

August 10, 2018

Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

To Whom It May Concern:

The East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital's May 31, 2016 financial statements were restated for an under accrual of uncompensated care receipts of \$259,811. This restatement increased estimated amounts due from third-party payers and net patient service revenue by \$259,811. This restatement decreased previously reported 2016 operating loss and increased previously reported unrestricted net position by \$259,811. Please refer to Note 15 of the 2017 audited financial statements.

Page numbers affected by these changes are:

- Management's Discussion and Analysis – pages 6 through 8
- Balance Sheet – pages 11 and 12
- Income Statement – page 13
- Statement of Cash Flows – pages 14 and 15
- Note 5: Estimated Amounts Due from Third-party Payers – page 22
- Note 15: Restatement of Prior Year Financial Statements – page 27

Please let us know if you have any additional questions.

Sincerely,

Linda S. Trifone
Linda S. Trifone, CPA
Director

LST:jsh

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 NOV 07 2018

REISSUE

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**
Independent Auditor's Reports and Financial Statements
May 31, 2017 and 2016



**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

May 31, 2017 and 2016

Contents

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Financial Statements	
Balance Sheets	12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14
Notes to Financial Statements	16
Supplementary Information	
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	29
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor's Report	30
Schedule of Findings and Responses	32
Summary Schedule of Prior Audit Findings	38

Independent Auditor's Report

Board of Commissioners
East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
Lake Providence, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital), a component unit of East Carroll Parish, as of and for the years ended May 31, 2017 and 2016, and the related notes to the financial statements which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of May 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 15* to the financial statements, the 2016 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer, as listed in the table of contents is required by the Louisiana Legislative Auditor, and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits and

Board of Commissioners
East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
Page 3

Other Payments to Agency Head or Chief Executive Officer is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2018, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
May 4, 2018

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Management's Discussion and Analysis
Years Ended May 31, 2017 and 2016**

Introduction

This management's discussion and analysis section of the annual financial report of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital) presents background information and our analysis of the Hospital's financial performance during the fiscal years that ended on May 31, 2017 and 2016. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The Hospital's total net position increased by \$959,643 from 2016 to 2017, compared to an increase of \$718,376 from 2015 to 2016. Net patient service revenue increased over the prior year.
- Cash and cash equivalents, including restricted cash, along with the change in certificates of deposit, increased by \$911,476 from 2016 to 2017, compared to a decrease of \$421,702 from 2015 to 2016. This was mainly due to reduced spending for emergency room renovations which were complete during 2016.
- The assets of the Hospital exceeded liabilities by \$8,846,413 at the end of the 2017 fiscal year and by \$7,886,770 at the end of fiscal year 2016. Of this amount, \$6,417,019 and \$5,492,653 at May 31, 2017 and 2016, respectively, are unrestricted net position and may be used to meet ongoing obligations to the Hospital's employees, patients and creditors; \$27,300 and \$23,070 at May 31, 2017 and 2016, respectively, are restricted for the bond sinking payments; while \$2,402,094 and \$2,371,047 at May 31, 2017 and 2016, respectively, are invested in capital assets.
- As noted in *Note 15*, the 2016 financial statements were restated to accrue \$259,811 of uncompensated care funds. Management's Discussion and Analysis has been updated accordingly.

Overview of this Annual Financial Report

This annual financial report consists of three components – the independent auditor's report, management's discussion and analysis and the audited financial statements.

The financial statements of the Hospital report the financial position of the Hospital and the results of its operations and its cash flows. The financial statements are prepared on the accrual basis of accounting. These statements offer short-term and long-term financial information about the Hospital's activities.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Management's Discussion and Analysis
Years Ended May 31, 2017 and 2016**

The balance sheets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities) for both the current year and the prior year. They also provide the basis for evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses and changes in net position. These statements measure the performance of the Hospital's operations over the past two years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources.

The primary purpose of the statements of cash flows is to provide information about the Hospital's cash flows from operating, financing and investing activities. The statements of cash flows outline where the cash comes from, what the cash is used for and the changes in the cash balance during the reporting period.

The annual report also includes notes to the financial statements that are essential to gain a full understanding of the information provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Financial Analysis of the Hospital

The balance sheets and the statements of revenues, expenses and changes in net position report information about the Hospital's activities. Increases or improvements, as well as decreases or declines in net position, are one indicator of the financial state of the Hospital. Other nonfinancial factors that should also be considered include changes in economic conditions, population changes (including uninsured and working poor) and new or changed government legislation.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Management's Discussion and Analysis
Years Ended May 31, 2017 and 2016**

Balance Sheets

A summary of the Hospital's balance sheets at May 31, 2017, 2016 and 2015 is presented in the following table.

Table 1: Assets, Liabilities and Net Position

	2017	2016 (Restated - Note 15)	2015	Variance 2017-2016	Variance 2016-2015
Assets					
Current assets	\$ 6,381,645	\$ 5,344,362	\$ 5,258,972	\$ 1,037,283	\$ 85,390
Capital assets, net	2,560,997	2,544,582	2,144,924	16,415	399,658
Board designated certificates of deposit	875,425	871,893	869,105	3,532	2,788
Total assets	<u>\$ 9,818,067</u>	<u>\$ 8,760,837</u>	<u>\$ 8,273,001</u>	<u>\$ 1,057,230</u>	<u>\$ 487,836</u>
Liabilities					
Current liabilities	\$ 971,654	\$ 716,444	\$ 929,784	\$ 255,210	\$ (213,340)
Long-term debt	-	157,623	174,814	(157,623)	(17,191)
Total liabilities	<u>971,654</u>	<u>874,067</u>	<u>1,104,598</u>	<u>97,587</u>	<u>(230,531)</u>
Net Position					
Net investment in capital assets	2,402,094	2,371,047	1,944,021	31,047	427,026
Restricted - expendable for debt service	27,300	23,070	22,642	4,230	428
Unrestricted	6,417,019	5,492,653	5,201,740	924,366	290,913
Total net position	<u>8,846,413</u>	<u>7,886,770</u>	<u>7,168,403</u>	<u>959,643</u>	<u>718,367</u>
Total liabilities and net position	<u>\$ 9,818,067</u>	<u>\$ 8,760,837</u>	<u>\$ 8,273,001</u>	<u>\$ 1,057,230</u>	<u>\$ 487,836</u>

2017 Highlights

- Current assets increased in 2017, by a total of \$1,037,283, primarily due to an increase of \$903,174 in cash and \$256,054 in accounts receivable, net.
- Gross capital assets increased by approximately \$379,000 during 2017, while depreciation expense of approximately \$362,000 decreased net capital assets. The increase in gross capital assets relates primarily to equipment purchases.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Management's Discussion and Analysis
Years Ended May 31, 2017 and 2016**

- Current liabilities increased by \$255,210 from 2016 to 2017, due to higher current portion of long-term debt. The United States Department of Agriculture (USDA) requested management pay off the balance of the loan since the financial position at the Hospital had improved.

2016 Highlights

- Current assets increased in 2016 by a total of \$85,390, due mainly to an increase in cash.
- Gross capital assets increased approximately \$814,000 before disposals during 2017, while depreciation expense of approximately \$414,000 decreased net capital assets. The increase in gross capital assets relates primarily to construction in progress of the emergency room renovations.
- Current liabilities decreased by \$213,340 from 2015 to 2016, due to the accrual of salaries and wages for a full pay period in 2015 and only a partial period in 2016.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Management's Discussion and Analysis
Years Ended May 31, 2017 and 2016**

Summary of Revenues, Expenses and Changes in Net Position

The following table presents a summary of the Hospital's revenues, expenses and changes in net position for each of the fiscal years ended May 31, 2017, 2016 and 2015

Table 2: Operating Results and Changes in Net Position

	2017	2016 (Restated - Note 15)	2015	Variance 2017-2016	Variance 2016-2015
Operating Revenues					
Net patient service revenue	\$ 11,117,906	\$ 10,065,701	\$ 9,538,641	\$ 1,052,205	\$ 527,060
Other operating revenues	320,016	378,172	847,070	(58,156)	(468,898)
Total operating revenues	<u>11,437,922</u>	<u>10,443,873</u>	<u>10,385,711</u>	<u>994,049</u>	<u>58,162</u>
Operating Expenses					
Salaries, wages and employee benefits	6,369,296	6,102,931	6,046,897	266,365	56,034
Supplies and other	4,307,657	4,042,557	3,947,783	265,100	94,774
Depreciation	362,207	414,353	403,384	(52,146)	10,969
Total operating expenses	<u>11,039,160</u>	<u>10,559,841</u>	<u>10,398,064</u>	<u>479,319</u>	<u>161,777</u>
Operating Income (Loss)	398,762	(115,968)	(12,353)	514,730	(103,615)
Total Nonoperating Revenues	<u>473,221</u>	<u>451,249</u>	<u>409,739</u>	<u>21,972</u>	<u>41,510</u>
Excess of Revenues Over (Under) Expenses Before Capital Grants	871,983	335,281	397,386	536,702	(62,105)
Capital Grants	<u>87,660</u>	<u>383,086</u>	<u>173,147</u>	<u>(295,426)</u>	<u>209,939</u>
Increase in Net Position - as Restated	<u>\$ 959,643</u>	<u>\$ 718,367</u>	<u>\$ 570,533</u>	<u>\$ 241,276</u>	<u>\$ 147,834</u>

Operating Revenues

During fiscal years 2017 and 2016, the Hospital derived 97% and 96%, respectively, of its total operating revenues from net patient service revenue. Such revenues include revenues from the Medicare and Medicaid programs, patients or their third-party carriers who pay for care in the Hospital's facilities.

Approximately 75% and 68% of the Hospital's gross patient service revenue was rendered under contracts with Medicare and Medicaid for 2017 and 2016, respectively.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Management's Discussion and Analysis
Years Ended May 31, 2017 and 2016**

Operating and Financial Performance

2017 Highlights

- During 2017, the Hospital had patient days and admissions of 1,787 and 662, respectively. This was a decrease of 80 patient days, or 4.7% from 2016 levels. Admissions decreased in 2017 by 52, or 8.6%.
- Net patient service revenue increased 10.5% from 2016 to 2017, primarily related to an increase in pharmacy and clinic charges, along with an increase in uncompensated care of approximately \$296,000.
- Electronic Health Records (EHR) and other operating revenues remained relatively flat. EHR revenue decreased approximately \$187,000, as the Hospital is only receiving EHR payments for the employed physicians, while other operating revenue increased \$129,000 due to the increase in medical services to inmates and FEMA payments for use of the ambulances.
- Operating expenses were up 4.5% from 2017 to 2016. This was primarily due to an increase in salaries, wages and employee benefits of 4.4%, due to increases in health insurance premiums and salary increases and a 6.6% increase in supplies and other expense due to an increase in clinic and administrative supplies and other.

2016 Highlights

- During 2016, the Hospital had patient days and admissions of 1,707 and 610, respectively. This was a decrease of 161 patient days, or 8.6% from 2015 levels. Admissions decreased in 2016 by 54, or 8.1%.
- Net patient service revenue increased 5.5% from 2015 to 2016, primarily related to an increase in pharmacy and clinic charges, along with an increase in disproportionate share hospital (DSH) incentive payments related to 2011 and 2012.
- Other operating revenues decreased approximately \$469,000, primarily due to a decrease in EHR incentive payments.
- Operating expenses were up 1.5% from 2015 to 2016. This was primarily due to an increase in salaries, wages and employee benefits of .9% due to increases in health insurance premiums and a 2.4% increase in supplies and other expense due to an increase in the cost of laboratory and emergency room supplies.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Management's Discussion and Analysis
Years Ended May 31, 2017 and 2016**

Nonoperating Revenues and Expenses

Nonoperating revenues (expenses) consist primarily of subsidy from the Parish. The Hospital recognized approximately \$455,000 and \$441,000 of parish subsidy for 2017 and 2016, respectively.

Capital Grants and Gifts

The District receives both capital and operating grants from various state and federal agencies for specific programs. Capital grants and gifts received were approximately \$88,000 and \$383,000 for 2017 and 2016, respectively.

The District's Cash Flows

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2017 and 2016 as discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At the end of 2017 and 2016, the District had approximately \$2,561,000 and \$2,545,000 of net capital assets, as detailed in *Note 6* to the financial statements. Approximately \$122,000 and \$603,000 was spent on renovations and new equipment in 2017 and 2016, respectively.

Debt

At May 31, 2017, the Hospital had \$158,903 in USDA loan. The Hospital issued no new debt in 2017 or 2016. There have been no changes in the Hospital's debt ratings in the past three years.

Economic Factors and Next Year's Budget

While the annual budget of the Hospital is not presented within these financial statements, the Hospital's Board and management considered many factors when setting the fiscal year 2018 budget. While the financial outlook for the Hospital remains steady, of primary importance in setting the 2018 budget was the status of the economy and the health care environment, which takes into account market forces and environmental factors such as:

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Management's Discussion and Analysis
Years Ended May 31, 2017 and 2016**

- Medicare reimbursement changes
- Medicaid reimbursement changes, particularly as Medicaid expands in Louisiana
- Continuation at the current level of Uncompensated Care program
- Increased number of high deductible plan
- Ongoing competition for services
- Workforce shortages, primarily in nursing and other clinically skilled positions and related employee costs
- Sequestration

Contacting the Hospital Financial Manager

This annual financial report is designed to provide our citizens, patients and creditors with a general overview of the Hospital's finances. If you have any questions about this report or need additional financial information, please contact the Hospital Administrator at East Carroll Parish Hospital, 336 North Hood Street, Lake Providence, Louisiana 71254-2194 or by phone at 318.559.4023.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

**Balance Sheets
May 31, 2017 and 2016**

	2017	2016 (Restated - Note 15)
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,963,870	\$ 2,060,156
Restricted cash	27,300	23,070
Patient accounts receivable, net of allowance for uncollectible accounts of approximately \$8,576,000 and \$8,155,000 in 2017 and 2016, respectively	1,801,833	1,545,779
Estimated amounts due from third-party payers	1,213,672	1,287,466
Supplies	251,452	222,877
Prepaid expenses and other	123,518	205,014
Total current assets	6,381,645	5,344,362
Capital Assets, Net	2,560,997	2,544,582
Board Designated Certificates of Deposit	875,425	871,893
Total assets	\$ 9,818,067	\$ 8,760,837

See Notes to Financial Statements

	2017	2016 (Restated - Note 15)
Liabilities		
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 158,903	\$ 15,912
Accounts payable	462,128	344,011
Accrued expenses	350,623	356,521
	<u>971,654</u>	<u>716,444</u>
Total current liabilities	971,654	716,444
Long-term Debt	<u>-</u>	<u>157,623</u>
Total liabilities	<u>971,654</u>	<u>874,067</u>
Net Position		
Net investment in capital assets	2,402,094	2,371,047
Restricted - expendable for debt service	27,300	23,070
Unrestricted	6,417,019	5,492,653
	<u>8,846,413</u>	<u>7,886,770</u>
Total net position	8,846,413	7,886,770
Total liabilities and net position	<u>\$ 9,818,067</u>	<u>\$ 8,760,837</u>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Statements of Revenues, Expenses and Changes in Net Position
Years Ended May 31, 2017 and 2016**

	2017	2016 (Restated - Note 15)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2017 - \$2,686,000 2016 - \$3,802,000	\$ 11,117,906	\$ 10,065,701
Electronic health records incentive	68,000	255,255
Other	252,016	122,917
Total operating revenues	11,437,922	10,443,873
Operating Expenses		
Salaries and wages	5,339,092	5,189,020
Employee benefits	1,030,204	913,911
Supplies and other	4,307,657	4,042,557
Depreciation	362,207	414,353
Total operating expenses	11,039,160	10,559,841
Operating Income (Loss)	398,762	(115,968)
Nonoperating Revenues (Expenses)		
Parish subsidy	454,649	441,447
Interest income	6,084	4,577
Interest expense	(6,912)	(8,222)
Rental income	650	-
Noncapital grants	18,750	13,447
Total nonoperating revenues	473,221	451,249
Excess of Revenues Over Expenses Before Capital Grants and Gifts	871,983	335,281
Capital Grants and Gifts	87,660	383,086
Increase in Net Position, as Restated	959,643	718,367
Net Position, Beginning of Year	7,886,770	7,168,403
Net Position, End of Year	\$ 8,846,413	\$ 7,886,770

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

**Statements of Cash Flows
Years Ended May 31, 2017 and 2016**

	2017	2016 (Restated - Note 15)
Operating Activities		
Receipts from and on behalf of patients	\$ 10,935,646	\$ 10,413,160
Payments to suppliers	(4,156,857)	(4,431,668)
Payments to employees	(6,354,956)	(5,930,918)
Other receipts	320,016	378,172
	<hr/>	<hr/>
Net cash provided by operating activities	743,849	428,746
	<hr/>	<hr/>
Capital and Related Financing Activities		
Purchases of capital assets	(378,622)	(814,011)
Capital grant proceeds	87,660	383,086
Interest payments on long-term debt	(6,912)	(8,222)
Principal payments on long-term debt	(14,632)	(27,368)
	<hr/>	<hr/>
Net cash used in capital and related financing activities	(312,506)	(466,515)
	<hr/>	<hr/>
Noncapital Financing Activities		
Noncapital grants	18,750	13,447
Rental Income	650	-
Parish subsidy	454,649	441,447
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	474,049	454,894
	<hr/>	<hr/>
Investing Activities		
Purchase of board designated certificates of deposit, net	(3,532)	(2,788)
Interest income received	6,084	4,577
	<hr/>	<hr/>
Net cash provided by investing activities	2,552	1,789
	<hr/>	<hr/>
Increase in Cash and Cash Equivalents	907,944	418,914
	<hr/>	<hr/>
Cash and Cash Equivalents, Beginning of Year	2,083,226	1,664,312
	<hr/>	<hr/>
Cash and Cash Equivalents, End of Year	<u>\$ 2,991,170</u>	<u>\$ 2,083,226</u>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Statements of Cash Flows (Continued)
Years Ended May 31, 2017 and 2016**

	<u>2017</u>	<u>2016 (Restated Note 15)</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 398,762	\$ (115,968)
Depreciation	362,207	414,353
Provision for uncollectible accounts	2,697,268	3,801,981
Changes in operating assets and liabilities		
Patient accounts receivable	(2,953,322)	(3,956,053)
Estimated amounts due from third-party payers	73,794	501,531
Supplies	(28,575)	(26,962)
Prepaid expenses and other	81,496	13,027
Accounts payable and accrued expenses	112,219	(203,163)
	<u>\$ 743,849</u>	<u>\$ 428,746</u>
 Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	\$ 2,963,870	\$ 2,060,156
Restricted cash	27,300	23,070
	<u>\$ 2,991,170</u>	<u>\$ 2,083,226</u>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Notes to Financial Statements
May 31, 2017 and 2016**

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital) primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in East Carroll Parish, Louisiana. The Hospital is a governmental acute care hospital located in Lake Providence, Louisiana. It was created by the East Carroll Parish Police Jury. The Policy Jury appoints the Board of Commissioners of the Hospital. The Hospital is considered a political subdivision of the State of Louisiana and a component unit of East Carroll Parish.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and parish appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as parish appropriations), investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

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

Cash and Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At May 31, 2017 and 2016, cash equivalents consisted of money market accounts.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

Notes to Financial Statements

May 31, 2017 and 2016

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America (GAAP) require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Deposits and Investments

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in (1) direct obligations of the United States Government pledged by its full faith and credit, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral and (3) savings accounts at savings and loan associations and banks to the extent fully insured.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

Supplies inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Notes to Financial Statements
May 31, 2017 and 2016**

improvements are depreciated over the shorter of the lease term, or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Buildings and improvements	20-40 years
Furniture and equipment	5-20 years
Transportation equipment	4-8 years

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position less remaining liabilities that do not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, including estimated retroactive revenue adjustments under reimbursement agreements with third-party payers and a provision for uncollectible accounts.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

**Notes to Financial Statements
May 31, 2017 and 2016**

Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As a political subdivision of the State of Louisiana, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentives under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records (EHR) technology. Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). Payment under both programs are contingent on the Hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year under both programs is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital recognizes revenue in the reporting period when it has met all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period and the earnings process is complete.

In 2017 and 2016, the Hospital recorded revenue of approximately \$68,000 and \$255,000, respectively, related to EHR payments related to the Hospital and clinics, which is included within operating revenues in the statements of revenues, expenses and changes in net position.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Notes to Financial Statements
May 31, 2017 and 2016**

As of May 31, 2017, the Hospital has filed for and received all four years of EHR payments under both the Medicare and Medicaid programs.

Note 2: Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk. At May 31, 2017 and 2016, the Hospital's bank balances were exposed to custodial credit risk as follows:

	2017	2016
Insured by Federal Deposit Insurance Corporation (FDIC)	\$ 280,068	\$ 375,365
Collateralized by securities held by the pledging financial institution's Trust Department in the Hospital's name	3,754,867	2,775,186
Total depository balance	\$ 4,034,935	\$ 3,150,551
Carrying value	\$ 3,866,595	\$ 2,955,119
Included in the balance sheet captions		
Cash and cash equivalents	\$ 2,963,870	\$ 2,060,156
Restricted cash	27,300	23,070
Board designated certificates of deposit	875,425	871,893
	\$ 3,866,595	\$ 2,955,119

Note 3: Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is reimbursed for cost

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Notes to Financial Statements
May 31, 2017 and 2016**

reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Medicaid - Inpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined per diem rate. Outpatient services are reimbursed at a percentage of cost, with final settlement determined after the submission of annual cost reports by the Hospital and audits thereof by the Medicaid administrative contractor.

Approximately 75% and 68% of gross patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended May 31, 2017 and 2016, respectively. Laws and regulations governing the 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.

The Hospital has entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor), whereby the Grantor awards an intergovernmental transfer (IGT) grant to be used solely to provide adequate and essential medically necessary and available health care services to the Hospital's service population subject to the availability of such grant funds. The benefit to the Hospital for participating in this program for the years ended May 31, 2017 and 2016 totaled approximately \$2,347,000 and \$2,051,000, respectively, and is included in net patient service revenue. There can be no assurances that this program will remain in effect in future years, or that the Hospital will continue to participate in the program at reimbursement levels experienced to date.

The Hospital has also 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.

Net patient service revenue decreased by approximately \$42,000 during 2017 and increased by approximately \$584,000 during 2016, due to disproportionate share payments related to 2011 and 2012. These were for settlement of a lawsuit and are not a recurring source of funds.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Notes to Financial Statements
May 31, 2017 and 2016**

Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at May 31, 2017 and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
Medicare	\$ 3,482,232	\$ 4,308,692
Medicaid	1,940,051	1,547,182
Other third-party payers	2,349,189	2,533,861
Patients	<u>2,606,687</u>	<u>1,311,002</u>
	10,378,159	9,700,737
Less allowance for uncollectible accounts	<u>(8,576,326)</u>	<u>(8,154,958)</u>
	<u>\$ 1,801,833</u>	<u>\$ 1,545,779</u>

Note 5: Estimated Amount Due from Third-party Payers

A summary of estimated amounts due from third-party payers follows.

	<u>2017</u>	<u>2016</u>
Due from Medicare Program, net	\$ 50,907	\$ 80,239
Due from Louisiana Medicaid Program, net	401,815	947,416
Due from Rural Health Coalition	<u>760,950</u>	<u>259,811</u>
	<u>\$ 1,213,672</u>	<u>\$ 1,287,466</u>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Notes to Financial Statements
May 31, 2017 and 2016**

Note 6: Capital Assets

Capital assets activity for the years ended May 31, 2017 and 2016 was:

	2017				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Capital assets not being depreciated					
Land	\$ 22,000	\$ -	\$ -	\$ -	\$ 22,000
Construction in progress	1,216,276	121,828	-	(1,338,104)	-
	<u>1,238,276</u>	<u>121,828</u>	<u>-</u>	<u>(1,338,104)</u>	<u>22,000</u>
Capital assets being depreciated					
Hospital buildings and improvements	1,675,143	20,646	-	1,338,104	3,033,893
Equipment	2,319,895	177,497	-	-	2,497,392
Transportation equipment	597,964	58,651	-	-	656,615
Clinic building and equipment	594,979	-	-	-	594,979
	<u>5,187,981</u>	<u>256,794</u>	<u>-</u>	<u>1,338,104</u>	<u>6,782,879</u>
Less accumulated depreciation					
Buildings and improvements	1,211,110	116,258	-	-	1,327,368
Equipment	1,851,333	141,856	-	-	1,993,189
Transportation equipment	418,591	71,776	-	-	490,367
Clinic building and equipment	400,641	32,317	-	-	432,958
	<u>3,881,675</u>	<u>362,207</u>	<u>-</u>	<u>-</u>	<u>4,243,882</u>
Capital assets, net	<u>\$ 2,544,582</u>	<u>\$ 16,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,560,997</u>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

**Notes to Financial Statements
May 31, 2017 and 2016**

	2016				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Capital assets not being depreciated					
Land	\$ 22,000	\$ -	\$ -	\$ -	\$ 22,000
Construction in progress	612,816	603,460	-	-	1,216,276
	<u>634,816</u>	<u>603,460</u>	<u>-</u>	<u>-</u>	<u>1,238,276</u>
Capital assets being depreciated					
Hospital buildings and improvements	1,675,143	-	-	-	1,675,143
Equipment	2,263,274	74,987	(18,366)	-	2,319,895
Transportation equipment	481,898	131,964	(15,898)	-	597,964
Clinic building and equipment	591,379	3,600	-	-	594,979
	<u>5,011,694</u>	<u>210,551</u>	<u>(34,264)</u>	<u>-</u>	<u>5,187,981</u>
Less accumulated depreciation					
Buildings and improvements	1,160,676	50,434	-	-	1,211,110
Equipment	1,599,206	270,493	(18,366)	-	1,851,333
Transportation equipment	374,014	60,475	(15,898)	-	418,591
Clinic building and equipment	367,690	32,951	-	-	400,641
	<u>3,501,586</u>	<u>414,353</u>	<u>(34,264)</u>	<u>-</u>	<u>3,881,675</u>
Capital assets, net	<u>\$ 2,144,924</u>	<u>\$ 399,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,544,582</u>

Note 7: Board Designated Net Position

Unrestricted net position designated by the Board includes certificates of deposit which are held by the Hospital or its agent in the Hospital's name. The use of these funds is internally restricted by the Board. The Board has passed a resolution to reserve up to \$1.8 million for replacement of fixed assets. As of May 31, 2017 and 2016, the Board had designated unrestricted net position totaling \$875,425 and \$871,893, respectively.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Notes to Financial Statements
May 31, 2017 and 2016**

Note 8: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at May 31 consisted of:

	<u>2017</u>	<u>2016</u>
Payable to suppliers and contractors	\$ 509,185	\$ 404,784
Payable to employees (including payroll tax benefits)	250,732	241,699
Other	<u>52,834</u>	<u>54,049</u>
	<u>\$ 812,751</u>	<u>\$ 700,532</u>

Note 9: Long-term Debt

Long-term debt consists of the following:

	<u>2017</u>	<u>2016</u>
Hospital Revenue Bond to the United States of America, at 4.125%, payable in monthly installments of \$1,902, including principal and interest, final payment due August 2025, secured by pledge of Hospital revenues.	\$ 158,903	\$ 173,535
Less current portion	<u>(158,903)</u>	<u>(15,912)</u>
	<u>\$ -</u>	<u>\$ 157,623</u>

Debt service requirements as of May 31, 2017, are as follows:

<u>Year Ending May 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 158,903</u>	<u>\$ 28,732</u>	<u>\$ 187,635</u>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Notes to Financial Statements
May 31, 2017 and 2016**

A schedule of activity in the Hospital's long-term debt is as follows:

	2017	2016
Balance at beginning of year	\$ 173,535	\$ 200,903
Deductions	(14,632)	(27,368)
Balance at end of year	\$ 158,903	\$ 173,535

Due to terms of the revenue bond the Hospital had reached sufficient cash reserve to mandate the entire balance to be paid off in January 2018.

Note 10: Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately \$90,000 and \$163,000 for 2017 and 2016, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 11: Retirement Plan

The Hospital contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by an unrelated third party. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the Plan Document and were established and can be amended by action of the Hospital's governing body. Currently, the Hospital matches the employee's contributions up to 2% of the employee's eligible compensation. Contributions made by plan members and the Hospital aggregated \$107,938 and \$44,486 during 2017 and \$117,150 and \$48,869 during 2016, respectively.

Note 12: Parish Subsidy and Reauthorization

The Hospital received a subsidy from East Carroll Parish totaling \$454,649 and \$441,447 for 2017 and 2016, respectively. The parish subsidy represents property taxes collected for the benefit of the Hospital. Use of the subsidy is unrestricted.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Notes to Financial Statements
May 31, 2017 and 2016**

Note 13: Risks and Uncertainties

Admitting Physicians

The Hospital is served by four physicians whose patients comprised approximately 78% and 81% of the Hospital's admissions for the years ended May 31, 2017 and 2016, respectively.

Note 14: Contingency

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's insurance program described in *Note 1*, such as allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. No such loss amounts have been recorded as of May 31, 2017 or 2016. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 15: Restatement of Prior Year Financial Statements

Fiscal year 2016 has been restated for an under accrual of uncompensated care receipts of \$259,811. This restatement increased estimated amounts due from third-party payers and net patient service revenue by \$259,811. This restatement reduced previously reported 2016 operating loss and increased previously reported unrestricted net position by \$259,811.

Note 16: Commitments

The Hospital terminated its original service agreement with a third-party billing company. The service agreement was for the access and use of an online software subscription that was to be used as its EHR system. This will not affect previously earned EHR revenue. The unamortized one-time fee of approximately \$98,000 was written off during 2017.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Notes to Financial Statements
May 31, 2017 and 2016**

Subsequently, the Hospital signed a service agreement with a different third-party billing company. The monthly usage fee is \$10,000 until the clinic is added to the software system, at which time the Hospital will pay 2.29% of net collections rather than the monthly service fee. The service agreement is cancellable by either party with a 90-day written notice.

Supplementary Information

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Schedule of Compensation, Benefits and Other Payments
to Agency Head or Chief Executive Officer
Year Ended May 31, 2017**

Purpose	Amount
Salary	\$ 143,455
Benefits - insurance	5,737
Benefits - retirement	2,412
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

**Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of Commissioners
East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
Lake Providence, Louisiana

We have audited, 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, the financial statements of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital), a component unit of East Carroll Parish, which comprise the balance sheet as of May 31, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 4, 2018, which contained an "Emphasis of Matter" paragraph regarding restatement of the 2016 financial statements.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2017-01, 2017-02, 2017-04 and 2017-05 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2017-03 to be a significant deficiency.

Compliance

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-06.

Management's Responses to Findings

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

Other Matters

We also noted certain additional matters that we reported to the Hospital's management in a separate letter dated May 4, 2018.

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

BKD, LLP

Jackson, Mississippi
May 4, 2018

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Schedule of Findings and Responses
Year Ended May 31, 2017**

Reference Number	Finding
2017-01	<p>Criteria or Specific Requirement - Management is responsible for establishing and maintaining effective internal controls over financial reporting and determining potential financial statement adjustments.</p> <p>Condition - The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related notes to the financial statements.</p> <p>Context - Under auditing standards generally accepted in the United States of America (GAAP), outside auditors cannot be considered part of the Hospital's internal control structure and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures for the preparation of external financial statements and determination of potential financial statement adjustments.</p> <p>Effect - Potentially material misstatements in the financial statements and related notes to the financial statements could occur and not be prevented or detected by the Hospital's internal control structure.</p> <p>Cause - The Hospital has not designed internal control procedures for preparing external financial statements and determination of potential financial statement adjustments.</p> <p>Recommendation - We recommend management continue to assess the cost versus the benefits of improving internal controls over financial reporting.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management will continue to consider the costs versus benefits of improving controls over financial statement preparation.</p>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Schedule of Findings and Responses (Continued)
Year Ended May 31, 2017**

Reference Number	Finding
2017-02	<p><i>Criteria or Specific Requirement</i> - Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><i>Condition</i> - Limited separation of functions exists within the accounting and billing system, creating multiple conflicting duties. The administrator and accountant have conflicting duties within the cash disbursements and payroll cycles.</p> <p><i>Context</i> - The design of the Hospital's internal controls does not allow for adequate segregation of duties in financial reporting.</p> <p><i>Effect</i> - Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p><i>Cause</i> - Due to limitations of the Hospital's small accounting staff, duties in the cash disbursements and payroll cycle are not adequately segregated, and monitoring or other compensating controls are insufficient.</p> <p><i>Recommendation</i> - Management should periodically evaluate the cost versus the benefits of developing internal control procedures or other compensating controls over the functional accounting areas and implement those changes it deems appropriate for which benefits are determined to exceed costs.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> - The Hospital is limited in accounting staff. Management took steps to increase segregation of duties in May 2017. They outsourced payroll which, in the future, should minimize the payroll duties' conflict. Management will continue to evaluate conflict with the administrator and accountant in cash disbursements.</p>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Schedule of Findings and Responses (Continued)
Year Ended May 31, 2017**

Reference Number	Finding
2017-03	<p>Criteria or Specific Requirement - Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p>Condition - Due to the staff turnover and a change in accounting software over the past few years, the administrator prepares and posts journal entries. Previous to these changes, the accountant prepared all journal entries, and the administrator reviewed the entries before posting.</p> <p>Context - The design of the Hospital's internal controls does not allow for adequate segregation of duties in the area of journal entries.</p> <p>Effect - Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause - The Hospital has not designed internal control procedures for preparation and posting of journal entries in the absence of a staff accountant.</p> <p>Recommendation - We recommend management separate the preparation and posting of journal entries from the review and approval of journal entries.</p> <p>Views of Responsible Officials and Planned Corrective Actions - This finding existed in the prior year and continued into fiscal year 2017. There has been turnover in the controller position, which delayed implementing new procedures. Additionally, the Hospital changed accounting systems during 2017, which further delayed implementing new procedures. However, the Hospital now has a full-time accountant to assist with journal entry preparation. This should limit certain segregation of duties' issues going forward. Further, the board of commissioners meets each month and reviews financial statements and statistical information reported by management.</p>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Schedule of Findings and Responses (Continued)
Year Ended May 31, 2017**

Reference Number	Finding
2017-04	<p><i>Criteria or Specific Requirement</i> - Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p><i>Condition</i> - Management does not have a process to ensure uncompensated care receipts are accounted for in the proper period.</p> <p><i>Context</i> - The design of the Hospital's internal controls does not include a reconciliation from cash basis to accrual accounting for the uncompensated care receipts from the Rural Health Coalition.</p> <p><i>Effect</i> - Management restated the 2016 financial statements to accrue \$259,811 of uncompensated care receipts.</p> <p><i>Cause</i> - The Hospital has not designed internal control procedures to ensure all uncompensated care receipts are accrued in the proper period.</p> <p><i>Recommendation</i> - We recommend management reconcile uncompensated care receipts with the monthly statements to determine all uncompensated care payments earned have been recorded or accrued at year-end.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> - We will establish a process to ensure uncompensated care payments are accounted for and recorded on an accrual basis.</p>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Schedule of Findings and Responses (Continued)
Year Ended May 31, 2017**

Reference Number	Finding
2017-05	<p>Criteria or Specific Requirement - Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p>Condition - Management did not have a process to ensure accounts receivable was correctly transferred and processed during their conversion to their new software.</p> <p>Context - Management converted to a new EHR system and third-party billing company during the year. During the conversion and further processing of legacy receivables, management and the third-party billing company were not processing consistently.</p> <p>Effect - Accounts receivable was misstated during interim periods and at year-end before being adjusted to estimated net realizable value.</p> <p>Cause - The Hospital and third-party billing company did not have a thorough understanding of how legacy accounts receivable would be processed once they switched accounting systems.</p> <p>Recommendation - For any future accounting system changes, we recommend management has a clear and documented process on how account balances will be transferred and process subsequent to the transfer.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Hospital preferred not to transfer the legacy accounts receivable into the new system but was forced to by the new software company. Management believed they were processing accounts receivable in the appropriate system. However, when we identified account balances were out of balance, we recognized the issue and worked with the software company to correct. In the future, we will have a thorough and documented process signed off by both management and the third-party software company to ensure a smooth and accurate conversion.</p>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Schedule of Findings and Responses (Continued)
Year Ended May 31, 2017**

Reference Number	Finding
2017-06	<p>Criteria or Specific Requirement - The Hospital is required to have its audited financial statements filed with the Louisiana Legislative Auditor (LLA) within six months of their fiscal year-end.</p> <p>Condition - Management did not have its audited financial statements filed by the required due date, November 30, 2017. However, management did request and was granted an extension by LLA.</p> <p>Context - Due to issues with the conversion of one EHR accounting system to another EHR accounting system, accounts receivable did not convert properly. The third-party billing company (which is part of the EHR system) did not have resolution of the accounts receivable issue in sufficiently for the audit to be completed by the required due date.</p> <p>Effect - Management did not file the audited financial statements by the initial due date set by LLA.</p> <p>Cause - During the conversion process to a new billing company and new accounting software, accounts receivable was not handled correctly, resulting in an out-of-balance situation which was not timely corrected.</p> <p>Recommendation - We recommend management file their 2017 audited financial statements within the extension time period and monitor all account balances in their new accounting software to ensure the 2018 audited financial statements can be timely filed.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Hospital was aware of the accounts receivable issues and worked diligently with their billing/software company to resolve the issues and believes going forward this will not be an issue. They anticipate timely filing in the future as they have had in the past.</p>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Summary Schedule of Prior Audit Findings
Year Ended May 31, 2017**

Reference Number	Summary of Findings	Status
2016-01	The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related notes to the financial statements. (2007)	Not corrected. Management continues to assess the cost versus the benefit of improving internal controls over financial statement preparation. (see 2017-01)
2016-02	Limited separation of functions exists within the accounting and billing system, creating multiple conflicting duties. The administrator and accountant have conflicting duties within the cash disbursements, cash receipts and payroll cycles. (2009)	Partially corrected. Duties in cash receipts have been segregated to reduce the conflict to a deficiency. The Hospital is limited in accounting staff. The Hospital will continue to monitor segregation of duty issues. (see 2017-02)
2016-03	Due to changing general ledger systems again during fiscal year 2017, the administrator was not able to shift her ability to prepare and post all journal entries. Management has as its goal separating preparation and posting of journal entries from the review and approval of journal entries.	Not corrected. Subsequent to year-end, the Hospital hired a full-time accountant to assist with journal entry preparation; however, controls have not been fully implemented for review and approval of journal entries. (see 2017-03)
2016-04	Several posting errors were noted relating to primary and secondary insurance adjustments.	Corrected.

Board of Commissioners
East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
Lake Providence, Louisiana

As part of our audit of the financial statements of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital) as of and for the year ended May 31, 2017, we wish to communicate the following to you.

Audit Scope and Results

Auditor's Responsibility Under 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

An audit performed 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, is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Hospital's significant accounting policies are described in *Note 1* of the audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowances for contractual adjustments and uncollectible accounts
- Estimated amounts due to/from third-party payers
- Electronic health records (EHR) incentive revenue

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Net patient service revenue
- EHR incentive revenue
- Restatement of prior year financial statements for accrual of uncompensated care receipts

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- Supplies
- Prepaid expenses and other
- Allowance for uncollectible accounts and contractual adjustments
- Estimated amounts due from third-party payers
- Fixed assets and depreciation expense
- Accounts payable and other accrued expenses
- Accrued payroll and vacation expenses
- Insurance expense
- Unrestricted net position
- EHR incentive payments
- Uncompensated care receipts

Proposed Audit Adjustments Not Recorded

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

No matters are reportable.

Significant Issues Discussed with Management

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Conversion of accounts receivable and related valuation
- Restatement of prior year report for accrual of uncompensated care receipts

Difficulties Encountered in Performing the Audit

Management changed accounting systems during the year. Treatment of the legacy accounts receivable caused significant issues that delayed the audit and filing the audit report with the Louisiana Legislative Auditor (LLA). Management requested and was granted a filing extension from LLA; however, LLA still required a compliance finding be added to the report because the report was not filed within the initial six-month requirement.

Other Material Written Communication

Listed below is another material written communication between management and us related to the audit:

- Management representation letter (attached)

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Hospital as of and for the year ended May 31, 2017, 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, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on

the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 of the Hospital's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matters that we consider to be material weaknesses, a significant deficiency or deficiency.

Material Weaknesses

Refer to the Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* – Independent Auditor's Report.

Significant Deficiency

Refer to the Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* – Independent Auditor's Report.

Deficiencies

ML 2017-01 Segregation of Duties

Segregation of duties is an essential element of internal controls involving the separation of custody of assets from related recording and monitoring of transactions. To reduce the possibility of errors or fraud going undetected in the normal course of business, we encourage you to limit, to the extent possible, performance of incompatible duties. As noted, management has implemented certain compensating controls, so these items are considered control deficiencies and not material weaknesses or significant deficiencies. We recommend management continue to evaluate the cost-benefit of these limitations on segregation of duties.

- The billing clerk has the ability to admit patients, receive payments, generate a bill and apply payments to patients' accounts, giving her both access and recording responsibilities.

Management's Response and Corrective Action Plan

We agree with the recommendation and will continue to evaluate the cost-benefit of further segregation of duties, although a complete segregation of duties may not be practical at this time.

ML 2017-02 Information Technology (IT) Manager has Unlimited Access

The third-party IT manager has access to all modules within the Hospital's computer systems. We recommend the Hospital put in place certain review procedures to detect any unapproved changes within the system.

Management's Response and Corrective Action Plan

Management will look into implementing certain review procedures.

We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.

Management's written responses to the material weaknesses, significant deficiency and deficiencies identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board of Commissioners and others within the Hospital and the Office of the Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

May 4, 2018

East Carroll Parish Hospital

336 N. Hood Street
Lake Providence, LA 71254
Telephone 318-559-4023 Fax 318-559-3761

May 4, 2018

BKD, LLP
Certified Public Accountants
190 East Capitol Street, Suite 500
Jackson, MS 39201-2190

We are providing this letter in connection with your audits of our financial statements of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital, a component unit of East Carroll Parish, (the Hospital) as of and for the years ended May 31, 2017 and 2016. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated June 5, 2017, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for 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.

"This institution is an equal opportunity provider."

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
 4. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
 5. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - (b) Additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) All minutes of (stockholders', directors, trustees, etc.) and directors' meetings held through the date of this letter.
 - (e) All significant contracts and grants.
 - (f) All peer review organizations, fiscal intermediary and third-party payer reports and information.
 6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
 7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by company procedures with respect to:
 - (a) Misappropriation of assets.
 - (b) Misrepresented or misstated assets or liabilities.
 8. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
 9. We have no knowledge of any known or suspected:
 - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
-

- (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
 - (c) Communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices or other matters that could have a material adverse effect on the financial statements.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Hospital received in communications from employees, customers, regulators, suppliers or others.
11. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; principal owners, management, and members of their immediate families, subsidiaries accounted for by the equity method; and any other party with which the organization may deal if the organization can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the organization.
12. Except as reflected in the financial statements, there are no:
- (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - (b) Material transactions omitted or improperly recorded in the financial records.
 - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - (e) Agreements to purchase assets previously sold.
 - (f) Restrictions on cash balances or compensating balance agreements.
 - (g) Guarantees, whether written or oral, under which the Hospital is contingently liable.
-

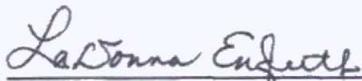
13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
14. We have no reason to believe the Hospital owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
15. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
16. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. There are no known circumstances that could jeopardize the Hospital's participation in the Medicare or other governmental health care programs.
17. Adequate provisions and allowances have been accrued for any material losses from:
 - (a) Uncollectible receivables.
 - (b) Medicare/Medicaid and other third-party payer contractual, audit or other adjustments.
 - (c) Reducing obsolete or excess inventories to estimated net realizable value.
 - (d) Purchase commitments in excess of normal requirements or above prevailing market prices.
18. Except as disclosed in the financial statements, the Hospital has:
 - (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
 - (b) Complied with all aspects of contractual agreements, for which noncompliance would materially affect the financial statements.
19. With respect to the Hospital's possible exposure to past or future medical malpractice assertions:
 - (a) We have disclosed to you all incidents known to us that could possibly give rise to an assertion of malpractice.

- (b) All known incidents have been reported to the appropriate medical malpractice insurer and are appropriately considered in our malpractice liability accrual.
 - (c) There is no known lapse in coverage, including any lapse subsequent to the fiscal year-end, that would result in any known incidents being uninsured.
 - (d) Management does not expect any claims to exceed malpractice insurance limits.
 - (e) We believe our accruals for malpractice claims are sufficient for all known and probable potential claims.
20. With regard to deposit and investment activities:
- (a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.
 - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - (c) We understand that your audit does not represent an opinion regarding the enforceability of collateral pledges.
21. With respect to any nonattest services you have provided us during the year, including preparation of depreciation schedules, proposed journal entries and year-end financial statements:
- (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
 - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
22. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.
-

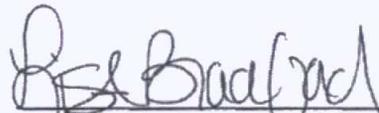
23. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
24. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
25. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
26. We have a process to track the status of audit findings and recommendations.
27. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.
28. We have provided our views on any findings, conclusions and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.
29. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
30. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

31. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
32. Billings to third-party payers comply in all material respects with applicable coding guidelines, laws and regulations. Billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.
33. We represent the use of paid time off is permissible in periods where employees work all scheduled regular hours.
34. With regard to Medicare, Medicaid Electronic Health Record (EHR) incentive payment program:
 - (a) All required attestation reports have been properly filed.
 - (b) Management is responsible for the accuracy and propriety of those reports.
 - (c) All required core objective have been met or we are reasonably assured of meeting them
 - (d) The required number of menu set objectives have been met or we are reasonably assured of meeting them.
 - (e) We are not aware of any issues related to meaningful use as defined under the EHR Incentive Program that would make the Hospital not eligible to receive the incentive payments, including payments already received
35. With regard to cost reports filed with Medicare, Medicaid or other third parties:
 - (f) All required reports have been properly filed.
 - (g) Management is responsible for the accuracy and propriety of those reports.
 - (h) All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.
 - (i) The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
 - (j) All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.

- (k) Recorded allowances for third-party settlements are necessary and are based on historical experience or new or ambiguous regulations that may be subject to differing interpretations.
36. With regard to supplementary information:
- (a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
 - (b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
 - (c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
 - (d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
37. The Hospital has restated the 2017 financial statements to conform with accounting principles generally accepted in the United States of America. Management has provided you with all relevant information regarding the restatement. We are not aware of any other known matters that require correction in the financial statements.



LaDonna Englerth, Administrator



Lisa Bradford, Business Office Assistant

East Carroll Parish Hospital

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	6,381,645	9,908	6,391,553	0.16%
Non-Current Assets	3,436,422	0	3,436,422	0.00%
Current Liabilities	(971,654)	0	(971,654)	0.00%
Non-Current Liabilities	0	0	0	0.00%
Current Ratio	6.57		6.58	0.15%
Total Assets	9,818,067	9,908	9,827,975	0.10%
Total Liabilities	(971,654)	0	(971,654)	0.00%
Net Position	(8,846,413)	(9,908)	(8,856,321)	0.11%
Revenues & Income	(12,005,715)	(1,408)	(12,007,123)	0.01%
Costs & Expenses	11,046,072	0	11,046,072	0.00%
Change in Net Position	(959,643)	(1,408)	(961,051)	0.15%

Client: East Carroll Parish Hospital
 Period Ending: May 31, 2017

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Location or Business Unit	Financial Line Item	Factual (F), Judgmental (J), or Projected (P)	Assets		Liabilities		(X) Non Tax	Revenues & Income		Costs & Expenses		Net Position		Net Effect on Following Year			
				Current		Non-Current			Current		Non-Current		DR (CR)		DR (CR)		Change in Net Equity	
				DR	(CR)	DR	(CR)		DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
Passing on adjustment for Prior year EHRReceivable	Hospital		Factual	0	0	0	0		8,500	0		(8,500)			0	0		
		Revenue							8,500						N/A	N/A		
		Retained Earnings										(8,500)						
Adjustment for FY17 revenue recorded in FY18	Hospital		Factual	9,908	0	0	0		(9,908)	0		0		9,908	(9,908)			
		Accounts receivable		9,908										9,908				
		Patient service revenue							(9,908)						(9,908)			
				0	0	0	0		0	0		0		0	0			
				0	0	0	0		0	0		0		0	0			
				0	0	0	0		0	0		0		0	0			
				0	0	0	0		0	0		0		0	0			

Taxable passed adjustments									(1,408)	0		(8,500)		9,908	(9,908)
Times (1 - effective tax rate of 00%)									100%	100%		100%			
Taxable passed adjustments net of tax impact							0		(1,408)	0		(8,500)			
Nontaxable passed adjustments				9,908	0	0	0		0	0		0			
Total passed adjustments, net of tax impact (if any)				9,908	0	0	0		(1,408)	0		(8,500)			
									Impact on Change in Net Position			(1,408)			
									Impact on Net Position			(9,908)			