

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

HOMER, LOUISIANA

JUNE 30, 2017, 2016, AND 2015

**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, 2017, 2016 AND 2015**

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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

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, 2017, 2016, and 2015. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The Hospital's total assets increased by \$3,636,000 or approximately 27% during fiscal year 2017. This increase is primarily from an increase of \$2,667,000 in receivables from acting as grantor of UPL payments for eight hospitals. There is also an increase in the liability for payment to the other hospitals of \$3,831,000 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 payable from these payments at June 30, 2017 was \$1,085,000 as compared to a net receivable of \$79,000 at June 30, 2016. The Hospital's total assets decreased by \$2,194,000 or approximately 14% during fiscal year 2016. This decrease is primarily from a decrease of \$2,072,000 in receivables from acting as grantor of the UPL payments discussed above. There is also a decrease in the liability for payment to the other hospitals of \$1,908,000 included in accounts payable at year-end 2016.
- Net patient revenues (exclusive of \$21,810,000 total UPL payments received as discussed above) increased by \$553,000 or approximately 4% compared to a decrease of \$393,000 or 3% in fiscal year 2016. This is primarily due to decreased bad debt writeoffs following Medicaid expansion in fiscal year 2017.
- Total operating expenses (exclusive of UPL grant payments made) increased \$551,000 or 4%, compared to a 4% increase in net patient revenues of \$553,000. Total operating expenses decreased \$128,000 (1%) in fiscal year 2016.

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. 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. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures 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. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in 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)

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 \$800,000 and \$619,000 in sales tax collections for FY 2017 and 2016, 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,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total current assets	\$ 9,703	\$ 5,921	\$ 7,757	\$ 3,799
Limited use assets (non current)	1,138	1,043	1,222	1,487
Property, plant and equipment	6,104	6,345	6,512	6,568
Unamortized bond issue cost	-	-0-	12	26
Total assets	<u>\$ 16,945</u>	<u>\$ 13,309</u>	<u>\$ 15,503</u>	<u>\$ 11,880</u>
Total current liabilities	\$ 7,072	\$ 3,245	\$ 5,873	\$ 3,286
Long-term debt, net of current	374	490	659	664
Total liabilities	<u>7,446</u>	<u>3,735</u>	<u>6,532</u>	<u>3,950</u>
Net position:				
Invested in capital assets, net of related debt	5,623	5,688	5,355	5,400
Restricted expendable	287	275	373	540
Unrestricted	3,589	3,611	3,243	1,990
Total liabilities and net position	<u>\$ 16,945</u>	<u>\$ 13,309</u>	<u>\$ 15,503</u>	<u>\$ 11,880</u>

As can be seen in Table 1, total assets increased by \$3,636,000 to \$16,945,000 in fiscal year 2017 compared to total assets of \$13,309,000 in fiscal year 2016. 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)

Financial Analysis of the Hospital (Continued)

TABLE 2
Capital Investments

	<u>2017</u> <u>Cost</u>
<u>Buildings</u>	
Senior Care renovation costs transferred from CIP	\$ 3,785
Lab area renovations	9,923
Roof repairs transferred from CIP	45,883
Keypad locks transferred from CIP	1,783
Other building improvements	9,885
	71,259
 <u>Equipment</u>	
Nurses station renovation costs transferred from CIP	265,106
Sterilizer transferred from CIP	35,810
Lab equipment transferred from CIP	70,500
Ventilators	54,272
IT infrastructure project costs transferred from CIP	181,749
Ice Machine transferred from CIP	4,217
Security Camera project costs transferred from CIP	37,672
Other equipment	26,661
Total equipment	675,987
 <u>Construction in Progress</u>	
Nurses station Phase 2 renovation costs	23,204
Parking lot renovation costs	24,424
Generator project costs	7,062
Other renovation project costs	68,399
Total construction in progress	123,089
 Total major acquisitions	 \$ 870,335

Sources of Revenue

Operating Revenue

During fiscal years 2017, 2016, and 2015, 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, 2015 and 2014, the Hospital was audited by the Medicare Recovery Audit Contractor (RAC). There was no audit activity in fiscal year 2017. 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.

During fiscal years 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 \$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 \$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, 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, 2017, 2016, and 2015. 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>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	58.3%	57.2%	58.7%
Medicaid	23.6%	17.8%	16.8%
Commercial	13.7%	16.1%	15.2%
Self-pay and other	4.4%	8.9%	9.3%
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 in Public Fund Service Accounts (PFSA). During fiscal year 2017, the long-term investment account was transferred to another bank due to increased interest rate. Total investment income earned was \$16,900, \$8,500, \$8,900, and \$13,000 in 2017, 2016, 2015, and 2014, respectively. In January 2009 all investment accounts are in NOW 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 \$16,000, \$9,000, \$11,000, and \$34,000 during fiscal years 2017, 2016, 2015, and 2014, respectively that are restricted towards future capital expenditures. The Foundation contributed approximately \$59,000 to the Hospital in FY 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, 2017, 2016, 2015, and 2014.

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

	Years Ended June 30,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net patient service revenue	\$ 36,094	\$ 30,972	\$ 34,077	\$ 13,599
Noncapital grants	81	338	639	1,541
Other revenue	929	788	193	237
Total operating revenues	<u>37,104</u>	<u>32,098</u>	<u>34,909</u>	<u>15,377</u>
Salaries	7,426	6,647	6,560	6,873
Benefits and payroll taxes	1,845	1,331	1,448	1,286
Supplies and drugs	2,413	2,181	2,198	2,769
Professional fees	1,687	2,411	2,403	3,101
Intergovernmental transfers - access grant exp	21,021	15,847	18,344	-0-
Other expenses	1,836	1,824	1,932	2,009
Insurance	233	246	228	303
Depreciation and amortization	729	977	978	809
Total operating expenses	<u>37,190</u>	<u>31,464</u>	<u>34,091</u>	<u>17,150</u>
Operating income (loss)	(86)	634	818	(1,773)
Investment income	17	8	9	13
Interest expense	(29)	(48)	(61)	(79)
Excess of revenues (expenses) before capital grants and contributions	(98)	594	766	(1,839)
Capital grants and contributions	23	9	275	48
Increase (decrease) in net position	<u>(75)</u>	<u>603</u>	<u>1,041</u>	<u>(1,791)</u>
Net position - beginning of year	9,574	8,971	7,930	9,721
Net position - end of year	<u>\$ 9,499</u>	<u>\$ 9,574</u>	<u>\$ 8,971</u>	<u>\$ 7,930</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, 2017 has decreased significantly as compared to 2016 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. Accounts receivable had increased the previous two years primarily due to a change in the timing of the write-off of uncollectible accounts. Previously, accounts were written off at the time the account was sent to collections. Beginning in FY, 2015, accounts are not written off until the account is returned from collections and all means of collecting the account have been exhausted. This resulted in a significantly higher balance in 90 days and over balances at June 30, 2016 and 2015.

**TABLE 5
Gross Accounts Receivable Aging (In thousands)**

	Year ended June 30		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current accounts	\$ 3,056	\$ 3,421	\$ 2,933
30-day accounts	437	686	908
60-day accounts	255	511	363
90-day and over accounts	2,535	3,636	2,825
Total	<u>\$ 6,283</u>	<u>\$ 8,254</u>	<u>\$ 7,029</u>

Operating and Financial Performance

The following summarizes the Hospital’s Statements of Revenues, Expenses, and Changes in Net Position between 2017 and 2016:

- Patient days, not including Senior Care days, decreased to 5,882, decreased to 5,918, and increased to 6,628, for FY 2017, 2016 and 2015, respectively. This is a decrease of 1%, compared to a decrease of 11% and a decrease of 3%, in overall activity for the past three years.
- Salaries had a significant increase in FY 2017 after a slight increase in FY 2016. Administration and pharmacy are the two areas that saw the largest increases in 2017, as employees were hired to replace previous contract positions. Employee benefits increased by \$514,000 overall in fiscal year 2017, primarily due to increases in health insurance and retirement plan expenses. In fiscal year 2016 there was a decrease in employee benefits of \$116,000 and a decrease of \$162,000 in fiscal year 2015.
- Investment income was \$16,900, \$8,500 and \$8,900 for fiscal years 2017, 2016 and 2015, respectively. Rates have remained low throughout the period, however the rate paid several accounts increased during fiscal year 2017.
- Professional fees decreased by \$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 \$8,000, primarily due to contracts added with IOP services offset by contracts that were terminated in administration. Fiscal year 2015 had a decrease of \$697,000, primarily due to housekeeping services being performed by employees for the full year, and contracts terminated in anesthesia, pharmacy and outpatient services, with these service now provided by hospital employees.

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 \$232,000 compared to a decrease of \$17,000 in fiscal year 2016, primarily due to the increase in Inpatient volume, and an increase in cost of reagents and new medications.
- There was no RAC audit activity in fiscal year 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 12, 2017

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, 2017, 2016 and 2015, 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 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 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, 2017, 2016 and 2015, 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 12, 2017, 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
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Current:			
Cash and cash equivalents (Notes 2 & 3)	\$ 3,252,131	\$ 1,605,002	\$ 1,551,281
Short-term investments (Note 3)	316,020	313,881	311,765
Receivables, net (Note 4)	5,424,059	3,313,941	5,089,485
Assets limited as to use - current (Notes 3 & 5)	126,922	126,915	134,396
Inventories	348,107	343,626	456,511
Prepaid expenses	165,446	166,661	213,544
Other current assets (Note 6)	<u>70,612</u>	<u>51,086</u>	<u>22</u>
Total current assets	<u>9,703,297</u>	<u>5,921,112</u>	<u>7,757,004</u>
Other:			
Assets limited as to use - non current (Notes 3 & 5)	1,137,641	1,042,720	1,221,535
Capital assets, net (Note 7)	<u>6,103,625</u>	<u>6,344,936</u>	<u>6,511,704</u>
 Total assets	 <u>\$ 16,944,563</u>	 <u>\$ 13,308,768</u>	 <u>\$ 15,490,243</u>
<u>LIABILITIES AND NET POSITION</u>			
Current:			
Accounts payable	\$ 5,153,065	\$ 1,426,665	\$ 3,544,673
Accrued expenses	786,343	595,582	756,303
Estimated third-party payor settlements	1,025,482	1,054,993	1,073,000
Current maturities of long-term debt (Note 8)	<u>106,600</u>	<u>167,450</u>	<u>487,461</u>
Total current liabilities	<u>7,071,490</u>	<u>3,244,690</u>	<u>5,861,437</u>
Long-term debt, net of current maturities (Note 8)	<u>374,000</u>	<u>489,942</u>	<u>657,118</u>
Total liabilities	<u>7,445,490</u>	<u>3,734,632</u>	<u>6,518,555</u>
Net Position:			
Invested in capital assets, net of related debt	5,623,025	5,687,544	5,355,300
Restricted expendable (Note 5)	287,255	275,105	373,019
Unrestricted	<u>3,588,793</u>	<u>3,611,487</u>	<u>3,243,369</u>
Total net position	<u>9,499,073</u>	<u>9,574,136</u>	<u>8,971,688</u>
 Total liabilities and net position	 <u>\$ 16,944,563</u>	 <u>\$ 13,308,768</u>	 <u>\$ 15,490,243</u>

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
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues:			
Net patient service revenue (Note 10)	\$ 36,093,641	\$ 30,972,204	\$ 34,077,010
Noncapital grants (Note 15)	81,072	337,993	638,533
Other operating revenue	<u>929,095</u>	<u>788,012</u>	<u>193,202</u>
 Total operating revenues	 <u>37,103,808</u>	 <u>32,098,209</u>	 <u>34,908,745</u>
 Operating Expenses:			
Salaries	7,426,297	6,647,108	6,559,954
Benefits and payroll taxes	1,844,543	1,331,296	1,448,481
Supplies and drugs	2,412,678	2,180,764	2,197,882
Professional fees	1,687,491	2,411,181	2,403,194
Intergovernmental transfers - access grant expense	21,020,507	15,846,964	18,343,650
Other expenses	1,836,210	1,825,734	1,932,265
Insurance	232,849	246,222	228,509
Depreciation and amortization	<u>729,381</u>	<u>976,588</u>	<u>976,802</u>
 Total operating expenses	 <u>37,189,956</u>	 <u>31,465,857</u>	 <u>34,090,737</u>
 Operating income (loss)	 <u>(86,148)</u>	 <u>632,352</u>	 <u>818,008</u>
 Nonoperating revenues (expenses)			
Investment income	16,876	8,494	8,836
Interest expense	<u>(29,109)</u>	<u>(47,532)</u>	<u>(61,438)</u>
 Excess of revenues (expenses) before capital grants and contributions	 (98,381)	 593,314	 765,406
 Capital grants and contributions	 <u>23,318</u>	 <u>9,134</u>	 <u>276,191</u>
 Increase (decrease) in net position	 (75,063)	 602,448	 1,041,597
 Net position at beginning of year	 <u>9,574,136</u>	 <u>8,971,688</u>	 <u>7,930,091</u>
 Net position at end of year	 \$ <u>9,499,073</u>	 \$ <u>9,574,136</u>	 \$ <u>8,971,688</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:			
Cash receipts from and on behalf of patients	\$ 33,954,013	\$ 32,729,741	\$ 30,802,033
Other receipts and payments, net	990,641	1,074,941	831,927
Payments to suppliers and contractors	(23,466,601)	(24,469,105)	(22,380,531)
Payments for employees and benefits	<u>(9,080,080)</u>	<u>(8,139,125)</u>	<u>(7,874,167)</u>
Net cash provided by operating activities	<u>2,397,973</u>	<u>1,196,452</u>	<u>1,379,262</u>
Cash flows from investing activities:			
Interest on investments	16,876	8,494	8,836
Change in assets whose use is limited	(94,928)	186,296	420,237
Change in investments	<u>(2,139)</u>	<u>(2,116)</u>	<u>147,399</u>
Net cash provided (used) by investing activities	<u>(80,191)</u>	<u>192,674</u>	<u>576,472</u>
Cash flows from capital and related financing activities:			
Capital grants and contributions	23,318	9,134	276,191
Interest paid on long-term debt	(29,109)	(59,358)	(75,142)
Proceeds from issuance of long-term debt	-0-	-0-	500,000
Principal payments on long-term debt	(176,792)	(487,187)	(498,017)
Purchase of capital assets	<u>(488,070)</u>	<u>(797,994)</u>	<u>(906,335)</u>
Net cash used by capital and related financing activities:	<u>(670,653)</u>	<u>(1,335,405)</u>	<u>(703,303)</u>
Net increase in cash and cash equivalents	1,647,129	53,721	1,252,431
Beginning cash and cash equivalents	<u>1,605,002</u>	<u>1,551,281</u>	<u>298,850</u>
Ending cash and cash equivalents	\$ <u>3,252,131</u>	\$ <u>1,605,002</u>	\$ <u>1,551,281</u>
Supplemental disclosure of cash flow information			
Cash payments for:			
Interest (net of interest capitalized)	\$ <u>29,109</u>	\$ <u>59,358</u>	\$ <u>75,142</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (86,148)	\$ 632,352	\$ 818,008
Adjustments to reconcile operating income (loss) to net cash flows provided by operating activities:			
Depreciation and amortization	729,381	976,588	976,802
(Increase) decrease in:			
Accounts receivable, net	(2,110,118)	1,775,544	(3,053,977)
Other assets	(22,792)	108,704	45,600
Increase (decrease) in:			
Accounts payable and accrued expenses	3,917,161	(2,278,729)	2,813,829
Estimated third-party payor settlements	<u>(29,511)</u>	<u>(18,007)</u>	<u>(221,000)</u>
Net cash provided by operating activities	\$ <u>2,397,973</u>	\$ <u>1,196,452</u>	\$ <u>1,379,262</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, 2017, 2016 AND 2015

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. Accordingly, the Hospital was determined to be a component unit of the Town of Homer based on Statement No. 14 of the National Committee on Governmental Accounting. 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. The vote on the 10 year ½ cent sales tax took place in March, 2015 with first payments received for July, 2015.

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

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.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict 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.

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.

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 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.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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 reduced by the current balances of any outstanding borrowing used to finance the purchase or construction of those assets. 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.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position - Continued

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 reporting guidance for deferred outflows of resources and deferred inflows of resources, and adds them, when applicable, as elements of the financial statements, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in a statement of financial position, GASB 63 renames that measure as net position rather than net assets. The Hospital had no deferred outflows or inflows of resources at June 30, 2017, 2016 and 2015, 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 statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange 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 health care services, other than financing costs.

During fiscal years 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 \$21,809,692, \$17,241,715 and \$19,953,205 under the program, which is included as Medicaid patient service revenue, and disbursed \$21,020,507, \$15,846,964 and \$18,343,650 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.

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.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are 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.

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.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

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, 2017, 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>3,752,957</u>	\$ <u>779,625</u>	\$ <u>282,396</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>3,502,957</u>	\$ <u>-0-</u>	\$ <u>32,396</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>529,625</u>	\$ <u>-0-</u>

Account balances according to banks' records at June 30, 2017, for the Foundation are as follows:

	<u>First Guaranty</u>	<u>Gibsland Bank</u>
Cash in banks	\$ <u>36,184</u>	\$ <u>102,972</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 may not be returned to it. 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's trust department in the Hospital's name at June 30, 2017, 2016, and 2015. The Affiliate's (Foundation) deposits were entirely insured or collateralized by securities held by the pledging bank's trust department in the Affiliate's name at June 30, 2017, 2016 and 2015.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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 as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Carrying amount			
Deposits	\$ 3,252,131	\$ 1,605,002	\$ 1,551,281
Investments	<u>1,580,583</u>	<u>1,483,516</u>	<u>1,667,696</u>
 Totals	 \$ <u>4,832,714</u>	 \$ <u>3,088,518</u>	 \$ <u>3,218,977</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 3,252,131	\$ 1,605,002	\$ 1,551,281
Short-term investments	316,020	313,881	311,765
Assets limited as to use - current	126,922	126,915	134,396
Assets limited as to use - noncurrent	<u>1,137,641</u>	<u>1,042,720</u>	<u>1,221,535</u>
 Totals	 \$ <u>4,832,714</u>	 \$ <u>3,088,518</u>	 \$ <u>3,218,977</u>

NOTE 4 - RECEIVABLES, NET

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Accounts receivable			
Patient accounts receivable, net of contractual allowances	\$ 4,214,268	\$ 5,816,946	\$ 4,872,493
Estimated uncollectibles	<u>(2,552,513)</u>	<u>(3,714,252)</u>	<u>(3,059,818)</u>
 Net patient accounts receivable	 1,661,755	 2,102,694	 1,812,675
Receivable - Medicaid Fiscal Intermediary	3,635,927	968,941	-0-
Third-party cost based settlements	<u>126,377</u>	<u>242,306</u>	<u>3,276,810</u>
 Receivables, net	 \$ <u>5,424,059</u>	 \$ <u>3,313,941</u>	 \$ <u>5,089,485</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, 2017, 2016 AND 2015

NOTE 4 - RECEIVABLES, NET (Continued)

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	34%	29%	32%
Medicaid	15%	9%	12%
Other third-party payors	10%	12%	12%
Others	<u>41%</u>	<u>50%</u>	<u>44%</u>
 Total	 <u>100%</u>	 <u>100%</u>	 <u>100%</u>

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>2017</u>	<u>2016</u>	<u>2015</u>
Restricted by third parties			
Capital improvement	\$ 160,491	\$ 148,348	\$ 238,781
Self-funded insurance fund	<u>126,764</u>	<u>126,757</u>	<u>134,238</u>
 Total restricted by third parties	 <u>287,255</u>	 <u>275,105</u>	 <u>373,019</u>
Internally designated by board			
Education fund	158	158	158
Long-term investment fund	779,535	775,410	855,359
Investment fund	<u>197,615</u>	<u>118,962</u>	<u>127,395</u>
 Total internally designated by board	 <u>977,308</u>	 <u>894,530</u>	 <u>982,912</u>
 Total assets limited as to use	 1,264,563	 1,169,635	 1,355,931
 Less: Current portion	 <u>126,922</u>	 <u>126,915</u>	 <u>134,396</u>
 Non current assets limited as to use	 <u>\$ 1,137,641</u>	 <u>\$ 1,042,720</u>	 <u>\$ 1,221,535</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, 2017, 2016 AND 2015

NOTE 6 - OTHER CURRENT ASSETS

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Sales tax receivable	\$ 69,731	\$ 50,958	\$ -0-
Miscellaneous receivables	<u>881</u>	<u>128</u>	<u>22</u>
Balance, end of year	<u>\$ 70,612</u>	<u>\$ 51,086</u>	<u>\$ 22</u>

NOTE 7 - CAPITAL ASSETS

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

	<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>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 7 - CAPITAL ASSETS (Continued)

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

	<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	378,637	739,695	736,070	382,262
	<u>22,157,351</u>	<u>1,534,064</u>	<u>750,358</u>	<u>22,941,057</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>

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

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Land and improvements	\$ 384,827	\$ -0-	\$ -0-	\$ 384,827
Buildings and improvements	11,479,178	162,666	-0-	11,641,844
Leasehold improvements	20,620	-0-	-0-	20,620
Equipment	8,845,164	886,259	-0-	9,731,423
Construction in progress	521,227	903,756	1,046,346	378,637
	<u>21,251,016</u>	<u>1,952,681</u>	<u>1,046,346</u>	<u>22,157,351</u>
Total	21,251,016	1,952,681	1,046,346	22,157,351
Accumulated depreciation	<u>(14,682,549)</u>	<u>(963,098)</u>	<u>-0-</u>	<u>(15,645,647)</u>
Net	\$ <u>6,568,467</u>	\$ <u>989,583</u>	\$ <u>1,046,346</u>	\$ <u>6,511,704</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 8 - LONG-TERM DEBT

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

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
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>

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
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>

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2015</u>	<u>Due Within One Year</u>
2007 Series bonds payable	\$ 480,460	\$ -0-	\$ 233,384	\$ 247,076	\$ 247,076
2015 Series bonds payable	-0-	500,000	-0-	500,000	40,000
2009 Series bonds payable	23,653	-0-	23,653	-0-	-0-
2010 Series bonds payable	68,568	-0-	54,589	13,979	13,979
2011 Series A bonds payable	203,444	-0-	88,591	114,853	85,151
2011 Series B bonds payable	366,471	-0-	97,800	268,671	101,255
Total	\$ <u>1,142,596</u>	\$ <u>500,000</u>	\$ <u>498,017</u>	\$ <u>1,144,579</u>	\$ <u>487,461</u>

The terms and due dates of the Hospital's long-term debt, including capital lease obligations, at June 30, 2017, 2016 and 2015, 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.

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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 mature 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.

Under the terms of the 2010 revenue bonds, the Hospital was required to satisfy certain measures of financial performance as long as the bonds were outstanding. The 2010 revenue bonds also placed limits on the incurrence of additional borrowings. The Hospital did not meet the 120 day reporting requirement for the years ended June 30, 2015, 2014 and 2013; however, the Hospital received a waiver from the lender for each year. These bonds are all now paid in full.

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

<u>Year Ending June 30,</u>	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 106,600	\$ 15,528
2019	46,000	13,162
2020	48,000	11,400
2021	51,000	9,544
2022	53,000	7,594
2022	56,000	5,550
2023	59,000	3,394
2024	61,000	1,144
Total	\$ 480,600	\$ 67,316

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. Current operating leases are on a short-term renewal basis.

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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 care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010, until September 30, 2013. The additional payment received under the Medicare low volume add-on was approximately \$281,000 for the year ended June 30, 2014. Swing bed services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors. Inpatient psychiatric services are reimbursed based upon prospective methodology adjusted for diagnosis and length of stay.

Medicaid - Inpatient acute and psychiatric services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. 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.

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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 10 - NET PATIENT SERVICE REVENUE (Continued)

Following is a schedule of patient service revenue at established rates and charges foregone for the years ended June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Gross patient service charges	\$ 40,480,270	\$ 38,900,934	\$ 38,979,143
Medicaid UPL grants received as grantor	21,809,692	17,241,715	19,953,205
Medicare and Medicaid contractual adjustments	(19,372,145)	(16,788,935)	(17,357,128)
Other third-party payor contractual adjustments	(5,054,554)	(5,104,838)	(4,683,879)
Provision for bad debts	(1,742,430)	(3,185,043)	(2,507,972)
Charity care	27,192	91,629	381,618
	<u> </u>	<u> </u>	<u> </u>
Net patient service revenue	\$ <u>36,093,641</u>	\$ <u>30,972,204</u>	\$ <u>34,077,010</u>

The Hospital receives a substantial portion of its revenue from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare and Medicaid gross patient charges	\$ 33,182,344	\$ 29,445,640	\$ 29,574,438
Contractual adjustments	<u>(19,372,145)</u>	<u>(16,788,935)</u>	<u>(17,357,128)</u>
Program patient service revenue without Medicaid UPL Intermediary Payments	\$ <u>13,810,199</u>	\$ <u>12,656,705</u>	\$ <u>12,217,310</u>
% of total gross patient charges from Medicare and Medicaid	<u>82%</u>	<u>76%</u>	<u>76%</u>
% of total net patient revenue from Medicare and Medicaid	<u>38%</u>	<u>41%</u>	<u>36%</u>

The Hospital previously received interim payments for Medicaid and self-pay uncompensated care services (UCC). The interim payments received were based upon uncompensated cost incurred in previous years. Current regulations limit UCC to actual cost incurred by the Hospital in each state fiscal year. Any overpayments will be recouped by Medicaid after audit by Medicaid. The federal definition of UCC changed effective July 1, 2010, which reduced income in 2011 and for future years. In 2015, the Hospital began participation in a grant program with other hospitals (see Note 15) which supplements payments previously paid under UCC. Based on the most recently filed Schedule of Uncompensated Care Cost, the Hospital is due approximately \$367,000 in net uncompensated care costs for the fiscal year ended June 30, 2016.

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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 \$12,050, \$44,507 and \$182,459, for the years ended June 30, 2017, 2016, and 2015, respectively.

NOTE 12 - COMPENSATED ABSENCES

As of June 30, 2017, 2016, and 2015, the Hospital has accrued a compensated absence liability of \$334,414, \$299,208, and \$292,543, 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, 2017, 2016, and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total payroll	\$ 7,426,000	\$ 6,647,000	\$ 6,560,000
Total covered payroll	7,426,000	6,647,000	6,512,000
Employee contributions	209,000	125,000	154,000
Employer contributions	170,000	102,000	111,000

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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 \$32,500, \$40,000, and \$34,700 at June 30, 2017, 2016, and 2015, 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, 2017, 2016, and 2015 for uninsured general liability losses. The Hospital is contingently liable for losses and related defense costs from general liability.

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YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 14 - CONTINGENCIES (Continued)

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

	Professional/General Liability		
	2017	2016	2015
Balance, beginning of year	\$ 40,000	\$ 34,700	\$ 26,500
Claim payments	(32,038)	(45,265)	(20,070)
Change in estimate	(7,962)	10,565	(6,430)
Incurred claims	32,500	40,000	34,700
Balance, end of year	\$ 32,500	\$ 40,000	\$ 34,700

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, 2017, 2016, and 2015 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, \$337,973 and \$631,025 from Medicare during the years ended June 30, 2017, 2016 and 2015, respectively, as an incentive for implementing electronic health records (EHR). 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 Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in during the next few years in three stages, with each progressive stage incorporating more stringent measures. The Hospital has met Stage 1 and State 2 criteria. 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 \$789,185, \$1,394,751, and \$1,609,555 in 2017, 2016 and 2015, 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.

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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 \$16,205, \$9,134, and \$10,946 are included in capital grants and contributions for the years ended June 30, 2017, 2016, and 2015, respectively. Hospital support of operational expenses for the Foundation were \$43,000, \$129,260, and \$68,676 during years ended June 30, 2017, 2016, and 2015, respectively.

Following is a summary of net position and results of operations of the Foundation as of June 30, 2017, 2016, and 2015.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Limited use assets	\$ <u>160,491</u>	\$ <u>148,348</u>	\$ <u>238,781</u>
LIABILITIES			
Contribution Payable	54,663	-	8,800
NET POSITION	<u>105,828</u>	<u>148,348</u>	<u>229,981</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 160,491</u>	<u>\$ 148,348</u>	<u>\$ 238,781</u>

	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUE			
Contributions from third parties	\$ 16,205	\$ 9,134	\$ 10,946
Non-cash contributions from Hospital	43,000	129,260	68,676
Interest & gain/loss on investments	<u>198</u>	<u>435</u>	<u>761</u>
Total Revenue	<u>59,403</u>	<u>138,829</u>	<u>80,383</u>
EXPENSES			
Grants to Claiborne Memorial Medical Center	58,880	91,200	15,673
Other expense	43	-0-	47
Administrative expense	<u>43,000</u>	<u>129,260</u>	<u>68,676</u>
Total Expenses	<u>101,923</u>	<u>220,460</u>	<u>84,396</u>
Increase (decrease) in net position	<u>\$ (42,520)</u>	<u>\$ (81,631)</u>	<u>\$ (4,013)</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 17 - 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 12, 2017, 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
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COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30, 2017, 2016, AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Routine services:			
Adult and pediatric	\$ 3,939,547	\$ 3,597,857	\$ 5,568,793
Intensive care unit	1,468,364	1,661,773	1,446,995
Senior care	2,360,846	2,132,898	1,239,402
IOP services	1,305,678	489,503	-0-
Swing bed	<u>390,285</u>	<u>525,672</u>	<u>536,256</u>
 Total routine services	 <u>9,464,720</u>	 <u>8,407,703</u>	 <u>8,791,446</u>
Other professional services:			
Operating room			
Inpatient	130,458	118,048	124,574
Outpatient	<u>663,010</u>	<u>664,600</u>	<u>617,013</u>
 Total	 <u>793,468</u>	 <u>782,648</u>	 <u>741,587</u>
Anesthesia			
Inpatient	70,460	56,810	77,420
Outpatient	<u>286,195</u>	<u>315,315</u>	<u>337,820</u>
 Total	 <u>356,655</u>	 <u>372,125</u>	 <u>415,240</u>
Radiology			
Inpatient	1,305,003	1,333,349	1,291,255
Outpatient	<u>4,007,256</u>	<u>4,101,049</u>	<u>4,022,780</u>
 Total	 <u>5,312,259</u>	 <u>5,434,398</u>	 <u>5,314,035</u>
Laboratory			
Inpatient	2,089,900	2,017,487	2,191,057
Outpatient	<u>3,162,505</u>	<u>2,387,916</u>	<u>2,325,615</u>
 Total	 <u>5,252,405</u>	 <u>4,405,403</u>	 <u>4,516,672</u>
Blood			
Inpatient	317,111	382,974	354,704
Outpatient	<u>157,932</u>	<u>160,938</u>	<u>111,118</u>
 Total	 <u>\$ 475,043</u>	 <u>\$ 543,912</u>	 <u>\$ 465,822</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, 2017, 2016, AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Respiratory therapy			
Inpatient	\$ 3,505,897	\$ 3,441,850	\$ 3,050,742
Outpatient	<u>411,389</u>	<u>502,557</u>	<u>449,133</u>
Total	<u>3,917,286</u>	<u>3,944,407</u>	<u>3,499,875</u>
Physical therapy			
Inpatient	112,544	125,447	156,906
Outpatient	<u>106,756</u>	<u>93,270</u>	<u>65,320</u>
Total	<u>219,300</u>	<u>218,717</u>	<u>222,226</u>
Occupational therapy			
Inpatient	103,950	118,005	164,695
Outpatient	<u>154,340</u>	<u>91,640</u>	<u>55,945</u>
Total	<u>258,290</u>	<u>209,645</u>	<u>220,640</u>
Electrocardiology			
Inpatient	-0-	326	-0-
Outpatient	<u>-0-</u>	<u>978</u>	<u>1,304</u>
Total	<u>-0-</u>	<u>1,304</u>	<u>1,304</u>
Central supply			
Inpatient	462,333	555,622	677,227
Outpatient	<u>457,076</u>	<u>452,358</u>	<u>438,513</u>
Total	<u>919,409</u>	<u>1,007,980</u>	<u>1,115,740</u>
Pharmacy			
Inpatient	3,977,028	3,900,626	4,301,587
Outpatient	<u>2,028,721</u>	<u>1,907,348</u>	<u>1,713,456</u>
Total	<u>6,005,749</u>	<u>5,807,974</u>	<u>6,015,043</u>
Outpatient treatment area			
Outpatient	<u>244,743</u>	<u>244,990</u>	<u>382,014</u>
Total	\$ <u>244,743</u>	\$ <u>244,990</u>	\$ <u>382,014</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, 2017, 2016, AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Emergency room			
Inpatient	\$ 863,136	\$ 907,107	\$ 867,362
Outpatient	<u>5,632,661</u>	<u>5,569,092</u>	<u>5,258,908</u>
Total	<u>6,495,797</u>	<u>6,476,199</u>	<u>6,126,270</u>
Home health			
Skilled nursing visits	571,362	768,350	782,144
Physical therapy visits	159,265	215,180	196,630
Occupational therapy visits	-0-	14,685	111,873
Speech therapy visits	-0-	-0-	-0-
Social service visits	-0-	-0-	-0-
Aide visits	27,500	40,480	51,150
Medical supplies	<u>7,019</u>	<u>4,834</u>	<u>9,432</u>
Total	<u>765,146</u>	<u>1,043,529</u>	<u>1,151,229</u>
UPL grant funds received as grantor	<u>21,809,692</u>	<u>17,241,715</u>	<u>19,953,205</u>
Other professional services			
Inpatient	12,937,820	12,957,651	13,257,529
Outpatient	17,312,584	16,492,051	15,778,939
Home health	<u>765,146</u>	<u>1,043,529</u>	<u>1,151,229</u>
Total other professional services	<u>31,015,550</u>	<u>30,493,231</u>	<u>30,187,697</u>
Gross patient service charges	<u>62,289,962</u>	<u>56,142,649</u>	<u>58,932,348</u>
Contractual adjustments	(24,426,699)	(21,893,773)	(21,965,748)
Provision for bad debts	(1,742,430)	(3,185,043)	(2,507,972)
Charity care	<u>(27,192)</u>	<u>(91,629)</u>	<u>(381,618)</u>
Total patient service allowances	<u>(26,196,321)</u>	<u>(25,170,445)</u>	<u>(24,855,338)</u>
Net patient service revenue	\$ <u>36,093,641</u>	\$ <u>30,972,204</u>	\$ <u>34,077,010</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, 2017, 2016, AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cafeteria	\$ 116,832	\$ 91,848	\$ 77,881
Medical records	4,965	4,703	7,486
Vending machines	7,495	8,048	8,517
Sales tax revenue	614,707	619,481	-0-
Pharmacy sales to employees	18,219	30,128	40,280
Medicaid Physician IPA	146,193	-0-	-0-
Miscellaneous	<u>20,684</u>	<u>33,804</u>	<u>59,038</u>
Total other operating revenue	\$ <u>929,095</u>	\$ <u>788,012</u>	\$ <u>193,202</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, 2017, 2016, AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Salaries:			
Administrative and general	\$ 1,125,816	\$ 983,525	\$ 829,104
Plant operations and maintenance	87,128	58,176	82,648
Quality	7,334	38,258	9,117
Housekeeping	152,148	143,817	129,260
Dietary and cafeteria	176,931	165,130	170,363
Nursing administration	41,333	11,292	32,679
Central supply	88,615	85,886	93,192
Pharmacy	251,827	162,146	33,836
Medical records	212,902	206,253	184,053
Nursing services	1,312,099	1,239,371	1,459,746
Intensive OP services	238,762	125,266	-0-
Intensive care unit	515,828	431,083	403,373
Senior care unit	466,731	428,593	454,790
Operating room	343,675	313,406	298,150
Radiology	312,692	307,739	311,232
Laboratory	407,810	310,102	316,686
Respiratory therapy	273,313	235,642	227,074
Emergency room	1,177,213	1,196,366	1,264,898
Home health	183,441	154,527	198,432
Outpatient treatment area	<u>50,699</u>	<u>50,530</u>	<u>61,321</u>
Total salaries	\$ <u>7,426,297</u>	\$ <u>6,647,108</u>	\$ <u>6,559,954</u>
Benefits and payroll taxes:			
Payroll taxes	\$ 529,954	\$ 496,930	\$ 483,691
Health insurance	1,062,658	656,184	713,944
Other benefits	<u>251,931</u>	<u>178,182</u>	<u>250,846</u>
Total benefits and payroll taxes	\$ <u>1,844,543</u>	\$ <u>1,331,296</u>	\$ <u>1,448,481</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, 2017, 2016, AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Administration	\$ 460,240	\$ 476,458	\$ 400,124
Housekeeping	106,198	105,298	108,699
Maintenance	5,204	4,237	5,173
Dietary	259,762	233,378	225,251
Medical records	17,531	14,329	4,988
Adults and pediatrics	126,179	251,101	142,390
Intensive care unit	62,886	36,192	41,797
Intensive outpatient program	6,005	1,057	-0-
Emergency room	70,629	64,699	68,525
Operating room	69,303	62,386	62,611
Anesthesiology	465	1,164	470
Radiology	25,815	26,400	44,837
Laboratory	380,417	182,659	174,131
Blood	127,460	129,551	152,117
Physical therapy	2,171	1,948	2,319
Occupational therapy	47	13	163
Central supply	9,268	1,752	11,040
Respiratory therapy	39,655	40,729	32,812
Pharmacy	621,629	526,117	685,309
Outpatient treatment area	8,157	7,255	13,513
Home health	5,347	5,619	6,191
Senior care	<u>8,310</u>	<u>8,422</u>	<u>15,422</u>
 Total supplies and drugs	 \$ <u>2,412,678</u>	 \$ <u>2,180,764</u>	 \$ <u>2,197,882</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, 2017, 2016, AND 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating room	\$ 750	\$ -0-	\$ 5,650
Anesthesiology	750	-0-	-0-
Laboratory	89,762	181,346	8,430
Respiratory therapy	3,560	2,290	100
Physical therapy	122,448	128,119	142,106
Occupational therapy	127,685	117,114	155,050
Speech therapy	738	-0-	-0-
Pharmacy	52,728	154,470	287,458
Intensive care unit	1,686	3,882	-0-
Emergency room	750,778	718,613	686,640
Outpatient treatment area	95,512	67,222	98,774
Intensive OP services	39,965	130,896	-0-
Home health	60,760	73,941	98,302
Senior care	150,865	150,675	144,937
Dietary	21,805	23,013	23,240
Medical records	16,177	7,507	43,307
Administration	<u>151,522</u>	<u>652,093</u>	<u>709,200</u>
 Total professional fees	 \$ <u>1,687,491</u>	 \$ <u>2,411,181</u>	 \$ <u>2,403,194</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, 2017, 2016, AND 2015

	<u>2017</u>		<u>2016</u>		<u>2015</u>
Management fees	\$ -0-	\$	-0-	\$	31,045
Legal and accounting	262,701		340,357		313,316
Repairs and maintenance	592,920		482,217		402,418
Utilities	290,985		268,982		301,010
Telephone	104,137		103,672		77,870
Travel	38,274		55,785		54,979
Rentals	273,838		257,339		323,080
License, inspection and membership fees	19,576		16,864		76,857
Education	45,908		38,736		22,981
Postage	25,627		22,704		23,919
Public relations	47,709		57,343		82,897
Education contracts	286		-0-		-0-
Miscellaneous	<u>134,249</u>		<u>181,735</u>		<u>221,893</u>
 Total other expenses	 \$ <u>1,836,210</u>	\$	 <u>1,825,734</u>	\$	 <u>1,932,265</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, 2017, 2016, AND 2015

	----- TERM -----		Compensation
	<u>BEGAN</u>	<u>ENDING</u>	<u>2017</u>
Commissioners:			
Mr. Mark Alan Brown	Sept. 2014	Dec. 2017	None
Ms. Beverlee Kilgore	Sept. 2014	Dec. 2017	None
Mayor Roy Lewis	Oct. 2016	Dec. 2018	None
Dr. Sam Abshire	Oct. 2016	Dec. 2018	None
Dr. Mark Haynes	Oct. 2015	Dec. 2017	None
Mr. James E. Scriber	Sept. 2014	Dec. 2017	None
Mr. Sherman E. Brown	Oct. 2016	Dec. 2018	None
Mr. Robert R. Killgore	Sept. 2016	Dec. 2017	None
Mr. Albert L. Faulk	Sept. 2016	Dec. 2017	None

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2017

RISK COVERED	COVERAGE	PERIOD
Directors & Officers Liability	\$2,000,000	11/1/16 - 11/1/17
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	3/1/17 - 3/1/18

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, 2017

<u>Agency Head:</u>	<u>Toni Goodin, CEO</u>
Salary	208,106
Benefits – insurance	4,755
Benefits – retirement	8,948
Travel	1,732

OTHER REPORTS

HEARD, McELROY, & VESTAL

LLC

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December 12, 2017

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 years ended June 30, 2017, and have issued our report thereon dated December 12, 2017.

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 deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2017-02 and 2017-03.

We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2017-01, 2017-04 and 2017-05.

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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, 2017

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

2017-01 - Revenues

Finding: The postings of various revenue items were misclassified during fiscal year 2017. 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, 2017

Section II. Financial Statement Findings (Continued)

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 112 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.

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.

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 including home health receivables, fixed asset and long-term debt 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, 2017

Section II. Financial Statement Findings (Continued)

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: Subsequent to year-end, management obtained the necessary pledged securities from the bank.

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, 2017

Section II. Financial Statement Findings

2016-01 - 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 2017-01.

2016-02 - 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 112 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 2017-02.

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, 2017

Section II. Financial Statement Findings (Continued)

2016-03 - 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 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 2017-04.

2016-04 - Segregation of Duties

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes (1) separating transaction authorization from custody of related assets; (2) separating transaction recording from general ledger posting and maintenance; (3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: An accounting assistant and a new CFO have been hired. Areas noted are being reviewed and further segregation of duties are being implemented where possible. For areas where segregation to the extent desired is not possible due to the size of the department, supervision and review by management will be increased.

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, 2017

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, 2017

HEARD, McELROY, & VESTAL

LLC

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Board of Commissioners
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, 2016 through June 30, 2017. The Entity'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*. 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.


Monroe, Louisiana

December 12, 2017

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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, 2017

Written Policies and Procedures

Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - 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***, including receiving, recording, and preparing deposits
 - 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, and (5) monitoring card usage
 - 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. Note: Ethics requirements are not applicable to nonprofits.
 - j) ***Debt Service***, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Not applicable, as the entity may not issue debt.

Findings

The entity does not have a policy addressing their budget.

The entity has a purchasing policy; however, it does not address adding new vendors, controls ensuring compliance, or retaining required documentation for bids. The policy addresses the procedures for purchasing stock and inventory items.

The entity does not have a policy addressing their payroll/personnel.

The entity does not have a policy addressing contracts.

The entity did not have a policy on credit cards. The entity is in the process of adopting a credit card policy.

The entity does have an ethics policy; however, it does not address ethics violations reporting or monitoring. There is no policy in place requiring the employees to annually attest to reading the ethics policy.

Except as otherwise stated, no exceptions were identified in the performance of the procedures listed above.

Board (or Finance Committee, if applicable)

Procedures

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The board meets twelve times a year in accordance with their policy.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Each meeting's minutes refer to budget-to-actual financial statement comparisons.

If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

No deficit spending took place during the fiscal year.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Several meetings' minutes referenced non-budgetary financial information.

Findings

No exceptions were identified in the performance of the procedures listed above.

Bank Reconciliations

Procedures

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Findings

Management provided a listing of bank accounts and traced them to the general ledger for completeness. Management represented that the listing was complete.

Reconciliations were not prepared on the main operating account in a timely manner for several months in the current year.

There is no written evidence that management/board member independent of banking transactions reviewed the reconciliations.

As of field work there was no written documentation regarding outstanding checks. Policies have been implemented since fieldwork to contact payees, escheat funds to the state, and monitor outstanding checks.

Except as otherwise stated, no exceptions were identified in the performance of the procedures listed above.

Collections

Procedures

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if

there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

The entity has a process for tracking collections on outstanding accounts receivables and follows up with payors on unpaid claims. After a period of time, uncollected accounts are turned over to collection agencies.

Findings

Management provided a list of collection locations and represented that it was complete.

No exceptions were identified in the performance of the procedures listed above.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

Procedures

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
 - a) Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- b) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - c) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - d) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
9. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The Controller is the only one who can add vendors. Purchases are processed by the accounts payable clerk.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
11. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
12. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Findings

Management provided a listing of disbursements for the year ending June 30, 2017, asserting that the listing was complete.

The CFO has signatory authority and can initiate purchases.

Controller has access to locked checks, access to check printing software and signatory authorization.

Checks are signed electronically and signed checks do not remain in the custody of authorized signors. Signed checks are returned to the Accounts Payable clerk who mails them.

Except as otherwise stated, no exceptions were identified in the performance of the procedures listed above.

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

Procedures

13. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.
14. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation 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.]

The reconciliation is prepared by the Accounts Payable Clerk. The CFO reviews and approves the reconciliations before payment.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

No late charges were paid on the selected statements.

15. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction

precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Findings

Management provided a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards and represented that the listing is complete.

Two of the cards were missing the original receipts. Five were missing from one card and one was missing from the other.

One card's purchase of air fare did not include purpose in the documentation, but the dates and location coincided with conference registration.

One card's charge for conference registration did not document the attendees, or the conference. Three other charges did not document the business purpose.

Credit cards are signed out before use. Users must document purpose. CFO approves purchases after they are made.

No late charges were paid on the selected statements.

Except as otherwise stated, no exceptions were identified in the performance of the procedures listed above.

Travel and Expense Reimbursement

Procedures

16. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
17. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
18. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
 - a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Travel expenses are approved by management before they are incurred.

Findings

Management provided the general ledger detail for travel and reimbursement expenses and represented that the list is complete.

Reviewed documentation and found one instance where the meal purchased exceeded the limits allowed in the policy.

Reviewed documentation and found one instance where hotel receipts were not included in the documentation.

Reviewed documentation and found one instance where the business purpose was not included on the meal receipts.

One instance noted where the Travel Expense Reimbursement form was not used.

Except as otherwise stated, no exceptions were identified in the performance of the procedures listed above.

Contracts

Procedures

19. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

20. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Management stated that quotes are solicited and they attempt to negotiate the most favorable terms.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

No contract selected was amended.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Per discussion with CFO all new contracts are approved by the board. Renewals do not have to be approved by the board.

Findings

Management provided the Contracts for Services general ledger detail and represented that the list is complete.

No exceptions were identified in the performance of the procedures listed above.

Payroll and Personnel

Procedures

21. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Compensation paid to each employee was made in accordance with the terms and conditions of their contract or pay structure.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Pay rate or salary changes applicable to each selected employee were approved in writing and in accordance with written policy.

22. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether 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) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
23. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
24. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

All employee and employer portions for payroll taxes and contributions, and related required reporting forms, were submitted to the applicable agencies by the required deadlines.

Findings

Management provided a listing of active employees and terminated employees with their related compensation and represented that the listing is complete.

All employee and employer portions for payroll taxes and contributions, and related required reporting forms, were submitted to the applicable agencies by the required deadlines.

Compensation paid to each selected employee was made in accordance with the terms and conditions of his contract or pay rate structure and pay rate or salary changes were approved in writing and in accordance with written policy.

The employees documented their daily attendance and leave; however, when employees were short on hours for the week the supervisor paid them out of their paid time of balance if available. Since the implementation of a new payroll software, paid time off approvals are electronic and supervisors are not allowed to enter time for employees.

The entity failed to maintain supervisor approval of paid time off on four of the employees tested.

One of the employees tested was actually paid the remaining balance of his PTO on the paycheck before the pay period of his last day of service.

Except as otherwise stated, no exceptions were identified in the performance of the procedures listed above.

Ethics (excluding nonprofits)

Procedures

25. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.
26. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Findings

The entity had a new hire who had not received ethics training as of fieldwork. Human resources stated training would be done at year end when all other employees complete their ethics training.

Debt Service (excluding nonprofits)

Procedures

27. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
28. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
29. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Findings

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

Other

Procedures

30. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

The entity had no misappropriations of public funds or assets.

31. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
32. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Findings

The entity has the Fraud poster posted at its premises, but not on their website.

Except as otherwise stated, no exceptions were identified in the performance of the procedures listed above.

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.