

**CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER
AND AFFILIATE**

HOMER, LOUISIANA

JUNE 30, 2018, 2017, AND 2016

**CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER
AND AFFILIATE
TOWN OF HOMER, STATE OF LOUISIANA
YEARS ENDED JUNE 30, 2018, 2017 AND 2016**

TABLE OF CONTENTS

	<u>PAGE NO.</u>
Management’s Discussion and Analysis (Unaudited)	i-vii

AUDITED FINANCIAL STATEMENTS

Independent Auditors’ Report.....	1-3
Combined Balance Sheets.....	4
Combined Statements of Revenues, Expenses, and Changes in Net Position	5
Combined Statements of Cash Flows	6-7
Notes to Combined Financial Statements	8-26

SUPPLEMENTARY FINANCIAL INFORMATION

Combined Schedules of Net Patient Service Revenue.....	27-29
Combined Schedules of Other Operating Revenue.....	30
Combined Schedules of Operating Expenses	31-34
Schedule of Per Diem and Other Compensation Paid to Hospital Board Members	35
Schedule of Insurance Coverage at Year End.....	36
Schedule of Compensation, Benefits and Other Payments Paid to Agency Head.....	37

OTHER REPORTS

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38-39
Schedule of Findings and Responses	40-42
Schedule of Prior Year Findings and Responses.....	43-45

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

This section of Claiborne Parish Hospital Service District #3 d/b/a/ Claiborne Memorial Medical Center and Affiliate's (Hospital's) annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal years that ended on June 30, 2018, 2017, and 2016. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The Hospital's total assets decreased by \$1,940,000 or approximately 11% during fiscal year (FY) 2018. This decrease is primarily from a decrease of \$2,532,000 in cash due to payment of \$1,222,000 in UPL grant funds payable from FY 2017 and \$1,310,000 decrease from operations, partially offset by a \$651,000 increase in the receivable from acting as grantor of UPL payments for eight hospitals. There is also a decrease in the liability for payment to the other hospitals of \$681,000 included in accounts payable at year-end. These funds are received to provide adequate and essential medically necessary healthcare services to low income or indigent patients. The Hospital's net receivable from these payments at June 30, 2018 was \$247,000 as compared to a net payable of \$1,085,000 at June 30, 2017. The Hospital's total assets increased by \$3,636,000 or approximately 27% during fiscal year 2017. This decrease is primarily from an increase of \$2,667,000 in receivables from acting as grantor of the UPL payments discussed above. There was also an increase in the liability for payment to the other hospitals of \$3,831,000 included in accounts payable at year-end 2017.
- Net patient revenues (exclusive of \$24,400,000 total UPL payments received as discussed above) decreased by \$356,000 or approximately 3% in FY 2018 compared to an increase of \$553,000 or 4% in fiscal year 2017. The most significant revenue decrease was a \$870,000 decrease in gross Senior Care revenue
- Total operating expenses (exclusive of UPL grant payments made) increased \$820,000 or 5%, compared to a 3% decrease in net patient revenues of \$356,000. Total operating expenses increased \$551,000 (4%) in fiscal year 2017. Primary increases were in salaries and professional fees.

Required Financial Statements

The Financial Statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities.

Balance Sheets and Statements of Revenues, Expenses and Changes in Net Position

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 Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital. The Statements of Revenues, Expenses, and Changes in Net Position report all of the revenues and expenses during the time periods indicated. These statements measure results in the Hospital's operations during the years provided 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.

Statements of Cash Flows

The final required financial statements are the Statements of Cash Flows. The statements report cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities and provide information as to sources and uses of cash as well as the change in the cash balance during the reporting period.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheets on page 4. Total net position decreased during fiscal year 2018 by \$1,079,000 (11.3%) as reflected on the statements of revenues, expenses and changes in net position. The Hospital's net position decreased in FY 2017 by \$75,000 (.78%).

Financial Analysis of the Hospital

The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Hospital's activities. These two statements report the net position of the Hospital and changes in it. Increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Governance of the hospital has been transferred to Claiborne Parish Hospital Service District Number 3 based on a resolution which requires the parish to seek local tax support for the hospital. The hospital is now operating as Claiborne Memorial Medical Center. The vote on the ½ cent sales tax took place in March, 2015, and passed with a 93% approval. The hospital received approximately \$643,000 and \$615,000 in sales tax collections for FY 2018 and 2017, respectively, which are included in other operating revenue. In addition, the hospital received a \$500,000 revenue bond to fund the relocation of the senior care unit during the year ended June 30, 2015. The senior care unit was relocated to the hospital and IOP services were added during FY 2016.

TABLE 1
Condensed Balance Sheets (In thousands)

	June 30,			
	2018	2017	2016	2015
Total current assets	\$ 8,012	\$ 9,703	\$ 5,921	\$ 7,757
Limited use assets (non current)	1,081	1,138	1,043	1,222
Property, plant and equipment	5,912	6,104	6,345	6,512
Unamortized bond issue cost	-0-	-0-	-0-	12
Total assets	\$ 15,005	\$ 16,945	\$ 13,309	\$ 15,503
Total current liabilities	\$ 6,257	\$ 7,072	\$ 3,245	\$ 5,873
Long-term debt, net of current	328	374	490	659
Total liabilities	6,585	7,446	3,735	6,532
Net position:				
Invested in capital assets, net of related debt	5,538	5,623	5,688	5,355
Restricted expendable	209	287	275	373
Unrestricted	2,673	3,589	3,611	3,243
Total net position	8,420	9,499	9,574	8,971
Total liabilities and net position	\$ 15,005	\$ 16,945	\$ 13,309	\$ 15,503

As can be seen in Table 1, total assets decreased by \$1,940,000 to \$15,005,000 in fiscal year 2018 compared to total assets of \$16,945,000 in fiscal year 2017. Bonds were issued in the amount of \$500,000 in fiscal year 2015 for improvements related to the senior care center relocation which was completed in fiscal year 2016.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Capital Assets

Net capital assets decreased by \$191,000 in FY 2018. This decrease relates to \$470,000 in capital expenditures offset by \$43,000 in net asset retirements and \$618,000 in depreciation of the Hospital's assets. Net capital assets decreased by \$240,000 in FY 2017. This decrease relates to \$488,000 in capital expenditures offset by \$730,000 in depreciation of the Hospital's assets. Table 2 highlights the major capital investments for FYE 2018.

**TABLE 2
Capital Investments**

	<u>2018</u> <u>Cost</u>
<u>Equipment</u>	
Nurses station Phase 2 renovation costs transferred from CIP	57,627
Telemetry equipment transferred from CIP	224,082
Mobile X-Ray equipment	198,129
Operating room lights	35,074
Other equipment	7,770
Total equipment	522,682
 <u>Construction in Progress</u>	
Virtual desktop project costs	6,832
Total construction in progress	6,832
 Total major acquisitions	 \$ 529,514

Sources of Revenue

Operating Revenue

During fiscal years 2018, 2017, and 2016, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and other third party payors and patients who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and other third party payors is based upon established contracts, and the difference between the full charge and payment is recognized as a contractual adjustment. During fiscal years 2016 and 2015, the Hospital was audited by the Medicare Recovery Audit Contractor (RAC). There was no audit activity in fiscal year 2017 or 2018. The recoupment in FY 2016 of prior and current year reimbursement amounts was \$128,000. Medicare and Medicaid RAC audits will continue to impact future reimbursement.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Sources of Revenue (Continued)

Operating Revenue (Continued)

In FY 2017, Medicare paid the Hospital \$34,800 as an incentive for implementing electronic health records. In FY 2016 and FY 2015, Medicare paid the Hospital a total of \$338,000 and \$631,000, respectively as an incentive for implementing electronic health records. No payments were received in FY 2018.

During fiscal years 2018, 2017, 2016 and 2015 the Hospital acted as grantor for the UPL program for eight area rural hospitals. As grantor, the hospital received total grant funds of \$24,400,045 for 2018, \$21,809,692 for 2017, \$17,241,715 for 2016 and \$19,953,205 for 2015 under the program, which is included as Medicaid patient service revenue, and disbursed \$23,591,662 for 2018, \$21,020,507 for 2017, \$15,846,964 for 2016 and \$18,343,650 for 2015 to participating hospitals. Grants under this program are to be used solely to provide adequate and essential medically necessary health care services to the citizens of the community who are low income and/or indigent. Other revenue includes interest income, sales tax revenue, cafeteria sales, and other miscellaneous services.

Table 3 represents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30, 2018, 2017, and 2016. Payor mix percentages are computed based on gross charges by payor compared to total gross patient charges, excluding the UPL grant funds discussed in the preceding paragraph.

TABLE 3
Payor Mix by Percentage of Gross Charges

	Year ended June 30		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare	56.0%	58.3%	57.2%
Medicaid	25.7%	23.6%	17.8%
Commercial	14.2%	13.7%	16.1%
Self-pay and other	4.1%	4.4%	8.9%
Total patient revenue	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Non-Operating Income

The Hospital holds designated and restricted funds in its Balance Sheet that are invested primarily in money market funds held at First Guaranty Bank and Gibsland Bank & Trust in Public Fund Service Accounts (PFSA). During fiscal year 2017, the long-term investment account was transferred to Gibsland due to increased interest rate. Total investment income earned was \$26,200, \$16,900, \$8,500 and \$8,900 in 2018, 2017, 2016 and 2015, respectively. All investment accounts are in NOW accounts and Money Market checking accounts earning interest currently at .4% to 1.04%. Alternatives were reviewed in order to obtain a better rate but accounts with higher interest rates require that the funds be restricted and were not accessible without penalties.

Capital Grants and Contributions

Various small grants were received to purchase equipment. The Claiborne Healthcare Foundation, an affiliate, received contributions of \$19,000, \$16,000, \$9,000 and \$11,000 during fiscal years 2018, 2017, 2016 and 2015, respectively that are restricted towards future capital expenditures. The Foundation contributed approximately \$63,000 and \$59,000 to the Hospital in FY 2018 and 2017 for equipment purchases and \$91,000 in FY 2016 for the nurses station remodel.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Income Statement

The following table presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2018, 2017, 2016, and 2015.

TABLE 4
Condensed Statements of Revenues, Expenses, and Changes in Net Assets (In thousands)

	Years Ended June 30,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net patient service revenue	\$ 38,329	\$ 36,094	\$ 30,972	\$ 34,077
Noncapital grants	7	81	338	639
Other revenue	1,149	929	788	193
Total operating revenues	<u>39,485</u>	<u>37,104</u>	<u>32,098</u>	<u>34,909</u>
Salaries	8,066	7,426	6,647	6,560
Benefits and payroll taxes	1,918	1,845	1,331	1,448
Supplies and drugs	2,492	2,413	2,181	2,198
Professional fees	1,978	1,687	2,411	2,403
Intergovernmental transfers - access grant exp	23,592	21,021	15,847	18,344
Other expenses	1,704	1,836	1,824	1,932
Insurance	213	233	245	229
Depreciation and amortization	618	729	978	977
Total operating expenses	<u>40,581</u>	<u>37,190</u>	<u>31,464</u>	<u>34,091</u>
Operating income (loss)	(1,096)	(86)	634	818
Investment income	26	17	8	9
Interest expense	(28)	(29)	(48)	(61)
Excess of revenues (expenses) before capital grants and contributions	(1,098)	(98)	594	766
Capital grants and contributions	19	23	9	275
Increase (decrease) in net position	<u>(1,079)</u>	<u>(75)</u>	<u>603</u>	<u>1,041</u>
Net position - beginning of year	9,499	9,574	8,971	7,930
Net position - end of year	<u>\$ 8,420</u>	<u>\$ 9,499</u>	<u>\$ 9,574</u>	<u>\$ 8,971</u>

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Accounts Receivable

Total accounts receivable at June 30, 2018 has increased as compared to 2017 primarily due to a change in billing methods requiring all charts to be completed prior to submitting for billing resulting in the delay of some billing due to incomplete medical records. Accounts receivable had decreased the prior year primarily due to the Medicaid expansion which has caused some prior uninsured and self-pay patients to become Medicaid patients resulting in fewer of these accounts being written off as uncollectible accounts.

TABLE 5
Gross Accounts Receivable Aging (In thousands)

	Year ended June 30		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current accounts	\$ 3,077	\$ 3,056	\$ 3,421
30-day accounts	1,231	437	686
60-day accounts	480	255	511
90-day and over accounts	2,683	2,535	3,636
Total	<u>\$ 7,471</u>	<u>\$ 6,283</u>	<u>\$ 8,254</u>

Operating and Financial Performance

The following summarizes the Hospital's Statements of Revenues, Expenses, and Changes in Net Position between 2018 and 2017:

- Patient days, not including Senior Care days, decreased to 5,441, decreased to 5,882, and decreased to 5,918 for FY 2018, 2017, and 2016, respectively. This is a decrease of 1%, compared to a decrease of 1% and a decrease of 11%, in overall activity for the past three years.
- Salaries had significant increases in both FY 2018 and FY 2017 after a slight increase in FY 2016. Nursing services and administration are the two areas that saw the largest increases in 2018, with additional LPN's hired for patient care and additional administrative employees were hired to fill open positions. Employee benefits increased by \$78,000 overall in fiscal year 2018, primarily due to increases in payroll taxes and retirement plan expenses. In fiscal year 2017 there was an increase in employee benefits of \$514,000 and a decrease of \$116,000 in fiscal year 2016.
- Investment income was \$26,200, \$16,900 and \$8,500 for fiscal years 2018, 2017 and 2016, respectively. Rates have remained low throughout the period, however the rate paid several accounts increased during fiscal year 2017.
- Professional fees increased by \$290,000, primarily due to additional contract ER physicians added due to legal requirements. Some of these were offset with additional salary cost as discussed above. Fiscal year 2017 had a decrease of 724,000, primarily due to contracts terminated in administration, pharmacy and laboratory. Some of these were offset with additional salary cost as discussed above. Fiscal year 2016 had a decrease of \$697,000, primarily due to contracts added with IOP services offset by contracts that were terminated in administration.

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center and Affiliate

Management's Discussion and Analysis (Continued)

Operating and Financial Performance (Continued)

- In April, 2013, the Hospital signed an Agreement for Hospital Administrative Services with Quorum Health Resources, LLC to provide management services to the hospital. This contract was terminated effective April 8, 2016.
- Supply and drug cost increased by \$79,000 compared to an increase of \$232,000 in fiscal year 2017, primarily due to increased software costs and additional supplies required for respiratory panel testing, partially offset by decreased pharmacy supply costs due to more cost effective product utilization.
- There was no RAC audit activity in fiscal years 2018 and 2017. In fiscal year 2016, the Medicare Recovery Audit Contractor (RAC) requested over \$228,000 in claims for review. Of this amount, the RAC recovered approximately \$120,000 in reimbursement. There could be additional recoveries in the future. In February 2010, the Hospital received the first request from the RAC for medical records to be reviewed for proper coding and documentation. The RAC is a private company hired by Medicare to identify and correct past Medicare improper payments, whether overpayments or underpayments. These audits will continue but the Hospital has implemented an internal audit and review process within the facility to identify possible coding errors prior to RAC review on issues that have been identified for review. Effective August 29, 2016, the RAC was changed from Connolly Healthcare to Cotiviti.

Contacting the Hospital's Financial Management

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Hospital Administration.

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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December 10, 2018

Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying combined financial statements of Claiborne Parish Hospital Service District #3, d/b/a Claiborne Memorial Medical Center and its affiliate (the Hospital), a component unit of the Town of Homer, Louisiana, as of and for the years ended June 30, 2018, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Hospital's basic combined 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinions

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Hospital, as of June 30, 2018, 2017 and 2016, and the respective changes in combined financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages i through vii be presented to supplement the combined basic financial statements. Such information, although not a part of the combined 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 combined 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 combined basic financial statements, and other knowledge we obtained during our audit of the combined 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's combined basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the combined 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 December 10, 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.

Heard McElroy & Vestal, LLC
Monroe, Louisiana

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED BALANCE SHEETS
JUNE 30, 2018, 2017 AND 2016

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current:			
Cash and cash equivalents (Note 3)	\$ 713,981	\$ 3,252,131	\$ 1,605,002
Short-term investments (Note 3)	318,567	316,020	313,881
Receivables, net (Note 4)	6,300,151	5,424,059	3,313,941
Assets limited as to use - current (Notes 3 & 5)	126,930	126,922	126,915
Inventories	365,734	348,107	343,626
Prepaid expenses	127,480	165,446	166,661
Other current assets (Note 6)	58,944	70,612	51,086
Total current assets	<u>8,011,787</u>	<u>9,703,297</u>	<u>5,921,112</u>
Other:			
Assets limited as to use - non current (Notes 3 & 5)	1,080,596	1,137,641	1,042,720
Capital assets, net (Note 7)	<u>5,912,411</u>	<u>6,103,625</u>	<u>6,344,936</u>
 Total assets	 <u>\$ 15,004,794</u>	 <u>\$ 16,944,563</u>	 <u>\$ 13,308,768</u>
<u>LIABILITIES AND NET POSITION</u>			
Current:			
Accounts payable	\$ 4,356,765	\$ 5,153,065	\$ 1,426,665
Accrued expenses	842,522	786,343	595,582
Estimated third-party payor settlements	1,011,219	1,025,482	1,054,993
Current maturities of long-term debt (Note 8)	46,000	106,600	167,450
Total current liabilities	<u>6,256,506</u>	<u>7,071,490</u>	<u>3,244,690</u>
Long-term debt, net of current maturities (Note 8)	<u>328,000</u>	<u>374,000</u>	<u>489,942</u>
Total liabilities	<u>6,584,506</u>	<u>7,445,490</u>	<u>3,734,632</u>
Net Position:			
Invested in capital assets, net of related debt	5,538,411	5,623,025	5,687,544
Restricted expendable (Note 5)	208,976	287,255	275,105
Unrestricted	<u>2,672,901</u>	<u>3,588,793</u>	<u>3,611,487</u>
Total net position	<u>8,420,288</u>	<u>9,499,073</u>	<u>9,574,136</u>
 Total liabilities and net position	 <u>\$ 15,004,794</u>	 <u>\$ 16,944,563</u>	 <u>\$ 13,308,768</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30, 2018, 2017 AND 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenues:			
Net patient service revenue (Note 10)	\$ 38,328,616	\$ 36,093,641	\$ 30,972,204
Noncapital grants (Note 15)	6,554	81,072	337,993
Other operating revenue	<u>1,149,427</u>	<u>929,095</u>	<u>788,012</u>
 Total operating revenues	 <u>39,484,597</u>	 <u>37,103,808</u>	 <u>32,098,209</u>
 Operating Expenses:			
Salaries	8,065,962	7,426,297	6,647,108
Benefits and payroll taxes	1,917,958	1,844,543	1,331,296
Supplies and drugs	2,492,030	2,412,678	2,180,764
Professional fees	1,977,878	1,687,491	2,411,181
Intergovernmental transfers - access grant expense	23,591,662	21,020,507	15,846,964
Other expenses	1,704,261	1,836,210	1,825,734
Insurance	213,212	232,849	246,222
Depreciation and amortization	<u>618,174</u>	<u>729,381</u>	<u>976,588</u>
 Total operating expenses	 <u>40,581,137</u>	 <u>37,189,956</u>	 <u>31,465,857</u>
 Operating income (loss)	 <u>(1,096,540)</u>	 <u>(86,148)</u>	 <u>632,352</u>
 Nonoperating revenues (expenses)			
Investment income	26,158	16,876	8,494
Interest expense	<u>(27,873)</u>	<u>(29,109)</u>	<u>(47,532)</u>
 Excess of revenues (expenses) before capital grants and contributions	 <u>(1,098,255)</u>	 <u>(98,381)</u>	 <u>593,314</u>
 Capital grants and contributions	 <u>19,470</u>	 <u>23,318</u>	 <u>9,134</u>
 Increase (decrease) in net position	 <u>(1,078,785)</u>	 <u>(75,063)</u>	 <u>602,448</u>
 Net position at beginning of year	 <u>9,499,073</u>	 <u>9,574,136</u>	 <u>8,971,688</u>
 Net position at end of year	 <u>\$ 8,420,288</u>	 <u>\$ 9,499,073</u>	 <u>\$ 9,574,136</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:			
Cash receipts from and on behalf of patients	\$ 37,438,261	\$ 33,954,013	\$ 32,729,741
Other receipts and payments, net	1,210,537	990,641	1,074,941
Payments to suppliers and contractors	(30,755,004)	(23,466,601)	(24,469,105)
Payments for employees and benefits	<u>(9,927,741)</u>	<u>(9,080,080)</u>	<u>(8,139,125)</u>
Net cash provided (used) by operating activities	<u>(2,033,947)</u>	<u>2,397,973</u>	<u>1,196,452</u>
Cash flows from investing activities:			
Interest on investments	26,158	16,876	8,494
Change in assets whose use is limited	57,037	(94,928)	186,296
Change in investments	<u>(2,547)</u>	<u>(2,139)</u>	<u>(2,116)</u>
Net cash provided (used) by investing activities	<u>80,648</u>	<u>(80,191)</u>	<u>192,674</u>
Cash flows from capital and related financing activities:			
Capital grants and contributions	19,470	23,318	9,134
Interest paid on long-term debt	(27,873)	(29,109)	(59,358)
Principal payments on long-term debt	(106,600)	(176,792)	(487,187)
Purchase of capital assets	<u>(469,848)</u>	<u>(488,070)</u>	<u>(797,994)</u>
Net cash used by capital and related financing activities:	<u>(584,851)</u>	<u>(670,653)</u>	<u>(1,335,405)</u>
Net increase (decrease) in cash and cash equivalents	(2,538,150)	1,647,129	53,721
Beginning cash and cash equivalents	<u>3,252,131</u>	<u>1,605,002</u>	<u>1,551,281</u>
Ending cash and cash equivalents	\$ <u>713,981</u>	\$ <u>3,252,131</u>	\$ <u>1,605,002</u>
Supplemental disclosure of cash flow information			
Cash payments for:			
Interest (net of interest capitalized)	\$ <u>27,873</u>	\$ <u>59,358</u>	\$ <u>75,142</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (1,096,540)	\$ (86,148)	\$ 632,352
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities:			
Loss on disposition of assets	42,888	-0-	-0-
Depreciation and amortization	618,174	729,381	976,588
(Increase) decrease in:			
Accounts receivable, net	(876,092)	(2,110,118)	1,775,544
Other assets	32,007	(22,792)	108,704
Increase (decrease) in:			
Accounts payable and accrued expenses	(740,121)	3,917,161	(2,278,729)
Estimated third-party payor settlements	<u>(14,263)</u>	<u>(29,511)</u>	<u>(18,007)</u>
Net cash provided (used) by operating activities	\$ <u>(2,033,947)</u>	\$ <u>2,397,973</u>	\$ <u>1,196,452</u>

The accompanying notes are an integral part of the combined financial statements.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organizations

Claiborne Memorial Medical Center (the "Hospital") operates as an enterprise fund of the Town of Homer, Louisiana. The Hospital is controlled by a board of directors, who are a separate and distinct body from the Selectmen of the Town of Homer. The board members consist of citizens appointed by the Mayor and Selectmen of the Town of Homer. The board members serve without compensation.

As the governing authority of the Town, for reporting purposes, the Town of Homer is the financial reporting entity for the Hospital. The Hospital's financial accountability as a component unit, is defined in Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended. The accompanying financial statements present information only on the funds maintained by the Hospital.

During the year ended June 30, 2015, governance of the hospital was transferred to Claiborne Parish Hospital Service District Number 3 based on a resolution requiring the parish to seek local tax support for the hospital. The hospital is now operating as Claiborne Memorial Medical Center.

Claiborne Healthcare Foundation, Inc. (the "Foundation") was incorporated January 1, 2007, as a Louisiana non-profit organization to support specific capital projects that complement the mission of Homer Memorial Hospital. The Hospital Board has pledged to fund the operational expenses of the Foundation so that 100% of the contributions to the Foundation can be allocated according to the donors' restrictions. The Foundation is included in the Hospital's reporting entity because of the significance of its operational and financial relationship with the Hospital. Collectively, Claiborne Memorial Medical Center and its affiliate are hereafter referred to as the "Hospital".

Nature of Business

The Hospital provides inpatient and outpatient and emergency hospital services, as well as skilled nursing (through "swing beds"), home health, and inpatient psychiatric services to patients from Claiborne and surrounding parishes and counties.

The Foundation's purpose is to engage in the solicitation, receipt and administration of funds and property, and from time to time, to disburse such funds or property and the income therefrom, to or for the benefit of the Hospital.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The accompanying financial statements include the accounts and transactions of the Hospital combined with its affiliate, Claiborne Healthcare Foundation, Inc. All material intercompany accounts and transactions have been eliminated.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Fund

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

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The Hospital prepares its financial statements as a business-type activity in conformity with the applicable pronouncements of the GASB. pronouncements. Such accounting and reporting procedures conform to the requirements of the Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, and to the AICPA, Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates and assumptions are used for, but are not limited to, contractual allowances for revenue adjustments, allowance for doubtful accounts, and depreciable lives of assets.

Accounting estimates used in the preparation of the financial statements may change as new events occur and additional information is obtained. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. In particular, laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

Income Taxes

The Hospital is a political subdivision and exempt from taxation. The Foundation has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation has been classified as an organization other than a private foundation.

The Foundation adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

The Foundation has evaluated its positions regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. With few exceptions, the Foundation is no longer subject to federal, state, or local tax examinations by tax authorities for years before June 30, 2014.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements, designated assets set aside by the Foundation Board, restricted by contributors' designations for capital projects and designated assets set aside by the Hospital Board, over which the Hospital Board retains control and may at its discretion subsequently use for other purposes.

Patient Accounts Receivable

Patient accounts receivable is reported at net realizable value, after recognition of allowances for estimated uncollectible accounts. The allowance for uncollectible accounts is based on historical losses and on analysis of currently outstanding amounts. This account is generally increased by charges to a provision for uncollectible amounts and decreased by write-offs of accounts determined by management to be uncollectible.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Capital Assets

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses the straight-line method of calculating depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Building and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	5 to 20 years

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred. The Hospital capitalizes depreciable property and equipment valued at \$5,000 or more, with a useful life greater than two years. The cost of assets retired or otherwise disposed of and related accumulated depreciation is eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Net Position

The net position of the Hospital is classified in four components. Net position invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation, net of related debt. Restricted expendable net position is non capital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. Restricted nonexpendable net position equals the principal portion of permanent endowments. The Hospital has no restricted nonexpendable net position at this time. Unrestricted net position is remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

The content and certain titles of the financial statements were changed upon the adoption by the Hospital in the year ended June 30, 2013 of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting standards guidance for deferred inflows and outflows of resources and identifies net position as the residual of all other elements presented in the statements of net position. The Hospital had no deferred outflows or inflows of resources at June 30, 2018, 2017 and 2016, and no reclassifications affecting the statement of net assets from the prior period were required.

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Operating Revenues and Expenses

The Hospital's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Hospital's principal activity. Non-exchange revenues, not including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

During fiscal years 2018, 2017 and 2016 the Hospital acted as grantor for the UPL program for eight area rural hospitals. As grantor, the hospital received total grant funds of \$24,400,045, \$21,809,692 and \$17,241,715 under the program, which is included as Medicaid patient service revenue, and disbursed \$23,591,662, \$21,020,507 and \$15,846,964 to participating hospitals. Grants under this program are to be used solely to provide adequate and essential medically necessary health care services to the citizens of the community who are low income and/or indigent. In accordance with Medicaid reporting requirements, the total grant funds is included in net patient service revenue and the total disbursements to participating hospitals is included in operating expenses.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions

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

Net Patient Service Revenue

The Hospital has agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, 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. Patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Credit Risk

The Hospital is located in Homer, Louisiana. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The Hospital's estimate of collectability is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 4. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Risk Management

The Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters; except for workers compensation, general, and professional liability claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years. See Note 14 for discussion of workers compensation liability risk and professional and general liability risk.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charity Care

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

New Accounting Standards

ASU 2014-09, *Revenue from Contracts with Customers*, as amended will be effective for the Hospital's fiscal year beginning July 1, 2019. The hospital is evaluating the requirements of the new standard, but it is not expected to have a significant impact on the recognition of net revenues or related disclosures for any period.

NOTE 3 - DEPOSITS AND INVESTMENTS

Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds. Currently all amounts shown as investments are interest-bearing deposits. Louisiana law requires banks and savings and loan associations to secure a government's deposits (cash in banks) by pledging qualifying securities as collateral. For this purpose "cash in banks" is comprised of the account balances according to the banks' records.

Account balances according to banks' records at June 30, 2018, for the Hospital are as follows:

	<u>First Guaranty</u>	<u>Gibsland Bank and Trust</u>	<u>Citizens National</u>
Cash and CD's	\$ <u>1,184,891</u>	\$ <u>787,636</u>	\$ <u>284,807</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>934,891</u>	\$ <u>537,636</u>	\$ <u>34,807</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Account balances according to banks' records at June 30, 2018, for the Foundation are as follows:

	First Guaranty	Gibsland Bank
Cash in banks	\$ <u>35,659</u>	\$ <u>25,179</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>-0-</u>	\$ <u>-0-</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits might not be recovered. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. Claiborne Memorial Medical Center's deposits were entirely insured or collateralized by securities held by the pledging bank in the Hospital's name at June 30, 2018, 2017, and 2016. The Affiliate's (Foundation) had no uninsured deposits at June 30, 2018, 2017 and 2016.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value is to changes in market interest rates. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The carrying amounts of deposits and investments are included in the Hospital's balance sheets at June 30 as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Carrying amount			
Deposits	\$ 713,981	\$ 3,252,131	\$ 1,605,002
Investments	<u>1,526,093</u>	<u>1,580,583</u>	<u>1,483,516</u>
Totals	\$ <u>2,240,074</u>	\$ <u>4,832,714</u>	\$ <u>3,088,518</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 713,981	\$ 3,252,131	\$ 1,605,002
Short-term investments	318,567	316,020	313,881
Assets limited as to use - current	126,930	126,922	126,915
Assets limited as to use - noncurrent	<u>1,080,596</u>	<u>1,137,641</u>	<u>1,042,720</u>
Totals	\$ <u>2,240,074</u>	\$ <u>4,832,714</u>	\$ <u>3,088,518</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 4 - RECEIVABLES, NET AND PATIENT SERVICE REVENUE

Accounts Receivable

A summary of net receivables at June 30 is presented below:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Accounts receivable			
Patient accounts receivable, net of contractual allowances	\$ 4,498,630	\$ 4,214,268	\$ 5,816,946
Estimated uncollectibles	<u>(2,530,754)</u>	<u>(2,552,513)</u>	<u>(3,714,252)</u>
Net patient accounts receivable	1,967,876	1,661,755	2,102,694
Receivable - Medicaid Fiscal Intermediary	4,286,430	3,635,927	968,941
Third-party cost based settlements	<u>45,845</u>	<u>126,377</u>	<u>242,306</u>
Receivables, net	\$ <u><u>6,300,151</u></u>	\$ <u><u>5,424,059</u></u>	\$ <u><u>3,313,941</u></u>

The following is a summary of the mix of gross receivables from patients and third-party payors at June 30:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare	41%	34%	29%
Medicaid	14%	15%	9%
Other third-party payors	11%	10%	12%
Others	<u>34%</u>	<u>41%</u>	<u>50%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Patient Service Revenue

Percentage mix of gross revenue for the years ended June 30, 2018, 2017 and 2016 for patient services rendered under contract with major third-party cost reimbursers follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare	56%	58%	57%
Medicaid	26%	24%	18%
Commercial	14%	14%	16%
Self-pay and other	4%	4%	9%
Total patient revenue	<u>100%</u>	<u>100%</u>	<u>100%</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 5 - ASSETS LIMITED AS TO USE

The components of assets limited as to use at June 30, is set forth in the following table. Investments are stated at fair value and are comprised primarily of certificates of deposit and money market brokerage accounts.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Restricted by third parties			
Capital improvement	\$ 82,204	\$ 160,491	\$ 148,348
Self-funded insurance fund	<u>126,772</u>	<u>126,764</u>	<u>126,757</u>
Total restricted by third parties	<u>208,976</u>	<u>287,255</u>	<u>275,105</u>
Internally designated by board			
Education fund	158	158	158
Long-term investment fund	787,068	779,535	775,410
Investment fund	<u>211,324</u>	<u>197,615</u>	<u>118,962</u>
Total internally designated by board	<u>998,550</u>	<u>977,308</u>	<u>894,530</u>
Total assets limited as to use	1,207,526	1,264,563	1,169,635
Less: Current portion	<u>126,930</u>	<u>126,922</u>	<u>126,915</u>
Non current assets limited as to use	<u>\$ 1,080,596</u>	<u>\$ 1,137,641</u>	<u>\$ 1,042,720</u>

NOTE 6 - OTHER CURRENT ASSETS

The following is a summary of other current assets at June 30:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Sales tax receivable	\$ 57,419	\$ 69,731	\$ 50,958
Miscellaneous receivables	<u>1,525</u>	<u>881</u>	<u>128</u>
Balance, end of year	<u>\$ 58,944</u>	<u>\$ 70,612</u>	<u>\$ 51,086</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 7 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation at June 30:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2018</u>
Land and improvements	\$ 384,827	\$ -0-	\$ -0-	\$ 384,827
Buildings and improvements	12,361,043	-0-	-0-	12,361,043
Leasehold improvements	20,620	-0-	-0-	20,620
Equipment	10,539,549	522,682	3,999,282	7,062,949
Construction in progress	<u>123,088</u>	<u>269,512</u>	<u>322,345</u>	<u>70,255</u>
Total	23,429,127	792,194	4,321,627	19,899,694
Accumulated depreciation	<u>(17,325,502)</u>	<u>(618,174)</u>	<u>(3,956,393)</u>	<u>(13,987,283)</u>
Net	<u>\$ 6,103,625</u>	<u>\$ 174,020</u>	<u>\$ 365,234</u>	<u>\$ 5,912,411</u>
	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2017</u>
Land and improvements	\$ 384,827	\$ -0-	\$ -0-	\$ 384,827
Buildings and improvements	12,289,785	71,258	-0-	12,361,043
Leasehold improvements	20,620	-0-	-0-	20,620
Equipment	9,863,563	675,986	-0-	10,539,549
Construction in progress	<u>382,262</u>	<u>387,332</u>	<u>646,506</u>	<u>123,088</u>
Total	22,941,057	1,134,576	646,506	23,429,127
Accumulated depreciation	<u>(16,596,121)</u>	<u>(729,381)</u>	<u>-0-</u>	<u>(17,325,502)</u>
Net	<u>\$ 6,344,936</u>	<u>\$ 405,195</u>	<u>\$ 646,506</u>	<u>\$ 6,103,625</u>
	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2016</u>
Land and improvements	\$ 384,827	\$ -0-	\$ -0-	\$ 384,827
Buildings and improvements	11,641,844	647,941	-0-	12,289,785
Leasehold improvements	20,620	-0-	-0-	20,620
Equipment	9,731,423	146,428	14,288	9,863,563
Construction in progress	<u>378,637</u>	<u>739,695</u>	<u>736,070</u>	<u>382,262</u>
Total	22,157,351	1,534,064	750,358	22,941,057
Accumulated depreciation	<u>(15,645,647)</u>	<u>(964,762)</u>	<u>(14,288)</u>	<u>(16,596,121)</u>
Net	<u>\$ 6,511,704</u>	<u>\$ 569,302</u>	<u>\$ 736,070</u>	<u>\$ 6,344,936</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 8 - LONG-TERM DEBT

A summary of long-term debt and capital lease obligations at June 30 follows:

	June 30, 2017	Additions	Payments	June 30, 2018	Due Within One Year
2015 Series bonds payable	418,000	-0-	44,000	374,000	46,000
2011 Series B bonds payable	62,600	-0-	62,600	-0-	-0-
Total	<u>\$ 480,600</u>	<u>\$ -0-</u>	<u>\$ 106,600</u>	<u>\$ 374,000</u>	<u>\$ 46,000</u>

	June 30, 2016	Additions	Payments	June 30, 2017	Due Within One Year
2015 Series bonds payable	460,000	-0-	42,000	418,000	44,000
2011 Series A bonds payable	29,702	-0-	29,702	-0-	-0-
2011 Series B bonds payable	167,690	-0-	105,090	62,600	62,600
Total	<u>\$ 657,392</u>	<u>\$ -0-</u>	<u>\$ 176,792</u>	<u>\$ 480,600</u>	<u>\$ 106,600</u>

	June 30, 2015	Additions	Payments	June 30, 2016	Due Within One Year
2007 Series bonds payable	\$ 247,076	\$ -0-	\$ 247,076	\$ -0-	\$ -0-
2015 Series bonds payable	500,000	-0-	40,000	460,000	42,000
2010 Series bonds payable	13,979	-0-	13,979	-0-	-0-
2011 Series A bonds payable	114,853	-0-	85,151	29,702	29,702
2011 Series B bonds payable	268,671	-0-	100,981	167,690	95,748
Total	<u>\$ 1,144,579</u>	<u>\$ -0-</u>	<u>\$ 487,187</u>	<u>\$ 657,392</u>	<u>\$ 167,450</u>

The terms and due dates of the Hospital's long-term debt, at June 30, 2018, 2017 and 2016, follow:

- 5.0% 2007 Hospital revenue bonds, principal and interest payable in monthly payments of \$22,127, collateralized by a pledge of the Hospital's land, buildings, and equipment. Bonds matured on June 15, 2016.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 8 - LONG-TERM DEBT (Continued)

- 4.0% 2010 Hospital revenue bonds, principal and interest payable in monthly payments of \$4,696, collateralized by a pledge of Hospital operating revenue. Bonds matured on October 15, 2015.
- 4.0% 2011A Hospital revenue bonds, principal and interest payable in monthly payments of \$7,377, collateralized by a pledge of Hospital operating revenue. Bonds matured on November 16, 2016.
- 3.25% 2011B Hospital revenue bonds, principal and interest payable in monthly payments of \$9,040, collateralized by a pledge of Hospital operating revenue. Bonds matured on February 15, 2018.
- 3.75% 2015 Hospital revenue bonds, principal payable in annual installments due December 1 of each year, beginning at \$40,000 and increasing in increments of \$2,000- \$3,000 annually. Interest is payable in semi-annual installments. The bonds are collateralized by a pledge of Hospital operating revenue. Bonds mature on December 1, 2024.

Scheduled principal and interest repayments on long-term debt and payments are as follows:

<u>Year Ending June 30,</u>	Long-Term Debt	
	Principal	Interest
2019	\$ 46,000	13,162
2020	48,000	11,400
2021	51,000	9,544
2022	53,000	7,594
2023	56,000	5,550
2024	59,000	3,394
2025	61,000	1,144
Total	\$ <u>374,000</u>	\$ <u>51,788</u>

NOTE 9 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The Hospital is currently renting space for IOP Services from North Claiborne Hospital Service District No. 1 for \$2,500 per month on an annual renewal lease. All current operating leases are on a short-term renewal basis.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 10 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute, psychiatric and outpatient services rendered to Medicare program beneficiaries are paid primarily by prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare bad debts and are paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid - Inpatient acute and psychiatric services are reimbursed based on a prospective reimbursement methodology. The Hospital is reimbursed at a prospective rate which is adjusted annually based on published market basket updates (inpatient) or adjusted cost-to-charge ratios per annual cost reports (outpatient) as submitted by the Hospital and settle by the Medicaid fiscal intermediary. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Home health services are paid by Medicare under a per episode prospective payment system (PPS) and by Medicaid under a PPS per visit method. Commercial and uninsured visits are not significant.

The Hospital's previous reimbursements are also subject to secondary review by Medicare and Medicaid representatives. These representatives have several initiatives in progress. No material liabilities have been identified to date under these review programs; however, the potential exists for future claims. These will be recognized in the year the amounts are determined, if any.

Additionally, the Hospital foregoes charges relating to Medicare, Medicaid and other third-party payors.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 11 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a reduced “sliding scale” amount based on the patient’s level of income in comparison to the Federal Poverty Guidelines based on a 200% scale. Accordingly, the Hospital does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies, and other operating expenses. The costs of caring for charity care patients were approximately \$5,548, \$12,050 and \$44,507, for the years ended June 30, 2018, 2017, and 2016, respectively.

NOTE 12 - COMPENSATED ABSENCES

As of June 30, 2018, 2017, and 2016, the Hospital has accrued a compensated absence liability of \$336,000, \$334,414, and \$299,208, respectively. The Hospital pays accrued vacation absences upon termination, if proper notice and termination procedures are followed.

NOTE 13 – RETIREMENT PLANS

Effective January 1, 2007, employees may participate in a qualified defined contribution retirement plan (exempt under Section 457(b) of the Internal Revenue Code). Each employee is eligible to join the plan upon completion of 90 days of continuous full-time employment. Employees are immediately 100% vested on contributions to the plan through a salary reduction agreement.

Effective January 1, 2007, the Hospital sponsors a money purchase pension plan (exempt under Section 401(a) of the Internal Revenue Code). The Hospital contributes a match amount equal to the 457(b) employee deferral contribution up to a maximum of 5% of compensation for eligible employees that are actively employed on the last day of each plan year.

Acuff and Associates is the third party administrator of the 457(b) and the 401(a) plans. The Board of Commissioners adopted these plans and may change the terms of the plans to improve administration and can, at their discretion, increase or decrease the contribution percentages.

Following is a schedule that summarizes information regarding the defined contribution retirement plans in effect for the years ended June 30, 2018, 2017, and 2016:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total payroll	\$ 8,066,000	\$ 7,426,000	\$ 6,647,000
Total covered payroll	8,066,000	7,426,000	6,599,000
Employee contributions	226,000	209,000	125,000
Employer contributions	176,000	170,000	102,000

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 14 - CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 10) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare programs, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determination. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital. The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as privacy, licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional and General Liability Risk - Effective for claims filed after May 1, 2004, the Hospital discontinued professional and general liability insurance coverage through the Louisiana Hospital Association Trust Fund. The Hospital continues to participate in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The PCF provides for \$400,000 in coverage for actual claims (attorney fees are the Hospital's responsibility) per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The PCF places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

The Hospital included provision of \$45,000, \$40,000, and \$40,000 at June 30, 2018, 2017, and 2016, respectively, for professional liability losses and legal defense costs not covered by the Louisiana Patient's Compensation Fund. The Hospital is contingently liable for losses and related defense costs from professional liability not underwritten by the Louisiana Patient's Compensation Fund. The Hospital included no provision at June 30, 2018, 2017, and 2016 for uninsured general liability losses. The Hospital is contingently liable for losses and related defense costs from general liability.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 14 - CONTINGENCIES (Continued)

A reconciliation of the changes in the aggregate uninsured professional and general liability is as follows:

	Professional/General Liability		
	2018	2017	2016
Balance, beginning of year	\$ 40,000	\$ 40,000	\$ 34,700
Claim payments	(10,456)	(32,038)	(45,265)
Change in estimate	(29,544)	(7,962)	10,565
Incurred claims	45,000	40,000	40,000
Balance, end of year	\$ 45,000	\$ 40,000	\$ 40,000

Workers' Compensation Liability Risk - Effective for claims filed after August 1, 2004, the Hospital discontinued workers' compensation insurance coverage. The Hospital included no provision at June 30, 2018, 2017, and 2016 for uninsured workers' compensation losses and related defense costs. The Hospital is contingently liable for losses and related defense costs from workers' compensation.

NOTE 15 - GRANT REVENUE

The Hospital recognized operating grant income of approximately \$34,789 and \$337,973 from Medicare during the years ended June 30, 2017 and 2016, respectively, as an incentive for implementing electronic health records (EHR). These amounts are included in noncapital grants. No payment was received in the year ended June 30, 2018. The key component of receiving the EHR incentive payments is "demonstrating meaningful use", which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Hospital's policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the Hospital meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

The Hospital received grants of \$808,383, \$789,185, and \$1,394,751 in 2018, 2017 and 2016, respectively, to be used solely to provide adequate and essential medically necessary health care services to the citizens in its community who are low income and/or indigent patients. As a condition of the grant agreement, the Hospital, along with other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement. The gross income from these grants is included in net patient service revenue and payments to other participating hospitals is shown as Intergovernmental transfers in operating expenses.

Various other grants were received during the year for other uses.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 16 - CLAIBORNE HEALTHCARE FOUNDATION (AFFILIATE)

The accompanying combined financial statements include the accounts of the Foundation, with intercompany accounts eliminated. Foundation contributions received of \$19,470, \$16,205, and \$9,134 are included in capital grants and contributions for the years ended June 30, 2018, 2017, and 2016, respectively. Hospital support of operational expenses for the Foundation were \$153, \$43,000, and \$129,260 during years ended June 30, 2018, 2017, and 2016, respectively.

Following is a summary of net position and results of operations of the Foundation as of June 30, 2018, 2017, and 2016.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Limited use assets	\$ <u>82,204</u>	\$ <u>160,491</u>	\$ <u>148,348</u>
LIABILITIES			
Contribution Payable	20,037	54,663	-0-
NET POSITION	<u>62,167</u>	<u>105,828</u>	<u>148,348</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ <u>82,204</u></u>	<u>\$ <u>160,491</u></u>	<u>\$ <u>148,348</u></u>

	<u>2018</u>	<u>2017</u>	<u>2016</u>
REVENUE			
Contributions from third parties	\$ 19,470	\$ 16,205	\$ 9,134
Non-cash contributions from Hospital	153	43,000	129,260
Interest & gain/loss on investments	<u>121</u>	<u>198</u>	<u>435</u>
Total Revenue	<u>19,744</u>	<u>59,403</u>	<u>138,829</u>
EXPENSES			
Grants to Claiborne Memorial Medical Center	63,158	58,880	91,200
Other expense	94	43	-0-
Administrative expense	<u>153</u>	<u>43,000</u>	<u>129,260</u>
Total Expenses	<u>63,405</u>	<u>101,923</u>	<u>220,460</u>
Increase (decrease) in net position	<u>\$ (43,661)</u>	<u>\$ (42,520)</u>	<u>\$ (81,631)</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018, 2017 AND 2016

NOTE 17 – RELATED PARTY TRANSACTIONS

Effective December 1, 2017, the Hospital entered into a month-to-month lease agreement with its CEO for the residential property owned by the Hospital. The monthly rent is \$550 per month. The lease can be terminated by either party upon 30 days written notice.

NOTE 18 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 10, 2018, which is the date the financial statements were available to be issued, and noted no such subsequent events.

SUPPLEMENTARY FINANCIAL INFORMATION

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2018, 2017, AND 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Routine services:			
Adult and pediatric	\$ 4,179,728	\$ 3,939,547	\$ 3,597,857
Intensive care unit	1,507,320	1,468,364	1,661,773
Senior care	1,490,993	2,360,846	2,132,898
IOP services	712,175	1,305,678	489,503
Swing bed	<u>409,689</u>	<u>390,285</u>	<u>525,672</u>
 Total routine services	 <u>8,299,905</u>	 <u>9,464,720</u>	 <u>8,407,703</u>
Other professional services:			
Operating room			
Inpatient	122,780	130,458	118,048
Outpatient	<u>622,221</u>	<u>663,010</u>	<u>664,600</u>
 Total	 <u>745,001</u>	 <u>793,468</u>	 <u>782,648</u>
Anesthesia			
Inpatient	45,370	70,460	56,810
Outpatient	<u>243,295</u>	<u>286,195</u>	<u>315,315</u>
 Total	 <u>288,665</u>	 <u>356,655</u>	 <u>372,125</u>
Radiology			
Inpatient	1,250,311	1,305,003	1,333,349
Outpatient	<u>4,576,730</u>	<u>4,007,256</u>	<u>4,101,049</u>
 Total	 <u>5,827,041</u>	 <u>5,312,259</u>	 <u>5,434,398</u>
Laboratory			
Inpatient	2,100,346	2,089,900	2,017,487
Outpatient	<u>3,512,735</u>	<u>3,162,505</u>	<u>2,387,916</u>
 Total	 <u>5,613,081</u>	 <u>5,252,405</u>	 <u>4,405,403</u>
Blood			
Inpatient	345,601	317,111	382,974
Outpatient	<u>207,633</u>	<u>157,932</u>	<u>160,938</u>
 Total	 <u>\$ 553,234</u>	 <u>\$ 475,043</u>	 <u>\$ 543,912</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2018, 2017, AND 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Respiratory therapy			
Inpatient	\$ 3,236,391	\$ 3,505,897	\$ 3,441,850
Outpatient	<u>465,702</u>	<u>411,389</u>	<u>502,557</u>
Total	<u>3,702,093</u>	<u>3,917,286</u>	<u>3,944,407</u>
Physical therapy			
Inpatient	124,384	112,544	125,447
Outpatient	<u>143,445</u>	<u>106,756</u>	<u>93,270</u>
Total	<u>267,829</u>	<u>219,300</u>	<u>218,717</u>
Occupational therapy			
Inpatient	124,340	103,950	118,005
Outpatient	<u>175,905</u>	<u>154,340</u>	<u>91,640</u>
Total	<u>300,245</u>	<u>258,290</u>	<u>209,645</u>
Electrocardiology			
Inpatient	-0-	-0-	326
Outpatient	<u>-0-</u>	<u>-0-</u>	<u>978</u>
Total	<u>-0-</u>	<u>-0-</u>	<u>1,304</u>
Central supply			
Inpatient	448,784	462,333	555,622
Outpatient	<u>458,772</u>	<u>457,076</u>	<u>452,358</u>
Total	<u>907,556</u>	<u>919,409</u>	<u>1,007,980</u>
Pharmacy			
Inpatient	3,404,172	3,977,028	3,900,626
Outpatient	<u>1,907,904</u>	<u>2,028,721</u>	<u>1,907,348</u>
Total	<u>5,312,076</u>	<u>6,005,749</u>	<u>5,807,974</u>
Outpatient treatment area			
Outpatient	<u>227,667</u>	<u>244,743</u>	<u>244,990</u>
Total	\$ <u>227,667</u>	\$ <u>244,743</u>	\$ <u>244,990</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2018, 2017, AND 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Emergency room			
Inpatient	\$ 1,103,588	\$ 863,136	\$ 907,107
Outpatient	<u>5,651,673</u>	<u>5,632,661</u>	<u>5,569,092</u>
Total	<u>6,755,261</u>	<u>6,495,797</u>	<u>6,476,199</u>
Home health			
Skilled nursing visits	697,202	571,362	768,350
Physical therapy visits	219,155	159,265	215,180
Occupational therapy visits	-0-	-0-	14,685
Aide visits	32,670	27,500	40,480
Medical supplies	<u>8,560</u>	<u>7,019</u>	<u>4,834</u>
Total	<u>957,587</u>	<u>765,146</u>	<u>1,043,529</u>
UPL grant funds received as grantor	<u>24,400,045</u>	<u>21,809,692</u>	<u>17,241,715</u>
Other professional services			
Inpatient	12,306,067	12,937,820	12,957,651
Outpatient	18,193,682	17,312,584	16,492,051
Home health	<u>957,587</u>	<u>765,146</u>	<u>1,043,529</u>
Total other professional services	<u>31,457,336</u>	<u>31,015,550</u>	<u>30,493,231</u>
Gross patient service charges	<u>64,157,286</u>	<u>62,289,962</u>	<u>56,142,649</u>
Contractual adjustments	(24,372,369)	(24,426,699)	(21,893,773)
Provision for bad debts	(1,444,342)	(1,742,430)	(3,185,043)
Charity care	<u>(11,959)</u>	<u>(27,192)</u>	<u>(91,629)</u>
Total patient service allowances	<u>(25,828,670)</u>	<u>(26,196,321)</u>	<u>(25,170,445)</u>
Net patient service revenue	\$ <u>38,328,616</u>	\$ <u>36,093,641</u>	\$ <u>30,972,204</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OTHER OPERATING REVENUE
YEARS ENDED JUNE 30, 2018, 2017, AND 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cafeteria	\$ 137,865	\$ 116,832	\$ 91,848
Medical records	4,928	4,965	4,703
Vending machines	7,422	7,495	8,048
Rental income	3,763	-0-	-0-
Sales tax revenue	643,428	614,707	619,481
Pharmacy sales to employees	28,309	18,219	30,128
Medicaid Physician IPA	333,122	146,193	-0-
Gain (loss) on asset dispositions	(42,888)	-0-	-0-
Miscellaneous	<u>33,478</u>	<u>20,684</u>	<u>33,804</u>
Total other operating revenue	\$ <u>1,149,427</u>	\$ <u>929,095</u>	\$ <u>788,012</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED JUNE 30, 2018, 2017, AND 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Salaries:			
Administrative and general	\$ 1,284,746	\$ 1,125,816	\$ 983,525
Plant operations and maintenance	95,310	87,128	58,176
Quality	36,822	7,334	38,258
Housekeeping	164,147	152,148	143,817
Dietary and cafeteria	181,654	176,931	165,130
Nursing administration	38,298	41,333	11,292
Central supply	109,476	88,615	85,886
Pharmacy	275,885	251,827	162,146
Medical records	182,971	212,902	206,253
Nursing services	1,531,695	1,312,099	1,239,371
Intensive OP services	254,437	238,762	125,266
Intensive care unit	597,912	515,828	431,083
Senior care unit	459,556	466,731	428,593
Operating room	354,465	343,675	313,406
Radiology	314,997	312,692	307,739
Laboratory	509,387	407,810	310,102
Respiratory therapy	315,609	273,313	235,642
Emergency room	1,080,749	1,177,213	1,196,366
Home health	225,495	183,441	154,527
Outpatient treatment area	<u>50,653</u>	<u>50,699</u>	<u>50,530</u>
 Total salaries	 \$ <u>8,065,962</u>	 \$ <u>7,426,297</u>	 \$ <u>6,647,108</u>
Benefits and payroll taxes:			
Payroll taxes	\$ 568,578	\$ 529,954	\$ 496,930
Health insurance	975,092	1,062,658	656,184
Other benefits	<u>374,288</u>	<u>251,931</u>	<u>178,182</u>
 Total benefits and payroll taxes	 \$ <u>1,917,958</u>	 \$ <u>1,844,543</u>	 \$ <u>1,331,296</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – SUPPLIES AND DRUGS
YEARS ENDED JUNE 30, 2018, 2017, AND 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Administration	\$ 556,170	\$ 460,240	\$ 476,458
Housekeeping	106,591	106,198	105,298
Maintenance	10,253	5,204	4,237
Dietary	265,867	259,762	233,378
Medical records	4,868	17,531	14,329
Adults and pediatrics	116,891	126,179	251,101
Intensive care unit	77,375	62,886	36,192
Intensive outpatient program	1,292	6,005	1,057
Emergency room	72,107	70,629	64,698
Operating room	69,614	69,303	62,386
Anesthesiology	5	465	1,165
Radiology	21,970	25,815	26,400
Laboratory	481,431	380,417	182,659
Blood	86,447	127,460	129,551
Physical therapy	2,045	2,171	1,948
Occupational therapy	202	47	13
Central supply	3,390	9,268	1,752
Respiratory therapy	49,323	39,655	40,729
Pharmacy	549,733	621,629	526,117
Outpatient treatment area	6,621	8,157	7,255
Quality	1,908	-0-	-0-
Home health	4,187	5,347	5,619
Senior care	<u>3,740</u>	<u>8,310</u>	<u>8,422</u>
 Total supplies and drugs	 \$ <u>2,492,030</u>	 \$ <u>2,412,678</u>	 \$ <u>2,180,764</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
YEARS ENDED JUNE 30, 2018, 2017, AND 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating room	\$ 350	\$ 750	\$ -0-
Anesthesiology	-0-	750	-0-
Laboratory	83,272	89,762	181,346
Respiratory therapy	3,620	3,560	2,290
Physical therapy	141,675	122,448	128,119
Occupational therapy	134,703	127,685	117,114
Speech therapy	5,120	738	-0-
Pharmacy	36,490	52,728	154,470
Intensive care unit	22,581	1,686	3,882
Emergency room	1,073,902	750,778	718,613
Outpatient treatment area	85,023	95,512	67,222
Intensive OP services	30,528	39,965	130,896
Home health	70,210	60,760	73,941
Senior care	141,929	150,865	150,675
Dietary	16,562	21,805	23,013
Medical records	42,730	16,177	7,507
Med Surg unit	3,600	-0-	-0-
Administration	<u>85,583</u>	<u>151,522</u>	<u>652,093</u>
 Total professional fees	 \$ <u>1,977,878</u>	 \$ <u>1,687,491</u>	 \$ <u>2,411,181</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
COMBINED SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED JUNE 30, 2018, 2017, AND 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Legal and accounting	\$ 227,798	\$ 262,701	\$ 340,357
Repairs and maintenance	461,024	592,920	482,217
Utilities	313,270	290,985	268,982
Telephone	156,726	104,137	103,672
Travel	23,121	38,274	55,785
Rentals	272,600	273,838	257,339
License, inspection and membership fees	32,087	19,576	64,899
Education	34,412	45,908	38,736
Postage	27,224	25,627	22,704
Public relations	27,672	47,709	57,343
Education contracts	-0-	286	-0-
Miscellaneous	<u>128,327</u>	<u>134,249</u>	<u>133,700</u>
 Total other expenses	 \$ <u>1,704,261</u>	 \$ <u>1,836,210</u>	 \$ <u>1,825,734</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PER DIEM AND
OTHER COMPENSATION PAID TO HOSPITAL BOARD MEMBERS
YEARS ENDED JUNE 30, 2018, 2017, AND 2016

Commissioners:	----- TERM -----		Compensation 2018
	<u>BEGAN</u>	<u>ENDING</u>	
Mr. Mark Alan Brown	Sept. 2014	Dec. 2021	None
Ms. Beverlee Kilgore	Sept. 2014	Dec. 2021	None
Mayor Roy Lewis	Oct. 2016	Dec. 2020	None
Dr. Sam Abshire	Oct. 2016	Dec. 2020	None
Dr. Mark Haynes	Oct. 2015	Dec. 2020	None
Ms. Angela Kennedy	Jan. 2018	Dec. 2021	None
Mr. Sherman E. Brown	Oct. 2016	Dec. 2019	None
Mr. Robert R. Killgore	Sept. 2016	Dec. 2020	None
Mr. Albert L. Faulk	Sept. 2016	Dec. 2020	None

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2018

RISK COVERED	COVERAGE	PERIOD
Directors & Officers Liability	\$2,000,000	11/1/17 - 10/31/18
Commercial Insurance Package	Damage to Covered Property	\$45,613,115
	Time Element Loss	Included
	Expediting Expense	\$ 2,500,000
Physician & Surgeons Prof. Liability	LHA Physicians Trust Per Occurrence	\$100,000
	LHA Physicians Trust Annual Aggregate	\$300,000
	LA Patients Comp Fund	\$400,000
Commercial Automobile	Each Accident	\$1,000,000
Excess Coverage for Workers Comp	Aggregate Retention	\$1,000,000
Crime Policy	Employee Theft	\$500,000
	ERISA	\$500,000
	Computer Crime	\$500,000
	Funds Transfer Fraud	\$500,000
ER Physicians Liability	Each Medical Incident	\$1,000,000
	Aggregate	\$3,000,000
Senior Care General Liability	General Aggregate Limit	\$1,000,000
	Products / Completed Operations	Included
	Personal & Advertising Injury Limit	\$1,000,000
	Each Occurrence Limit	\$1,000,000
	Damage to Premises Rented	\$50,000
Patient's Compensation Fund		\$125,000

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2018

<u>Agency Head:</u>	<u>Toni Goodin, CEO</u>
Salary	214,989
Benefits – insurance	7,791
Benefits – retirement	9,096
Travel	1,732

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December 10, 2018

Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Claiborne Parish Hospital Service District #3, d/b/a Claiborne Memorial Medical Center and its affiliate (the Hospital) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, we consider the deficiency described in the accompanying schedule of findings and responses to be material weaknesses: 2018-02.

We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2018-01 and 2018-03.

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Compliance and Other Matters

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

The Hospital's Response to Findings

The Hospital's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Hospital's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Heard, McElroy & Vestal, LLC

Monroe, Louisiana

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified – Yes
- Significant deficiencies identified – Yes

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – Not applicable

Section II. Financial Statement Findings

2018-01 - Revenues

Finding: The postings of various revenue items were misclassified during fiscal year 2018. This led to cost report receivables and other accounts being over or understated on an interim basis as well as at year end. The failure to share and seek documentation as to proper classification among management and the accounting staff contributed to these misclassifications.

Recommendation: Original correspondence from Medicare and Medicaid should be maintained in respective files for ease in locating documentation. Copies should be timely provided to relevant staff (top management plus payment information to accounting, billing information to the billing supervisor, etc.) with the routing tree on the original document. Training of staff to question unlabeled or questionable receipts will aid in mitigating the risk of future misclassifications.

Response: CFO will institute procedures to verify that management and staff receive requisite documentation in a timely manner. Original correspondence will be maintained in files that are easily accessed by relevant staff. Staff will be trained to question unidentified receipts.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018

Section II. Financial Statement Findings (Continued)

2018-02 - Financial Statements

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 115 places more responsibility on management to ensure the propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary to internally complete the reporting requirements. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls.

Recommendation: Management should either: (a) obtain the resources necessary to internally prepare or review the auditor's preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost of "a" overrides the benefit of correcting this control deficiency.

Response: Due to the Hospital's size, the cost of obtaining and/or training personnel with the complete knowledge of GAAP would not be cost effective.

2018-03 - General Accounting

Finding: It was noted that certain detail schedules supporting balance sheet accounts had not been reconciled to the general ledger at year-end including home health and cost report related receivables, fixed asset and equity accounts. This required several adjusting entries to correct the general ledger balances to accurately reflect the activity.

Recommendation: Management should review with hospital personnel the proper procedures to insure that all detail information is reconciled to the general ledger on a monthly basis to insure proper financial reporting.

Response: Management is implementing review procedures to see that all detail information is reconciled prior to monthly financial statements being prepared. Improvements have been noted, but additional work is needed.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018

Section II. Financial Statement Findings

2017-01 - Revenues

Finding: The postings of various revenue items were misclassified during fiscal year 2016. This led to cost report receivables and other accounts being over or understated on an interim basis as well as at year end. Change in accounting personnel and the failure to share and seek documentation among management and the accounting staff contributed to these misclassifications.

Recommendation: Original correspondence from Medicare and Medicaid should be maintained in respective files for ease in locating documentation. Copies should be timely provided to relevant staff (top management plus payment information to accounting, billing information to the billing supervisor, etc.) with the routing tree on the original document. Training of staff to question unlabeled or questionable receipts will aid in mitigating the risk of future misclassifications.

Response: CFO will institute procedures to verify that management and staff receive requisite documentation in a timely manner. Original correspondence will be maintained in files that are easily accessed by relevant staff. Staff will be trained to question unidentified receipts.

Current status: Not resolved - See finding 2018-01.

2017-02 - Financial Statements

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 115 places more responsibility on management to ensure the propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary to internally complete the reporting requirements.

Recommendation: Management should either: (a) obtain the resources necessary to internally prepare or review the auditor's preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost of "a" overrides the benefit of correcting this control deficiency.

Response: Due to the Hospital's size, the cost of obtaining and/or training personnel with the complete knowledge of GAAP would not be cost effective.

Current status: Not resolved – See finding 2018-02.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018

Section II. Financial Statement Findings (Continued)

2017-03 – Bank Reconciliations

Finding: It was noted that monthly bank reconciliations were not being reconciled to the general ledger cash accounts. This required adjusting entries to several cash accounts to correct the general ledger balances to accurately reflect the activity. Lack of independent review led to bank reconciliations not being agreed to general ledger accounts.

Recommendation: Management should review with hospital personnel the proper procedures to insure that all bank activity is reconciled to the general ledger on a monthly basis to insure proper financial reporting.

Response: Management is implementing new reconciliation procedures to see that all bank accounts are reconciled and reconciliations are independently reviewed prior to monthly financial statements being prepared.

Current status: Resolved.

2017-04 - General Accounting

Finding: It was noted that certain detail schedules supporting balance sheet accounts had not been reconciled to the general ledger at year-end and that the final payroll of the year was recorded as paid even though it was paid after year-end. This required several adjusting entries to correct the general ledger balances to accurately reflect the activity.

Recommendation: Management should review with hospital personnel the proper procedures to insure that all detail information is reconciled to the general ledger on a monthly basis to insure proper financial reporting.

Response: Management is implementing review procedures to see that all detail information is reconciled prior to monthly financial statements being prepared. Improvements have been noted, but additional work is needed.

Current status: Not resolved – See finding 2018-03.

2017-05 – Deposit Accounts

Finding: It was noted that the Hospital had not requested pledged securities to cover the uninsured balance with one bank.

Recommendation: Management should request the bank pledge securities to cover the Hospital's balances in excess of federal deposit insurance.

Response: Management will contact bank to obtain the necessary pledged securities from the bank.

Current status: Resolved.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable

**CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
D/B/A CLAIBORNE MEMORIAL MEDICAL CENTER**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

FOR THE YEAR ENDED JUNE 30, 2018

HEARD, McELROY, & VESTAL

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Board of Directors
Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center
Homer, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by Claiborne Memorial Medical Center (CMMC) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. CMMC's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The findings obtained are described in the attachment to this report.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Heard, McElroy & Vestal, LLC
Monroe, Louisiana

December 10, 2018

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**SUPPLEMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Claiborne Parish Hospital Service District #3
d/b/a Claiborne Memorial Medical Center

Agreed-Upon Procedures and Findings
Year Ended June 30, 2018

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
 - h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
 - i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Findings:

- Budgeting policy does not address monitoring, or amending.
- Purchasing policy does not address adding vendors to the vendor list.
- Entity does not have a receipts/collections policy.
- Entity does not have a policy on contracts.

Board or Finance Committee

Not applicable because of no exceptions in previous year.

Bank Reconciliations

2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Findings:

No exceptions noted.

Collections

Not applicable because of no exceptions in previous year.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

3. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
4. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
5. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Findings:

One exception noted where entity did not have original receipt and business purpose for purchase.

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

6. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings:

No exceptions noted.

Contracts

Not applicable because of no exceptions in previous year.

Payroll and Personnel

7. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
8. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
9. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
10. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Findings:

No exceptions noted.

Ethics

11. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Findings:

Entity is not having employees attest to reading the Ethics policy annually.

Debt Service

12. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

13. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Findings:

Management represented that the entity does not have the authority to issue debt.

Other

14. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
15. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings:

No exceptions noted.

Management's Response

Management understands the importance of having policies and procedures in place addressing critical areas and being able to monitor those policies and procedures for compliance. Management is in the process of updating policies and procedures to address the critical areas and will consider the findings noted in this document as the policies and procedures are being adopted or updated. Management will also review procedures currently in place that do not meet the LLA's requirements to determine any necessary changes to ensure compliance in future periods.