

4276

RECEIVED
LEGISLATIVE AUDITOR
04 JUN 21 AM 11:16

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

Financial Statements, Schedules, and Internal Control and Compliance

Year Ended December 31, 2003

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 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 8/4/04

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
FINANCIAL STATEMENTS, SCHEDULES, AND INTERNAL CONTROL AND
COMPLIANCE
YEAR ENDED DECEMBER 31, 2003**

TABLE OF CONTENTS

	<u>Page Number</u>
FINANCIAL STATEMENTS:	1
Independent Auditor's Report on Financial Statements	2
Combined Balance Sheet-All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-All Governmental Fund Types	4-5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Non-GAAP Basis)- General Fund	6-7
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Non-GAAP Basis)- Capital Project Fund	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Non-GAAP Basis)- Debt Service Fund	9
Combined Statement of Revenues, Expenses and Changes in Retained Earnings -All Proprietary Fund Types	10
Combined Statement of Cash Flows- All Proprietary Fund Types	11
Notes to the Financial Statements	12-26
SCHEDULES:	27
Summary Schedule of Prior Audit Findings	28
INTERNAL CONTROL AND COMPLIANCE:	29
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31
Summary Schedule of Findings and Questioned Costs	32-33

FINANCIAL STATEMENTS



May & Company

A Limited Liability Partnership

WE BRING EXCELLENCE AND INNOVATION TO THE EQUATION

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Commissioners
Madison Parish Hospital Service District
Tallulah, Louisiana

We have audited the accompanying general purpose financial statements of Madison Parish Hospital Service District, Tallulah, Louisiana, a component unit of Madison Parish Police Jury as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of Madison Parish Hospital Service District, Tallulah, 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 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 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, Tallulah, Louisiana as of December 31, 2003, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2004, on our consideration of Madison Parish Hospital Service District, Tallulah, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

May & Company

Vicksburg, Mississippi
May 12, 2004

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

110 MONUMENT PLACE • POST OFFICE BOX 821568 • VICKSBURG, MISSISSIPPI 39182-1568 • TELEPHONE (601) 636-4782 • FAX (601) 636-9478

email: info@maycpa.com • website: www.maycpa.com

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2003**

	Governmental Fund Types			Proprietary Fund		Account Groups			Total (Memorandum Only)
	General	Capital Project	Debt Service	Enterprise Fund	General Fixed Assets	General Long-term Debt			
ASSETS									
Cash	\$ 640,594	\$ 4,393	\$ 3,949	\$ 306,093	\$ -	\$ -	\$ -	\$ 955,029	
Receivables	563,703	-	-	1,062,830	-	-	-	1,626,533	
Due from health intermediary	-	-	-	138,372	-	-	-	138,372	
Inventory	-	-	-	190,467	-	-	-	190,467	
Prepaid insurance	7,362	-	-	53,855	-	-	-	61,217	
Land	-	-	-	-	61,000	-	-	61,000	
Buildings and improvements	-	-	-	132,277	3,441,770	-	-	3,574,047	
Furniture and equipment	-	-	-	980,304	1,242,323	-	-	2,222,627	
Reserve for depreciation	-	-	-	(684,747)	-	-	-	(684,747)	
TOTAL ASSETS	\$ 1,211,659	\$ 4,393	\$ 3,949	\$ 2,179,451	\$ 4,745,093	\$ -	\$ -	\$ 8,144,545	
LIABILITIES AND FUND EQUITY									
LIABILITIES:									
Accounts payable	\$ 33,259	\$ -	\$ -	\$ 535,354	\$ -	\$ -	\$ -	\$ 568,613	
Accrued expenses	-	-	-	201,169	-	-	-	201,169	
Deferred revenue	37,074	-	-	625,517	-	-	-	662,591	
Notes payable	-	-	-	72,682	-	-	-	72,682	
Total liabilities	70,333	-	-	1,434,722	-	-	-	1,505,055	
FUND EQUITY:									
Retained earnings	-	-	-	744,729	-	-	-	744,729	
Investment in general fixed assets	-	-	-	-	4,745,093	-	-	4,745,093	
Fund balances:									
Reserved for debt service	-	-	3,949	-	-	-	-	3,949	
Unreserved and undesignated	1,141,326	4,393	-	-	-	-	-	1,145,719	
Total fund equity	1,141,326	4,393	3,949	744,729	4,745,093	-	-	6,639,490	
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,211,659	\$ 4,393	\$ 3,949	\$ 2,179,451	\$ 4,745,093	\$ -	\$ -	\$ 8,144,545	

**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, 2003**

	Governmental Fund Types			Total
	General	Capital Project	Debt Service	(Memorandum Only)
REVENUES:				
Taxes:				
Ad valorem taxes	\$ 580,954	\$ -	\$ 213	\$ 581,167
Sales taxes	479,092	-	-	479,092
Intergovernmental revenues:				
Federal funds:				
Appropriation from Madison Parish Police Jury	25,357	-	-	25,357
State funds:				
State revenue sharing	16,276	-	-	16,276
Interest	11,796	56	50	11,902
Miscellaneous	4,800	-	-	4,800
Total revenues	1,118,275	56	263	1,118,594
EXPENDITURES:				
Current:				
General government	89,322	-	-	89,322
Health and welfare	-	-	-	-
Total expenditures	89,322	-	-	89,322
EXCESS OF REVENUES OVER EXPENDITURES				
	1,028,953	56	263	1,029,272
OTHER FINANCING USES:				
Transfers out	(1,175,000)	-	-	(1,175,000)
Total other financing uses	(1,175,000)	-	-	(1,175,000)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	(146,047)	56	263	(145,728)

Continued

**MADISON 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, 2003**

	Governmental Fund Types			Total
	General	Capital Project	Debt Service	(Memorandum Only)
FUND BALANCES, January 1, 2003	1,287,373	4,337	3,686	1,295,396
FUND BALANCES, December 31, 2003	\$ 1,141,326	\$ 4,393	\$ 3,949	\$ 1,149,668

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, 2003**

	<u>General Fund</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES:			
Taxes:			
Ad valorem taxes	\$ 520,840	\$ 599,198	\$ 78,358
Sales taxes	460,000	475,859	15,859
Intergovernmental revenues:			
Federal funds:			
Appropriation from Madison Parish Police Jury	25,357	25,357	-
State funds:			
State revenue sharing	16,415	21,748	5,333
Interest	11,700	12,044	344
Miscellaneous	4,800	4,800	-
Total revenues	<u>1,039,112</u>	<u>1,139,006</u>	<u>99,894</u>
EXPENDITURES:			
Current:			
General government	170,882	77,522	93,360
Health and welfare	-	-	-
Capital outlay	270,000	-	270,000
Total expenditures	<u>440,882</u>	<u>77,522</u>	<u>363,360</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>598,230</u>	<u>1,061,484</u>	<u>463,254</u>
OTHER FINANCING USES:			
Transfers out	1,175,000	1,175,000	-
Total other financing uses	<u>1,175,000</u>	<u>1,175,000</u>	<u>-</u>

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, 2003**

	General Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (576,770)</u>	(113,516)	<u>\$ 463,254</u>
FUND BALANCE, January 1, 2003		<u>1,287,373</u>	
FUND BALANCE (NON-GAAP), December 31, 2003		1,173,857	
ADJUSTMENTS TO GAAP BASIS:			
Change in receivables		(26,739)	
Change in prepaid items		1,139	
Change in deferred revenue		6,008	
Change in accounts payable		(12,939)	
FUND BALANCE (GAAP), December 31, 2003		<u>\$ 1,141,326</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)-
CAPITAL PROJECT FUND
YEAR ENDED DECEMBER 31, 2003**

	<u>Capital Project Fund</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES:			
Interest	<u>\$ 56</u>	<u>\$ 56</u>	<u>\$ -</u>
Total revenues	<u>56</u>	<u>56</u>	<u>-</u>
EXPENDITURES:			
Capital outlay	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total expenditures	<u>2,000</u>	<u>-</u>	<u>2,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (1,944)</u>	56	<u>\$ 2,000</u>
FUND BALANCE, January 1, 2003		<u>4,337</u>	
FUND BALANCE (GAAP), December 31, 2003		<u>\$ 4,393</u>	
ADJUSTMENTS 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, 2003**

	Debt Service Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES:			
Taxes:			
Ad valorem taxes	\$ 213	\$ 213	\$ -
Interest	49	50	1
	262	263	1
EXPENDITURES:			
Debt service	-	-	-
	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	262	263	1
OTHER FINANCING USES:			
Transfers out	-	-	-
	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 262</u>	263	<u>\$ 1</u>
FUND BALANCE, January 1, 2003		3,686	
FUND BALANCE (GAAP), December 31, 2003		<u>\$ 3,949</u>	
ADJUSTMENTS TO GAAP BASIS:			
NONE			

See accompanying notes to the financial statements.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS-ALL PROPRIETARY FUND TYPES
YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund</u>	<u>Enterprise Fund</u>
OPERATING REVENUES:		
Patient services	\$ 10,311,899	
Contractual adjustments	(3,756,210)	
Total patient services, net	<u>6,555,689</u>	
Miscellaneous income	37,440	
Total operating revenues	<u>6,593,129</u>	
OPERATING EXPENSES:		
Salaries and employee benefits	4,120,473	
Bad debts	642,747	
Professional and contractual fees	1,341,858	
Supplies and other expenses	1,542,919	
Depreciation	153,777	
Total operating expenses	<u>7,801,774</u>	
Net operating loss	<u>(1,208,645)</u>	
NON-OPERATING REVENUES (EXPENSES):		
Interest income	3,514	
Interest expense	(4,535)	
Loss on disposal of equipment	(2,891)	
Total non-operating revenue (expenses)	<u>(3,912)</u>	
Loss before operating transfers	(1,212,557)	
OPERATING TRANSFERS IN	<u>1,175,000</u>	
Net loss	(37,557)	
RETAINED EARNINGS		
January 1, 2003	<u>782,286</u>	
RETAINED EARNINGS		
December 31, 2003	<u>\$ 744,729</u>	

See accompanying notes to the financial statements.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund
	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net operating loss	\$ (1,208,645)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Depreciation	153,777
Changes in assets and liabilities:	
Increase in receivables	(110,695)
Decrease in due from health intermediary	(38,098)
Increase in inventory	(3,373)
Increase in prepaid insurance	(28,363)
Decrease in accounts payable	(112,661)
Increase in accrued expenses	8,812
Increase in deferred revenue	43,814
Net cash used in operating activities	(1,295,432)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating transfers	1,175,000
Net cash provided by noncapital financing activities	1,175,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of furniture and equipment	(98,788)
Debt repayment	(28,900)
Interest paid	(4,535)
Net cash used in capital and related financing activities	(132,223)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	3,514
Net cash provided by investing activities	3,514
Net decrease in cash	(249,141)
CASH, beginning of year	555,234
CASH, end of year	\$ 306,093

See accompanying notes to the financial statements.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Madison Parish Hospital Service District, Tallulah, Louisiana (the Service District) was created by the Police Jury of Madison Parish, Louisiana of which it is a component unit. It was created under the provisions of Subsection d-2 of Section 14 Article XIV. The Service District provides hospital facilities for the public primarily located in Madison Parish, Louisiana.

The accounting and reporting policies of the Madison Parish Hospital Service District, Tallulah, Louisiana conforms 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. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Service District has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinion, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. 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 Police Jury is the financial reporting entity for Madison Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) 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 Police 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 police jury to impose its will on that organization, and/or
 - (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

1. Financial Reporting Entity - Continued

- b. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police 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 police 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 Police 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 police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

2. Basis of Presentation

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. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. The Service District's revenues are accounted for in these individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds presented in the financial statements are described as follows:

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.

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

2. Basis of Presentation - Continued

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of financial resources for the payment of general long-term principal, interest, and related costs. The fund balance of Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

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 (other than those financed by proprietary funds).

Proprietary Fund

Enterprise Fund: The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the enterprise fund is that costs of providing the goods or services to the general public on a continuing basis will be financed or recovered through user charges.

Account Groups

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

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

2. Basis of Presentation – Continued

General Fixed Assets Account Group: This account group is established to account for all fixed assets of the Service District, other than those assets accounted for in the Proprietary Fund. Capital outlays in funds other than Proprietary Funds are recorded as expenditures of those funds at the time of purchase and are subsequently recorded for control purposes in the General Fixed Assets Account Group.

General Long Term Debt Account Group: This account group is established to account for all of the Service District's long-term debt that will be financed from general governmental resources. Long-term liabilities of Proprietary funds are accounted for in those funds.

3. Measurement Focus/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. 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.

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

3. Measurement Focus/Basis of Accounting – Continued

Ad valorem taxes, which are measurable as the levies are made, are reflected as deferred revenue 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. All other Governmental Fund Type revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include: (1) accumulated unpaid vacation which are recorded when payable from current available financial resources; and (2) principal and interest on general long term debt which is recognized when due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year.

The propriety fund is accounted for on an economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The propriety fund uses the accrual basis of accounting. Revenues are recorded when they are earned, and their expenses are recorded at the time liabilities are incurred.

Other financing sources (uses) represent transfers between funds that are not expected to be repaid.

4. 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.

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

4. Budgetary Practices - Continued

- 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 are voted on and adopted by the Service District in regularly scheduled meetings. The amended budgets are reflected in the budget comparison statements.
- f) Budget appropriations lapse at year-end.

The Service District does not utilize encumbrance accounting.

5. Cash

Cash includes amounts in demand deposits, interest bearing demand deposits and time deposits. Cash equivalents include amounts in time deposits with original maturities of 90 days or less. These deposits are stated at cost, which approximates market. 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.

6. Receivables

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third party agreements. Receivables are stated at the full value of charges incurred by the patient. An allowance has been provided for the estimated uncollectible accounts and for third-party contractual adjustments at year-end. Receivables are written off as the accounts are determined to be uncollectible. The Hospital does not charge interest on past due accounts.

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

6. Receivables – Continued

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 uncollectability of the particular receivable.

7. Inventory

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

8. Prepaid Items

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

9. Property, Plant and Equipment

General Fixed Assets Account Groups

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

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

9. Property, Plant and Equipment - Continued

Proprietary Fund Types

Fixed assets of the Service District are record at cost and included on the balance sheet of the fund. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Fixed assets reported on the balance sheet are net of accumulated depreciation. 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. Interest has not been capitalized during the construction period on property, plant and equipment in the proprietary fund.

10. Patient Services

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangement includes prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. 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 are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations, and as final settlements are determined.

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

10. Patient Services - Continued

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual costs reports by the Hospital and audits thereof by the Medicare/Medicaid fiscal intermediary. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future.

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

In 2003, approximately 73% of the Hospital's patient revenues were generated by services furnished to Medicare and Medicaid program beneficiaries.

11. Compensated Absences

Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability as the benefits accrue to employees for services already rendered and is probable that the Hospital will compensate the employees for the benefits through paid time off or some other means, such as cash payments upon termination or retirement. No liability is recorded for non-vesting accumulated rights to receive sick pay benefits.

12. Fund Equity

Reserves: Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2003**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

13. Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

14. 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 and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. The hospital is self-insured for employee health benefits as discussed in Note I.

The Hospital 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.

15. 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.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2003**

NOTE B. RECEIVABLES

The receivables of the Service District are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Taxes:			
Ad valorem	\$ 517,223	\$ -	\$ 517,223
Sales	\$ 35,642	\$ -	\$ 35,642
Other governments	\$ 10,666	\$ -	\$ 10,666
Patient receivables	\$ -	\$ 5,119,122	\$ 5,119,122
Allowance and contractals	\$ -	\$ (4,086,239)	\$ (4,086,239)
Other	\$ -	\$ 29,947	\$ 29,947
Interest	\$ 172	\$ -	\$ 172

NOTE C. CHANGES IN GENERAL FIXED ASSETS

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

	<u>January 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2003</u>
Land	\$ 61,000	\$ -	\$ -	\$ 61,000
Buildings and improvements	3,441,770	-	-	3,441,770
Furniture and equipment	<u>1,242,323</u>	<u>-</u>	<u>-</u>	<u>1,242,323</u>
	<u>\$ 4,745,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,745,093</u>

NOTE D. AD VALOREM TAXES

Parish-wide ad valorem taxes were levied for 2003 as follows:

Hospital maintenance 13.11 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.

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2003**

NOTE E. COMPENSATION PAID TO BOARD COMMISSIONERS

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

<u>Commissioner</u>	<u>Number of Meetings Attended</u>	<u>Annual Compensation</u>
Myrtle Wyche	12	\$ 480
I. W. Jackson	12	480
Johnny Wilkins	11	440
Reuben Hayden	4	160
Charles E. Weeks	5	200
Haywood Fair	11	440
		<u>\$ 2,200</u>

NOTE F. LEASES

Operating Lease

During 1999, the Service District entered into a lease with a medical doctor for utilization of an office building the Service District owns. This operating lease is for a term of five years, terminating in July 2004. 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.

NOTE G. LONG-TERM DEBT – ENTERPRISE FUND

Long-term debt consists of the following:

Note with a company, bearing 5.3% interest, collateralized by equipment, payable in monthly installments of \$2,786, final payment in 2006.	<u>\$ 72,682</u>
Total long-term debt	72,682
Less current maturities	<u>30,399</u>
Net long-term debt	<u>\$ 42,283</u>

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2003**

NOTE G. LONG-TERM DEBT – ENTERPRISE FUND – CONTINUED

As of December 31, 2003, annual maturities of long-term debt for the next years as follow:

2004	\$ 30,399
2005	\$ 32,060
2006	\$ 10,223
2007	\$ -
2008	\$ -

NOTE H. CASH

Under state law, cash 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, 2003, the Service District has \$986,292 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$3,804,475 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent bank has failed to pay deposited funds upon demand.

NOTE I. CONTINGENCIES

Litigation

The Service District is a party to a lawsuit regarding a pharmacy contract dispute. This suit is for an amount in excess of \$1,000,000 and at this time legal counsel cannot predict the outcome. Consequently, no liability for an unfavorable outcome in this lawsuit has been recorded.

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2003**

NOTE I. CONTINGENCIES - CONTINUED

Other

The hospital is self-insured for employee medical benefits. Under this arrangement, the employees contribute a portion of the cost with the hospital paying the difference to a third party administrator. A portion of the monthly contribution is used to purchase a reinsurance contract that covers individual claims exceeding \$15,000. The accrued liability for incurred, but not reported health insurance benefit claims at December 31, 2003 was not determinable. Total insurance expense under this arrangement was \$547,088.

NOTE J. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Financial information by enterprise fund as of and for the year ended December 31, 2003 follows:

Property, plant and equipment:	
Additions	\$ 98,788
Dispositions	\$ 134,399
Net working capital	\$ 181,948

NOTE K. COMPENSATED ABSENCES

At December 31, 2003, employees of the Service District have accumulated and vested \$56,029 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

NOTE L. NEW PRONOUNCEMENTS

GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments makes dramatic changes to the way state and local governments report their finances to the public. Under the new reporting model, the general purpose financial statements and required supplementary information will include the following:

- Management’s discussion and analysis
- Government wide financial statements
- Fund financial statements
- Notes to the financial statements

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2003**

NOTE L. NEW PRONOUNCEMENTS – CONTINUED

- Required supplementary information including budgetary comparison schedules, infrastructure condition data, and other data required by previous pronouncements, if applicable.

GASB No. 34 becomes effective in phases based on an organization's total revenues for years ended after June 15, 1999. Component units of a primary government (Madison Parish Police Jury) will be required to implement the new reporting requirements in the same year as the primary government regardless of revenues. The Service District will implement this statement for year ending December 31, 2004 unless adopted earlier by Police Jury.

SCHEDULES

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

<u>Ref No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
Section I - Internal Control and Compliance Material to the Financial Statements:				
02-1	Since Inception	Lack of segregation of duties	No	See 03-1
02-2	2001	Contractual adjustments	No	See 03-2
Section II - Internal Control and Compliance Material to Federal Awards:				
None				
Section III - Management Letter:				
	2002	Coding of Payroll Withholdings	Yes	Payroll program updated for correct coding
	2002	Reconcile General Ledger with Subsidiary Ledgers	No	Reconcile ledgers monthly
	2000	Unused Vacation Hours	No	Seeking legal opinion from District Attorney

INTERNAL CONTROL AND COMPLIANCE



May & Company

A Limited Liability Partnership

WE BRING EXCELLENCE AND INNOVATION TO THE EQUATION

**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
Tallulah, Louisiana

We have audited the general purpose financial statements of Madison Parish Hospital Service District, Tallulah, Louisiana, a component unit of Madison Parish Police Jury, as of and for the year ended December 31, 2003, and have issued our report thereon dated May 12, 2004. We conducted our audit 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.

Compliance

As part of obtaining reasonable assurance about whether Madison Parish Hospital Service District, Tallulah, 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 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 that are required to be reported under *Government Auditing Standards*. However we noted certain immaterial instances of noncompliance, which we reported to management of the Service District in a separate letter dated May 12, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Madison Parish Hospital Service District, Tallulah, 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

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

110 MONUMENT PLACE • POST OFFICE BOX 821568 • VICKSBURG, MISSISSIPPI 39182-1568 • TELEPHONE (601) 636-4762 • FAX (601) 636-9476

email: infoline@maycpa.com • website: www.maycpa.com

Board of Commissioners
Madison Parish Hospital Service District

Page Two

reporting that, in our judgment, could adversely affect Madison Parish Hospital Service District, Tallulah, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-1 and 03-2.

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 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. We also noted other matters involving the internal control over financial reporting that we have reported to management of Madison Parish Hospital Service District in a separate letter dated May 12, 2004.

This report is intended solely for the information and use of the management of the Madison Parish Hospital Service District, Tallulah, Louisiana and the Louisiana Legislative Auditor's office and is not intended to be and should not be used by anyone other than these specified parties.

Mana Company

Vicksburg, Mississippi
May 12, 2004

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2003**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Madison Parish Hospital Service District.
2. Two reportable conditions disclosed during the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. None were reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Madison Parish Hospital Service District were disclosed during the audit.
4. No federal awards in year under audit.
5. A management letter was issued.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

Reportable Conditions

03-1 Segregation of Duties

Condition: Presently, all accounting functions for the governmental funds are performed by the office bookkeeper, which limits segregation of duties.

Criteria: Accounting procedures should be in place that allows management to record, process and summarize financial information in a manner consistent with management's intentions.

Effect: Management is not able to have reasonable assurance that all transactions are completely and accurately recorded on the District's general ledger.

Recommendation: The Board of Commissioners should continue to approve all invoices and contracts as well as require dual signatures on checks. A commissioner should routinely receive the bank statement directly from the bank and review its contents for any deviations from board approved disbursements and receipts.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
CONTINUED
YEAR ENDED DECEMBER 31, 2003**

Reportable Conditions - Continued

03-2 Contractual Adjustments for Revenue

Condition: The accounting clerk adjusts revenue receivables by pre-established contractual percentages.

Criteria: Contractual adjustments should be recorded in a manner that is consistent with reimbursement receivables from all insurance types.

Effect: The financial statements do not show an accurate net revenue number if the contractual adjustments are not being made correctly.

Recommendation: The contractual adjustments should be made using more reasonable adjustment percentages. This will provide a more reasonable and accurate presentation of the monthly financials.

Compliance

None

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

MADISON PARISH HOSPITAL SERVICE DISTRICT

LETTER TO MANAGEMENT

May 12, 2004



May & Company

A Limited Liability Partnership

WE BRING EXCELLENCE AND INNOVATION TO THE EQUATION

LETTER TO MANAGEMENT

Madison Parish Hospital Service District
Tallulah, Louisiana

In planning and performing our audit of the financial statements of Madison Parish Hospital Service District for the year ended December 31, 2003, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following paragraphs summarize our comments and suggestions regarding those matters. We previously reported on the District's internal control in our report dated May 12, 2004. A separate report dated May 12, 2004 contains our report on reportable conditions in the District's internal control. This letter does not affect our report dated May 12, 2004, on the financial statements of Madison Parish Hospital Service District.

Unused Vacation Hours

Per review of personnel policy adopted in 1999, the policy is unclear as to whether employees' carryover unused vacation hours from the Association will be grandfathered in under the present policy. The result is the potential for misunderstandings and conflicts with current and terminating employees about the extent of their vacation benefits and difficulty in properly accounting for compensated absences in the financial statements.

It is recommended that the Board continue the process of obtaining the legal advice in regards to this employment issue. In addition, the District might find it desirable to periodically communicate to employees the status of their "vacation account." That would allow employees to better plan their vacations and to take advantage of their accrued vacation benefits in a manner most fair to themselves and the District, and it would allow any misunderstandings to be identified and resolved.

As of December 2001, the Board has requested a ruling on this issue from the District Attorney, and they are currently awaiting that decision.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

110 MONUMENT PLACE • POST OFFICE BOX 821568 • VICKSBURG, MISSISSIPPI 39182-1568 • TELEPHONE (601) 636-4762 • FAX (601) 636-9476

email: info@maycpa.com • website: www.maycpa.com

Madison Parish Hospital Service District
Tallulah, Louisiana

Page Two

Reconcile the General Ledger Balances with Subsidiary Ledger

At December 31, 2003, the Hospital's detailed accounts receivables and cash reconciliations did not agree with the general ledger control accounts. This difference was due to adjustments made in the general ledger but not recorded in the supporting packages. Management should develop procedures to ensure that differences are identified, researched, and resolved in a timely basis.

A meeting was held with the accounting clerk, financial consultant and month end procedures were reviewed and reconciliations will be added to the normal month end procedures.

Ensure that Contracts with Emergency Room Doctors are Current

The most recent contract with the emergency room doctors expired in May 2003. Steps need to be taken to ensure that these contracts are kept current to prevent a lapse in service that could be detrimental to the hospital.

Accrued Vacation hourly rate does not tie to Payroll Journal rate

In one instance, we found that the hourly rate being accrued for vacation exceeded the hourly rate in the payroll journal. Steps need to be taken to correct this error and safeguard the system from future errors of this type.

Incorrect reporting of Cafeteria Benefits and Form 941's

Cafeteria benefits were incorrectly reported on the W-2's as deferred compensation. In addition, Box 2 on Form 941 should be filed net of cafeteria benefits so that it reconciles to federal taxable wages on Form W-3

A meeting was held with the accounting clerk, financial consultant and this will be corrected going forward.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Man Company
Vicksburg, Mississippi
May 12, 2004

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>Ref No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Contact Person</u>	<u>Completion Date</u>
<u>Section I – Internal Control and Compliance Material to the Financial Statements.</u>				
03-1	Segregation of duties	Board will continue to approve all invoices and contracts as well as require dual signatures on checks.	Johnny Wilkins	Presently
03-2	Contractual adjustments for Revenue	Change monthly journal entry for the contractual adjustments	W. Alford	Immediately

Section II – Internal Control and Compliance Material to Federal Awards

None

Section III – Management Letter

Unused Vacation	Pending receipt of a legal opinion from attorney general and will modify personnel policy accordingly.	Johnny Wilkins	December 2004
Payroll reporting	Training will be provided to accounting clerk for proper completion of Form 941 and W-2's	W. Alford	June 2004/September 2004
Reconciling to Sub ledger	Training will be provided to accounting clerk on month end procedures in the area of cash and accounts receivable	W. Alford	June 2004
Contracts	Updating of all contracts with Emergency Room Doctors	W. Alford	May 2004
Accrued Vacation	Reviewing all pay rates used in accrued vacation calculation to employment contracts	W. Alford	December 2004

MADISON PARISH HOSPITAL SERVICE DISTRICT

Hayward Fair
Hayward Fair
6/11/04
Date

W. Alford
W. Alford
6/11/2004
Date