

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

Auditor's Reports and Financial Statements

May 31, 2013 and 2012



**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
May 31, 2013 and 2012**

Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Financial Statements	
Balance Sheets	10
Statements of Revenues, Expenses and Changes in Net Position.....	11
Statements of Cash Flows	12
Notes to Financial Statements.....	14
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29
Schedule of Findings and Responses	31
Summary Schedule of Prior Audit Findings	34

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 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, which comprise the balance sheets as of May 31, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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 East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital as of May 31, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 22, 2013

**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, 2013 and 2012**

Introduction

This management's discussion and analysis section of the annual financial report of East Carroll Parish Hospital Service District d/b/a East Carroll Parish Hospital (the Hospital) presents background information and our analysis of the Hospital's financial performance during the fiscal years that ended on May 31, 2013 and 2012. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The Hospital's total net position increased by \$667,156 from 2013 to 2012. This was mainly due to an increase in net patient service revenue, which was partially offset by an increase in operating expenses. The Hospital's total net position increased by \$734,039 from 2012 to 2011. This was mainly due to an electronic health records (EHR) incentive revenue of approximately \$1.1 million, which was partially offset by an increase in operating expenses.
- Cash and cash equivalents decreased by \$1,197,844 from 2013 to 2012, due to an increase in payments to suppliers and employees of \$732,000 and \$2,000,000 used to purchase certificates of deposit. These expenditures were offset by an increase in cash receipts from and on behalf of patients of \$243,000 and increase in the parish subsidy of \$94,000. Cash and cash equivalents increased by \$1,379,205 from 2012 to 2011, due primarily to EHR payments and increases in cash collections from and on behalf of patients.
- The assets of the Hospital exceeded liabilities by \$5,826,456 at the end of the 2013 fiscal year and by \$5,159,300 at the end of fiscal year 2012. Of this amount, \$4,227,829 and \$3,582,589 at May 31, 2013 and 2012, respectively, are unrestricted net position and may be used to meet ongoing obligations to the Hospital's employees, patients and creditors; \$17,992 and \$15,671 at May 31, 2013 and 2012, respectively, are restricted for the bond sinking payments; while \$1,580,635 and \$1,561,040 at May 31, 2013 and 2012, respectively, are invested in capital assets, net of related debt.

Overview of this Annual Financial Report

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

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

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Management's Discussion and Analysis
Years Ended May 31, 2013 and 2012**

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

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

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

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

Financial Analysis of the Hospital

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

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Management's Discussion and Analysis
Years Ended May 31, 2013 and 2012**

Balance Sheets

A summary of the Hospital's balance sheets at May 31, 2013, 2012 and 2011 is presented in the following table.

Table 1: Assets, Liabilities and Net Position

	2013	2012	2011	Variance 2013-2012	Variance 2012-2011
Assets					
Current assets	\$2,867,915	\$4,216,439	\$3,955,901	\$(1,348,524)	\$ 260,538
Capital assets, net	1,875,609	1,900,668	1,982,615	(25,059)	(81,947)
Board designated certificates of deposit	<u>2,658,762</u>	<u>653,823</u>	<u>248,764</u>	<u>2,004,939</u>	<u>405,059</u>
Total assets	<u>\$7,402,286</u>	<u>\$6,770,930</u>	<u>\$6,187,280</u>	<u>\$ 631,356</u>	<u>\$ 583,650</u>
Liabilities					
Current liabilities	\$1,327,999	\$1,316,656	\$1,422,392	\$ 11,343	\$ (105,736)
Long-term debt	<u>247,831</u>	<u>294,974</u>	<u>339,627</u>	<u>(47,143)</u>	<u>(44,653)</u>
Total liabilities	<u>1,575,830</u>	<u>1,611,630</u>	<u>1,762,019</u>	<u>(35,800)</u>	<u>(150,389)</u>
Net Position					
Net investment in capital assets	1,580,635	1,561,040	1,266,462	19,595	294,578
Restricted - expendable for debt service	17,992	15,671	13,356	2,321	2,315
Unrestricted	<u>4,227,829</u>	<u>3,582,589</u>	<u>3,145,443</u>	<u>645,240</u>	<u>437,146</u>
Total net position	<u>5,826,456</u>	<u>5,159,300</u>	<u>4,425,261</u>	<u>667,156</u>	<u>734,039</u>
Total liabilities and net position	<u>\$7,402,286</u>	<u>\$6,770,930</u>	<u>\$6,187,280</u>	<u>\$ 631,356</u>	<u>\$ 583,650</u>

2013 Highlights

- Current assets decreased in 2013, due to a reduction in the estimated amounts due from third-party payers. Such decrease mainly relates to a decrease in amounts receivable related to EHR incentive revenue and the Louisiana Upper Payment Limit (UPL) Program.
- Gross capital assets increased \$268,166 before disposals during 2013, while depreciation expense of \$292,449 decreased net capital assets. The increase in gross capital assets relates to the

**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, 2013 and 2012**

purchase of equipment as part of a change to an EHR system and the purchase of a new ambulance.

- Current liabilities increased slightly in 2013, primarily due to increases in wage accruals and accruals for professional services.

2012 Highlights

- Current assets increased in 2012, due primarily to collections on patient accounts receivable and EHR incentive revenue.
- Gross capital assets increased \$210,315 before disposals during 2012, while depreciation expense of \$255,692 decreased net capital assets. The increase in gross capital assets related to the purchase of equipment as part of a change to an EHR system.
- Current liabilities decreased in 2012, primarily due to the payoff of long-term debt used to finance the purchase of the EHR system, which was partially offset by increases in accounts payable and increases in accrued expenses related to Recovery Audit Contractor (RAC) reserve for Medicare claims audits.

**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, 2013 and 2012**

Summary of Revenues, Expenses and Changes in Net Position

The following table presents a summary of the Hospital's revenues, expenses and changes in net position for each of the fiscal years ended May 31, 2013, 2012 and 2011.

Table 2: Operating Results and Changes in Net Position

	2013	2012	2011	Variance 2013-2012	Variance 2012-2011
Operating Revenues					
Net patient service revenue	\$ 9,661,480	\$ 8,558,465	\$ 8,172,695	\$ 1,103,015	\$ 385,770
Other operating revenues	380,410	1,245,978	1,297,030	(865,568)	(51,052)
Total operating revenues	<u>10,041,890</u>	<u>9,804,443</u>	<u>9,469,725</u>	<u>237,447</u>	<u>334,718</u>
Operating Expenses					
Salaries, wages and employee benefits	5,836,777	5,457,077	5,341,867	379,700	115,210
Supplies and other	3,758,314	3,731,758	3,637,871	26,556	93,887
Depreciation	292,449	255,692	299,446	36,757	(43,754)
(Gain) loss on disposal of assets	776	(14,628)	6,784	15,404	(21,412)
Total operating expenses	<u>9,888,316</u>	<u>9,429,899</u>	<u>9,285,968</u>	<u>458,417</u>	<u>143,931</u>
Operating Income	<u>153,574</u>	<u>374,544</u>	<u>183,757</u>	<u>(220,970)</u>	<u>190,787</u>
Total Nonoperating Revenues	<u>513,582</u>	<u>359,495</u>	<u>349,850</u>	<u>154,087</u>	<u>9,645</u>
Increase in Net Position	<u>\$ 667,156</u>	<u>\$ 734,039</u>	<u>\$ 533,607</u>	<u>\$ (66,883)</u>	<u>\$ 200,432</u>

Operating Revenues

During fiscal years 2013 and 2012, the Hospital derived 72% and 87%, respectively, of its total operating revenues from net patient service revenue. Such revenues include revenues from the Medicare and Medicaid programs, patients or their third-party carriers who pay for care in the Hospital's facilities.

Approximately 69% of the Hospital's gross patient service revenue was rendered under contracts with Medicare and Medicaid for 2013, compared to approximately 67% for 2012.

**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, 2013 and 2012**

Operating and Financial Performance

2013 Highlights

- During 2013, the Hospital had patient days and admissions of 2,429 and 833, respectively. This was a decrease of 78 patient days, or 3.1% from 2012 levels. Admissions decreased in 2013 by 9, or 1.1%.
- Net patient service revenue increased 12.9% from 2013 to 2012. The increase in net patient service revenue is primarily due to a price increase implemented by the Hospital in July 2012, which included significant increases in room rates and other procedures, which resulted in an increase in gross patient service revenue of \$2.2 million. This was offset by a \$775,000 increase in contractual adjustments from third-party payers and a \$998,000 increase in the provision for bad debts.
- Other operating revenues decreased approximately \$866,000, primarily due to fluctuations in the amounts received from third-party payers and EHR incentive revenue.
- Operating expenses were up 4.9% from 2013 to 2012. This was due to an increase in salaries and wages of 6.3% and increases in employee benefits of 10.8%. Further, depreciation increased by 14.4%, due to the depreciation of new capital assets mainly related to the EHR conversion.

2012 Highlights

- During 2012, the Hospital had patient days and admissions of 2,507 and 842, respectively. This was a decrease of 18 patient days, or 0.7% from 2011 levels. Admissions decreased in 2012 by 158, or 15.8%.
- Net patient service revenue increased 4.7% from 2012 to 2011. The increase in net patient service revenue was primarily due to an overall decrease in the provision for uncollectible accounts of approximately \$907,000 in 2012, which reduced net patient service revenue.
- Other operating revenues decreased approximately \$51,000, primarily due to fluctuations in the amounts received from third-party payers and EHR incentive revenue.
- Operating expenses were up 1.5% from 2012 to 2011. This was due to an increase in salaries and wages of 4.2% and increases in supplies of 2.6%, mainly due to the implementation of the new EHR technology. This was offset by an overall decrease in employee benefit-related expenses and a decrease in depreciation of 14.6%, mainly due to the increasing age of capital assets.

**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, 2013 and 2012**

Economic Factors and Next Year's Budget

While the annual budget of the Hospital is not presented within these financial statements, the Hospital's Board and management considered many factors when setting the fiscal year 2014 budget. While the financial outlook for the Hospital is improving, of primary importance in setting the 2014 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, as well as the continuation at the current level of Disproportionate Share and UPL Programs
- RAC audits
- Increased number of uninsured and working poor
- Ongoing competition for services
- Workforce shortages, primarily in nursing and other clinically skilled positions and related employee costs
- Continued compliance with meaningful use of EHR equipment
- Sequestration

Contacting the Hospital Financial Manager

This annual financial report is designed to provide our citizens, patients and creditors with a general overview of the Hospital's finances. If you have any questions about this report or need additional financial information, please contact Ladonna Englerth, 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, 2013 and 2012**

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 549,576	\$ 1,749,741
Restricted cash and cash equivalents	17,992	15,671
Patient accounts receivable, net of allowance for uncollectible accounts of \$4,835,000 and \$3,157,000 in 2013 and 2012, respectively	1,479,864	1,145,559
Estimated amounts due from third-party payers	523,273	1,058,961
Supplies	147,993	124,495
Prepaid expenses	149,217	122,012
Total current assets	2,867,915	4,216,439
Capital Assets, Net	1,875,609	1,900,668
Board Designated Certificates of Deposit	2,658,762	653,823
Total assets	\$ 7,402,286	\$ 6,770,930

	2013	2012
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 47,143	\$ 44,654
Accounts payable	646,216	518,871
Accrued expenses	<u>634,640</u>	<u>753,131</u>
Total current liabilities	1,327,999	1,316,656
Long-term Debt	<u>247,831</u>	<u>294,974</u>
Total liabilities	<u>1,575,830</u>	<u>1,611,630</u>
Net Position		
Net investment in capital assets	1,580,635	1,561,040
Restricted - expendable for debt service	17,992	15,671
Unrestricted	<u>4,227,829</u>	<u>3,582,589</u>
Total net position	<u>5,826,456</u>	<u>5,159,300</u>
Total liabilities and net position	<u><u>\$ 7,402,286</u></u>	<u><u>\$ 6,770,930</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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2013 - \$2,353,000 2012 - \$1,653,000	\$ 9,661,480	\$ 8,558,465
Electronic health records incentive	127,500	1,120,554
Other	<u>252,910</u>	<u>125,424</u>
Total operating revenues	<u>10,041,890</u>	<u>9,804,443</u>
Operating Expenses		
Salaries and wages	4,999,420	4,701,170
Supplies and other	3,758,314	3,731,758
Employee benefits	837,357	755,907
Depreciation	292,449	255,692
(Gain) loss on disposal of assets	<u>776</u>	<u>(14,628)</u>
Total operating expenses	<u>9,888,316</u>	<u>9,429,899</u>
Operating Income	<u>153,574</u>	<u>374,544</u>
Nonoperating Revenues (Expenses)		
Parish subsidy	465,047	370,545
Interest income	6,209	6,162
Interest expense	(14,807)	(26,057)
Noncapital grants	<u>57,133</u>	<u>8,845</u>
Total nonoperating revenues	<u>513,582</u>	<u>359,495</u>
Increase in Net Position	667,156	734,039
Net Position, Beginning of Year	<u>5,159,300</u>	<u>4,425,261</u>
Net Position, End of Year	<u><u>\$ 5,826,456</u></u>	<u><u>\$ 5,159,300</u></u>

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

**Statements of Cash Flows
Years Ended May 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 9,862,863	\$ 9,619,628
Payments to suppliers	(3,779,669)	(3,403,093)
Payments to employees	(5,857,271)	(5,502,102)
Other receipts	380,410	1,245,978
	<hr/>	<hr/>
Net cash provided by operating activities	606,333	1,960,411
	<hr/>	<hr/>
Capital and Related Financing Activities		
Purchases of capital assets	(268,166)	(210,315)
Interest payments on long-term debt	(14,807)	(26,057)
Principal payments on long-term debt	(44,654)	(325,327)
	<hr/>	<hr/>
Net cash used in capital and related financing activities	(327,627)	(561,699)
	<hr/>	<hr/>
Noncapital Financing Activities		
Noncapital grants	57,133	8,845
Parish subsidy	465,047	370,545
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	522,180	379,390
	<hr/>	<hr/>
Investing Activities		
Increase in board designated certificates of deposit	(2,004,939)	(405,059)
Interest on investments	6,209	6,162
	<hr/>	<hr/>
Net cash used in investing activities	(1,998,730)	(398,897)
	<hr/>	<hr/>
Increase (Decrease) in Cash and Cash Equivalents	(1,197,844)	1,379,205
Cash and Cash Equivalents, Beginning of Year	1,765,412	386,207
	<hr/>	<hr/>
Cash and Cash Equivalents, End of Year	<u>\$ 567,568</u>	<u>\$ 1,765,412</u>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Statements of Cash Flows (Continued)
Years Ended May 31, 2013 and 2012**

	2013	2012
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities		
Operating income	\$ 153,574	\$ 374,544
Depreciation	292,449	255,692
Provision for uncollectible accounts	2,651,841	1,653,335
(Gain) loss on disposal of assets	776	(14,628)
Changes in operating assets and liabilities		
Patient accounts receivable	(2,986,146)	(901,617)
Estimated amounts due from third-party payers	535,688	309,445
Supplies	(23,498)	43,195
Prepaid expenses	(27,205)	(584)
Accounts payable and accrued expenses	8,854	241,029
	\$ 606,333	\$ 1,960,411
 Supplemental Cash Flows Information		
Noncash retirement of note payable and related capital asset	\$ -	\$ 51,198
 Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	\$ 549,576	\$ 1,749,741
Restricted cash and cash equivalents	17,992	15,671
	\$ 567,568	\$ 1,765,412

**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, 2013 and 2012

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

Nature of Operations and Reporting Entity

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

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash and Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At May 31, 2013 and 2012, cash equivalents consisted primarily of certificates of deposit.

**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, 2013 and 2012

Risk Management

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

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

Deposits and Investments

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

Patient Accounts Receivable

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

Supplies

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

Capital Assets

Property, buildings and equipment are stated at cost. Donated property, buildings and equipment are recorded at fair value at the date of donation, which then is treated as cost. The cost of

**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, 2013 and 2012**

additions and improvements, which substantially extend the useful life of a particular asset, is capitalized. Expenditures for maintenance and repairs are charged to expenses.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method.

The following estimated useful lives are used in computing depreciation.

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 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. Compensated absence liabilities are computed using the regular 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. Compensated absences are expected to be paid during the next year.

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.

Net Patient Service Revenue

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

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital**

A Component Unit of East Carroll Parish

Notes to Financial Statements

May 31, 2013 and 2012

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

Charity Care

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

Income Taxes

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

Electronic Health Records Incentive Program

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

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

In 2013, the Hospital has recorded revenue of \$127,500 related to EHR payments for their clinics which is included within operating revenues in the statement of revenues, expenses and changes in net position.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital**

A Component Unit of East Carroll Parish

Notes to Financial Statements

May 31, 2013 and 2012

In 2012, the Hospital completed the first year requirements under the Medicare program and the second year requirements under the Medicaid program and has recorded revenue of approximately \$1,121,000, which is included within operating revenues in the statement of revenues, expenses and changes in net position.

Change in Accounting Principles

Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, (GASB 63) is effective for periods beginning after December 15, 2011. It provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. GASB 63 also amends certain provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and related pronouncements to reflect the residual measure in the balance sheet as net position, rather than net assets. Implementation of GASB 63 did not affect the net position of the Hospital.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on increase in net position.

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital**

A Component Unit of East Carroll Parish

Notes to Financial Statements

May 31, 2013 and 2012

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, 2013 and 2012, the Hospital's bank balances were exposed to custodial credit risk as follows:

	2013	2012
Insured by Federal Deposit Insurance Corporation (FDIC)	\$ 375,209	\$ 374,774
Collateralized by securities held by the pledging financial institution's Trust Department in the Hospital's name	2,965,512	1,627,730
Uninsured and uncollateralized	-	687,821 *
Total depository balance	\$ 3,340,721	\$ 2,690,325
Carrying value	\$ 3,226,330	\$ 2,419,235

*Additional collateral of pledged securities was obtained June 1, 2012 to cover uncollateralized amount

Included in the balance sheet captions		
Cash and cash equivalents	\$ 549,576	\$ 1,749,741
Restricted cash and cash equivalents	17,992	15,671
Board designated certificates of deposit	2,658,762	653,823
	\$ 3,226,330	\$ 2,419,235

**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, 2013 and 2012

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 69% and 67% of gross patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended May 31, 2013 and 2012, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. The provision for estimated future retroactive adjustments is based on management's estimates. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital receives a disproportionate share payment for uncompensated care. This payment is based on estimated uncompensated care cost and is subject to audit by the Louisiana Department of Health and Hospitals. The Hospital received approximately \$0 and \$239,000 in disproportionate share payments for the years ended May 31, 2013 and 2012, respectively.

In addition the Hospital participates in the UPL Program in the State of Louisiana designed to provide financial assistance to Louisiana's rural hospitals. The benefit to the Hospital for participating in this program for the years ended May 31, 2013 and 2012 totaled approximately \$2,043,000 and \$1,210,000, respectively, of additional reimbursement that was used to provide services to Medicaid and indigent patients.

Both disproportionate share and UPL payments are recognized as reductions in related contractual adjustments in the accompanying statements of revenues, expenses and changes in net position. There can be no assurances that the UPL 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.

**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, 2013 and 2012**

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.

The 2013 net patient service revenue increased approximately \$12,900 due to retroactive adjustments by Medicare and Medicaid in excess of amounts previously estimated and decreased by \$45,000 due to the decrease of the provision for estimated future third-party retroactive adjustments for the open cost report years 2008 through 2013.

The 2012 net patient service revenue decreased approximately \$8,700 due to retroactive adjustments by Medicare and Medicaid in excess of amounts previously estimated and increased by \$50,000 due to the decrease of the provision for estimated future third-party retroactive adjustments for the open cost report years 2008 through 2012.

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, 2013 and 2012 consisted of:

	2013	2012
Medicare	\$ 2,554,761	\$ 1,429,426
Medicaid	1,219,775	853,702
Other third-party payers	270,248	151,354
Patients	2,270,131	1,867,790
	6,314,915	4,302,272
Less allowance for uncollectible accounts	(4,835,051)	(3,156,713)
	\$ 1,479,864	\$ 1,145,559

**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, 2013 and 2012**

Note 5: Estimated Amount Due from Third-party Payers

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

	<u>2013</u>	<u>2012</u>
Due from Medicare Program, net	\$ 180,263	\$ 479,148
Due from Louisiana Medicaid Program, net	<u>343,010</u>	<u>579,813</u>
	<u><u>\$ 523,273</u></u>	<u><u>\$ 1,058,961</u></u>
Provision for estimated future third-party retroactive adjustments, included in accrued expenses	<u><u>\$ (80,000)</u></u>	<u><u>\$ (125,000)</u></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, 2013 and 2012

Note 6: Capital Assets

Capital assets activity for the years ended May 31, 2013 and 2012 was:

	2013			Ending Balance
	Beginning Balance	Additions	Disposals	
Capital assets not being depreciated				
Land	\$ 22,000	\$ -	\$ -	\$ 22,000
Construction in progress	31,839	-	-	31,839
	<u>53,839</u>	<u>-</u>	<u>-</u>	<u>53,839</u>
Capital assets being depreciated				
Hospital buildings and improvements	1,677,138	-	(1,995)	1,675,143
Equipment	2,247,917	95,047	(149,633)	2,193,331
Transportation equipment	394,307	90,500	(107,464)	377,343
Clinic building and equipment	502,698	82,619	(3,556)	581,761
	<u>4,822,060</u>	<u>268,166</u>	<u>(262,648)</u>	<u>4,827,578</u>
Less accumulated depreciation				
Buildings and improvements	1,010,273	51,327	(1,995)	1,059,605
Equipment	1,309,337	185,154	(148,857)	1,345,634
Transportation equipment	379,278	25,771	(107,464)	297,585
Clinic building and equipment	276,343	30,197	(3,556)	302,984
	<u>2,975,231</u>	<u>292,449</u>	<u>(261,872)</u>	<u>3,005,808</u>
Capital assets, net	<u>\$ 1,900,668</u>	<u>\$ (24,283)</u>	<u>\$ (776)</u>	<u>\$ 1,875,609</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, 2013 and 2012

	2012			Ending Balance
	Beginning Balance	Additions	Disposals	
Capital assets not being depreciated				
Land	\$ 22,000	\$ -	\$ -	\$ 22,000
Construction in progress	31,839	-	-	31,839
	<u>53,839</u>	<u>-</u>	<u>-</u>	<u>53,839</u>
Capital assets being depreciated				
Hospital buildings and improvements	1,677,138	-	-	1,677,138
Equipment	2,090,211	210,315	(52,609)	2,247,917
Transportation equipment	394,307	-	-	394,307
Clinic building and equipment	502,698	-	-	502,698
	<u>4,664,354</u>	<u>210,315</u>	<u>(52,609)</u>	<u>4,822,060</u>
Less accumulated depreciation				
Buildings and improvements	958,146	52,127	-	1,010,273
Equipment	1,149,879	175,497	(16,039)	1,309,337
Transportation equipment	374,587	4,691	-	379,278
Clinic building and equipment	252,966	23,377	-	276,343
	<u>2,735,578</u>	<u>255,692</u>	<u>(16,039)</u>	<u>2,975,231</u>
Capital assets, net	<u>\$ 1,982,615</u>	<u>\$ (45,377)</u>	<u>\$ (36,570)</u>	<u>\$ 1,900,668</u>

Note 7: Board Designated Net Position

Board designated net position includes certificates of deposit which are held by the Hospital or its agent in the Hospital's name. The use of these funds is internally restricted by the Board. The Board has passed a resolution to reserve up to \$1.8 million for replacement of fixed assets. As of May 31, 2013, the Hospital had designated net position totaling \$2,658,762.

**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, 2013 and 2012**

Note 8: Accounts Payable and Accrued Expenses

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

	2013	2012
Payable to suppliers and contractors	\$ 696,164	\$ 556,498
Payable to employees (including payroll tax benefits)	344,534	342,404
Other	240,158	373,100
	\$ 1,280,856	\$ 1,272,002

Note 9: Long-term Debt

Long-term debt consists of the following:

	2013	2012
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.	\$ 218,800	\$ 232,295
Note payable to individual, at 6%, payable in monthly installments of \$3,053, including principal and interest, final payment due July 2015, collateralized by real estate.	76,174	107,333
	294,974	339,628
Less current portion	(47,143)	(44,654)
	\$ 247,831	\$ 294,974

**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, 2013 and 2012**

Debt service requirements as of May 31, 2013, are as follows:

Year Ending May 31	Principal	Interest	Total
2014	\$ 47,143	\$ 12,318	\$ 59,461
2015	49,775	9,686	59,461
2016	23,242	7,599	30,841
2017	15,912	6,912	22,824
2018-2022	90,171	23,949	114,120
2023-2026	68,731	4,782	73,513
	<u>\$ 294,974</u>	<u>\$ 65,246</u>	<u>\$ 360,220</u>

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

	2013	2012
Balance at beginning of year	\$ 339,628	\$ 716,153
Deductions	<u>(44,654)</u>	<u>(376,525)</u>
Balance at end of year	<u>\$ 294,974</u>	<u>\$ 339,628</u>

Note 10: Charity Care

Charges excluded from revenue under the Hospital's charity care policy were \$610,913 and \$612,708 for 2013 and 2012, respectively.

Note 11: Retirement Plan

The Hospital contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by an unrelated third party. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the Plan Document and were established and can be amended by action of the Hospital's governing body. Currently, the Hospital matches the

**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, 2013 and 2012**

employee's contributions up to 2% of the employee's eligible compensation. Contributions made by plan members and the Hospital aggregated \$107,694 and \$32,947 during 2013 and \$98,513 and \$32,238 during 2012, respectively.

Note 12: Parish Subsidy and Reauthorization

The Hospital received a subsidy from the Parish totaling \$465,047 and \$370,545 for 2013 and 2012, respectively. The parish subsidy represents property taxes collected for the benefit of the Hospital. Use of the subsidy is unrestricted.

Note 13: Risks and Uncertainties

Current Economic Conditions

The current economic environment continues to present hospitals with difficult circumstances and challenges, which, in some cases, have resulted in constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of our patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the nation and the state may have an adverse effect on cash flows related to the Medicare and Medicaid programs.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in allowances for uncollectible accounts and amounts due from third-party payers that could negatively impact the Hospital.

Admitting Physicians

The Hospital is served by two physicians whose patients comprised a majority of the Hospital's admissions for the years ended May 31, 2013 and 2012.

**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, 2013 and 2012**

Note 14: Contingencies

Investigation

In August 2009, the Recovery Audit Contractor (RAC) Program began for hospitals located in Louisiana. The RAC program is designed to identify improper Medicare payments on claims subsequent to October 1, 2007. As of May 31, 2013, the Hospital has accrued an amount for potential repayment under the RAC program for known take backs after year-end until August 5, 2013, and estimated take backs for patients' files requested by the RAC auditors as of August 5, 2013.

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, 2013 or 2012. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**Independent Auditor's 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***

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, 2013 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 22, 2013.

Internal Control Over Financial Reporting

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

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

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 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. 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.

We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-01, 2013-02 and 2013-03 to be material weaknesses.

Compliance

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

Management's Responses to Findings

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

Other Matters

We also noted certain additional matters that we reported to the Hospital's management in a separate letter dated November 22, 2013.

The purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or compliance. This communication 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 22, 2013

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Schedule of Findings and Responses
Year Ended May 31, 2013**

Reference Number	Finding
2013-01	<p><i>Criteria or Specific Requirement</i> - Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p><i>Condition</i> - The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related notes to the financial statements.</p> <p><i>Context</i> - Under auditing standards generally accepted in the United States of America, 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.</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.</p> <p><i>Recommendation</i> - Management should 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>
2013-02	<p><i>Criteria or Specific Requirement</i> - Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><i>Condition</i> - Limited separation of functions exists within the accounting and billing system, creating multiple conflicting duties. The administrator and accountant have conflicting duties within the cash disbursements and payroll cycles.</p>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Schedule of Findings and Responses (Continued)
Year Ended May 31, 2013**

Reference Number	Finding
	<p><i>Context</i> - The design of the Hospital's internal controls does not allow for adequate segregation of duties in financial reporting.</p> <p><i>Effect</i> - Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p><i>Cause</i> - Due to limitations of the Hospital's small accounting staff, duties in the cash disbursements, payroll and revenue cycles are not adequately segregated, and monitoring or other compensating controls are insufficient.</p> <p><i>Recommendation</i> - Management should periodically evaluate the cost versus the benefits of developing internal control procedures or other compensating controls over the functional accounting areas and implement those changes it deems appropriate for which benefits are determined to exceed costs.</p> <p><i>View of Responsible Officials and Planned Corrective Actions</i> - The Hospital is limited in accounting staff. The Hospital will be willing to discuss any segregation of duties/internal control procedures that pose an immediate need and correct as soon as possible.</p>
2013-03	<p><i>Criteria or Specific Requirement</i> - Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p><i>Condition</i> - Due to the departure of the Hospital's staff accountant in April 2013, the Administrator prepared and posted all journal entries in April and May 2013 that were not reviewed by another individual. Previous to the staff accountant leaving, the staff accountant prepared all journal entries, and the Administrator reviewed the entries before posting.</p> <p><i>Context</i> - The design of the Hospital's internal controls does not allow for adequate segregation of duties in the area of journal entries.</p> <p><i>Effect</i> - Potentially material misstatements in the financial statements or material misappropriations of assets due to error or fraud could occur and not be prevented or detected in a timely manner.</p>

**East Carroll Parish Hospital Service District d/b/a
East Carroll Parish Hospital
A Component Unit of East Carroll Parish
Schedule of Findings and Responses (Continued)
Year Ended May 31, 2013**

Reference Number	Finding
	<p><i>Cause</i> - The Hospital has not designed internal control procedures for preparation and posting of journal entries in the absence of a staff accountant.</p> <p><i>Recommendation</i> - We recommend management separate the preparation and posting of journal entries from the review and approval of journal entries.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> - We concur and anticipate filling the open position in the accounting department which will allow for segregation of these duties.</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, 2013**

Reference Number	Summary of Findings	Status
2012-01	The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related footnote disclosures. (2007)	Not corrected. Management continues to assess the cost versus the benefit of improving internal controls over financial statement preparation. (See 2013-01)
2012-02	Limited separation of functions exists within the accounting system, creating multiple conflicting duties. The administrator and accountant have conflicting duties within the cash disbursement cycle. (2009)	Not corrected. The Hospital is limited in accounting staff. The Hospital is willing to address any segregation of duties/internal control procedures that pose an immediate need and correct as soon as possible. (See 2013-02)

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), a component unit of East Carroll Parish, as of and for the year ended May 31, 2013, 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:

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

Financial Statement Disclosures

No matters are reportable.

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
- Accrued payroll and vacation expenses
- Current portion of long-term debt
- Allowance for uncollectible accounts
- Estimated amounts due from third-party payers
- Prepaid expenses
- Fixed assets and depreciation expense
- Interest expense
- Accounts payable
- Reserve for recovery audit take backs
- EHR incentive payments
- Upper Payment Limit (UPL) and other grants

Proposed Audit Adjustments Not Recorded

No matters are reportable.

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

No matters are reportable.

Other Material Written Communications

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

- Management representation letter (attached)

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Hospital as of and for the year ended May 31, 2013, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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 deficiencies or material weaknesses.

Material Weaknesses

Refer to the Independent Auditor's 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*.

Deficiencies

Segregation of Duties

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

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

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.

Segregation of Duties at Clinics

We noted the Clinic Manager has the ability to post charges to patient accounts and has the responsibility to review charges coded by medical records. We recommend removing the ability to post charges to patient accounts from the Clinic Manager to prevent any unauthorized changes to patient charges.

Management's Response and Corrective Action Plan

We agree with the recommendation and will evaluate the feasibility of removing the Clinic Manager's ability to post charges to patient accounts.

Review of Cash Reconciliations at Clinics

During our review of the clinic's cash reconciliations, we noted the Medical Records Clerk prepares the cash reconciliations and the Clinic Manager reviews the reconciliations. However, we noted this review is not formally documented. We recommend implementing a process where the Clinic Manager formally signs off on the cash reconciliations to improve documentation of review procedures in place.

Management's Response and Corrective Action Plan

We agree and will consider implementing this recommendation.

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

Other Matters (OM)

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements if you require.

Prior Year's Other Matters

OM 2012-01 Evidence of Review of Reconciliations and Nonstandard Journal Entries

The Hospital has review processes in place for bank reconciliations, accounts payable reconciliations, accounts receivable reconciliations and journal entries. However, there is no formal evidence of review of these reconciliations or journal entries, nor is supporting documentation retained after the journal entries are made. We recommend, at least monthly, that

these reconciliations and journal entries have formal review and approval by the Hospital's Administrator.

Management's Response and Corrective Action Plan

Resolved.

Management's written response to the deficiencies and material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

BKD, LLP

November 22, 2013

East Carroll Parish Hospital

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

November 22, 2013

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 Hospital, (the Hospital) as of and for the years ended May 31, 2013 and 2012. 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 May 23, 2013, 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

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 company procedures with respect to:
 - (a) Misappropriation of assets.
 - (b) Misrepresented or misstated assets or liabilities.
8. 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.

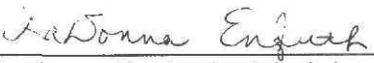
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Hospital received in communications from employees, customers, regulators, suppliers or others.
 10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; principal owners, management, and members of their immediate families, subsidiaries accounted for by the equity method; and any other party with which the organization may deal if the organization can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the organization.
 11. 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.
 12. 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.
 13. 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.
-

14. 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.
15. 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.
16. 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.
17. 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.

18. 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*.
 19. With respect to any nonattest services you have provided us during the year, including preparation of depreciation schedules and year-end financial statements:
 - (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
 - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
 20. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.
 21. 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.
 22. 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.
 23. 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.
-

24. We have a process to track the status of audit findings and recommendations.
25. 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.
26. 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*.
27. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, (modified approach to infrastructure and pension information), 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.
28. 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.
29. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
30. 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.

31. 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.
32. 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.
33. We acknowledge the current protracted economic decline continues to present difficult circumstances and challenges for the health care industry. Hospitals are facing declines in the fair values of assets, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts and contributions receivable, etc. that could negatively impact the Hospital's ability to or maintain sufficient liquidity. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the Hospital's financial statements. Further, management and the Board are solely responsible for all aspects of managing the Hospital, including reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.



Ladonna Englerth, Administrator



Lisa Bradford, Business Office Assistant