

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

Independent Auditor's Reports and Financial Statements

May 31, 2019 and 2018

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

May 31, 2019 and 2018

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## Independent Auditor's Report

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

### Report on Financial Statements

We have audited the accompanying financial statements of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital), a component unit of East Carroll Parish, as of and for the years ended May 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of May 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary Information*

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

The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Commissioners  
East Carroll Parish Hospital Service District d/b/a  
East Carroll Parish Hospital  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

*BKD, LLP*

Jackson, Mississippi  
November 25, 2019

**East Carroll Parish Hospital Service District d/b/a  
East Carroll Parish Hospital  
A Component Unit of East Carroll Parish  
Management's Discussion and Analysis  
Years Ended May 31, 2019 and 2018**

***Introduction***

This management's discussion and analysis of the financial performance of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital) provides an overview of the Hospital's financial activities for the years ended May 31, 2019 and 2018. It should be read in conjunction with the accompanying financial statements of the Hospital.

***Financial Highlights***

- Cash and cash equivalents, including restricted cash, along with the change in certificates of deposit, increased by \$2,522,759 and \$1,465,901 in 2019 and 2018, respectively. This was mainly due to increased collection rates with the change in electronic health record systems resulting in billing and collection efficiencies.
- The Hospital's net position increased in each of the past two years, with a \$1,235,127 increase in 2019 and a \$1,906,456 increase in 2018.
- The assets of the Hospital exceeded liabilities by \$11,987,996 at the end of the 2019 fiscal year and by \$10,752,869 at the end of fiscal year 2018. Of this amount, \$9,171,133 and \$8,360,615 at May 31, 2019 and 2018, respectively, are unrestricted net position and may be used to meet ongoing obligations to the Hospital's employees, patients and creditors; while \$2,816,863 and \$2,392,254 at May 31, 2019 and 2018, respectively, are invested in capital assets.

***Using This Annual Report***

The Hospital's financial statements consist of three statements—balance sheet; statement of revenues, expenses and changes in net position; and statement of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

***The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position***

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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These two statements report the Hospital's net position and changes in it. The Hospital's total net position—the difference between assets and liabilities—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

***The Statement of Cash Flows***

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

***The Hospital's Net Position***

The Hospital's net position is the difference between its assets and liabilities reported in the Balance Sheet. The Hospital's net position increased by \$1,235,127 in 2019 over 2018, and by \$1,906,456 in 2018 over 2017, as shown in Table 1.

**East Carroll Parish Hospital Service District d/b/a  
East Carroll Parish Hospital  
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Management's Discussion and Analysis  
Years Ended May 31, 2019 and 2018**

**Table 1: Assets, Liabilities and Net Position**

|  | <u>2019</u>          | <u>2018</u>          | <u>2017</u>         |
|--|----------------------|----------------------|---------------------|
| <b>Assets</b>                            |                      |                      |                     |
| Current assets                           | \$ 5,748,181         | \$ 5,684,846         | \$ 6,341,645        |
| Capital assets, net                      | 2,816,863            | 2,392,254            | 2,560,997           |
| Board designated certificates of deposit | <u>4,415,689</u>     | <u>3,377,577</u>     | <u>875,425</u>      |
| Total assets                             | <u>\$ 12,980,733</u> | <u>\$ 11,454,677</u> | <u>\$ 9,778,067</u> |
| <b>Liabilities</b>                       |                      |                      |                     |
| Current liabilities                      | <u>\$ 992,737</u>    | <u>\$ 701,808</u>    | <u>\$ 931,654</u>   |
| Total liabilities                        | <u>992,737</u>       | <u>701,808</u>       | <u>931,654</u>      |
| <b>Net Position</b>                      |                      |                      |                     |
| Net investment in capital assets         | 2,816,863            | 2,392,254            | 2,402,094           |
| Restricted - expendable for debt service | -                    | -                    | 27,300              |
| Unrestricted                             | <u>9,171,133</u>     | <u>8,360,615</u>     | <u>6,417,019</u>    |
| Total net position                       | <u>11,987,996</u>    | <u>10,752,869</u>    | <u>8,846,413</u>    |
| Total liabilities and net position       | <u>\$ 12,980,733</u> | <u>\$ 11,454,677</u> | <u>\$ 9,778,067</u> |

**2019 Highlights**

- Current assets increased in 2019 by a total of \$63,335, primarily due to an increase of \$1,484,647 in cash and cash equivalents partially offset by a \$723,076 decrease in net accounts receivable and a \$844,911 decrease in due from third-party payers.
- Decrease in Upper Payment Limit (UPL) funding of \$1.2 million, due to less uncompensated care following Medicaid expansion in Louisiana.
- Capital assets, net increased \$424,609 in 2019 due to the completion of a hospital renovation project of approximately \$537,000 during the year.
- Board designated certificates of deposits (CDs) increased in 2019, due to the purchase of an approximately \$1,000,000 in CDs from a financial institution.

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***2018 Highlights***

- Current assets decreased in 2018 by a total of \$656,799, primarily due to a decrease of \$1,008,951 in cash and cash equivalents and an increase of \$200,470 in net accounts receivable.
- Board designated CDs increased substantially in 2018, due to the purchase of approximately \$2,500,000 in CDs from a financial institution.
- Current liabilities decreased approximately \$230,000 from 2017 to 2018, due to long-term debt being paid off. The United States Department of Agriculture (USDA) requested management pay off the balance of the loan since the financial position at the Hospital had improved.

***Operating Results and Changes in the Hospital's Net Position***

In 2019, the Hospital's change in net position decreased by \$671,329 as compared to 2018 from \$1,906,456, or 35%, as shown in Table 2. This decrease is primarily related to decreases in net patient service revenue of \$409,817 and increases in salaries, wages and employee benefits of \$230,341. The Hospital's 2018 change in net position increased \$946,813 as compared to 2017 to \$1,906,456 in 2018, an increase of 99%.

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Management's Discussion and Analysis  
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**Table 2: Operating Results and Changes in Net Position**

|   | <b>2019</b>         | <b>2018</b>         | <b>2017</b>       |
|---|---------------------|---------------------|-------------------|
| <b>Operating Revenues</b>   |                     |                     |                   |
| Net patient service revenue   | \$ 11,919,947       | \$ 12,329,764       | \$ 11,117,906     |
| Other operating revenues  | 153,544             | 86,922              | 320,016           |
| Total operating revenues  | <u>12,073,491</u>   | <u>12,416,686</u>   | <u>11,437,922</u> |
| <b>Operating Expenses</b>   |                     |                     |                   |
| Salaries, wages and employee benefits                                       | 6,674,834           | 6,444,493           | 6,369,296         |
| Supplies and other  | 4,362,362           | 4,211,493           | 4,307,657         |
| Depreciation  | 328,214             | 335,574             | 362,207           |
| Total operating expenses  | <u>11,365,410</u>   | <u>10,991,560</u>   | <u>11,039,160</u> |
| <b>Operating Income</b>   | 708,081             | 1,425,126           | 398,762           |
| <b>Total Nonoperating Revenues</b>  | <u>527,046</u>      | <u>481,330</u>      | <u>473,221</u>    |
| <b>Excess of Revenues Over Expenses<br/>Before Capital Grants and Gifts</b> | 1,235,127           | 1,906,456           | 871,983           |
| <b>Capital Grants and Gifts</b>   | <u>-</u>            | <u>-</u>            | <u>87,660</u>     |
| <b>Increase in Net Position</b>   | <u>\$ 1,235,127</u> | <u>\$ 1,906,456</u> | <u>\$ 959,643</u> |

**Operating Revenues**

The first component of the overall change in the Hospital's net position is its operating income or loss - generally, the difference between net patient service revenue and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported operating income. This is consistent with the Hospital's recent operating history, as the Hospital was formed and is operated primarily to serve residents of East Carroll Parish and the surrounding area. The Hospital levies property taxes to provide sufficient resources to enable the facility to serve lower income and other residents.

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The operating income for 2019 decreased by \$717,045, or 50%, as compared to 2018. The primary components of the decreased operating income are:

- A decrease in net patient service revenue of \$409,817, or 3.3%, from 2018 to 2019 due to a slight decrease in volume. Of this change, the main factors contributing to the decrease in net patient service revenue were an approximately \$1,200,000 decrease in UPL funding, offset by a \$448,780 decrease in the provision for uncollectible accounts and a \$270,461 decrease in contractual adjustments.
- An increase in salaries, wages and employee benefits of \$230,341, or 3.6% in 2019 due to merit based and one-time increases to employee salaries and wages.
- An increase in supplies and other of \$150,869, or 3.6%, due to rising costs of drugs and increases in professional fees paid for emergency room coverage.

**2019 Highlights**

- During 2019, the Hospital had patient days and admissions of 1,837 and 731, respectively. This was a decrease of 219 patient days, or 10.4% from 2018 levels. Admissions decreased in 2019 by 102, or 12.2%, from 2018 levels.
- Net patient service revenue decreased 3.3% from 2018 to 2019, primarily related to a decrease in patient days and admissions as noted above.
- Operating expenses were up 3.4% from 2018 to 2019. This was primarily due to a 3.6% increase in salaries, wages and employee benefits, offset by a 2.2% decrease in depreciation expense.

**2018 Highlights**

- During 2018, the Hospital had patient days and admissions of 2,056 and 833, respectively. This was an increase of 269 patient days, or 15% from 2017 levels. Admissions increased in 2017 by 171, or 26%.
- Net patient service revenue increased 10.9% from 2017 to 2018, primarily related to an increase in patient days and admissions as noted above.
- Operating expenses were down 1% from 2017 to 2018. This was primarily due to a 7% decrease in depreciation expense due to \$1.2 million less asset additions from 2018 to 2017, and the yearly occurrence of other assets becoming fully depreciated.

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***Nonoperating Revenues and Expenses***

Nonoperating revenues and expenses consist primarily of subsidy from the Parish. The Hospital recognized approximately \$470,000, \$441,000 and \$455,000 of parish subsidy for 2019, 2018 and 2017, respectively.

***Capital Grants and Gifts***

The Hospital receives both capital and operating grants from various state and federal agencies for specific programs. Capital grants received were \$88,000, \$0 and \$0 in 2017, 2018 and 2019, respectively. The decrease relates primarily to the completion of the emergency room addition in 2017.

***The Hospital's Cash Flows***

Cash provided by operating activities was \$2,748,536 and \$1,310,305 for 2019 and 2018, respectively. The primary reason for cash provided by operating activities in 2019 is receipts from and on behalf of patients which was a significant increase over 2018 as noted in the "Operating Revenues" section above.

***Capital Asset and Debt Administration***

**Capital Assets**

At the end of 2019, 2018 and 2017, the Hospital had approximately \$2,817,000, \$2,392,000 and \$2,561,000 of net capital assets, as detailed in *Note 6* to the financial statements.

**Debt**

At May 31, 2019, the Hospital had no revenue bonds, notes payable or capital lease obligations outstanding. The Hospital issued no new debt in 2019.

***Other Economic Factors***

While the annual budget of the Hospital is not presented within these financial statements, the Hospital's Board and management considered many factors when setting the fiscal year 2020 budget. While the financial outlook for the Hospital remains steady, of primary importance in setting the 2020 budget was the status of the economy and the health care environment, which takes into account market forces and environmental factors such as:

- Medicare reimbursement changes
- Medicaid reimbursement changes, particularly as Medicaid expands in Louisiana

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- Continuation at the current level of Uncompensated Care Program
- Increased number of high deductible plans
- Workforce shortages, primarily in nursing and other clinically skilled positions and related employee costs
- Sequestration

***Contacting the Hospital's Financial Management***

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Administrator at East Carroll Parish Hospital, 336 North Hood Street, Lake Providence, Louisiana 71254-2194 or by phone at 318.559.4023.

**East Carroll Parish Hospital Service District d/b/a  
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**Balance Sheets  
May 31, 2019 and 2018**

|  | <b>2019</b>   | <b>2018</b>   |
|--|---------------|---------------|
| <b>Assets</b>  |               |               |
| <b>Current Assets</b>  |               |               |
| Cash and cash equivalents  | \$ 3,439,566  | \$ 1,954,919  |
| Patient accounts receivable, net of allowance for uncollectible accounts of approximately \$1,078,000 and \$2,474,000 in 2019 and 2018, respectively | 1,279,227     | 2,002,303     |
| Estimated amounts due from third-party payers  | 541,978       | 1,386,889     |
| Supplies   | 238,392       | 219,465       |
| Prepaid expenses and other   | 249,018       | 121,270       |
| Total current assets   | 5,748,181     | 5,684,846     |
| <b>Capital Assets, Net</b>   | 2,816,863     | 2,392,254     |
| <b>Board Designated Certificates of Deposit</b>  | 4,415,689     | 3,377,577     |
| Total assets   | \$ 12,980,733 | \$ 11,454,677 |

|                                     | <u>2019</u>          | <u>2018</u>          |
|-------------------------------------|----------------------|----------------------|
| <b>Liabilities and Net Position</b> |                      |                      |
| <b>Current Liabilities</b>          |                      |                      |
| Accounts payable                    | \$ 681,856           | \$ 372,730           |
| Accrued expenses                    | <u>310,881</u>       | <u>329,078</u>       |
| Total current liabilities           | <u>992,737</u>       | <u>701,808</u>       |
| <b>Net Position</b>                 |                      |                      |
| Net investment in capital assets    | 2,816,863            | 2,392,254            |
| Unrestricted                        | <u>9,171,133</u>     | <u>8,360,615</u>     |
| Total net position                  | <u>11,987,996</u>    | <u>10,752,869</u>    |
| Total liabilities and net position  | <u>\$ 12,980,733</u> | <u>\$ 11,454,677</u> |

**East Carroll Parish Hospital Service District d/b/a  
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**Statements of Revenues, Expenses and Changes in Net Position  
Years Ended May 31, 2019 and 2018**

|  | <b>2019</b>   | <b>2018</b>   |
|--|---------------|---------------|
| <b>Operating Revenues</b>  |               |               |
| Net patient service revenue, net of provision for uncollectible accounts; 2019 - \$1,245,000<br>2018 - \$1,694,000 | \$ 11,919,947 | \$ 12,329,764 |
| Other  | 153,544       | 86,922        |
| Total operating revenues   | 12,073,491    | 12,416,686    |
| <b>Operating Expenses</b>  |               |               |
| Salaries and wages   | 5,664,121     | 5,450,616     |
| Employee benefits  | 1,010,713     | 993,877       |
| Supplies and other   | 4,362,362     | 4,211,493     |
| Depreciation   | 328,214       | 335,574       |
| Total operating expenses   | 11,365,410    | 10,991,560    |
| <b>Operating Income</b>  | 708,081       | 1,425,126     |
| <b>Nonoperating Revenues (Expenses)</b>  |               |               |
| Parish subsidy   | 470,110       | 440,962       |
| Interest income  | 41,853        | 5,344         |
| Interest expense   | (57)          | (479)         |
| Rental income  | 550           | 600           |
| Noncapital grants  | 14,590        | 34,903        |
| Total nonoperating revenues  | 527,046       | 481,330       |
| <b>Increase in Net Position</b>  | 1,235,127     | 1,906,456     |
| <b>Net Position, Beginning of Year</b>   | 10,752,869    | 8,846,413     |
| <b>Net Position, End of Year</b>   | \$ 11,987,996 | \$ 10,752,869 |

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**Statements of Cash Flows  
Years Ended May 31, 2019 and 2018**

|   | <b>2019</b>         | <b>2018</b>         |
|---|---------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>                     |                     |                     |
| Receipts from and on behalf of patients                         | \$ 13,487,934       | \$ 11,916,077       |
| Payments to suppliers and contractors                           | (4,199,911)         | (4,248,201)         |
| Payments to employees   | (6,693,031)         | (6,444,493)         |
| Other operating receipts  | 153,544             | 86,922              |
|   | <u>2,748,536</u>    | <u>1,310,305</u>    |
| <b>Cash Flows from Noncapital Financing Activities</b>          |                     |                     |
| Noncapital grants   | 14,590              | 34,903              |
| Rental income   | 550                 | 600                 |
| Parish subsidy  | 470,110             | 440,962             |
|   | <u>485,250</u>      | <u>476,465</u>      |
| <b>Cash Flows from Capital and Related Financing Activities</b> |                     |                     |
| Purchase of capital assets                                      | (752,823)           | (166,831)           |
| Interest payments on long-term debt                             | (57)                | (479)               |
| Principal payments on long-term debt                            | -                   | (158,903)           |
|   | <u>(752,880)</u>    | <u>(326,213)</u>    |
| <b>Cash Flows from Investing Activities</b>                     |                     |                     |
| Purchase of board designated certificates of deposit            | (1,038,112)         | (2,502,152)         |
| Interest income received  | 41,853              | 5,344               |
|   | <u>(996,259)</u>    | <u>(2,496,808)</u>  |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>         | 1,484,647           | (1,036,251)         |
| <b>Cash and Cash Equivalents, Beginning of Year</b>             | <u>1,954,919</u>    | <u>2,991,170</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>                   | <u>\$ 3,439,566</u> | <u>\$ 1,954,919</u> |

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Statements of Cash Flows (Continued)  
Years Ended May 31, 2019 and 2018**

|   | <b>2019</b>  | <b>2018</b>  |
|---|--------------|--------------|
| <b>Reconciliation of Operating Income to Net Cash</b> |              |              |
| <b>Provided by Operating Activities</b>               |              |              |
| Operating income                                      | \$ 708,081   | \$ 1,425,126 |
| Depreciation  | 328,214      | 335,574      |
| Provision for uncollectible accounts                  | 1,244,872    | 1,693,652    |
| Changes in operating assets and liabilities           |              |              |
| Patient accounts receivable                           | (521,796)    | (1,894,122)  |
| Estimated amounts due from third-party payers         | 844,911      | (213,217)    |
| Supplies  | (18,927)     | 31,987       |
| Prepaid expenses and other                            | (127,748)    | 2,248        |
| Accounts payable and accrued expenses                 | 290,929      | (70,943)     |
| Net cash provided by operating activities             | \$ 2,748,536 | \$ 1,310,305 |

**East Carroll Parish Hospital Service District d/b/a  
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**Notes to Financial Statements  
May 31, 2019 and 2018**

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

***Nature of Operations and Reporting Entity***

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

***Basis of Accounting and Presentation***

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

***Use of Estimates***

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

***Cash and Cash Equivalents***

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At May 31, 2019 and 2018, cash equivalents consisted of a money market account.

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

**Notes to Financial Statements  
May 31, 2019 and 2018**

***Parish Subsidy***

The Hospital received approximately 3.7% in 2019 and 3.4% in 2018 of its financial support from property taxes. These funds were used as follows:

|   | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
| Percentage used to support operations     | 100.0%      | 64.0%       |
| Percentage used for debt service on bonds | 0.0%        | 36.0%       |
|   | 100.0%      | 100.0%      |

Property taxes are assessed October 1 and are received beginning in October 1 of each year and become delinquent after January 1 of the following year. Revenue from property taxes is recognized in the year for which the taxes are levied.

***Risk Management***

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

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

***Deposits and Investments***

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

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

**Notes to Financial Statements  
May 31, 2019 and 2018**

***Investments and Investment Income***

Investments in nonnegotiable certificates of deposit are carried at amortized cost.

Investment income includes interest income on board designated certificates of deposit.

***Patient Accounts Receivable***

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

***Supplies***

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

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term, or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

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

***Capital Asset Impairment***

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. No asset impairment was recognized during the years ended May 31, 2019 or 2018.

***Compensated Absences***

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to

**East Carroll Parish Hospital Service District d/b/a  
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**Notes to Financial Statements**

**May 31, 2019 and 2018**

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

***Net Position***

Net position of the Hospital is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position less remaining liabilities that do not meet the definition of net investment in capital assets.

***Net Patient Service Revenue***

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

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

***Charity Care***

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

**East Carroll Parish Hospital Service District d/b/a  
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**Notes to Financial Statements  
May 31, 2019 and 2018**

***Income Taxes***

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

**Note 2: Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk. At May 31, 2019 and 2018, the Hospital's bank balances were exposed to custodial credit risk as follows:

|   | <b>2019</b>  | <b>2018</b>  |
|---|--------------|--------------|
| Insured by Federal Deposit Insurance Corporation (FDIC)   | \$ 263,366   | \$ 323,877   |
| Collateralized by securities held by the pledging financial institution's Trust Department in the Hospital's name | 7,612,683    | 5,030,946    |
| Total depository balance  | \$ 7,876,049 | \$ 5,354,823 |
| Carrying value  | \$ 7,855,255 | \$ 5,332,496 |
| Included in the balance sheet captions  |              |              |
| Cash and cash equivalents   | \$ 3,439,566 | \$ 1,954,919 |
| Board designated certificates of deposit  | 4,415,689    | 3,377,577    |
|   | \$ 7,855,255 | \$ 5,332,496 |

**Note 3: Net Patient Service Revenue**

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

*Medicare* - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute

**East Carroll Parish Hospital Service District d/b/a  
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**Notes to Financial Statements**

**May 31, 2019 and 2018**

services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

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

Approximately 87% and 86% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended May 31, 2019 and 2018, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor), whereby the Grantor awards an intergovernmental transfer (IGT) grant to be used solely to provide adequate and essential medically necessary and available health care services to the Hospital's service population subject to the availability of such grant funds. The benefit to the Hospital for participating in this program for the years ended May 31, 2019 and 2018 totaled approximately \$1,409,000 and \$2,615,000, respectively, and is included in net patient service revenue. There can be no assurances that this program will remain in effect in future years, or that the Hospital will continue to participate in the program at reimbursement levels experienced to date.

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

**East Carroll Parish Hospital Service District d/b/a  
East Carroll Parish Hospital  
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**Notes to Financial Statements  
May 31, 2019 and 2018**

**Note 4: Patient Accounts Receivable**

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at May 31, 2019 and 2018 consisted of:

|   | <b>2019</b>         | <b>2018</b>         |
|---|---------------------|---------------------|
| Medicare                                  | \$ 426,583          | \$ 1,618,397        |
| Medicaid                                  | 514,497             | 1,096,664           |
| Other third-party payers                  | 624,378             | 764,532             |
| Patients                                  | 791,523             | 996,271             |
|   | 2,356,981           | 4,475,864           |
| Less allowance for uncollectible accounts | (1,077,754)         | (2,473,561)         |
|   | <b>\$ 1,279,227</b> | <b>\$ 2,002,303</b> |

**Note 5: Estimated Amounts Due from Third-party Payers**

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

|  | <b>2019</b>       | <b>2018</b>         |
|--|-------------------|---------------------|
| Due from Medicare Program, net           | \$ 104,958        | \$ 8,163            |
| Due from Louisiana Medicaid Program, net | 169,793           | 497,861             |
| Due from Rural Health Coalition          | 267,227           | 880,865             |
|  | <b>\$ 541,978</b> | <b>\$ 1,386,889</b> |

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

**Notes to Financial Statements  
May 31, 2019 and 2018**

**Note 6: Capital Assets**

Capital assets activity for the years ended May 31, 2019 and 2018 was:

|                               | 2019                 |                   |             |             | Ending<br>Balance   |
|-------------------------------|----------------------|-------------------|-------------|-------------|---------------------|
|                               | Beginning<br>Balance | Additions         | Disposals   | Transfers   |                     |
| Land                          | \$ 22,000            | \$ -              | \$ -        | \$ -        | \$ 22,000           |
| Land improvements             | 52,146               | -                 | -           | -           | 52,146              |
| Buildings and improvements    | 3,013,247            | 48,835            | -           | 536,714     | 3,598,796           |
| Equipment                     | 2,504,192            | 139,651           | -           | -           | 2,643,843           |
| Transportation equipment      | 694,380              | 57,279            | -           | -           | 751,659             |
| Clinic building and equipment | 594,979              | -                 | -           | -           | 594,979             |
| Capital improvement           | 14,710               | 30,079            | -           | -           | 44,789              |
| Construction in progress      | 76,056               | 476,979           | -           | (536,714)   | 16,321              |
|                               | <u>6,971,710</u>     | <u>752,823</u>    | <u>-</u>    | <u>-</u>    | <u>7,724,533</u>    |
| Less accumulated depreciation |                      |                   |             |             |                     |
| Land improvements             | 1,766                | 2,607             | -           | -           | 4,373               |
| Buildings and improvements    | 1,444,403            | 131,841           | -           | -           | 1,576,244           |
| Equipment                     | 2,118,004            | 122,367           | -           | -           | 2,240,371           |
| Transportation equipment      | 550,316              | 39,687            | -           | -           | 590,003             |
| Clinic building and equipment | 464,967              | 31,712            | -           | -           | 496,679             |
|                               | <u>4,579,456</u>     | <u>328,214</u>    | <u>-</u>    | <u>-</u>    | <u>4,907,670</u>    |
| Capital Assets, Net           | <u>\$ 2,392,254</u>  | <u>\$ 424,609</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,816,863</u> |

**East Carroll Parish Hospital Service District d/b/a  
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**Notes to Financial Statements  
May 31, 2019 and 2018**

|                               | 2018                 |                     |             |             | Ending<br>Balance   |
|-------------------------------|----------------------|---------------------|-------------|-------------|---------------------|
|                               | Beginning<br>Balance | Additions           | Disposals   | Transfers   |                     |
| Land                          | \$ 22,000            | \$ -                | \$ -        | \$ -        | \$ 22,000           |
| Land improvements             | -                    | 31,500              | -           | 20,646      | 52,146              |
| Buildings and improvements    | 3,033,893            | -                   | -           | (20,646)    | 3,013,247           |
| Equipment                     | 2,497,392            | 6,800               | -           | -           | 2,504,192           |
| Transportation equipment      | 656,615              | 37,765              | -           | -           | 694,380             |
| Clinic building and equipment | 594,979              | -                   | -           | -           | 594,979             |
| Capital improvement           | -                    | 14,710              | -           | -           | 14,710              |
| Construction in progress      | -                    | 76,056              | -           | -           | 76,056              |
|                               | <u>6,804,879</u>     | <u>166,831</u>      | <u>-</u>    | <u>-</u>    | <u>6,971,710</u>    |
| Less accumulated depreciation |                      |                     |             |             |                     |
| Land improvements             | -                    | 1,766               | -           | -           | 1,766               |
| Buildings and improvements    | 1,327,368            | 117,035             | -           | -           | 1,444,403           |
| Equipment                     | 1,993,189            | 124,815             | -           | -           | 2,118,004           |
| Transportation equipment      | 490,367              | 59,949              | -           | -           | 550,316             |
| Clinic building and equipment | 432,958              | 32,009              | -           | -           | 464,967             |
|                               | <u>4,243,882</u>     | <u>335,574</u>      | <u>-</u>    | <u>-</u>    | <u>4,579,456</u>    |
| Capital Assets, Net           | <u>\$ 2,560,997</u>  | <u>\$ (168,743)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,392,254</u> |

**Note 7: Accounts Payable and Accrued Expenses**

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

|   | 2019              | 2018              |
|---|-------------------|-------------------|
| Payable to suppliers and contractors                  | \$ 721,961        | \$ 442,486        |
| Payable to employees (including payroll tax benefits) | 270,776           | 259,322           |
|   | <u>\$ 992,737</u> | <u>\$ 701,808</u> |

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

**Notes to Financial Statements  
May 31, 2019 and 2018**

**Note 8: Retirement Plan**

The Hospital contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by an unrelated third party. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the Plan Document and were established and can be amended by action of the Hospital's governing body. Currently, the Hospital matches the employee's contributions up to 2% of the employee's eligible compensation. Contributions made by plan members and the Hospital were \$147,662 and \$50,642 during 2019, respectively, and \$136,566 and \$50,918 during 2018, respectively.

**Note 9: Contingencies**

***Admitting Physicians***

The Hospital is served by four physicians whose patients comprised approximately 82% and 77% of the Hospital's admissions for the years ended May 31, 2019 and 2018, respectively.

***Litigation***

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's insurance program described in *Note 1*, such as allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. No such loss amounts have been recorded as of May 31, 2019 or 2018. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

## **Supplementary Information**

**East Carroll Parish Hospital Service District d/b/a  
East Carroll Parish Hospital  
A Component Unit of East Carroll Parish  
Schedule of Compensation, Benefits and Other Payments  
to Agency Head or Chief Executive Officer  
Year Ended May 31, 2019**

| Purpose                                | Amount     |
|--|------------|
| Salary                                 | \$ 165,178 |
| Benefits - insurance                   | 6,034      |
| Benefits - retirement                  | 2,737      |
| Benefits - other                       | -          |
| Car allowance                          | -          |
| Vehicle provided by government         | -          |
| Per diem                               | -          |
| Reimbursements                         | -          |
| Travel                                 | -          |
| Registration fees                      | -          |
| Conference travel                      | -          |
| Continuing professional education fees | -          |
| Housing                                | -          |
| Unvouchered expenses                   | -          |
| Special meals                          | -          |

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

**Independent Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital), a component unit of East Carroll Parish, which comprise the balance sheet as of May 31, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2019.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as items 2019-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-02 to be a significant deficiency.

***Compliance and Other Matters***

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

***Management's Responses to Findings***

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

***Purpose of this Report***

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

**BKD, LLP**

Jackson, Mississippi  
November 25, 2019

**East Carroll Parish Hospital Service District d/b/a  
East Carroll Parish Hospital  
A Component Unit of East Carroll Parish  
Schedule of Findings and Responses  
Year Ended May 31, 2019**

| <b>Reference<br/>Number</b> | <b>Finding</b>  |
|-----------------------------|---|
| <b>2019-01</b>              | <p><b><i>Criteria or Specific Requirement</i></b> – Management is responsible for establishing and maintaining effective internal controls over financial reporting to appropriately represent the financial position as of year-end.</p> <p><b><i>Condition</i></b> – The Hospital’s financial statements required adjusting journal entries for financial statement presentation, and its accounting records include other immaterial adjustments that were passed during the course of the audit.</p> <p><b><i>Context</i></b> – Timely and accurate account reconciliations and review of general ledger details are critical in identifying necessary adjustments.</p> <p><b><i>Effect</i></b> – Monthly and annual financial statements may not accurately reflect the financial position of the Hospital.</p> <p><b><i>Cause</i></b> – Controls were not operating properly that would ensure transactions were properly recorded. Further, the Hospital has staffing limitations such that timely reconciliations may not always be feasible.</p> <p><b><i>Recommendation</i></b> – Management should review or enhance month-end and fiscal year-end closing procedures to identify necessary journal entries to appropriately present the financial position of the Hospital and results of operations.</p> <p><b><i>Views of Responsible Officials and Planned Corrective Actions</i></b> - Management will continue to consider the costs versus benefits of improving controls over financial statement preparation.</p> |
| <b>2019-02</b>              | <p><b><i>Criteria or Specific Requirement</i></b> – Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p><b><i>Condition</i></b> – Limited separation of functions exists within the accounting system.</p> <p><b><i>Context</i></b> – There are incompatible duties within cash disbursements and payroll. Further, the Administrator has full access to the accounting system and can modify journal entries subsequent to posting with no review.</p> <p><b><i>Effect</i></b> – Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p>   |

**East Carroll Parish Hospital Service District d/b/a  
East Carroll Parish Hospital  
A Component Unit of East Carroll Parish  
Schedule of Findings and Responses  
Year Ended May 31, 2019**

| <b>Reference<br/>Number</b> | <b>Finding</b>  |
|-----------------------------|---|
|                             | <p><i>Cause</i> – Due to limitations of the Hospital’s small accounting staff, the Hospital has not designed internal control procedures for separation of duties in various functional accounting areas.</p> <p><i>Recommendation</i> – Management should periodically evaluate the cost versus the benefits of developing internal control procedures or other compensating controls over the functional accounting areas and implement those changes it deems appropriate for which benefits are determined to exceed costs.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – Management will continue to consider the costs versus benefits of improving segregation of duties within the functional accounting areas.</p> |

**East Carroll Parish Hospital Service District d/b/a  
East Carroll Parish Hospital  
A Component Unit of East Carroll Parish  
Summary Schedule of Prior Audit Findings  
Year Ended May 31, 2019**

| <b>Reference<br/>Number</b> | <b>Summary of Findings</b>  | <b>Status</b>  |
|-----------------------------|---|--|
| <b>2018-01</b>              | The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related notes to the financial statements. (2007) | Not corrected. Management continues to assess the cost versus the benefit of improving internal controls over financial statement preparation. (See 2019-01) |

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

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Year Ended May 31, 2019

**Independent Accountant's Report on  
Applying Agreed-Upon Procedures**

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

We have performed the procedures enumerated in the attachment to this report, which were agreed to by East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in LLA's Statewide Agreed-Upon Procedures for the year ended May 31, 2019. Management of the District is responsible for the control and compliance areas identified in LLA's Statewide Agreed-Upon Procedures. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attachment to this report 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.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. We were not engaged to and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in LLA's Statewide Agreed-Upon Procedures. 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 control and compliance areas identified in LLA's Statewide Agreed-Upon Procedures, 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 LLA as a public document.

*BKD, LLP*

Jackson, Mississippi  
November 25, 2019

**East Carroll Parish Hospital Service District d/b/a  
East Carroll Parish Hospital  
A Component Unit of East Carroll Parish  
Applying Agreed-Upon Procedures  
Year Ended May 31, 2019**

**Written Policies and Procedures**

Procedures

1. Obtain the District's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - 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.
  - 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 (e.g., determining the reasonableness of fuel card purchases).
  - 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 District's ethics policy.

Findings

The District does not have a formal credit card policy. The purchasing policy does not cover adding vendors to the accounts payable system.

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

**Board Minutes**

Procedures

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - b. For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-

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*to-actual comparisons, if budgeted) for major proprietary funds. Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Findings

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

**Non-Payroll Disbursements (excluding card purchases / payments, travel reimbursements, and petty cash purchases)**

Procedures

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Findings

Management listed one location, the District's business office, that processed payments for the fiscal period and asserted that listing was complete. The Administrator has the ability to access all parts of the accounting system and is not prohibited from adding/modifying vendor files, although that function is not part of her job duties.

**Payroll and Personnel**

Procedures

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

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17. Randomly select one pay period during the fiscal period. For the five employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b. Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Findings

Management provided a list of all employees with their related salaries for the year ended May 31, 2019, and asserted the listing was complete.

For all five employees selected, current pay rates were not present in the personnel file, as company-wide raises approved by the board were not included in the personnel files.

For the May 27, 2019 pay period tested, five leave requests were approved during or after leave was awarded to the employee.

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

**Ethics (excluding nonprofits)**

Procedures

18. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Findings

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

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**Management's Response**

Management understands the importance of having policies and procedures in place and being able to monitor those policies and procedures for compliance. Management is in the process of updating all policy and procedure manuals hospital-wide and will consider the findings noted in this document as the policies and procedures are being updated. Management will also look at procedures that are currently in place that do not meet LLA's requirements to determine the changes necessary to ensure compliance.