

**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, 2018 and 2017



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

May 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 basic financial statements.

The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits and 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
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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 27, 2018, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
November 27, 2018

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Management's Discussion and Analysis
Years Ended May 31, 2018 and 2017**

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, 2018 and 2017. 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 \$1,465,901 and \$911,476 in 2018 and 2017, respectively. This was mainly due to reduced spending for capital assets and increased collection rates on accounts receivable.
- The Hospital's net position increased in each of the past two years, with a \$1,906,456 increase in 2018 and a \$959,643 increase in 2017.
- The assets of the Hospital exceeded liabilities by \$10,752,869 at the end of the 2018 fiscal year and by \$8,846,413 at the end of fiscal year 2017. Of this amount, \$8,360,615 and \$6,417,019 at May 31, 2018 and 2017, respectively, are unrestricted net position and may be used to meet ongoing obligations to the Hospital's employees, patients and creditors; \$0 and \$27,300 at May 31, 2018 and 2017, respectively, are restricted for the bond sinking payments; while \$2,392,254 and \$2,402,094 at May 31, 2018 and 2017, 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, all liabilities and all deferred inflows and outflows of resources 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.

**East Carroll Parish Hospital Service District d/b/a
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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, liabilities and deferred inflows and outflows of resources—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, liabilities and deferred inflows and outflows of resources reported in the Balance Sheet. The Hospital's net position increased by \$1,906,456 in 2018 over 2017, and by \$959,643 in 2017 over 2016, as shown in Table 1.

**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, 2018 and 2017**

Table 1: Assets, Liabilities and Net Position

| | 2018 | 2017 | 2016 |
|--|----------------------|---------------------|---------------------|
| Assets | | | |
| Current assets | \$ 5,684,846 | \$ 6,341,645 | \$ 5,304,362 |
| Capital assets, net | 2,392,254 | 2,560,997 | 2,544,582 |
| Board designated certificates of deposit | <u>3,377,577</u> | <u>875,425</u> | <u>871,893</u> |
| Total assets | <u>\$ 11,454,677</u> | <u>\$ 9,778,067</u> | <u>\$ 8,720,837</u> |
| Liabilities | | | |
| Current liabilities | \$ 701,808 | \$ 931,654 | \$ 676,444 |
| Long-term debt | <u>-</u> | <u>-</u> | <u>157,623</u> |
| Total liabilities | <u>701,808</u> | <u>931,654</u> | <u>834,067</u> |
| Net Position | | | |
| Net investment in capital assets | 2,392,254 | 2,402,094 | 2,371,047 |
| Restricted - expendable for debt service | - | 27,300 | 23,070 |
| Unrestricted | <u>8,360,615</u> | <u>6,417,019</u> | <u>5,492,653</u> |
| Total net position | <u>10,752,869</u> | <u>8,846,413</u> | <u>7,886,770</u> |
| Total liabilities and net position | <u>\$ 11,454,677</u> | <u>\$ 9,778,067</u> | <u>\$ 8,720,837</u> |

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 certificates of deposits (CDs) increased substantially in 2018, due to the purchase of approximately \$2,500,000 in CDs from Delta Bank.
- 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.

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2017 Highlights

- Current assets increased in 2017, by a total of \$1,037,283, primarily due to an increase of \$903,174 in cash and \$256,054 in accounts receivable, net.
- Gross capital assets increased by approximately \$379,000 during 2017, while depreciation expense of approximately \$362,000 decreased net capital assets. The increase in gross capital assets relates primarily to equipment purchases.
- Current liabilities increased by \$255,210 from 2016 to 2017, due to higher current portion of long-term debt. The 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 2018, the Hospital's net position increased by \$1,906,456 from \$959,643 or 99%, as shown in Table 2. This increase is primarily related to improvements in the revenue cycle and related collections of accounts receivable. The Hospital's change in net position increased from \$718,367 in 2016 to \$959,643 in 2017, an increase of 34%.

**East Carroll Parish Hospital Service District d/b/a
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Table 2: Operating Results and Changes in Net Position

| | 2018 | 2017 | 2016 |
|---|---------------------|-------------------|-------------------|
| Operating Revenues | | | |
| Net patient service revenue | \$ 12,329,764 | \$ 11,117,906 | \$ 10,065,701 |
| Other operating revenues | 86,922 | 320,016 | 378,172 |
| Total operating revenues | <u>12,416,686</u> | <u>11,437,922</u> | <u>10,443,873</u> |
| Operating Expenses | | | |
| Salaries, wages and employee benefits | 6,444,493 | 6,369,296 | 6,102,931 |
| Supplies and other | 4,211,493 | 4,307,657 | 4,042,557 |
| Depreciation | 335,574 | 362,207 | 414,353 |
| Total operating expenses | <u>10,991,560</u> | <u>11,039,160</u> | <u>10,559,841</u> |
| Operating Income (Loss) | 1,425,126 | 398,762 | (115,968) |
| Total Nonoperating Revenues | <u>481,330</u> | <u>473,221</u> | <u>451,249</u> |
| Excess of Revenues Over Expenses Before Capital Grants and Gifts | 1,906,456 | 871,983 | 335,281 |
| Capital Grants and Gifts | <u>-</u> | <u>87,660</u> | <u>383,086</u> |
| Increase in Net Position | <u>\$ 1,906,456</u> | <u>\$ 959,643</u> | <u>\$ 718,367</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 and other operating revenues and the expenses incurred to perform those services. In each of the past two 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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Management's Discussion and Analysis
Years Ended May 31, 2018 and 2017**

The operating income for 2018 increased by \$1,026,364, or 257%, as compared to 2017. The primary components of the increased operating income are:

- An increase in net patient service revenue of \$1,211,858, or 10.9%, from 2017 to 2018 and \$1,052,205, or 10.5%, from 2016 to 2017.
- A decrease in depreciation expense of \$26,633, or 7.4% in 2018 and \$52,146 or 12.6% in 2017.
- A decrease in medical supply costs of \$96,164, or 2.2%, was offset by an increase in salaries, wages and employee benefits of \$75,197, or 1.2%.

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 day and admission increasing 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.

2017 Highlights

- Operating income for 2017 increased by \$514,730 going from a loss in 2016 of (\$115,968) to operating income of \$398,762 in 2017.
- During 2017, the Hospital had patient days and admissions of 1,787 and 662, respectively. This was a decrease of 80 patient days, or 4.7% from 2016 levels. Admissions decreased in 2017 by 52, or 8.6%.
- Net patient service revenue increased 10.5% from 2016 to 2017, primarily related to an increase in pharmacy and clinic charges, along with an increase in uncompensated care of approximately \$296,000.
- Electronic Health Records (EHR) and other operating revenues remained relatively flat. EHR revenue decreased approximately \$187,000, as the Hospital is only receiving EHR payments for the employed physicians, while other operating revenue increased \$129,000 due to the increase in medical services to inmates and FEMA payments for use of the ambulances.

**East Carroll Parish Hospital Service District d/b/a
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- Operating expenses were up 4.5% from 2017 to 2016. This primarily due to increase in salaries, wages and employee benefits of 4.4%, due to increases in health insurance premiums and salary increases and a 6.6% increase in supplies and other expense due to an increase in clinic and administrative supplies and other.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of subsidy from the Parish. The Hospital recognized approximately \$441,000, \$455,000, \$441,000 of parish subsidy for 2018, 2017 and 2016, 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 declined from \$383,000, \$88,000, \$0 from 2016, 2017 and 2018, 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 \$1,310,305 and \$743,849 for 2018 and 2017, respectively. The primary reason for cash provided by operating activities in 2018 is receipts from and on behalf of patients which was a significant increase over 2017 as noted in the "Operating Revenues" section above.

Capital Asset and Debt Administration

Capital Assets

At the end of 2018, 2017 and 2016, the Hospital had approximately \$2,392,000, 2,561,000 and \$2,545,000 of net capital assets, as detailed in *Note 6* to the financial statements.

Debt

At May 31, 2018, the Hospital had no revenue bonds, notes payable or capital lease obligations outstanding. The Hospital issued no new debt in 2018. The Hospital's formal debt issuances revenue bonds are subject to limitations imposed by state law. There have been no changes in the Hospital's debt ratings in the past three years.

**East Carroll Parish Hospital Service District d/b/a
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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 2019 budget. While the financial outlook for the Hospital remains steady, of primary importance in setting the 2019 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
- Continuation at the current level of Uncompensated Care Program
- Increased number of high deductible plan
- Ongoing competition for services
- Workforce shortages, primarily in nursing and other clinically skilled positions and related employee costs
- Sequestration

Contacting the Hospital'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
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**

**Balance Sheets
May 31, 2018 and 2017**

| | 2018 | 2017 |
|--|---------------|--------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,954,919 | \$ 2,963,870 |
| Restricted cash | - | 27,300 |
| Patient accounts receivable, net of allowance for uncollectible accounts of approximately \$2,474,000 and \$6,466,000 in 2018 and 2017, respectively | 2,002,303 | 1,801,833 |
| Estimated amounts due from third-party payers | 1,386,889 | 1,173,672 |
| Supplies | 219,465 | 251,452 |
| Prepaid expenses and other | 121,270 | 123,518 |
| Total current assets | 5,684,846 | 6,341,645 |
| Capital Assets, Net | 2,392,254 | 2,560,997 |
| Board Designated Certificates of Deposit | 3,377,577 | 875,425 |
| Total assets | \$ 11,454,677 | \$ 9,778,067 |

| | 2018 | 2017 |
|--|-----------------------------|----------------------------|
| Liabilities and Net Position | | |
| Current Liabilities | | |
| Current maturities of long-term debt | \$ - | \$ 158,903 |
| Accounts payable | 372,730 | 462,128 |
| Accrued expenses | <u>329,078</u> | <u>310,623</u> |
| Total current liabilities | <u>701,808</u> | <u>931,654</u> |
| Net Position | | |
| Net investment in capital assets | 2,392,254 | 2,402,094 |
| Restricted - expendable for debt service | - | 27,300 |
| Unrestricted | <u>8,360,615</u> | <u>6,417,019</u> |
| Total net position | <u>10,752,869</u> | <u>8,846,413</u> |
| Total liabilities and net position | <u><u>\$ 11,454,677</u></u> | <u><u>\$ 9,778,067</u></u> |

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish**
Statements of Revenues, Expenses and Changes in Net Position
Years Ended May 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------------|----------------------------|
| Operating Revenues | | |
| Net patient service revenue, net of provision for uncollectible accounts; 2018 - \$1,694,000 2017 - \$2,697,000 | \$ 12,329,764 | \$ 11,117,906 |
| Other | 86,922 | 320,016 |
| Total operating revenues | <u>12,416,686</u> | <u>11,437,922</u> |
| Operating Expenses | | |
| Salaries and wages | 5,450,616 | 5,339,092 |
| Employee benefits | 993,877 | 1,030,204 |
| Supplies and other | 4,211,493 | 4,307,657 |
| Depreciation | 335,574 | 362,207 |
| Total operating expenses | <u>10,991,560</u> | <u>11,039,160</u> |
| Operating Income | <u>1,425,126</u> | <u>398,762</u> |
| Nonoperating Revenues (Expenses) | | |
| Parish subsidy | 440,962 | 454,649 |
| Interest income | 5,344 | 6,084 |
| Interest expense | (479) | (6,912) |
| Rental income | 600 | 650 |
| Noncapital grants | 34,903 | 18,750 |
| Total nonoperating revenues | <u>481,330</u> | <u>473,221</u> |
| Excess of Revenues Over Expenses Before Capital Grants and Gifts | 1,906,456 | 871,983 |
| Capital Grants and Gifts | <u>-</u> | <u>87,660</u> |
| Increase in Net Position | 1,906,456 | 959,643 |
| Net Position, Beginning of Year | <u>8,846,413</u> | <u>7,886,770</u> |
| Net Position, End of Year | <u><u>\$ 10,752,869</u></u> | <u><u>\$ 8,846,413</u></u> |

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
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**Statements of Cash Flows
Years Ended May 31, 2018 and 2017**

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Operating Activities | | |
| Receipts from and on behalf of patients | \$ 11,916,077 | \$ 10,935,646 |
| Payments to suppliers and contractors | (4,248,201) | (4,156,857) |
| Payments to employees | (6,444,493) | (6,354,956) |
| Other operating receipts | 86,922 | 320,016 |
| | <u>1,310,305</u> | <u>743,849</u> |
| Noncapital Financing Activities | | |
| Noncapital grants | 34,903 | 18,750 |
| Rental income | 600 | 650 |
| Parish subsidy | 440,962 | 454,649 |
| | <u>476,465</u> | <u>474,049</u> |
| Capital and Related Financing Activities | | |
| Purchase of capital assets | (166,831) | (378,622) |
| Capital grant proceeds | - | 87,660 |
| Interest payments on long-term debt | (479) | (6,912) |
| Principal payments on long-term debt | (158,903) | (14,632) |
| | <u>(326,213)</u> | <u>(312,506)</u> |
| Investing Activities | | |
| Purchase of board designated certificates of deposit | (2,502,152) | (3,532) |
| Interest income received | 5,344 | 6,084 |
| | <u>(2,496,808)</u> | <u>2,552</u> |
| Increase (Decrease) in Cash and Cash Equivalents | (1,036,251) | 907,944 |
| Cash and Cash Equivalents, Beginning of Year | 2,991,170 | 2,083,226 |
| Cash and Cash Equivalents, End of Year | \$ 1,954,919 | \$ 2,991,170 |

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
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Statements of Cash Flows (Continued)
Years Ended May 31, 2018 and 2017**

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Reconciliation of Operating Income to Net Cash | | |
| Provided by Operating Activities | | |
| Operating income | \$ 1,425,126 | \$ 398,762 |
| Depreciation | 335,574 | 362,207 |
| Provision for uncollectible accounts | 1,693,652 | 2,697,268 |
| Changes in operating assets and liabilities | | |
| Patient accounts receivable | (1,894,122) | (2,953,322) |
| Estimated amounts due from third-party payers | (213,217) | 73,794 |
| Supplies | 31,987 | (28,575) |
| Prepaid expenses and other | 2,248 | 81,496 |
| Accounts payable and accrued expenses | (70,943) | 112,219 |
| | \$ 1,310,305 | \$ 743,849 |
| | \$ 1,310,305 | \$ 743,849 |
| Reconciliation of Cash and Cash Equivalents to the Balance Sheets | | |
| Cash and cash equivalents | \$ 1,954,919 | \$ 2,963,870 |
| Restricted cash | - | 27,300 |
| | \$ 1,954,919 | \$ 2,991,170 |
| | \$ 1,954,919 | \$ 2,991,170 |

**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, 2018 and 2017

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

Nature of Operations and Reporting Entity

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

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash and Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At May 31, 2018 and 2017, cash equivalents consisted of money market accounts.

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Notes to Financial Statements
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Parish Subsidy

The Hospital received approximately 3.4% in 2018 and 3.8% in 2017 of its financial support from property taxes. These funds were used as follows:

| | 2018 | 2017 |
|---|-------------|-------------|
| Percentage used to support operations | 64.0% | 96.5% |
| Percentage used for debt service on bonds | 36.0% | 3.5% |
| | 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, 2018 and 2017**

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. The investment in equity investee is reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

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

Supplies

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

Capital Assets

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

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

Compensated Absences

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

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

May 31, 2018 and 2017

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

Net Position

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

Net Patient Service Revenue

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

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, 2018 and 2017**

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.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on net 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, 2018 and 2017, the Hospital's bank balances were exposed to custodial credit risk as follows:

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Insured by Federal Deposit Insurance Corporation (FDIC) | \$ 323,877 | \$ 280,068 |
| Collateralized by securities held by the pledging financial institution's Trust Department in the Hospital's name | <u>5,030,946</u> | <u>3,754,867</u> |
| Total depository balance | <u>\$ 5,354,823</u> | <u>\$ 4,034,935</u> |
| Carrying value | <u>\$ 5,332,496</u> | <u>\$ 3,866,595</u> |
| Included in the balance sheet captions | | |
| Cash and cash equivalents | \$ 1,954,919 | \$ 2,963,870 |
| Restricted cash | - | 27,300 |
| Board designated certificates of deposit | <u>3,377,577</u> | <u>875,425</u> |
| | <u>\$ 5,332,496</u> | <u>\$ 3,866,595</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, 2018 and 2017**

Note 3: Net Patient Service Revenue

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is reimbursed for cost 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 63% and 65% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended May 31, 2018 and 2017, 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, 2018 and 2017 totaled approximately \$2,651,000 and \$2,347,000, 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
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**Notes to Financial Statements
May 31, 2018 and 2017**

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, 2018 and 2017 consisted of:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Medicare | \$ 1,618,397 | \$ 3,482,232 |
| Medicaid | 1,096,664 | 1,940,051 |
| Other third-party payers | 764,532 | 2,349,189 |
| Patients | <u>996,271</u> | <u>496,711</u> |
| | 4,475,864 | 8,268,183 |
| Less allowance for uncollectible accounts | <u>(2,473,561)</u> | <u>(6,466,350)</u> |
| | <u>\$ 2,002,303</u> | <u>\$ 1,801,833</u> |

Note 5: Estimated Amounts Due from Third-party Payers

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

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Due from Medicare Program, net | \$ 8,163 | \$ 30,907 |
| Due from Louisiana Medicaid Program, net | 497,861 | 381,815 |
| Due from Rural Health Coalition | <u>880,865</u> | <u>760,950</u> |
| | <u>\$ 1,386,889</u> | <u>\$ 1,173,672</u> |

**East Carroll Parish Hospital Service District d/b/a
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**Notes to Financial Statements
May 31, 2018 and 2017**

Note 6: Capital Assets

Capital assets activity for the years ended May 31, 2018 and 2017 was:

| | 2018 | | | | Ending Balance |
|--------------------------------------|------------------------------|---------------------|------------------|------------------|---------------------------|
| | Beginning Balance | Additions | Disposals | Transfers | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 22,000 | \$ - | \$ - | \$ - | \$ 22,000 |
| Construction in progress | - | 76,056 | - | - | 76,056 |
| | <u>22,000</u> | <u>76,056</u> | <u>-</u> | <u>-</u> | <u>98,056</u> |
| Capital assets being depreciated | | | | | |
| 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 |
| | <u>6,782,879</u> | <u>90,775</u> | <u>-</u> | <u>-</u> | <u>6,873,654</u> |
| Less accumulated depreciation | | | | | |
| 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 |
| Land improvements | - | 1,766 | - | - | 1,766 |
| | <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> |

The Board approved renovations for the corridors and lobby commencing June 1, 2018. The estimated cost is approximately \$400,000 and will be funded with internal resources.

**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, 2018 and 2017**

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

Construction in progress consisted of the renovations to the emergency room which were placed in service June 2017.

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

**Notes to Financial Statements
May 31, 2018 and 2017**

Note 7: Accounts Payable and Accrued Expenses

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

| | 2018 | 2017 |
|---|-------------|-------------|
| Payable to suppliers and contractors | \$ 442,486 | \$ 509,185 |
| Payable to employees (including payroll tax benefits) | 259,322 | 250,732 |
| Other | - | 12,834 |
| | \$ 701,808 | \$ 772,751 |

Note 8: Long-term Debt

Long-term debt consists of the following:

| | 2018 | 2017 |
|--|-------------|-------------|
| Hospital Revenue Bond to the United States of America, at 4.125%, payable in monthly installments of \$1,902, including principal and interest, final payment due August 2025, secured by pledge of Hospital revenues. | \$ - | \$ 158,903 |

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

| | 2018 | 2017 |
|------------------------------|-------------|-------------|
| Balance at beginning of year | \$ 158,903 | \$ 173,535 |
| Deductions | (158,903) | (14,632) |
| Balance at end of year | \$ - | \$ 158,903 |

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

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

Notes to Financial Statements

May 31, 2018 and 2017

Note 9: Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately \$47,000 and \$90,000 for 2018 and 2017, respectively. The cost of charity care is estimated by applying the ratio of cost-to-gross charges to the gross uncompensated charges.

Note 10: Retirement Plan

The Hospital contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by an unrelated third party. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the Plan Document and were established and can be amended by action of the Hospital's governing body. Currently, the Hospital matches the employee's contributions up to 2% of the employee's eligible compensation. Contributions made by plan members and the Hospital aggregated \$136,566 and \$50,918 during 2018 and \$107,938 and \$44,486 during 2017, respectively.

Note 11: Risks and Uncertainties

Admitting Physicians

The Hospital is served by four physicians whose patients comprised approximately 81% and 78% of the Hospital's admissions for the years ended May 31, 2018 and 2017, respectively.

Note 12: Contingency

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's insurance program described in *Note 1*, such as allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. No such loss amounts have been recorded as of May 31, 2018 or 2017. 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, 2018**

| Purpose | Amount |
|--|------------|
| Salary | \$ 150,038 |
| Benefits - insurance | 6,053 |
| Benefits - retirement | 2,532 |
| Benefits - other | - |
| Car allowance | - |
| Vehicle provided by government | - |
| Per diem | - |
| Reimbursements | - |
| Travel | - |
| Registration fees | - |
| Conference travel | - |
| Continuing professional education fees | 446 |
| 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, 2018, 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 27, 2018.

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. *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 that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of finding and response as item 2018-01 that we consider to be a material weakness.

Compliance

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

Management's Response to Finding

The Hospital's response to the finding identified in our audit is described in the accompanying schedule of finding and response. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Other Matters

We also noted certain additional matters that we reported to the Hospital's management in a separate letter dated November 27, 2018.

Purpose of this Report

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

BKD, LLP

Jackson, Mississippi
November 27, 2018

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Schedule of Finding and Response
Year Ended May 31, 2018**

| Reference Number | Finding |
|---------------------|---|
| 2018-01 | <p><i>Criteria or Specific Requirement</i> - Management is responsible for establishing and maintaining effective internal controls over financial reporting and determining potential financial statement adjustments.</p> <p><i>Condition</i> - The Hospital relies on its outside auditors during the annual close process to assist in the preparation of material journal entries for the external financial statements and related notes to the financial statements.</p> <p><i>Context</i> - Under auditing standards generally accepted in the United States of America (GAAP), outside auditors cannot be considered part of the Hospital's internal control structure and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures for the preparation of external financial statements and determination of potential financial statement adjustments.</p> <p><i>Effect</i> - Potentially material misstatements in the financial statements and related notes to the financial statements could occur and not be prevented or detected by the Hospital's internal control structure.</p> <p><i>Cause</i> - The Hospital has not designed internal control procedures for preparing external financial statements and determination of potential financial statement adjustments.</p> <p><i>Recommendation</i> - We recommend management continue to assess the cost versus the benefits of improving internal controls over financial reporting.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> - Management will continue to consider the costs versus benefits of improving controls over financial statement preparation.</p> |

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Summary Schedule of Prior Audit Findings
Year Ended May 31, 2018**

| Reference Number | Summary of Findings | Status |
|-----------------------------|--|--|
| 2017-01 | The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related notes to the financial statements. (2007) | Not corrected. Management continues to assess the cost versus the benefit of improving internal controls over financial statement preparation. (See 2018-01) |
| 2017-02 | Limited separation of functions exists within the accounting and billing system, creating multiple conflicting duties. The administrator and accountant have conflicting duties within the cash disbursements and payroll cycles. (2009) | Partially corrected. Duties in cash receipts have been segregated to reduce the conflict to a deficiency. The Hospital is limited in accounting staff. The Hospital will continue to monitor segregation of duty issues. |
| 2017-03 | Due to changing general ledger systems, the administrator was not able to shift her ability to prepare and post all journal entries. Management has, as its goal, separating preparation and posting of journal entries from the review and approval of journal entries. | Corrected |
| 2017-04 | Management does not have a process to ensure uncompensated care receipts are accounted for in the proper period, resulting in a restatement of the 2016 financial statements. | Corrected |
| 2017-05 | Management did not have a process to ensure accounts receivable was correctly transferred and processed during their conversion to their new software. | Corrected |
| 2017-06 | Management did not have its audited financial statements filed by the required due date, November 30, 2017. However, management did request and was granted an extension by the Louisiana Legislative Auditor. | Corrected |

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

As part of our audit of the financial statements of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital) as of and for the year ended May 31, 2018, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

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

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

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

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

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

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

- Allowances for contractual adjustments and uncollectible accounts
- Estimated amounts due to/from third-party payers

Financial Statement Disclosures

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

- Net patient service revenue
- Estimated amounts due to/from third-party payers

Audit Adjustments

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

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- Supplies
- Allowance for uncollectible accounts and contractual adjustments; bad debt expense
- Accounts receivable clearing/cash
- Accounts payable and other accrued expenses
- Prepaid and other assets
- Uncompensated care receipts
- Fixed assets and depreciation expense
- Estimated amounts due to/from third-party payers

Proposed Audit Adjustments Not Recorded

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by

management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

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

No matters are reportable.

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (attached)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the Hospital as of and for the year ended May 31, 2018, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the Hospital's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matters that we consider to be a material weakness or deficiencies.

Material Weakness

Refer to the 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.

Deficiencies

ML 2018-01 Segregation of Duties

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

- The administrator and accountant have duties' conflicts in the payroll and cash disbursement cycles.

Management's Response and Corrective Action Plan

We agree with the recommendation and will continue to evaluate the cost-benefit of further segregation of duties, although a complete segregation of duties may not be practical at this time. In the meantime, in order to reduce the magnitude of the potential duties' conflicts, we have taken the following steps.

- In cash disbursements, the accountant no longer has signature rights on the checking accounts.
- In payroll, we have outsourced payroll processing to ADP.
- Also in payroll, management receives and reviews change reports related to each payroll from ADP.

ML 2018-02 Information Technology (IT) Manager has Unlimited Access

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

Management's Response and Corrective Action Plan

Management will look into implementing certain review procedures.

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

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

BKD, LLP

November 27, 2018

East Carroll Parish Hospital⁻¹⁻

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

November 27, 2018

BKD, LLP

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

We are providing this letter in connection with your audits of our financial statements of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital, a component unit of East Carroll Parish, (the Hospital) as of and for the years ended May 31, 2018 and 2017. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

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

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

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated June 4, 2018, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our

"This institution is an equal opportunity provider and employer."

financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

5. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - (b) Additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) All minutes of commissioners' meetings held through the date of this letter.
 - (e) All significant contracts and grants.
 - (f) All peer review organizations, fiscal intermediary and third-party payer reports and information.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by hospital procedures with respect to:
 - (a) Misappropriation of assets.
 - (b) Misrepresented or misstated assets or liabilities.
8. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
9. We have no knowledge of any known or suspected:
 - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
 - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
 - (c) Communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting

practices or other matters that could have a material adverse effect on the financial statements.

10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Hospital received in communications from employees, customers, regulators, suppliers or others.
11. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; principal owners, management, and members of their immediate families, subsidiaries accounted for by the equity method; and any other party with which the hospital may deal if the hospital can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the hospital.
12. Except as reflected in the financial statements, there are no:
 - (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - (b) Material transactions omitted or improperly recorded in the financial records.
 - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - (e) Agreements to purchase assets previously sold.
 - (f) Restrictions on cash balances or compensating balance agreements.
 - (g) Guarantees, whether written or oral, under which the Hospital is contingently liable.
13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
14. We have no reason to believe the Hospital owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

15. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
 16. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. There are no known circumstances that could jeopardize the Hospital's participation in the Medicare or other governmental health care programs.
 17. Adequate provisions and allowances have been accrued for any material losses from:
 - (a) Uncollectible receivables.
 - (b) Medicare/Medicaid and other third-party payer contractual, audit or other adjustments.
 - (c) Reducing obsolete or excess inventories to estimated net realizable value.
 - (d) Purchase commitments in excess of normal requirements or above prevailing market prices.
 18. Except as disclosed in the financial statements, the Hospital has:
 - (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
 - (b) Complied with all aspects of contractual agreements, for which noncompliance would materially affect the financial statements.
 19. With respect to the Hospital's possible exposure to past or future medical malpractice assertions:
 - (a) We have disclosed to you all incidents known to us that could possibly give rise to an assertion of malpractice.
 - (b) All known incidents have been reported to the appropriate medical malpractice insurer and are appropriately considered in our malpractice liability accrual.
 - (c) There is no known lapse in coverage, including any lapse subsequent to the fiscal year-end, that would result in any known incidents being uninsured.
 - (d) Management does not expect any claims to exceed malpractice insurance limits.
-

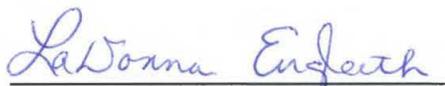
- (e) We believe our accruals for malpractice claims are sufficient for all known and probable potential claims.
20. With regard to deposit and investment activities:
- (a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.
 - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - (c) We understand that your audit does not represent an opinion regarding the enforceability of collateral pledges.
21. With respect to any nonattest services you have provided us during the year, including preparation of depreciation schedules, proposed journal entries and draft of year-end financial statements:
- (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
 - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
22. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.
23. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
24. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
-

25. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
26. We have a process to track the status of audit findings and recommendations.
27. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.
28. We have provided our views on any findings, conclusions and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.
29. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
30. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
31. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
32. Billings to third-party payers comply in all material respects with applicable coding guidelines, laws and regulations. Billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.
33. With regard to cost reports filed with Medicare, Medicaid or other third parties:

- (a) All required reports have been properly filed.
- (b) Management is responsible for the accuracy and propriety of those reports.
- (c) All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.
- (d) The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
- (e) All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
- (f) Recorded allowances for third-party settlements are necessary and are based on historical experience or new or ambiguous regulations that may be subject to differing interpretations.

34. With regard to supplementary information:

- (a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
- (b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
- (c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period
- (d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
- (e) If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.



LaDonna Englerth, Administrator



Lisa Bradford, Business Office Assistant

East Carroll Parish Hospital

ATTACHMENT

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

QUANTITATIVE ANALYSIS

| | Before Misstatements | Misstatements | Subsequent to Misstatements | % Change |
|--|-------------------------|---------------|--------------------------------|----------|
| Current Assets | 5,684,846 | | 5,684,846 | |
| Non-Current Assets & Deferred Outflows | 5,769,831 | (21,370) | 5,748,461 | -0.37% |
| Current Liabilities | (701,808) | 14,085 | (687,723) | -2.01% |
| Non-Current Liabilities & Deferred Inflows | | | | |
| Current Ratio | 8.100 | | 8.266 | 2.05% |
| | | | | |
| Total Assets & Deferred Outflows | 11,454,677 | (21,370) | 11,433,307 | -0.19% |
| Total Liabilities & Deferred Inflows | (701,808) | 14,085 | (687,723) | -2.01% |
| Total Net Position | (10,752,869) | 7,285 | (10,745,584) | -0.07% |
| | | | | |
| Operating Revenues | (12,416,686) | 64,597 | (12,352,089) | -0.52% |
| Operating Expenses | 10,991,560 | 7,285 | 10,998,845 | 0.07% |
| Nonoperating (Revenues) Exp | (481,330) | | (481,330) | |
| Change in Net Position | (1,906,456) | 71,882 | (1,834,574) | -3.77% |

East Carroll Parish Hospital

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

November 27, 2018

Linda S. Trifone, CPA, CFE
Director | BKD
190 East Capitol Street, Suite 500
Jackson, MS 39201

Dear Ms. Trifone,

In response to the audit finding in the report on internal controls in the financial statements and deficiencies in the management letter, please see the following:

Material Weakness 2018-01 (Internal Control over Financial Reporting)

- Management will continue to consider the costs versus benefits of improving controls over financial statement preparation.

Deficiencies ML2018-01 (Segregation of duties) and ML2018-02 (Information Technology Manager has Unlimited Access)

- Management has established certain controls to reduce the magnitude and frequency of potential misstatements resulting from these duties conflicts. Management will continue to work towards reducing instances of duties conflicts among staff.

Please contact me if you need additional information.

Thanks,



LaDonna Englerth
Administrator

**East Carroll Parish Hospital 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, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Directors
East Carroll Parish Hospital 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 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, 2018. 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
August 21, 2018

**East Carroll Parish Hospital District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Applying Agreed-Upon Procedures
Year Ended May 31, 2018**

Written Policies and Procedures

Procedures

1. Obtain the District'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 District 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 District'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.

**East Carroll Parish Hospital District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Applying Agreed-Upon Procedures
Year Ended May 31, 2018**

Findings

The District does not have a formal credit card policy or ethics policy. It has a budgeting policy, however, the policy does not address monitoring or amending the budget. The purchasing policy does not cover adding vendors to the accounts payable system. Management does report to the Board of Commissioners (the Board) monthly on its internal financial statements.

Debt service is not applicable to the District due to no outstanding debt in the fiscal year.

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

Board Minutes

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.
 - 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 District's prior audit (GAAP-basis).
 - i. 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.
 - 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.

Findings

Budget-to-actual comparisons were not included in the financial statements presented to the Board.

**East Carroll Parish Hospital District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Applying Agreed-Upon Procedures
Year Ended May 31, 2018**

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

Bank Reconciliations

Procedures

3. Obtain a listing of the District's bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the District's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than five 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 six months as of the end of the fiscal period.

Findings

Management provided a listing of 8 bank accounts for the year ended May 31, 2018, and asserted that the listing was complete.

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.

**East Carroll Parish Hospital District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Applying Agreed-Upon Procedures
Year Ended May 31, 2018**

6. Using the listing provided by management, select all of the District'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 five 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:
 - i. 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.
 - ii. 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 District has a process specifically defined (identified as such by the District) 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.

Findings

Management provided a listing of cash/check/money order (cash) collection locations for the year ended May 31, 2018, and asserted the listing was complete.

**East Carroll Parish Hospital District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Applying Agreed-Upon Procedures
Year Ended May 31, 2018**

No exceptions identified in the performance of the above procedures.

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

Procedures

8. Obtain a listing of the District's disbursements from management or, alternately, obtain the general ledger and sort/filter for the District's disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the District 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:
 - a. 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.
 - b. Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c. 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.
10. Using the District's 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 District's purchasing/disbursement system.
11. Using the District's 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.
12. 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,

**East Carroll Parish Hospital District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Applying Agreed-Upon Procedures
Year Ended May 31, 2018**

review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

13. 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 as it relates for the year ended May 31, 2018, and asserted the listing was complete.

The accounts payable clerk has the ability to add vendors to the District's master files, as well as the authority to process payments, authority to sign checks and access to unused check supply.

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

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

Procedures

14. 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.
15. 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.

**East Carroll Parish Hospital District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
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- b. Report whether finance charges and/or late fees were assessed on the selected statements.
16. 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:
 - i. An original itemized receipt (i.e., identifies precisely what was purchased).
 - ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - iii. 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 District'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 District'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 asserted it had only one credit card and no bank debit cards, fuel cards, or P-cards (cards) used for expending funds for the year ended May 31, 2018. The above testing was done on that one credit card.

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

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Travel and Expense Reimbursement

Procedures

17. 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.
18. Obtain the District'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 [GSA] (www.gsa.gov) and report any amounts that exceed GSA rates.
19. 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 District 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:
 - i. 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.]
 - ii. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).
 - c. Compare the District'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

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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.

Findings

Management provided a listing of all employees that received travel reimbursements during the year ended May 31, 2018, and asserted the listing was complete.

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

Contracts

Procedures

20. 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.
21. 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:
 - i. If yes, obtain/compare supporting contract documentation to legal requirements and report whether the District complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
 - ii. If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

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- 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.
- 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).

Findings

Management provided a listing of all contracts in effect during the year ended May 31, 2018, and asserted the listing was complete.

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

Payroll and Personnel

Procedures

22. 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.
 - 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.
23. 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

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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 District maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
24. 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.
25. 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.

Findings

Management provided a list of all employees with their related salaries for the year ended May 31, 2018, and asserted the listing was complete.

For the February 5, 2018 pay period tested, 23 of the 25 leave requests were approved after leave was awarded to the employee. In two instances leave requests were not submitted for the leave awarded to the employee.

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

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Ethics (excluding nonprofits)

Procedures

26. 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 District maintained documentation to demonstrate that required ethics training was completed.
27. 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 District’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Findings

None of the five employees selected had completed the ethics training.

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

Debt Service (excluding nonprofits)

Procedures

28. If debt was issued during the fiscal period, obtain supporting documentation from the District, and report whether State Bond Commission approval was obtained.
29. If the District had outstanding debt during the fiscal period, obtain supporting documentation from the District and report whether the District made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. (a) If the District 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. (b) Also, report any millages that continue to be received for debt that has been paid off.

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Findings

The District issued no debt during the year and no outstanding debt service requirements; therefore, steps 28, 29 and 30 (a) are not applicable.

The District continued to collect millage during the year which total approximately \$440,000 for the year ended May 31, 2018.

Other

Procedures

31. Inquire of management whether the District had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the District reported the misappropriation to the legislative auditor and the district attorney of the parish in which the District is domiciled.
32. Observe and report whether the District 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.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Findings

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 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.