax revenue for the years ended September 30, 2019 and 2018.

The property tax calendar is as follows:

January 1 <sup>st</sup>	Property Assessed
August 31 <sup>st</sup>	Taxes Levied
December 31 <sup>st</sup>	Taxes Due and Payable

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



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

**Notes to Financial Statements**

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**Note 15. Governmental Regulations**

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

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

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a so-called Recovery Audit Contractor (RAC) program on a permanent and nationwide basis. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment.

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

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

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. The PPACA has created sweeping changes across the healthcare industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms.

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

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**Note 15. Governmental Regulations (Continued)**

To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Management of the Hospital is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation and is preparing to work cooperatively with other consultants to optimize available reimbursement.

**Note 16. Charity Care**

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

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges forgone, based on established rates, were approximately \$20,585 and \$-0- for the years ended September 30, 2019 and 2018, respectively.

**Note 17. Grant Revenue**

The Hospital entered into a CEA with a regional public rural hospital (Grantor) whereby the Grantor awards, as an intergovernmental transfer (IGT), funds to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The aggregate IGT grant income, which is included in operating revenues, is \$897,585 and \$1,504,384 for the years ended September 30, 2019 and 2018, respectively. The amount of funds receivable in relation to this grant was \$0 and \$321,919 at September 30, 2019 and 2018, respectively.

Additionally, the Hospital received additional funding from the State of Louisiana and from the Louisiana Department of Hospitals (LDH) during the year ended September 30, 2019, to ensure availability of adequate and medically necessary healthcare services in the Hospital's population.

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

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**Note 17. Grant Revenue (Continued)**

Operating grant revenue for the years ended September 30, 2019 and 2018 consists of the following:

	2019	2018
IGT Grant Income - Uncompensated Care Cost	\$ 897,585	\$ 1,504,384
State of Louisiana Equipment Grant	283,045	-
State of Louisiana - Operating Grant	1,250,000	-
Advance Funding - LDH	750,000	-
<b>Total Operating Grant Revenue</b>	<b>\$ 3,180,630</b>	<b>\$ 1,504,384</b>

**Note 18. Current Economic Conditions**

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

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

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

**Note 19. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 24, 2020, and determined that the following events are required to be disclosed:

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

**Notes to Financial Statements**

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**Note 19. Subsequent Events (Continued)**

**Employee Medical Benefits**

As disclosed in Note 13, effective November 1, 2019, the Hospital switched to a full-indemnity insurance program, whereby risk of loss is transferred to the third-party insurance provider.

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

In December 2019, the Hospital renewed and extended its CEA with North Oaks Health System. The CEA is effective through December 31, 2022.

**Coronavirus / Covid-19**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Hospital operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Hospital.

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

**OTHER SUPPLEMENTARY INFORMATION**

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Patient Service Revenues**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
<b>Inpatient Service Revenues</b>		
Daily Patient Services		
Room and Board	\$ 217,558	\$ 407,157
Swing-Bed	1,977,725	2,003,091
Central Supply	275,452	375,923
	<hr/>	<hr/>
<b>Total</b>	<b>2,470,735</b>	<b>2,786,171</b>
	<hr/>	<hr/>
Other Nursing Services		
Emergency Service	37,980	43,253
	<hr/>	<hr/>
<b>Total</b>	<b>37,980</b>	<b>43,253</b>
	<hr/>	<hr/>
Other Professional Services		
Blood	15,174	19,951
Electrocardiology	52,540	62,220
Intravenous Therapy	15,715	17,380
Laboratory	977,710	1,111,430
Pharmacy	2,752,764	3,193,577
Radiology	175,387	193,314
Respiratory	263,462	302,454
Therapy Services	800,615	1,063,035
Wound Care	375,859	537,083
	<hr/>	<hr/>
<b>Total</b>	<b>5,429,226</b>	<b>6,500,444</b>
	<hr/>	<hr/>
<b>Total Inpatient Service Revenue</b>	<b>7,937,941</b>	<b>9,329,868</b>
	<hr/>	<hr/>

See independent auditor's report.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Patient Service Revenues (Continued)**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
<b>Outpatient Service Revenues</b>		
Other Nursing Services		
Emergency Service	2,680,919	2,963,992
Central Supply	22,433	17,346
	<hr/>	<hr/>
<b>Total</b>	<b>2,703,352</b>	<b>2,981,338</b>
	<hr/>	<hr/>
Other Professional Services		
Blood	9,273	21,356
Clinic	2,005,639	1,765,580
Electrocardiology	259,700	276,150
Intravenous Therapy	269,635	300,725
Laboratory	7,632,538	7,755,442
Pharmacy	938,076	1,027,497
Nursing Services	8,032	11,286
Professional Fee	48,775	52,632
Radiology	4,259,636	4,002,895
Respiratory	83,793	106,240
Therapy Services	1,070	9,160
Treatment Room	90,681	128,468
Wound Care	1,060,206	1,119,075
Kid Med	(19)	22,871
	<hr/>	<hr/>
<b>Total</b>	<b>16,667,035</b>	<b>16,599,377</b>
	<hr/>	<hr/>
<b>Total Outpatient Service Revenue</b>	<b>19,370,387</b>	<b>19,580,715</b>
	<hr/>	<hr/>
Gross Patient Service Revenue	27,308,328	28,910,583
Contractual Adjustments	(10,711,741)	(13,292,194)
	<hr/>	<hr/>
<b>Net Patient Service Revenue Before</b>		
<b>Provision for Doubtful Accounts</b>	<b>\$ 16,596,587</b>	<b>\$ 15,618,389</b>
	<hr/> <hr/>	<hr/> <hr/>

See independent auditor's report.

**TANGIPAOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Other Operating Revenues**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
Rental Income	\$ 69,051	\$ 66,484
Other Revenue	71,785	73,843
<b>Total</b>	<b>\$ 140,836</b>	<b>\$ 140,327</b>

See independent auditor's report.



**TANGIPAOHA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Salaries and Wages**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
<b>Salaries and Wages</b>		
Administrative	\$ 616,404	\$ 663,240
Central Supply	68,304	69,462
Clinics	1,232,157	1,410,209
Dietary	144,034	160,988
Emergency Room	961,845	1,056,901
Housekeeping	126,473	176,077
Information Technology	43,574	58,809
Laboratory	528,197	604,519
Maintenance	128,682	134,489
Medical and Surgical	45,154	109,602
Medical Records	285,617	172,783
Mid Level Hospitalists	147,900	250,689
Nursing	1,917,068	2,065,709
Pharmacy	247,446	317,397
QI/Education	253,895	276,055
Radiology	449,365	494,243
Respiratory	309,519	307,577
Social Services	41,523	46,510
Wound Care	102,460	153,567
<b>Total Salaries and Wages</b>	<b>\$ 7,649,617</b>	<b>\$ 8,528,826</b>

See independent auditor's report.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Professional Fees**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
<b>Professional Fees</b>		
Administrative	\$ 1,090,825	\$ 290,203
Clinics	54,902	45,051
Dietary	18,372	13,010
Emergency Room	1,803,115	1,706,344
Facilities	23,500	24,768
Hospitalist	1,439	2,461
Housekeeping	3,300	5,407
Information Technology	224,478	215,496
Inhalation Therapy	15,035	1,121
Laboratory	278,261	196,626
Maintenance	39,853	93,012
Medical Records	12,910	14,300
Nursing	394,841	278,655
Pharmacy	1,314	2,617
QI/Education	15,147	11,010
Radiology	109,789	114,481
Physical/Occupational/Speech Therapy	449,750	518,710
Transportation	59,547	65,669
<b>Total Professional Fees</b>	<b>\$ 4,596,378</b>	<b>\$ 3,598,941</b>

See independent auditor's report.

**TANGIPAOHA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Supplies and Other**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
<b>Supplies and Other</b>		
Administrative	\$ 138,570	\$ 160,656
Blood	24,205	37,405
CT Scan	16,716	311
Central Supply	11,887	47,079
Clinics	27,068	106,305
Dietary	125,432	148,837
Emergency Room	23,162	77,433
Housekeeping	44,621	70,082
Hospitalists	49	739
Inhalation Therapy	5,649	10,163
Medical Records	2,105	3,850
Laboratory	178,677	404,939
Maintenance	32,628	46,100
Nursing	159,974	238,847
Other	13,431	3,729
Pharmacy	588,710	746,202
Physician Office	13,024	5,432
QI/Education	16,696	20,462
Radiology	51,237	45,216
Physical/Occupational/Speech Therapy	244	469
Ultrasound	1,397	12,983
Wound Care	189,033	132,250
<b>Total Supplies and Other</b>	<b>\$ 1,664,515</b>	<b>\$ 2,319,489</b>

See independent auditor's report.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Governing Board Compensation**  
**For the Years Ended September 30, 2019 and 2018**

Commissioner	2019	2018
Raymond Cutrer	\$ -	\$ 440
Charles Guzzardo	80	440
Dr. Arthur Mauterer	80	440
Mike Sumrall *	-	120
Randy Bracy **	-	280
Robbie Lee Jr.	40	440
<b>Total</b>	<b>\$ 200</b>	<b>\$ 2,160</b>

\* Term ended January 2018

\*\* Term began January 2018

**TANGIPAOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Compensation, Benefits, and**  
**Other Payments to Agency Head**  
**For the Year Ended September 30, 2019**

**Agency Head: Michael Whittington, CEO**

<b>Purpose</b>	<b>Amount</b>	
Salary	\$	153,071
Benefits - Insurance	\$	6,711
Benefits - Retirement	\$	28,115
Registration Fees	\$	695
<b>Total</b>	\$	188,592

See independent auditor's report.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tangipahoa Parish Hospital Service District No. 2 (d/b/a Hood Memorial Hospital) (the Hospital) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated March 24, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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

This report is intended for the information of the Board of Commissioners, management, 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA  
March 24, 2020

**TANGIPAOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2019**

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**Part I - Summary of Auditor's Results**

Financial Statements

- |  |            |
|--|------------|
| 1. Type of auditors' report issued:  | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified?  | No         |
| c. Noncompliance material to the financial statements noted?                   | No         |
| 3. Management letter comment provided?   | None       |

Federal Awards

Not Applicable.

**Part II - Financial Statements Findings**

None.

**Part III - Federal Award Findings**

Not Applicable.



**TANGIPAOHA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended September 30, 2019**

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

**Finding 2018-001 Payroll Tax Filings**

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

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

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

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

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

**Current Status:** We noted that all payroll tax returns pertaining to the fiscal year ended September 30, 2019 were filed timely.

**Finding 2018-002 Employee Gifts**

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

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

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

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

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

**Current Status:** We noted no issuance of gift cards to employees during the fiscal year ended September 30, 2019.

**TANGIPAOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**For the Year Ended September 30, 2019**

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

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

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

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

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

**Recommendation:** The authorization, recording, and reconciliation of transactions and decisions as well as custody of assets related to those transactions and decisions should be segregated functions. Management should increase oversight in areas where this does not occur. Opportunities to enhance internal controls include:

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

**Current Status:** Management has implemented adequate segregation of duties to safeguard the Hospital's assets. Each of the recommendations listed above were implemented by the Hospital during the fiscal year ended September 30, 2019.

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

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

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

**TANGIPAOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
**Summary Schedule of Prior Audit Findings (Continued)**  
**For the Year Ended September 30, 2019**

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

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

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

**Current Status:** The Hospital has more fully implemented CPSI during the fiscal year ended September 30, 2019, and management has ceased the usage of QuickBooks.

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

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

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

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

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

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

**Current Status:** During the 2018/19 fiscal year, the Hospital established a process whereby the Revenue Cycle Director prepares the contractual allowance calculation, and the Chief Financial Officer reviews the calculation to assess the appropriateness and reasonableness of the inputs and assumptions.

## AGREED-UPON PROCEDURES REPORT

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

Independent Accountant's Report  
On Applying Agreed-Upon Procedures

For the Period October 1, 2018 - September 30, 2019

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

We have performed the procedures enumerated below, which were agreed to by Tangipahoa Parish Hospital Service District No. 2 d/b/a Hood Memorial Hospital (the Hospital) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year October 1, 2018 through September 30, 2019. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

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

Our procedures and associated results are as follows:

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

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

- c) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- d) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- e) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- f) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software patches/updates, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

**Results:**

- a) **Budgeting** - No exceptions.
- b) **Purchasing** - The Hospital's policy does not address the following:
  - 1. Controls to ensure compliance with public bid law.
  - 2. Documentation required to be maintained for all bids and price quotes.
- c) **Contracting** - The Hospital's policy does not address the following:
  - 1. Types of services requiring written contracts.
- d) **Credit cards** - No exceptions.
- e) **Debt Service** - No exceptions.
- f) **Disaster Recovery/Business Continuity** - The Hospital does not have a written policy regarding disaster recovery/business continuity.

***Bank Reconciliations***

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

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

**Results:** No exceptions found. We noted the following:

- a) Bank reconciliations were prepared within two months of the related statement closing date.
- b) Bank reconciliations were reviewed by a member of management or a board member that is independent of the cash function.
- c) None of the Hospital's five bank accounts tested had reconciling items that have been outstanding for more than 12 months from the statement closing date.

### ***Collections***

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

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

- 4. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., five collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee verifies the reconciliation.

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

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

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

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

6. Randomly select two deposit dates for each of the five bank accounts selected for procedure #2 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the ten deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than ten miles from the collection location or the deposit is less than \$100).
  - e) Trace the actual deposit per the bank statement to the general ledger.

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

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

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

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

8. For each location selected under #7 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

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

- 9. For each location selected under #7 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five disbursements for each location, obtain supporting documentation for each transaction, and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #8, as applicable.

**Results:** We noted no exceptions.

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

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

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



## ***Payroll and Personnel***

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

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

12. Randomly select one pay period during the fiscal period. For the five employees/officials selected under #11 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

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

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

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

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

**Results:** Obtained management's representation that the employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines. Viewed support for this claim and found no exceptions.

\*\*\*\*\*

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

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

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

A Professional Accounting Corporation

Metairie, LA  
March 24, 2020