

**MADISON PARISH HOSPITAL  
SERVICE DISTRICT  
A COMPONENT UNIT OF  
MADISON PARISH POLICE JURY**

Audits of Financial Statements

For the Years Ended  
December 31, 2019 and 2018



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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Madison Parish Hospital Service District, (the District), a component unit of Madison Parish Police Jury, State of Louisiana, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison Parish Hospital Service District as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2020 on our consideration of Madison Parish Hospital Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Baton Rouge, LA  
May 21, 2020

## **BASIC FINANCIAL STATEMENTS**

**MADISON PARISH HOSPITAL SERVICE DISTRICT**  
**A Component Unit of Madison Parish Police Jury**  
**Statements of Net Position**  
**December 31, 2019 and 2018**

	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 4,361,551	\$ 4,672,254
Investments	2,024,163	-
Patient Accounts Receivable, Less Allowance for Bad Debts (\$552,594 in 2019 and \$334,559 in 2018)	1,967,827	1,335,509
Grant Payments Receivable	1,801,781	1,716,156
Taxes Receivable	1,426,986	1,291,357
Estimated Third-Party Payor Settlements Receivable	844,332	-
Inventory	253,202	255,169
Prepaid Expenses	257,654	221,900
<b>Total Current Assets</b>	<b>12,937,496</b>	<b>9,492,345</b>
<b>Assets Limited to Use</b>		
Cash - Designated	250,028	4,210,943
<b>Total Restricted Assets</b>	<b>250,028</b>	<b>4,210,943</b>
<b>Capital Assets, Net</b>	<b>2,851,108</b>	<b>3,133,282</b>
<b>Intangible Assets, Net</b>	<b>2,409,957</b>	<b>1,557,900</b>
<b>Total Assets</b>	<b>\$ 18,448,589</b>	<b>\$ 18,394,470</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Current Maturities of Capital Lease Obligations	\$ 146,517	\$ 182,523
Accounts Payable	356,365	467,777
Accrued Expenses and Other Liabilities	951,043	773,452
Estimated Third-Party Payor Settlements Payable	207,149	1,002,772
<b>Total Current Liabilities</b>	<b>1,661,074</b>	<b>2,426,524</b>
<b>Long-Term Liabilities</b>		
Long-Term Capital Lease Obligations, Net of Current Maturities	106,863	241,802
Long-Term Third-Party Settlements Payable	727,055	614,167
<b>Total Long-Term Liabilities</b>	<b>833,918</b>	<b>855,969</b>
<b>Total Liabilities</b>	<b>2,494,992</b>	<b>3,282,493</b>
<b>Net Position</b>		
Net Investment in Capital Assets	2,597,728	2,708,957
Unrestricted	13,355,869	12,403,020
<b>Total Net Position</b>	<b>15,953,597</b>	<b>15,111,977</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 18,448,589</b>	<b>\$ 18,394,470</b>

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

**MADISON PARISH HOSPITAL SERVICE DISTRICT**  
**A Component Unit of Madison Parish Police Jury**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Operating Revenues</b>		
Net Patient Service Revenues	\$ 13,267,286	\$ 12,410,174
Rural Health Grant Payments	2,749,337	3,573,534
Other Revenue	48,431	29,006
<b>Total Operating Revenues</b>	<b>16,065,054</b>	<b>16,012,714</b>
<b>Operating Expenses</b>		
Salaries and Wages	7,587,080	7,345,197
Purchased Services	1,994,968	1,957,560
Employee Benefits	3,756,498	3,036,474
Purchased Goods and Supplies	1,279,067	1,155,054
Legal and Professional Fees	1,435,354	1,269,310
Depreciation and Amortization	583,794	559,009
Repairs and Maintenance and Utilities	373,186	438,854
Other Expenses	153,798	151,755
<b>Total Operating Expenses</b>	<b>17,163,745</b>	<b>15,913,213</b>
<b>Operating (Loss) Income</b>	<b>(1,098,691)</b>	<b>99,501</b>
<b>Non-Operating Income (Expenses)</b>		
Ad Valorem Taxes	1,290,006	1,281,960
Sales Taxes	714,248	621,910
Revenue Sharing	29,039	31,382
Interest Income	44,096	10,368
Per Diem	(3,000)	(2,775)
Loss on Disposal of Capital Assets	(87,393)	-
Interest Expense	(46,685)	(61,762)
<b>Total Non-Operating Income, Net</b>	<b>1,940,311</b>	<b>1,881,083</b>
<b>Change in Net Position</b>	<b>841,620</b>	<b>1,980,584</b>
<b>Net Position, Beginning of Year</b>	<b>15,111,977</b>	<b>13,131,393</b>
<b>Net Position, End of Year</b>	<b>\$ 15,953,597</b>	<b>\$ 15,111,977</b>

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

**MADISON PARISH HOSPITAL SERVICE DISTRICT**  
**A Component Unit of Madison Parish Police Jury**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Cash Receipts from Patients and Third-Party Payors	\$ 11,156,332	\$ 12,560,982
Other Cash Receipts from Operations	2,663,712	3,637,137
Cash Payments to Employees for Salaries and Benefits	(11,334,805)	(10,302,041)
Cash Payments to Vendors for Operating Expenses and Fees	(5,212,754)	(5,131,645)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(2,727,515)</b>	<b>764,433</b>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Ad Valorem Taxes, Sales Taxes, and Revenue Sharing	1,897,664	2,098,355
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>1,897,664</b>	<b>2,098,355</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of Property and Equipment	(321,098)	(253,143)
Acquisition of Intangible Assets	(965,579)	(1,243,729)
Proceeds on Sale of Fixed Assets	55,107	-
Principal Payments on Capital Leases	(183,445)	(164,307)
Interest Payments on Capital Leases	(46,685)	(61,762)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(1,461,700)</b>	<b>(1,722,941)</b>
<b>Cash Flows from Investing Activities</b>		
Interest Received	44,096	10,368
Purchase of Investments	(2,024,163)	-
Decrease (Increase) in Designated Cash	3,960,915	(805,993)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>1,980,848</b>	<b>(795,625)</b>
<b>Net (Decrease) Increase in Cash</b>	<b>(310,703)</b>	<b>344,222</b>
<b>Cash, Beginning of Year</b>	<b>4,672,254</b>	<b>4,328,032</b>
<b>Cash, End of Year</b>	<b>\$ 4,361,551</b>	<b>\$ 4,672,254</b>

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



**MADISON PARISH HOSPITAL SERVICE DISTRICT**  
**A Component Unit of Madison Parish Police Jury**  
**Statements of Cash Flows (Continued)**  
**For the Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>(Used in) Provided by Operating Activities</b>		
Operating (Loss) Income	\$ (1,098,691)	\$ 99,501
Adjustments to Reconcile Operating (Loss) Income to Net Cash (Used in) Provided by Operating Activities		
Depreciation and Amortization Expense	583,794	559,009
(Increase) Decrease in Operating Assets		
Patient Accounts Receivable, Net	(632,318)	(11,895)
Prepaid Expenses	(35,754)	(21,212)
Inventory	1,967	(13,206)
Other Receivables	(85,625)	63,603
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(111,412)	(179,558)
Accrued Expenses and Other Liabilities	177,591	134,494
Estimated Third-Party Payor Settlements Payable	(1,527,067)	133,697
	<u>(1,527,067)</u>	<u>133,697</u>
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>\$ (2,727,515)</b>	<b>\$ 764,433</b>
<b>Supplemental Disclosure of Non-Cash Capital and Related Financing Activities</b>		
New Equipment Capital Leases	\$ 12,500	\$ 145,502

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

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

**Notes to Financial Statements**

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**Note 1. Organization**

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

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

**Nature of Activities**

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

**Note 2. Summary of Significant Accounting Policies**

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

**Basis of Accounting**

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

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

**Notes to Financial Statements**

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

**Basis of Accounting (Continued)**

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

**Enterprise Fund**

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

**Cash and Cash Equivalents**

Cash consists of interest-bearing and non-interest-bearing demand deposits. Cash equivalents, if any, include all highly liquid investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. All amounts in excess of Federal Deposit Insurance Corporation (FDIC) insured amounts are required to be secured by securities invested in the U.S. Government by Louisiana Statute. The District had no cash equivalents for the years ended December 31, 2019 and 2018.

**Patient Accounts Receivable**

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

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

**Inventory**

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

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

**Notes to Financial Statements**

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

**Prepaid Expenses**

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

**Capital Assets**

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

The following estimated useful lives are generally used:

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

**Intangible Assets**

Intangible assets' estimated useful lives are generally 5 years. Further, intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually. There were no impairments recorded in 2019 or 2018.

**Net Patient Service Revenue and Concentration of Credit Risk**

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

*Medicare*

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

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

**Notes to Financial Statements**

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

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

*Medicaid*

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

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

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

The District has recorded a net receivable of \$844,332 at December 31, 2019 and a net payable of \$193,431 at December 31, 2018 to Medicare and Medicaid programs which are included as a component of the estimated third-party settlements payable caption on the statements of net position, along with the balance due in relation to the matters described in Note 8.

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

*Other Agreements*

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

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

**Notes to Financial Statements**

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

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

*Charity Care*

Effective November 1, 2016, the District approved a charity care policy. The policy allows the District to provide services without charge or at amounts less than established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care amounted to \$169,204 and \$210,642 for the years ended December 31, 2019 and 2018, respectively.

The following is a summary of net revenue by payor type for the years ended December 31, 2019 and 2018:

	<b>2019</b>	2018
Commercial	<b>15.09%</b>	13.16%
Medicare	<b>38.61%</b>	42.80%
Medicaid	<b>39.54%</b>	38.23%
Self Pay	<b>6.76%</b>	5.81%
<b>Total</b>	<b>100.00%</b>	100.00%

Payments to one vendor represented 4% of total expenses paid for the year ended December 31, 2019. Accounts payable to this vendor represented 17% of accounts payable at December 31, 2019.

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

**Gifts, Grants, and Bequests**

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

**Rural Hospital Grant**

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

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

**Notes to Financial Statements**

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

**Operating Revenues and Expenses**

The District's statements of revenues, expenses, and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the District's principal activity. Non-exchange revenues, including taxes, grants, and revenue sharing payments received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**Compensated Absences**

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

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

**Accounting Estimates**

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

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

**Notes to Financial Statements**

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

**Ad Valorem Taxes**

The District is permitted by state statute to levy taxes up to 13.11 (12.67 for 2019 and 2018) mills per \$1,000 of assessed valuation. Ad valorem taxes are levied each November 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> for property located within the District. The assessed value for 2019, upon which the levy was based, netted the District \$1,290,006 of tax revenue. The assessed value for 2018 netted the District \$1,281,960 of tax revenue. Taxes become delinquent December 31<sup>st</sup> of each year. Delinquent property tax certificates are sold to the public beginning April 1<sup>st</sup>, at which time a lien attaches to the property. In the election held on November 6, 2018, the tax was renewed for a period of 20 years.

**Risk Management**

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries; natural disasters; and medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. The District is a member of the Louisiana Patient's Compensation Fund for the purpose of malpractice insurance. All participating hospitals share proportionately in the expense of the fund. As a participant, the District has a statutory limitation of liability which provides that no award can be rendered against it in excess of \$500,000 plus interest and costs. The District has insurance coverage for health care claims and professional liability with aggregate coverage of \$2,500,000. The District is self-insured with stop-loss coverage for health insurance purposes as more fully discussed in Note 9.

**Net Position**

Net position of the District is displayed in three components:

*Net Investment in Capital Assets* - Consists of capital assets, net of accumulated depreciation, and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

*Restricted* – When present, consists of non-capital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the authority, including amounts deposited with trustees as required by bond indentures. The District typically uses restricted assets first, but reserves the right to selectively defer.

*Unrestricted* - Consists of the remaining assets that do not meet the definition of net investment in capital assets or restricted.



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

**Notes to Financial Statements**

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

**New Upcoming Accounting Pronouncements**

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The objective of GASB 83 is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 83 to reporting periods beginning after June 15, 2019.

The GASB issued Statement No. 84, *Fiduciary Activities*. The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purpose and how those activities should be reported. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 84 to reporting periods beginning after December 15, 2019.

The GASB issued Statement No. 87, *Leases*. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 87 to reporting periods beginning after June 15, 2021.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt*. This Statement defines debt for purposes of disclosure in notes to the financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 88 to reporting periods beginning after June 15, 2019.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 89 to reporting periods beginning after December 15, 2020.

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

**Notes to Financial Statements**

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**Note 3. Cash**

The District had the following deposits reflected on the accompanying statements of net position for the years ended December 31, 2019 and 2018:

	<b>2019</b>	2018
Cash	<b>\$ 4,361,551</b>	\$ 4,672,254
Cash - Designated	<b>250,028</b>	4,210,943
<b>Total</b>	<b>\$ 4,611,579</b>	\$ 8,883,197

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District does not have a deposit policy for custodial credit risk. As of December 31, 2019, \$6,149,441 of the District's bank deposits, including a certificate of deposit of \$2,024,163, was exposed to custodial credit risk. However, these deposits were secured from risk by the pledge of securities with a market value of \$2,587,287 owned by the fiscal agent bank in the District's name and letters of credit in the amount of \$6,000,000.

**Note 4. Intangible Assets, Net**

Intangible assets consist of software licensing. Costs of \$1,067,109 are being amortized over the lives of the assets on a straight-line basis for the years ended December 31, 2019 and 2018. For the years ended December 31, 2019 and 2018, accumulated amortization totaled \$939,630 and \$826,108, respectively. Intangible assets, net of accumulated amortization, for the years ended December 31, 2019 and 2018 totaled \$127,409 and \$241,001, respectively. Amortization expense for the years ended December 31, 2019 and 2018 was \$113,522 and \$100,432, respectively.

Also included in intangible assets are the total construction soft costs incurred. The balance for the years ended December 31, 2019 and 2018 was \$2,282,478 and \$1,316,899, respectively, and is related to the construction of a new facility adjacent to the existing facility.

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

**Notes to Financial Statements**

**Note 5. Capital Assets, Net**

Capital assets for the years ended December 31, 2019 and 2018 consisted of the following:

	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 269,549	\$ -	\$ -	\$ 269,549
<b>Capital Assets, Being Depreciated</b>				
Buildings and Improvements	6,476,683	311,247	(200,000)	6,587,930
Medical Equipment	3,458,465	19,351	-	3,477,816
<b>Total Capital Assets, Being Depreciated</b>	<b>9,935,148</b>	<b>330,598</b>	<b>(200,000)</b>	<b>10,065,746</b>
<b>Less: Accumulated Depreciation</b>	<b>(7,071,415)</b>	<b>(470,272)</b>	<b>57,500</b>	<b>(7,484,187)</b>
<b>Capital Assets, Being Depreciated, Net</b>	<b>2,863,733</b>	<b>(139,674)</b>	<b>(142,500)</b>	<b>2,581,559</b>
<b>Capital Assets, Net</b>	<b>\$ 3,133,282</b>	<b>\$ (139,674)</b>	<b>\$ (142,500)</b>	<b>\$ 2,851,108</b>

  

	Balance 12/31/17	Additions	Deletions	Balance 12/31/18
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 269,549	\$ -	\$ -	\$ 269,549
<b>Capital Assets, Being Depreciated</b>				
Buildings and Improvements	6,355,563	121,120	-	6,476,683
Medical Equipment	3,291,046	167,419	-	3,458,465
<b>Total Capital Assets, Being Depreciated</b>	<b>9,646,609</b>	<b>288,539</b>	<b>-</b>	<b>9,935,148</b>
<b>Less: Accumulated Depreciation</b>	<b>(6,612,838)</b>	<b>(458,577)</b>	<b>-</b>	<b>(7,071,415)</b>
<b>Capital Assets, Being Depreciated, Net</b>	<b>3,033,771</b>	<b>(170,038)</b>	<b>-</b>	<b>2,863,733</b>
<b>Capital Assets, Net</b>	<b>\$ 3,303,320</b>	<b>\$ (170,038)</b>	<b>\$ -</b>	<b>\$ 3,133,282</b>

Depreciation expense, which includes capital lease assets and does not include amortization of intangibles, incurred for the years ended December 31, 2019 and 2018 was \$470,272 and \$458,577, respectively. Included in the cost of assets above are capital lease assets with a cost of \$752,172 and \$1,031,192, respectively, as well as accumulated depreciation of \$539,557 and \$626,468, respectively, as of December 31, 2019 and 2018.

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

**Notes to Financial Statements**

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**Note 5. Capital Assets, Net (Continued)**

The District has been working with an architectural firm and Louisiana based general contractor in accordance with the Louisiana State CMAR Program guidelines to construct a new facility.

The Hospital Service District and the general contractor have contractually agreed on a guaranteed maximum price of \$24,500,000 to construct the facility. As mentioned in the previous footnote, soft costs amounting to \$2,282,478 have been incurred toward the construction of the new facility as of December 31, 2019. Management anticipates loan closing should transpire in mid-year 2020 so construction may begin.

**Note 6. Leases**

**Capital Leases**

The District had the following capital leases payable for the year ended December 31, 2019:

Lessor	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Due Within One Year
GE Healthcare	\$ 14,240	\$ -	\$ (14,240)	\$ -	\$ -
Siemens	115,765	-	(72,313)	43,452	43,452
Balboa II	7,028	-	(3,894)	3,134	3,134
GE Ultrasound	45,238	-	(18,116)	27,122	18,961
DeLage/AIS Printers	2,465	-	(869)	1,596	935
DeLage/AIS Printers	2,183	-	(699)	1,484	708
First American	78,457	-	(20,521)	57,936	21,557
Stago	22,081	-	(4,770)	17,311	5,239
DeLage/AIS Printers	11,675	-	(5,022)	6,653	5,288
DeLage/AIS Printers/Copiers	11,421	-	(2,256)	9,165	2,408
Regents Capital	103,441	-	(37,998)	65,443	38,944
Great American Financial	5,131	-	(868)	4,263	950
Great American Financial	5,200	-	(957)	4,243	997
R. J. Young	-	6,300	(602)	5,698	2,005
R. J. Young	-	6,200	(320)	5,880	1,939
<b>Total</b>	<b>\$ 424,325</b>	<b>\$ 12,500</b>	<b>\$ (183,445)</b>	<b>\$ 253,380</b>	<b>\$ 146,517</b>

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

**Notes to Financial Statements**

**Note 6. Leases (Continued)**

**Capital Leases (Continued)**

The District had the following capital leases payable for the year ended December 31, 2018:

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

The terms and due dates of the District's capital lease obligations for the years ended December 31, 2019 and 2018 are as follows:

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

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

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

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

**Notes to Financial Statements**

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**Note 6. Leases (Continued)**

**Capital Leases (Continued)**

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

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

An equipment financing arrangement in the original amount of \$3,500, with an interest rate of 1.23% per annum, payable to DeLage/Automated Imaging Systems in sixty (60) monthly installments of \$60, beginning January 5, 2017, through the maturity date of December 5, 2022. The lease is secured by the equipment financed under the agreement.

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

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

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

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

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

**Notes to Financial Statements**

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**Note 6. Leases (Continued)**

**Capital Leases (Continued)**

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

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

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

An equipment financing arrangement in the original amount of \$6,300, with an interest rate of 7.5% per annum, payable to R. J. Young, in thirty-six (36) monthly installments of \$197, beginning September 21, 2019, through the maturity date of August 6, 2022. The lease is secured by the equipment financed under the agreement.

An equipment financing arrangement in the original amount of \$6,200, with an interest rate of 7.19% per annum, payable to R. J. Young, in thirty-six (36) monthly installments of \$192, beginning November 1, 2019, through the maturity date of October 22, 2022. The lease is secured by the equipment financed under the agreement.

The minimum future lease payments under capital leases as of December 31, 2019 are as follows:

<b>Year Ending December 31,</b>	<b>Amount</b>
2020	\$ 154,389
2021	78,405
2022	29,544
2023	3,809
Total Minimum Lease Payments under Capital Leases	266,147
Less: Amount Representing Interest	(12,767)
<b>Present Value of Net Minimum Lease Payments</b>	<b>\$ 253,380</b>

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

**Notes to Financial Statements**

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**Note 6. Leases (Continued)**

**Commitments Under Noncancelable Operating Leases**

The District is committed under various noncancelable operating leases, all of which are for equipment. These leases expire in various years through 2022. Future minimum operating lease payments as of December 31, 2019 are as follows:

Year Ending December 31,	Amount
2020	\$ 140,017
2021	57,612
2022	<u>16,745</u>
<b>Total</b>	<b><u>\$ 214,374</u></b>

Total lease expense under noncancelable operating leases for the years ended December 31, 2019 and 2018 was \$172,975 and \$119,473, respectively.

**Note 7. Settlement Agreement with the Office of Inspector General (OIG)**

On April 19, 2017, the District negotiated an agreement to settle fraud and noncompliance in previous years which was included in the District's January 28, 2016 submission pursuant to the OIG's Self Disclosure Protocol. The settlement with the OIG was in the amount of \$1,800,000 which will be paid in six-month increments, with interest at 2.375%. Future payments as of December 31, 2019 are as follows:

Year Ending December 31,	Principal	Interest	Total
2020	\$ 406,998	\$ 12,244	\$ 419,242
2021	<u>207,149</u>	<u>2,472</u>	<u>209,621</u>
<b>Total</b>	<b><u>\$ 614,147</u></b>	<b><u>\$ 14,716</u></b>	<b><u>\$ 628,863</u></b>



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

**Notes to Financial Statements**

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**Note 8. Contingencies**

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

**Governmental Third-Party Reimbursement Programs**

The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as a result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments, if any, cannot be determined.

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

**Health Care Industry**

The 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, privacy, government health care program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

**Litigation and Other Matters**

Various claims in the ordinary course of business are pending against the District. Claims known in amount and expected to ultimately be paid have been accrued. Other claims, in the opinion of management and counsel, are not material, and insurance is sufficient to cover adverse legal determination in these cases.

**Note 9. Employee Medical Benefit Plan**

The District is self-insured to provide group medical coverage for its employees. A third party administers the group medical coverage for the District. The District funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier covered individual claims in excess of \$55,000 for the plan years ended December 31, 2019 and 2018. There were no significant changes in insurance coverage from the prior year.

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

**Notes to Financial Statements**

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**Note 9. Employee Medical Benefit Plan (Continued)**

The liability for unpaid claims including incurred but not reported amounts, if any, is estimated based on actual claims paid subsequent to year-end and is included in accrued expenses in the accompanying statements of net position. Changes in the District's claims liability during the years ended December 31, 2019 and 2018 are reflected below:

Claims Liability 01/01/19	Claim Payments	Claims and Changes in Estimates	Claims Liability 12/31/19
\$ 199,867	\$ (2,300,164)	\$ 2,447,806	\$ 347,509

  

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

**Note 10. Employee Savings Plan and Trust**

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

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

The Plan has an accounting year of January 1<sup>st</sup> through December 31<sup>st</sup>. The District has agreed to match contributions made by the employees as follows:

- Matching contributions will be made every pay period, in amounts equal to 100% of the first 3% of compensation deferred by the participant, plus 50% of the next 2% of compensation deferred by the participant.
- Total 457(b) contributions, including elective deferrals by participants and matching contributions by the employer, shall not exceed the lesser of 100% of the participant's compensation or the Applicable Dollar Amount, which is \$108,226, plus an extra \$125,565 for participants who have attained age 50 or more during 2018.
- No employer contributions (contribution by the employer that is not a matching contribution) will be made to the Plan for the plan year beginning January 1, 2019 and ending December 31, 2019.

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

**Notes to Financial Statements**

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**Note 10. Employee Savings Plan and Trust (Continued)**

There was a total of 79 participants during the period January 1, 2019 through December 31, 2019. Actual participant contributions for the period ended December 31, 2019 were \$233,791, and the employer matching funds for the same period were \$166,598. Amounts for both the participant contributions and the employer's match are transferred to the separate Trust within the same business day.

**Note 11. Payments to the Fiscal Administrator**

The District made total payments to the Fiscal Administrator in the amount of \$22,565 and \$27,730 during the years ended December 31, 2019 and 2018, respectively, for earned hours worked, travel, lodging, meals, parking, and meeting registrations. During the year ended December 31, 2019, the District exited fiscal administration, and governance was transferred to the Board.

**Note 12. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 21, 2020, and determined that the following subsequent events should be disclosed:

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, 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 District operates.

After year-end the District applied for and received an SBA Loan as a part of the Paycheck Protection Plan amounting to \$1,945,275. The intent of management is to spend the loan proceeds on payroll and other items that would qualify the District to convert these loan proceeds to a grant which would not have to be repaid.

Pursuant to the District's USDA Community Development Loan applied for in September of 2017, the District received a Letter of Conditions after year-end. The District has agreed to comply with the USDA conditions. It is the District's understanding that USDA funds have been allocated and, once all the pending items have been complied with, there will be a loan closing. The USDA will be providing permanent financing for 80% of the total estimated cost of the project, or \$24,442,000; and local banks will be providing 10%, or \$3,055,000; and the District will provide the balance, or at least 10%, as equity.

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

**Notes to Financial Statements**

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**Note 12. Subsequent Events (Continued)**

One of the most significant items in the Letter of Conditions was Louisiana State Bond Commission approval to issue Revenue Bonds and Bond Anticipation Notes. On May 21, 2020, the District was successful in receiving Louisiana State Bond Commission approval for the issuance of \$24,442,000 in Hospital Revenue Bonds in one or more series with interest rates not exceeding 2.375%, and with a term of 35 or less years, and an additional \$3,055,000 issuance not exceeding 8% for a term of 15 or less years. Both issues are for the acquisition and construction of a new hospital, including buildings, improvements, equipment, accessories, and furnishings and funding of reserves.

Also approved were Bond Anticipation Notes not exceeding \$27,497,000 with 7% interest rate fixed or variable not exceeding 2 years for the interim financing for construction of the facilities, equipment, accessories, furnishings and funding of reserves.

After year-end, the District has received funding from various federal and state governmental agencies of approximately \$5,058,144 to assist with expenses and or revenue losses related to the COVID-19 world-wide pandemic.

No further subsequent events occurring after May 21, 2020 have been evaluated for inclusion in these financial statements.

## **SUPPLEMENTARY INFORMATION**

**MADISON PARISH HOSPITAL SERVICE DISTRICT**  
**A Component Unit of Madison Parish Police Jury**  
**Schedule of Compensation, Benefits, and Other Payments**  
**to Agency Head**  
**For the Year Ended December 31, 2019**

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**Agency Head**  
Theodore Topolewski, CEO

<b>Purpose</b>	<b>Amount</b>
Salary	\$308,486
Benefits - Insurance	\$3,119
Benefits - Retirement	\$0
Benefits - Other	\$1,713
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$3,848
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$73

See independent auditor's report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Madison Parish Hospital Service District (the District), a component unit of the Madison Parish Police Jury, State of Louisiana, for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 21, 2020.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Baton Rouge, LA  
May 21, 2020



**MADISON PARISH HOSPITAL SERVICE DISTRICT**  
**A Component Unit of Madison Parish Police Jury**  
**Schedule of Findings and Responses**  
**For the Year Ended December 31, 2019**

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

Financial Statements

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

Federal Awards

Not applicable.

**MADISON PARISH HOSPITAL SERVICE DISTRICT**  
**A Component Unit of Madison Parish Police Jury**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2019**

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None.

## AGREED-UPON PROCEDURES REPORT

Madison Parish Hospital Service District

Independent Accountant's Report  
on Applying Agreed-Upon Procedures

**For the Period of January 1, 2019 - December 31, 2019**

To the Members of the Board of Commissioners,  
Madison Parish Hospital Service District and  
Louisiana Legislative Auditor:

We have performed the procedures enumerated below which were agreed to by Madison Parish Hospital Service District (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 to December 31, 2019. The District's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

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

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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):
  - k) **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 on all systems, (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:** We reviewed the District's disaster recovery/business continuity policies and procedures and noted that each of the required elements was included.

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

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

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

A Professional Accounting Corporation

Baton Rouge, LA  
May 15, 2020