

24

4276
98-100-40

**OFFICIAL
FILE COPY**
DO NOT SEND OUT
Some documents
copies from this
copy and PLACE
back in file

RECEIVED

JUN 24 1998

LEDAULT, RICHARD

**MADISON PARISH HOSPITAL, SERVICE DISTRICT
TALLULAH, LOUISIANA**

Financial Statements, Internal Control, and Compliance

Year Ended December 31, 1997

with

Independent Auditor's Reports

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUN 15 1998

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALHEULA, LOUISIANA
FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE
YEAR ENDED DECEMBER 31, 1997**

TABLE OF CONTENTS

	Page Number
FINANCIAL STATEMENTS:	1
Independent Auditor's Report on Financial Statements	2
Combined Balance Sheet-All Fund Types and Account Groups	3-4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-All Governmental Fund Types	5-6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Non-GAAP Basis)- General Fund	7-8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Non-GAAP Basis)- Capital Project Fund	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Non-GAAP Basis)- Debt Service Fund	10
Notes to the Financial Statements	11-20
INTERNAL CONTROL AND COMPLIANCE:	21
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	23-25

FINANCIAL STATEMENTS



WE SERVE HEALTHCARE AND HUMANITIES FOR 100 YEARS

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Commissioners
Madison Parish Hospital Service District
Tulalaha, Louisiana

We have audited the accompanying general purpose financial statements of Madison Parish Hospital Service District, Tulalaha, Louisiana, a component unit of Madison Parish Public Body as of and for the year ended December 31, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of Madison Parish Hospital Service District, Tulalaha, Louisiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Madison Parish Hospital Service District, Tulalaha, Louisiana as of December 31, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 5, 1998, on our consideration of Madison Parish Hospital Service District, Tulalaha, Louisiana's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, and grants.

May & Company

Vicksburg, Mississippi
May 5, 1998

<u>Account Groups</u>		<u>Total (Memoranda Only)</u>
<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
\$ -	\$ -	\$ 775,868
-	-	493,876
-	-	19,856
-	-	27,872
61,000	-	61,000
3,348,484	-	3,348,484
1,343,523	-	1,343,523
-	711,523	711,523
-	<u>515,865</u>	<u>515,865</u>
<u>\$ 4,651,807</u>	<u>\$ 1,226,588</u>	<u>\$ 3,194,812</u>
\$ -	\$ -	\$ 30,088
-	-	59,219
-	1,175,000	1,175,000
-	51,285	51,285
-	-	<u>19,886</u>
-	<u>1,226,588</u>	<u>1,325,631</u>
4,651,807	-	4,651,807
-	-	711,523
-	-	<u>485,038</u>
<u>4,651,807</u>	-	<u>5,858,346</u>
<u>\$ 4,651,807</u>	<u>\$ 1,226,588</u>	<u>\$ 7,194,812</u>

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 1997

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>(Memorandum Only)</u>
REVENUES:				
Taxes:				
Ad valorem taxes	\$ 143,774	\$ -	\$ 319,254	\$ 463,028
Sales taxes	413,808	-	-	413,808
Intergovernmental revenues:				
Federal funds:				
Appropriation from Madison Parish Police Jury	7,578	-	-	7,578
State funds:				
State revenue sharing	16,442	-	-	16,442
Interest	15,042	3,355	22,202	40,599
Total revenues	<u>395,672</u>	<u>3,355</u>	<u>341,456</u>	<u>941,483</u>
EXPENDITURES:				
Current:				
General government	88,015	-	36,744	124,759
Health and welfare	480,046	-	-	480,046
Capital outlays	133,867	-	-	133,867
Debt service:				
Principal retirement	-	-	270,000	270,000
Interest and fiscal charges	-	-	89,218	89,218
Total expenditures	<u>601,928</u>	<u>-</u>	<u>345,958</u>	<u>947,886</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:				
	<u>(15,256)</u>	<u>3,355</u>	<u>(25,504)</u>	<u>(17,405)</u>

Continued

MAADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES - CONTINUED
YEAR ENDED DECEMBER 31, 1997

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>(Memorandum Only)</u>
OTHER FINANCING SOURCES AND (USES):				
Transfers in	-	15,000	-	15,000
Transfers out	(15,000)	-	-	(15,000)
Total other financing sources and (uses)	(15,000)	15,000	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(20,250)	18,255	(25,500)	(27,495)
FUND BALANCES, January 1, 1997	433,608	62,240	337,032	1,232,940
FUND BALANCES, December 31, 1997	<u>\$ 413,358</u>	<u>\$ 80,495</u>	<u>\$ 311,532</u>	<u>\$ 1,205,385</u>

See accompanying notes to the financial statements.

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE—BUDGET AND ACTUAL (NON-GAAP BASIS)—GENERAL FUND
YEAR ENDED DECEMBER 31, 1997

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Taxes			
Ad valorem taxes	\$ 132,634	\$ 143,494	\$ 10,860
Sales taxes	165,087	415,258	250,171
Intergovernmental revenues:			
Federal funds:			
Appropriation from Madison Parish Police Jury	7,576	7,576	-
State funds:			
State revenue sharing	16,199	16,199	-
Interest	13,306	15,111	1,805
Total revenues	334,792	597,598	262,806
EXPENDITURES:			
Current operating:			
General government	166,508	52,155	114,353
Health and welfare	383,608	480,046	96,438
Capital outlay	29,919	124,284	94,365
Total expenditures	679,115	656,485	22,630
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	(129,322)	21,113	150,435
OTHER FINANCING SOURCES AND (USES):			
Sale of equipment			
Transfers out	-	(15,000)	(15,000)
Total other financing sources and (uses)	-	(15,000)	(15,000)

Continued

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BASIS)-GENERAL FUND
- CONTINUED
YEAR ENDED DECEMBER 31, 1997

	<u>General Fund</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
EXCESS (DEFICIENCY) OF REVENUES AND (OTHER) FINANCING SOURCES OVER (OTHER) EXPENDITURES AND OTHER FINANCING USES	\$ (109,322)	6,195	\$ 115,517
FUND BALANCE, January 1, 1997		<u>457,614</u>	
FUND BALANCE (NON-GAAP), December 31, 1997		463,809	
ADJUSTMENT TO GAAP BASIS			
Change in receivables		6,416	
Change in notes receivable		(11,581)	
Change in deferred revenue		(7,334)	
Change in accounts payable		<u>(13,862)</u>	
FUND BALANCE (GAAP), December 31, 1997		<u>\$ 413,338</u>	

See accompanying notes to the financial statements.

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALULAH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE BUDGET AND ACTUAL (NON-GAAP BASIS)
-CAPITAL PROJECT FUND
YEAR ENDED DECEMBER 31, 1997

	<u>Capital Project Fund</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
REVENUES:			
Interest	\$ 2,800	\$ 3,355	\$ 555
Total revenues	<u>2,800</u>	<u>3,355</u>	<u>555</u>
EXPENDITURES:			
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,800</u>	<u>3,355</u>	<u>555</u>
OTHER FINANCING SOURCES:			
Transfers in	15,000	15,000	-
Total other financing sources	<u>15,000</u>	<u>15,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ 17,800</u>	<u>18,355</u>	<u>\$ 555</u>
FUND BALANCE, January 1, 1997		<u>63,500</u>	
FUND BALANCE, December 31, 1997		<u>\$ 81,855</u>	
ADJUSTMENT TO GAAP BASIS:			
NONE			

See accompanying notes to the financial statements.

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BASIS)
-DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 1997

	<u>Debt Service Fund</u>		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
REVENUES:			
Taxes:			
Ad valorem taxes	\$ 357,000	\$ 379,028	\$ 22,028
Interest	<u>18,000</u>	<u>22,438</u>	<u>4,438</u>
Total revenues	<u>375,000</u>	<u>401,466</u>	<u>26,466</u>
EXPENDITURES:			
Current operating:			
General government	17,727	17,809	(82)
Debt service	<u>350,200</u>	<u>385,218</u>	<u>35,018</u>
Total expenditures	<u>367,927</u>	<u>403,027</u>	<u>(35,100)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 7,073</u>	<u>38,439</u>	<u>\$ 31,366</u>
FUND BALANCE, January 1, 1997		<u>737,023</u>	
FUND BALANCE (NON-GAAP), December 31, 1997		770,469	
ADJUSTMENT TO GAAP BASIS:			
Change in receivable:		(48,081)	
Change in accounts payable		1,067	
Change in deferred revenue		<u>(111,028)</u>	
FUND BALANCE (GAAP), December 31, 1997		<u>\$ 711,527</u>	

See accompanying notes to the financial statements.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1997**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Madison Parish Hospital Service District, Tallulah, Louisiana (the Service District) is a component unit of the Madison Parish Policy Jury. The component unit is an integral part of the reporting entity. The Service District receives sales taxes collected by the School Board and ad valorem taxes collected by the sheriff's department and transmits them over to the hospital for operating expenses. The Service District also services debt incurred by the hospital for major construction through ad valorem tax levies.

The accounting policies of the Madison Parish Hospital Service District, Tallulah, Louisiana conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing Governmental Accounting and Financial Reporting Principles. The following is a summary of the significant policies:

1. Financial Reporting Entity

As the governing authority of the parish for reporting purposes, the Madison Parish Policy Jury is the financial reporting entity for Madison Parish. The financial reporting entity consists of (i) the primary government (policy jury), (ii) organizations for which the primary government is financially accountable, and (iii) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Madison Parish Policy Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

- a. Appointing a voting majority of an organization's governing body, and
 - (1) the ability of the policy jury to impose its will on that organization, and/or
 - (2) the potential for the organization to provide specific financial benefits to or impose special financial burdens on the policy jury.

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1997

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1. Financial Reporting Entity - Continued

- b. Organizations for which the policy jury does not appoint a voting majority, but are fiscally dependent on the policy jury.
- c. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the policy jury appoints the voting majority of the Service District and has the ability to impose its will on the Service District, the Service District was determined to be a component unit of the Madison Parish Policy Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Service District and do not present information on the policy jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

2. Fund Accounting

The accounts of the Service District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. The Service District's revenues are accounted for in these individual funds based upon the purposes for which they are to be spent and the means by which operating activities are controlled. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable, available financial resources. They are concerned only with the measurement of financial position, not with the measurement of results of operations. The funds presented in the financial statements are described as follows:

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALIHOUHA, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1997

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Fund Accounting - Continued

Governmental Funds

General Fund: The General Fund is the general operating fund of the Service District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund: The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

3. Cash

Cash includes amounts in interest-bearing demand deposits. Under state law, the Service District may deposit funds in demand deposits, interest-bearing deposits, money market accounts, or time deposits with state banks organized under Louisiana law or of any state of the United States, or under the laws of the United States.

4. Fixed Assets and Long-Term Debt

Fixed assets used in governmental fund type operations (general fund assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. Public domain or infrastructure are not capitalized as these assets are inalienable and of value only to the Service District. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

HAIRSON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1997

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Fixed Assets and Long-Term Debt - Continued

The two account groups are not "funds." They are concerned only with the measurement of financial position, not with measurement of results of operations.

3. Basis of Accounting

The financial and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. Operating statements for these funds present increases and decreases in net current assets.

The Service District's records are maintained on a cash basis of accounting. However, the governmental funds reported in the accompanying financial statements have been converted to a modified accrual basis of accounting utilizing the following practices:

Revenues are recognized in the accounting period when susceptible to accrual (i.e., when they become both available and measurable). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Ad valorem taxes, which are measurable as the levies are made, are reflected as deferred revenues until they become available. Taxpayer-assessed sales taxes are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Interest earnings are recorded when the time deposits have matured and the income is available. This revenue is immaterial in relation to total revenue.

Expenditures are generally recognized under the modified accrual basis of accounting in the accounting period in which the fund liability is incurred, if measurable, except for principal and interest on general long-term debt which is recognized when due.

MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1997

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Budgetary Practices

The Service District utilizes the following budgetary practices:

- a) The Service District budgets its general, capital projects, and debt service funds.
- b) Budgets are prepared on the cash basis of accounting.
- c) Expenditures can legally exceed appropriations. Formal budgetary integration is employed as a management control device during the year.
- d) Prior to adoption of the annual budgets, public hearings are advertised and held. In a public hearing, the projected budget is adopted and then published. The Service District then votes to adopt the finalized budget.
- e) Amendments to the annual budgets were voted on and adopted by the Service District in regularly scheduled meetings.
- f) Budget appropriations lapse at year end.

The Service District does not utilize encumbrance accounting.

7. Bad Debt

Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of any allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

8. Fund Equity

Reserve Accounts represent those portions of fund equity not appropriable for expenditure or legally segregated for a special future use.

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALIHOUHA, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1997**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Total Columns on Combined Statements Overview

Total columns of the statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B. RECEIVABLES

The receivables of the Service District are as follows:

	<u>General Fund</u>	<u>State Service Fund</u>	<u>Total</u>
Taxes:			
Ad valorem	\$ 140,285	\$ 287,193	\$ 447,478
Sales	28,519	-	28,519
Other governments	16,501	-	16,501
Interest	<u>102</u>	<u>222</u>	<u>324</u>
	<u>\$ 185,407</u>	<u>\$ 287,415</u>	<u>\$ 472,822</u>

NOTE C. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	<u>Balance at January 1, 1997</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 1997</u>
Land	\$ 61,080	\$ -	\$ -	\$ 61,080
Buildings and improvements	1,247,378	195,706	-	1,443,084
Furniture and equipment	<u>1,214,662</u>	<u>27,661</u>	<u>-</u>	<u>1,242,323</u>
	<u>\$ 4,317,940</u>	<u>\$ 133,867</u>	<u>\$ -</u>	<u>\$ 4,451,807</u>

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1997**

NOTE D. CHANGES IN GENERAL LONG-TERM DEBT

The detail of long-term debt transactions for the year ended December 31, 1997, is as follows:

Description of Debt	Balance at January 1, 1997	Additions	Retirements	Balance at December 31, 1997
General obligation refunding bonds, Series 1990 Interest rate: 5.8 - 6.7% Due: 3/91/91	\$ 1,445,800	\$ -	\$ 270,000	\$ 1,175,800
Capital lease Interest rate: 6.85% Due: 11/98	90,656	-	43,994	46,662
Capital lease Interest rate: 5.87% Due: 3/99	12,113	-	5,182	6,930
	<u>\$ 1,548,569</u>	<u>\$ -</u>	<u>\$ 321,181</u>	<u>\$ 1,227,388</u>

The bond issues were made to fund an addition and major renovations to the hospital. As discussed in Note E, a parish-wide ad valorem tax has been levied to repay the bonds.

The bonds are due in total, by years, as follows:

	Principal	Interest	Total
1998	\$ 285,000	\$ 63,695	\$ 348,695
1999	300,000	43,993	343,993
2000	325,000	26,770	351,770
2001	265,000	8,548	273,548
2002	-----	-----	-----
	<u>\$ 1,175,000</u>	<u>\$ 144,806</u>	<u>\$ 1,319,806</u>

Continued

MADISON PARISH HOSPITAL SERVICE DISTRICT
TARLETON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1997

NOTE E. AD VALOREM TAXES

Parish-wide ad valorem taxes were levied for 1997 as follows:

Hospital bond (debt service)	9.0 mills
Hospital maintenance	4.11 mills

Ad valorem taxes are budgeted in the year following assessments. Ad valorem taxes, which attach as an enforceable lien on property as of January 1st, are levied in September or October, become due on November 15th of each year, and become delinquent on January 1st of the following year. The taxes are generally collected in December of the current year and January and February of the following year.

NOTE F. COMPENSATION PAID TO BOARD COMMISSIONERS

The compensation paid to the board commissioners consists of the following:

Commissioner	Number of Meetings Attended	Annual Compensation
L. H. Harris	11	\$ 440
X. C. Wyrba	-	-
T. W. Bishop	12	480
B. Newman	12	480
J. W. Jackson	12	480
		<u>\$ 1,880</u>

NOTE G. LEASES

Operating Leases

The Service District is the lessor of the hospital building and all hospital furnishings, fixtures, equipment, appliances, and supplies located within the building to the Madison Hospital Association, Inc. (the Association). This is an operating lease which expired February 28, 1997. Such leased property is to be used by lessee for the purposes of operating and maintaining a hospital and infirmary. No fee is charged on this lease. Effective January 1998, the Association subleased the premises and property to the Service District until such time the Service District obtains its own health care provider number. After January 1998, the Service District is responsible for the management and control of the hospital.

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1997**

NOTE G. LEASES - CONTINUED

During 1993, the Service District entered into a lease with the Association for utilization of an office building the Service District owns. This operating lease is for a term of five years, terminating in July 1998. The building will be occupied by a medical doctor. The services, which will include emergency medical care and other services to the hospital rendered by the medical doctor, shall be in lieu of rent payment.

The Service District leases an apartment, which houses ambulance attendants, under a noncancelable operating lease expiring in 1998. This lease provides two renewal options of two year extensions. The District expensed \$3,600 in 1997 under this lease.

Capital Leases

The Service District is obligated under capital leases for two x-ray machines. The leased assets and related obligations are accounted for in the general fixed assets account group and the general long term debt account group, respectively. Assets under the capital lease totaled \$242,363 at December 31, 1997. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of December 31, 1997:

	General Long Term Debt Account Group
Year ending December 31:	
1998	\$ 51,780
1999	1,440
Minimum lease payments	\$3,220
Less: amount representing interest	1,652
Present value of future minimum lease payments	<u>\$ 30,588</u>

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLEHACHEE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1997**

NOTE H. CASH

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must, at all times, equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1997, the Service District has \$766,634 in deposits (and related bank balances). These deposits are secured from risk by \$180,000 of federal deposit insurance and \$915,892 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

NOTE I. CONTINGENCIES

During 1997, the Service District was named as a party to a lawsuit. The Service District, after consultation with legal counsel, does not believe that the ultimate disposition of the above legal proceedings will have a material adverse effect on the financial position of the Service District.

INTERNAL CONTROL AND COMPLIANCE



We Have Certified Our Accountants to the Institute

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

Board of Commissioners
Madison Parish Hospital Service District
Tulahoma, Louisiana

We have audited the general purpose financial statements of Madison Parish Hospital Service District, Tulahoma, Louisiana as of and for the year ended December 31, 1997, and have issued our report thereon dated May 5, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Madison Parish Hospital Service District, Tulahoma, Louisiana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing and 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described below.

FROM THE COMMITTEE

Asset management items

Finding:

The Service District was not able to complete a physical inventory of general fixed assets as required by state law.

Head of Commissioners
Madison Parish Hospital Service District
Tulahoma, Louisiana

Page: Two

Asset management laws - continued

Corrective Action Plan:

Due to the limited staff, the Service District is still not able to complete the physical inventory. A concentrated effort continues on their part to determine the most cost effective method to perform the physical count. At the beginning of 1998, the Service District took over the management of the hospital and just recently hired a new hospital administrator. The hospital administrator is in the process of determining the best method in completing this inventory.

Budgetary laws

Findings:

In the prior year, the general fund expenditures exceeded budgetary amounts by five items.

Corrective Action Plan:

It was the Service District's opinion that total expenditures were within the 5% deviation as noted in the law.

CURRENT YEAR COMMENTS

Asset management laws

Findings:

The Service District was not able to complete a physical inventory of general fixed assets as required by state law.

Corrective Action Plan:

Due to the limited staff, the Service District is still not able to complete the physical inventory. A concentrated effort continues on their part to determine the most cost effective method to perform the physical count. At the beginning of 1998, the Service District took over the management of the hospital and just recently hired a new hospital administrator. The hospital administrator is in the process of determining the best method in completing this inventory.

Board of Commissioners
Madison Parish Hospital Service District
Tulahoma, Louisiana

Page Three

Public Bid Item

Finding:

The bid tabulation for a phone system did not document the three phone quotes received. Therefore, the auditor was unable to determine if the lowest and best bid was received for the expenditure greater than \$5,000, but less than \$10,000.

Corrective Action Plan:

It is the Service District's opinion that the phone quotes were received and the best bid was accepted. It appears that the lack of documentation is an isolated instance.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Madison Parish Hospital Service District, Tulahoma, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Madison Parish Hospital Service District, Tulahoma, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described below.

FRAM FEAR AND CURRENT DEAR FININGS

Segregation of duties

Finding:

Presently all accounting functions are performed by the office bookkeeper which limits segregation of duties.

Board of Commissioners
Madison Parish Hospital Service District
Tulhatch, Louisiana

Page Four

Corrective Action Plan:

Due to the size of the Service District, it is not cost effective to hire additional personnel. The Board of Commissioners is aware of the situation and will continue to monitor the transactions of the Service District.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

No management letter was issued.

This report is intended for the information of the management of the Madison Parish Hospital Service District, Tulhatch, Louisiana and the Louisiana Legislative Auditor's office. However, this report is a matter of public record and its distribution is not limited.

4 May - Compagny

Vicksburg, Mississippi
May 5, 1998