

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

**HOMER, LOUISIANA**

**JUNE 30, 2016, 2015, AND 2014**

**CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER  
AND AFFILIATE  
TOWN OF HOMER, STATE OF LOUISIANA  
YEARS ENDED JUNE 30, 2016, 2015 AND 2014**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

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

Management's Discussion and Analysis

This section of Claiborne Parish Hospital Service District #3 d/b/a/ Claiborne Memorial Medical Center and Affiliate's (Hospital's) annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal years that ended on June 30, 2016, 2015, and 2014. Please read it in conjunction with the financial statements in this report.

**Financial Highlights**

- The Hospital's total assets decreased by \$2,194,000 or approximately 14% during fiscal year 2016. This decrease is primarily from a decrease of \$2,072,000 in receivables from acting as grantor of UPL payments for eight hospitals. There is also a decrease in the liability for payment to the other hospitals of \$1,908,000 included in accounts payable at year-end. These funds are received to provide adequate and essential medically necessary healthcare services to low income or indigent patients. The Hospital's net receivable from these payments at June 30, 2016 was \$79,000 as compared to \$244,000 at June 30, 2015. The Hospital's total assets increased by \$3,623,000 or approximately 30% during fiscal year 2015. This increase is primarily from an increased cash position due to an \$818,000 operating income and a \$3,042,000 receivable from acting as grantor of the UPL payments discussed above.
- Net patient revenues (exclusive of \$17,242,000 total UPL payments received as discussed above) decreased by \$393,000 or approximately 3% compared to an increase of \$525,000 or 3% in fiscal year 2015. This is primarily due to increased bad debt writeoffs in fiscal year 2016.
- Total operating expenses (exclusive of UPL grant payments made) decreased \$128,000 or 1%, compared to a 4% decrease in net patient revenues of 585,000. Total operating expenses decreased \$1,402,000 (8%) in fiscal year 2015.

**Required Financial Statements**

The Financial Statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Balance Sheets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures results in the Hospital's operations during the years provided and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

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

Management's Discussion and Analysis (Continued)

**Financial Analysis of the Hospital**

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

Governance of the hospital has been transferred to Claiborne Parish Hospital Service District Number 3 based on a resolution which requires the parish to seek local tax support for the hospital. The hospital is now operating as Claiborne Memorial Medical Center. The vote on the ½ cent sales tax took place in March, 2015, and passed with a 93% approval. The hospital received approximately \$619,000 in sales tax collection for FY 2016 which are included in other operating revenue. In addition the hospital received a \$500,000 revenue bond to fund the relocation of the senior care unit during the year ended June 30, 2015. The senior care unit was relocated to the hospital and IOP services were added during FY 2016.

**TABLE 1**  
**Condensed Balance Sheets (In thousands)**

	June 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total current assets	\$ 5,921	\$ 7,757	\$ 3,799	\$ 5,348
Limited use assets (non current)	1,043	1,222	1,487	1,987
Property, plant and equipment	6,345	6,512	6,568	6,716
Unamortized bond issue cost	-	12	26	36
Total assets	<u>\$ 13,309</u>	<u>\$ 15,503</u>	<u>\$ 11,880</u>	<u>\$ 14,087</u>
Total current liabilities	\$ 3,245	\$ 5,873	\$ 3,286	\$ 3,185
Long-term debt, net of current	490	659	664	1,181
Total liabilities	<u>3,735</u>	<u>6,532</u>	<u>3,950</u>	<u>4,366</u>
Net position:				
Invested in capital assets, net of related debt	5,688	5,355	5,400	4,956
Temporarily restricted	275	373	540	600
Unrestricted	3,611	3,243	1,990	4,165
Total liabilities and net position	<u>\$ 13,309</u>	<u>\$ 15,503</u>	<u>\$ 11,880</u>	<u>\$ 14,087</u>

As can be seen in Table 1, total assets decreased by \$2,385,000 to \$13,118,000 in fiscal year 2016 compared to total assets of \$15,503,000 in fiscal year 2015. Bonds were issued in the amount of \$500,000 in fiscal year 2015 for improvements related to the senior care center relocation which was completed in fiscal year 2016.

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

Management's Discussion and Analysis (Continued)

**Financial Analysis of the Hospital (Continued)**

**TABLE 2**  
**Capital Investments**

	<u>2016</u> <u>Cost</u>
<b><u>Buildings</u></b>	
Senior Care renovation costs transferred from CIP	\$ 625,630
IOP renovation costs transferred from CIP	22,311
	647,941
 <b><u>Equipment</u></b>	
Lab equipment costs transferred from CIP	43,675
Vehicle purchased for IPO services	57,769
Other equipment	44,984
Total equipment	146,428
 <b><u>Construction in Progress</u></b>	
Nurses station renovation costs	241,792
Parking lot renovation costs	23,174
IT infrastructure project costs	44,703
Other renovation project costs	72,593
Total construction in progress	382,262
 Total major acquisitions	 \$ 1,176,631

**Sources of Revenue**

**Operating Revenue**

During fiscal years 2016, 2015, and 2014, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and other third party payors and patients who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and other third party payors is based upon established contracts, and the difference between the full charge and payment is recognized as a contractual adjustment. During fiscal years 2016, 2015 and 2014, the Hospital was audited by the Medicare Recovery Audit Contractor (RAC). The recoupment in FY 2016 of prior and current year reimbursement amounts was \$128,000. Medicare and Medicaid RAC audits will continue to impact future reimbursement.

In FY, 2016, Medicare paid the Hospital a total of \$338,000 as an incentive for implementing electronic health records. In FY 2015, Medicare and Medicaid paid the Hospital a total of \$631,000 as an incentive for implementing electronic health records. In FY 2014, Medicare paid the Hospital \$1,379,000 as an incentive for implementing electronic health records.

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

Management’s Discussion and Analysis (Continued)

**Sources of Revenue (Continued)**

Operating Revenue (Continued)

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

Table 3 represents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30, 2016, 2015, and 2014. Payor mix percentages are computed based on gross charges by payor compared to total gross patient charges, excluding the UPL grant funds discussed in the preceding paragraph.

**TABLE 3  
Payor Mix by Percentage of Gross Charges**

	<b>Year ended June 30</b>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Medicare	57.2%	58.7%	58.2%
Medicaid	17.8%	16.8%	17.3%
Commercial	16.1%	15.2%	13.8%
Self-pay and other	8.9%	9.3%	10.8%
Total patient revenue	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Non-Operating Income

The Hospital holds designated and restricted funds in its Balance Sheet that are invested primarily in money market funds held at First Guaranty Bank in Public Fund Service Accounts (PFSA). Total investment income earned was \$8,500, \$8,900, \$13,000, and \$38,000 in 2016, 2015, 2014, and 2013, respectively. In January 2009 all investment accounts were switched to a Money Market account with a guaranteed rate of at least 1.00%. Alternatives were reviewed in order to obtain a better rate but accounts with higher interest rates require that the funds be restricted and were not accessible without penalties.

Capital Grants and Contributions

Various small grants were received to purchase equipment. The Claiborne Healthcare Foundation, an affiliate, received contributions of \$9,000, \$11,000, \$34,000, and \$43,000 during fiscal years 2016, 2015, 2014, and 2013, respectively that are restricted towards future capital expenditures. The Foundation contributed approximately \$91,000 to the Hospital in FY 2016 for the nurses station remodel and \$16,000 in FY 2015 for the cafeteria and kitchen remodel project.

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

Management's Discussion and Analysis (Continued)

**Income Statement**

The following table presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2016, 2015, 2014, and 2013.

	Years Ended June 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net patient service revenue	\$ 30,972	\$ 34,077	\$ 13,599	\$ 17,050
Noncapital grants	338	639	1,541	177
Other revenue	788	193	237	502
Total operating revenues	<u>32,098</u>	<u>34,909</u>	<u>15,377</u>	<u>17,729</u>
Salaries	6,647	6,560	6,873	7,868
Benefits and payroll taxes	1,331	1,448	1,286	1,418
Supplies and drugs	2,181	2,198	2,769	3,147
Professional fees	2,411	2,403	3,101	3,221
Intergovernmental transfers - access grant exp	15,847	18,344	-0-	-0-
Other expenses	1,824	1,932	2,009	2,135
Insurance	246	229	302	282
Depreciation and amortization	977	977	810	716
Total operating expenses	<u>31,464</u>	<u>34,091</u>	<u>17,150</u>	<u>18,787</u>
Operating income (loss)	634	818	(1,773)	(1,058)
Investment income	8	9	13	38
Interest expense	(48)	(61)	(79)	(95)
Gain (loss) on disposal of assets	-0-	-0-	-0-	1
Revenues in excess of expenses	<u>594</u>	<u>766</u>	<u>(1,839)</u>	<u>(1,114)</u>
Capital grants and contributions	9	275	48	56
Increase (decrease) in net assets	<u>603</u>	<u>1,041</u>	<u>(1,791)</u>	<u>(1,058)</u>
Net position - beginning of year	<u>8,971</u>	<u>7,930</u>	<u>9,721</u>	<u>10,779</u>
Net position - end of year	<u>\$ 9,574</u>	<u>\$ 8,971</u>	<u>\$ 7,930</u>	<u>\$ 9,721</u>



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

Management's Discussion and Analysis (Continued)

**Accounts Receivable**

Total accounts receivable has increased significantly over the past two years primarily due to a change in the timing of the write-off of uncollectible accounts. Previously, accounts were written off at the time the account was sent to collections. Beginning in FY, 2015, accounts are not written off until the account is returned from collections and all means of collecting the account have been exhausted. This resulted in a significantly higher balance in 90 days and over balances at June 30, 2016 and 2015.

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

	<b>Year ended June 30</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Current accounts	\$ 3,421	\$ 2,933	\$ 2,849
30-day accounts	686	908	559
60-day accounts	511	363	453
90-day and over accounts	3,636	2,825	1,742
<b>Total</b>	<b><u>\$ 8,254</u></b>	<b><u>\$ 7,029</u></b>	<b><u>\$ 5,603</u></b>

**Operating and Financial Performance**

The following summarizes the Hospital's Statements of Revenues, Expenses, and Changes in Net Position between 2016 and 2015:

- Patient days, not including Senior Care days, decreased to 5,918, increased to 6,628, and decreased to 6,421, for FY 2016, 2015 and 2014, respectively. This is a decrease of 11%, compared to a decrease of 3% and a decrease of 27%, in overall activity for the past three years.
- Salaries had a slight increase in FY 2016 after a slight decrease in FY 2015. Administration and pharmacy are the two areas that saw the largest increases in 2016. Employee benefits increased by \$162,000 overall in fiscal year 2015, primarily due to increases in health insurance and retirement plan expenses. In fiscal year 2015 there was a decrease of \$162,000 and a decrease of \$132,000 in fiscal year 2014.
- Investment income was \$8,000, \$9,000 and \$13,000 for fiscal years 2016, 2015 and 2014, respectively. Rates have remained low throughout the period and are being re-evaluated periodically to make sure the highest return is earned.
- Professional fees increased by \$8,000, primarily due to contracts added with IOP services offset by contracts were terminated in administration. Fiscal year 2015 had a decrease of \$697,000, primarily due to housekeeping services being performed by employees for the full year, and contracts terminated in anesthesia, pharmacy and outpatient services, with these service no provided by hospital employees. Fiscal year 2014 had a decrease of \$124,000 or 4% as compared to the 2013 increase of \$294,000 or 10%.

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

Management's Discussion and Analysis (Continued)

**Operating and Financial Performance (Continued)**

- In April, 2013, the Hospital signed an Agreement for Hospital Administrative Services with Quorum Health Resources, LLC to provide management services to the hospital. This contract was terminated effective April 8, 2016.
- Supply and drug cost decreased by \$17,000 compared to a decrease of \$571,000 in fiscal year 2015, primarily due to the decrease in patient volume, and a change in pharmacy supplies purchasing.
- In fiscal year 2016 the Medicare Recovery Audit Contractor (RAC) requested over \$228,000 in claims for review. Of this amount, the RAC recovered approximately \$120,000 in reimbursement. There could be additional recoveries in the future. In February 2010, the Hospital received the first request from the RAC for medical records to be reviewed for proper coding and documentation. The RAC is a private company hired by Medicare to identify and correct past Medicare improper payments, whether overpayments or underpayments. These audits will continue but the Hospital has implemented an internal audit and review process within the facility to identify possible coding errors prior to RAC review on issues that have been identified for review. Effective August 29, 2016, the RAC was changed from Connolly Healthcare to Cotiviti.

**Contacting the Hospital's Financial Management**

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

**AUDITED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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December 19, 2016

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

## Independent Auditors' Report

### Report on the Financial Statements

We have audited the accompanying combined financial statements of Claiborne Parish Hospital Service District #3, d/b/a Claiborne Memorial Medical Center and its affiliate (the Hospital), a component unit of the Town of Homer, Louisiana, as of and for the years ended June 30, 2016, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Hospital's basic combined financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

**HMV**

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

### ***Opinions***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of June 30, 2016, 2015 and 2014, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016, 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 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.

Heard, McElroy & Vestal, LLC  
Monroe, Louisiana

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>			
Current:			
Cash and cash equivalents (Notes 2 & 3)	\$ 1,605,002	\$ 1,551,281	\$ 298,850
Short-term investments (Note 3)	313,881	311,765	459,164
Receivables, net (Note 4)	3,313,941	5,089,485	2,035,508
Assets limited as to use - current (Notes 3 & 5)	126,915	134,396	289,322
Inventories	343,626	456,511	509,830
Prepaid expenses	166,661	213,544	205,633
Other current assets (Note 6)	51,086	22	214
Total current assets	<u>5,921,112</u>	<u>7,757,004</u>	<u>3,798,521</u>
Other:			
Assets limited as to use - non current (Notes 3 & 5)	1,042,720	1,221,535	1,486,846
Capital assets, net (Note 7)	6,344,936	6,511,704	6,568,467
Unamortized bond issue cost	<u>-0-</u>	<u>11,826</u>	<u>25,530</u>
Total assets	<u>\$ 13,308,768</u>	<u>\$ 15,502,069</u>	<u>\$ 11,879,364</u>
<u>LIABILITIES AND NET POSITION</u>			
Current:			
Accounts payable	\$ 1,426,665	\$ 3,544,673	\$ 865,112
Accrued expenses	595,582	756,303	622,035
Estimated third-party payor settlements	1,054,993	1,073,000	1,294,000
Current maturities of long-term debt (Note 8)	<u>167,450</u>	<u>499,287</u>	<u>505,118</u>
Total current liabilities	<u>3,244,690</u>	<u>5,873,263</u>	<u>3,286,265</u>
Long-term debt, net of current maturities (Note 8)	<u>489,942</u>	<u>657,118</u>	<u>663,008</u>
Total liabilities	<u>3,734,632</u>	<u>6,530,381</u>	<u>3,949,273</u>
Net Position:			
Invested in capital assets, net of related debt	5,687,544	5,355,300	5,400,341
Restricted expendable (Note 5)	275,105	373,019	539,821
Unrestricted	<u>3,611,487</u>	<u>3,243,369</u>	<u>1,989,929</u>
Total net position	<u>9,574,136</u>	<u>8,971,688</u>	<u>7,930,091</u>
Total liabilities and net position	<u>\$ 13,308,768</u>	<u>\$ 15,502,069</u>	<u>\$ 11,879,364</u>

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues:			
Net patient service revenue (Note 10)	\$ 30,972,204	\$ 34,077,010	\$ 13,599,044
Noncapital grants (Note 15)	337,993	638,533	1,540,683
Other operating revenue	<u>788,012</u>	<u>193,202</u>	<u>237,253</u>
 Total operating revenues	 <u>32,098,209</u>	 <u>34,908,745</u>	 <u>15,376,980</u>
 Operating Expenses:			
Salaries	6,647,108	6,559,954	6,873,035
Benefits and payroll taxes	1,331,296	1,448,481	1,285,897
Supplies and drugs	2,180,764	2,197,882	2,768,593
Professional fees	2,411,181	2,403,194	3,100,521
Intergovernmental transfers - access grant expense	15,846,964	18,343,650	-0-
Other expenses	1,825,734	1,932,265	2,009,008
Insurance	246,222	228,509	303,352
Depreciation and amortization	<u>976,588</u>	<u>976,802</u>	<u>809,326</u>
 Total operating expenses	 <u>31,465,857</u>	 <u>34,090,737</u>	 <u>17,149,732</u>
 Operating income (loss)	 <u>632,352</u>	 <u>818,008</u>	 <u>(1,772,752)</u>
 Nonoperating revenues (expenses)			
Investment income	8,494	8,836	12,979
Interest expense	(47,532)	(61,438)	(79,170)
Gain (loss) on disposal of assets	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Excess of revenues (expenses) before capital grants and contributions	 593,314	 765,406	 (1,838,943)
 Capital grants and contributions	 <u>9,134</u>	 <u>276,191</u>	 <u>47,508</u>
 Increase (decrease) in net position	 602,448	 1,041,597	 (1,791,435)
 Net position at beginning of year	 <u>8,971,688</u>	 <u>7,930,091</u>	 <u>9,721,526</u>
 Net position at end of year	 \$ <u>9,574,136</u>	 \$ <u>8,971,688</u>	 \$ <u>7,930,091</u>

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



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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:			
Cash receipts from and on behalf of patients	\$ 32,729,741	\$ 30,802,033	\$ 13,756,998
Other receipts and payments, net	1,074,941	831,927	1,782,477
Payments to suppliers and contractors	(24,469,105)	(22,380,531)	(7,816,603)
Payments for employees and benefits	<u>(8,139,125)</u>	<u>(7,874,167)</u>	<u>(8,257,231)</u>
Net cash provided (used) by operating activities	<u>1,196,452</u>	<u>1,379,262</u>	<u>(534,359)</u>
Cash flows from investing activities:			
Interest on investments	8,494	8,836	12,979
Change in assets whose use is limited	186,296	420,237	499,315
Change in investments	<u>(2,116)</u>	<u>147,399</u>	<u>1,252,217</u>
Net cash provided by investing activities	<u>192,674</u>	<u>576,472</u>	<u>1,764,511</u>
Cash flows from capital and related financing activities:			
Capital grants and contributions	9,134	276,191	47,508
Interest paid on long-term debt	(59,358)	(75,142)	(79,171)
Proceeds from issuance of long-term debt	-0-	500,000	-0-
Amortization of bond issue costs	11,826	13,704	10,487
Principal payments on long-term debt	(499,013)	(511,721)	(591,696)
Proceeds from disposal of assets	-0-	-0-	-0-
Purchase of capital assets	<u>(797,994)</u>	<u>(906,335)</u>	<u>(661,764)</u>
Net cash used by capital and related financing activities:	<u>(1,335,405)</u>	<u>(703,303)</u>	<u>(1,274,636)</u>
Net increase (decrease) in cash and cash equivalents	53,721	1,252,431	(44,484)
Beginning cash and cash equivalents	<u>1,551,281</u>	<u>298,850</u>	<u>343,334</u>
Ending cash and cash equivalents	\$ <u>1,605,002</u>	\$ <u>1,551,281</u>	\$ <u>298,850</u>
Supplemental disclosure of cash flow information			
Cash payments for:			
Interest (net of interest capitalized)	\$ <u>59,358</u>	\$ <u>75,142</u>	\$ <u>79,171</u>

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

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
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COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 632,352	\$ 818,008	\$ (1,772,752)
Adjustments to reconcile operating income (loss) to net cash flows provided (used) in operating activities:			
Depreciation and amortization	976,588	976,802	809,326
(Increase) decrease in:			
Patient accounts receivable, net	1,775,544	(3,053,977)	157,954
Other assets	108,704	45,600	95,318
Increase (decrease) in:			
Accounts payable and accrued expenses	(2,278,729)	2,813,829	175,795
Estimated third-party payor settlements	<u>(18,007)</u>	<u>(221,000)</u>	<u>-0-</u>
Net cash provided (used) by operating activities	\$ <u>1,196,452</u>	\$ <u>1,379,262</u>	\$ <u>(534,359)</u>

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

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2016, 2015 AND 2014

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organizations

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

As the governing authority of the Town, for reporting purposes, the Town of Homer is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Town of Homer based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

During the year ended June 30, 2015, governance of the hospital was transferred to Claiborne Parish Hospital Service District Number 3 based on a resolution requiring the parish to seek local tax support for the hospital. The hospital is now operating as Claiborne Memorial Medical Center. The vote on the 10 year ½ cent sales tax took place in March, 2015 with first payments received for July, 2015.

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

Nature of Business

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. Such accounting and reporting procedures conform to the requirements of the Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, and to the AICPA, Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

Principles of Combination

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

Income Taxes

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

The Foundation adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Foundation recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

The Foundation has evaluated its positions regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. With few exceptions, the Foundation is no longer subject to federal, state, or local tax examinations by tax authorities for years before June 30, 2013.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Assets Limited as to Use

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

Inventory

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

Capital Assets

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

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

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

Unamortized Bond Costs

Unamortized bond costs represent the cost of debt issuance and are being amortized over the term the related debt is outstanding.

Net Position

The net position of the Hospital is classified in four components. Net position invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation reduced by the current balances of any outstanding borrowing used to finance the purchase or construction of those assets. Restricted expendable net

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position - Continued

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

The content and certain titles of the financial statements were changed upon the adoption by the Hospital in the year ended June 30, 2013 of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources, and adds them, when applicable, as elements of the financial statements, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in a statement of financial position, GASB 63 renames that measure as net position rather than net assets. The town had no deferred outflows or inflows of resources at June 30, 2016, 2015, and 2014, and no reclassifications affecting the statement of net assets from the prior period were required.

Restricted Resources

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

Operating Revenues and Expenses

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

During fiscal years 2016 and 2015 the Hospital acted as grantor for the UPL program for eight area rural hospitals. As grantor, the hospital received total grant funds of \$17,241,715 and \$19,953,205 under the program, which is included as Medicaid patient service revenue, and disbursed \$15,846,964 and \$18,343,650 to participating hospitals. Grants under this program are to be used solely to provide adequate and essential medically necessary health care services to the citizens of the community who are low income and/or indigent. In accordance with Medicaid reporting requirements, the total grant funds is included in net patient service revenue and the total disbursements to participating hospitals is included in operating expenses.

Grants and Contributions

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions - Continued

restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Net Patient Service Revenue

The Hospital has agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Credit Risk

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

Significant Concentration of Economic Dependence

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

Risk Management

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

Charity Care

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

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NOTE 3 - DEPOSITS AND INVESTMENTS

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

Account balances according to banks' records at June 30, 2016, for the Hospital are as follows:

	<u>First Guaranty</u>	<u>Bancorp South</u>	<u>Citizens National</u>
Cash and CD's	\$ <u>2,824,402</u>	\$ <u>4,239</u>	\$ <u>280,392</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>2,574,402</u>	\$ <u>-0-</u>	\$ <u>30,392</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

Account balances according to banks' records at June 30, 2016, for the Foundation are as follows:

	<u>First Guaranty</u>	<u>Gibsland Bank</u>
Cash in banks	\$ <u>24,224</u>	\$ <u>102,872</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>-0-</u>	\$ <u>-0-</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. Claiborne Memorial Medical Center's deposits were entirely insured or collateralized by securities held by the pledging bank's trust department in the Hospital's name at June 30, 2016, 2015, and 2014. The Affiliate's (Foundation) deposits were entirely insured or collateralized by securities held by the pledging bank's trust department in the Affiliate's name at June 30, 2016, 2015 and 2014.



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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value is to changes in market interest rates. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

The carrying amounts of deposits and investments are included in the Hospital's balance sheets as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Carrying amount			
Deposits	\$ 1,605,002	\$ 1,551,281	\$ 298,850
Investments	<u>1,483,516</u>	<u>1,667,696</u>	<u>2,235,332</u>
Totals	\$ <u>3,088,518</u>	\$ <u>3,218,977</u>	\$ <u>2,534,182</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 1,605,002	\$ 1,551,281	\$ 298,850
Short-term investments	313,881	311,765	459,164
Assets limited as to use - current	126,915	134,396	289,322
Assets limited as to use - noncurrent	<u>1,042,720</u>	<u>1,221,535</u>	<u>1,486,846</u>
Totals	\$ <u>3,088,518</u>	\$ <u>3,218,977</u>	\$ <u>2,534,182</u>

NOTE 4 - RECEIVABLES, NET

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Accounts receivable			
Patient accounts receivable	\$ 5,816,946	\$ 4,872,493	\$ 4,129,603
Estimated uncollectibles	<u>(3,714,252)</u>	<u>(3,059,818)</u>	<u>(2,164,605)</u>
Net patient accounts receivable	2,102,694	1,812,675	1,964,998
Receivable - Medicaid Fiscal Intermediary	968,941	3,041,830	-
Third-party cost based settlements	<u>242,306</u>	<u>234,980</u>	<u>70,510</u>
Receivables, net	\$ <u>3,313,941</u>	\$ <u>5,089,485</u>	\$ <u>2,035,508</u>

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NOTE 4 - RECEIVABLES, NET (Continued)

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Medicare	29%	32%	42%
Medicaid	9%	12%	14%
Other third-party payors	12%	12%	10%
Others	<u>50%</u>	<u>44%</u>	<u>34%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

NOTE 5 - ASSETS LIMITED AS TO USE

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Restricted by third parties			
Capital improvement	\$ 148,348	\$ 238,781	\$ 250,657
Self-funded insurance fund	<u>126,757</u>	<u>134,238</u>	<u>289,164</u>
Total restricted by third parties	<u>275,105</u>	<u>373,019</u>	<u>539,821</u>
Internally designated by board			
Education fund	158	158	158
Long-term investment fund	775,410	855,359	1,072,145
Investment fund	<u>118,962</u>	<u>127,395</u>	<u>164,044</u>
Total internally designated by board	<u>894,530</u>	<u>982,912</u>	<u>1,236,347</u>
Total assets limited as to use	1,169,635	1,355,931	1,776,168
Less: Current portion	<u>126,915</u>	<u>134,396</u>	<u>289,322</u>
Non current assets limited as to use	<u>\$ 1,042,720</u>	<u>\$ 1,221,535</u>	<u>\$ 1,486,846</u>

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NOTE 6 - OTHER CURRENT ASSETS

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

	<u>2016</u>		<u>2015</u>		<u>2014</u>
Sales tax receivable	\$ 50,958	\$	-0-	\$	-0-
Miscellaneous receivables	<u>128</u>		<u>22</u>		<u>214</u>
Balance, end of year	<u>\$ 51,086</u>	\$	<u>22</u>	\$	<u>214</u>

NOTE 7 - CAPITAL ASSETS

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

	<u>June 30, 2015</u>		<u>Additions</u>		<u>Deductions</u>		<u>June 30, 2016</u>
Land and improvements	\$ 384,827	\$	-0-	\$	-0-	\$	384,827
Buildings and improvements	11,641,844		647,941		-0-		12,289,785
Leasehold improvements	20,620		-0-		-0-		20,620
Equipment	9,731,423		146,428		14,288		9,863,563
Construction in progress	<u>378,637</u>		<u>739,695</u>		<u>736,070</u>		<u>382,262</u>
Total	22,157,351		1,534,064		750,358		22,941,057
Accumulated depreciation	<u>(15,645,647)</u>		<u>(964,762)</u>		<u>(14,288)</u>		<u>(16,596,121)</u>
Net	<u>\$ 6,511,704</u>	\$	<u>569,302</u>	\$	<u>736,070</u>	\$	<u>6,344,936</u>

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NOTE 7 - CAPITAL ASSETS (Continued)

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

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

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

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
Land and improvements	\$ 384,827	\$ -0-	\$ -0-	\$ 384,827
Buildings and improvements	11,479,178	-0-	-0-	11,479,178
Leasehold improvements	20,620	-0-	-0-	20,620
Equipment	7,977,202	867,962	-0-	8,845,164
Construction in progress	<u>727,425</u>	<u>676,188</u>	<u>882,386</u>	<u>521,227</u>
Total	20,589,252	1,544,150	882,386	21,251,016
Accumulated depreciation	<u>(13,873,223)</u>	<u>(809,326)</u>	<u>-0-</u>	<u>(14,682,549)</u>
Net	<u>\$ 6,716,029</u>	<u>\$ 734,824</u>	<u>\$ 882,386</u>	<u>\$ 6,568,467</u>

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NOTE 8 - LONG-TERM DEBT

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

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
2007 Series bonds payable	\$ 258,902	\$ -0-	\$ 258,902	\$ -0-	\$ -0-
2015 Series bonds payable	500,000	-0-	40,000	460,000	42,000
2010 Series bonds payable	13,979	-0-	13,979	-0-	-0-
2011 Series A bonds payable	114,853	-0-	85,151	29,702	29,702
2011 Series B bonds payable	268,671	-0-	100,981	167,690	95,748
<b>Total</b>	<b>\$ 1,156,405</b>	<b>\$ -0-</b>	<b>\$ 499,013</b>	<b>\$ 657,392</b>	<b>\$ 167,450</b>

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2015</u>	<u>Due Within One Year</u>
2007 Series bonds payable	\$ 505,990	\$ -0-	\$ 247,088	\$ 258,902	\$ 258,902
2015 Series bonds payable	-0-	500,000	-0-	500,000	40,000
2009 Series bonds payable	23,653	-0-	23,653	-0-	-0-
2010 Series bonds payable	68,568	-0-	54,589	13,979	13,979
2011 Series A bonds payable	203,444	-0-	88,591	114,853	85,151
2011 Series B bonds payable	366,471	-0-	97,800	268,671	101,255
<b>Total</b>	<b>\$ 1,168,126</b>	<b>\$ 500,000</b>	<b>\$ 511,721</b>	<b>\$ 1,156,405</b>	<b>\$ 499,287</b>

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2014</u>	<u>One Year</u>
2007 Series bonds payable	\$ 741,843	\$ -0-	\$ 235,853	\$ 505,990	\$ 247,089
Capital lease payable	37,917	-0-	37,917	-0-	-0-
2009 Series bonds payable	115,911	-0-	92,258	23,653	23,653
2010 Series bonds payable	120,978	-0-	52,410	68,568	54,575
2011 Series A bonds payable	281,811	-0-	78,367	203,444	81,780
2011 Series B bonds payable	461,362	-	94,891	366,471	98,021
<b>Total</b>	<b>\$ 1,759,822</b>	<b>\$ -0-</b>	<b>\$ 591,696</b>	<b>\$ 1,168,126</b>	<b>\$ 505,118</b>

The terms and due dates of the Hospital's long-term debt, including capital lease obligations, at June 30, 2016, 2015 and 2014, follow:

- 5.0% 2007 Hospital revenue bonds, principal and interest payable in monthly payments of \$22,127, collateralized by a pledge of the Hospital's land, buildings, and equipment. Bonds matured on June 15, 2016.
- Capital lease obligation with imputed interest rate of 5%, collateralized by equipment with a cost of \$134,091 and book value of \$59,064 at June 30, 2016. Principal and interest of 48 monthly payments of \$3,246 began July, 2010. This obligation was paid in full during the year ended June 30, 2014.

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NOTE 8 - LONG-TERM DEBT (Continued)

- 4.0% 2009 Hospital revenue bonds, principal and interest payable in monthly payments of \$7,939, collateralized by a pledge of Hospital operating revenue. Bonds matured on October 15, 2014.
- 4.0% 2010 Hospital revenue bonds, principal and interest payable in monthly payments of \$4,696, collateralized by a pledge of Hospital operating revenue. Bonds matured on October 15, 2015.
- 4.0% 2011A Hospital revenue bonds, principal and interest payable in monthly payments of \$7,377, collateralized by a pledge of Hospital operating revenue. Bonds mature on November 16, 2016.
- 3.25% 2011B Hospital revenue bonds, principal and interest payable in monthly payments of \$9,040, collateralized by a pledge of Hospital operating revenue. Bonds mature on February 15, 2018.
- 3.75% 2015 Hospital revenue bonds, principal payable in annual installments due December 1 of each year, beginning at \$40,000 and increasing in increments of \$2,000- \$3,000 annually. Interest is payable in semi-annual installments. The bonds are collateralized by a pledge of Hospital operating revenue. Bonds mature on December 1, 2024.

Under the terms of the 2007, 2009 and 2010 revenue bonds, the Hospital was required to satisfy certain measures of financial performance as long as the bonds were outstanding. The 2007, 2009 and 2010 revenue bonds also placed limits on the incurrence of additional borrowings. The Hospital did not meet the 120 day reporting requirement for the years ended June 30, 2015, 2014 and 2013; however, the Hospital received a waiver from the lender for each year. These bonds are all now paid in full.

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

<u>Year Ending June 30,</u>	<u>Long-Term Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 167,450	\$ 29,195	\$ -0-	\$ -0-
2018	115,942	15,228	-0-	-0-
2019	46,000	13,163	-0-	-0-
2020	48,000	11,400	-0-	-0-
2021	51,000	9,544	-0-	-0-
2022	53,000	7,594	-0-	-0-
2023	56,000	5,550	-0-	-0-
2024	59,000	3,394	-0-	-0-
2025	61,000	1,144	-0-	-0-
Total	\$ <u>657,392</u>	\$ <u>96,212</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

NOTE 9 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. Current operating leases are on a short-term renewal basis.

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NOTE 10 - NET PATIENT SERVICE REVENUE

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

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

Medicaid - Inpatient acute and psychiatric services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

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

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

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

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

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NOTE 10 - NET PATIENT SERVICE REVENUE (Continued)

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Gross patient service charges	\$ 38,900,934	\$ 38,979,143	\$ 37,283,606
Medicaid UPL grants received as grantor	17,241,715	19,953,205	-0-
Medicare and Medicaid contractual adjustments	(16,788,935)	(17,281,869)	(18,332,468)
Other third-party payor contractual adjustments	(5,104,838)	(4,683,879)	(2,162,537)
Provision for bad debts	(3,185,043)	(2,507,972)	(2,739,312)
Charity care	(91,629)	(381,618)	(450,245)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net patient service revenue	\$ <u>30,972,204</u>	\$ <u>34,077,010</u>	\$ <u>13,599,044</u>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Medicare and Medicaid gross patient charges	\$ 29,445,640	\$ 29,574,438	\$ 31,437,034
Contractual adjustments	<u>(16,713,676)</u>	<u>(17,357,128)</u>	<u>(18,332,468)</u>
Program patient service revenue without Medicaid UPL Intermediary Payments	\$ <u>12,731,964</u>	\$ <u>12,217,310</u>	\$ <u>13,104,566</u>
% of total gross patient charges from Medicare and Medicaid	<u>76%</u>	<u>76%</u>	<u>84%</u>
% of total net patient revenue from Medicare and Medicaid	<u>41%</u>	<u>36%</u>	<u>96%</u>

The Hospital previously received interim payments for Medicaid and self-pay uncompensated care services (UCC). The interim payments received were based upon uncompensated cost incurred in previous years. Current regulations limit UCC to actual cost incurred by the Hospital in each state fiscal year. Any overpayments will be recouped by Medicaid after audit by Medicaid. The federal definition of UCC changed effective July 1, 2010, which reduced income in 2011 and for future years. The Hospital has made provisions for recoupment of \$221,000 for fiscal year 2011. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise. Future UCC payments are dependent upon State appropriations, which require annual approval by the State legislature. In 2012, the Hospital began participation in a grant program with other hospitals (see Note 15) which supplements payments previously paid under UCC.



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NOTE 11 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a reduced “sliding scale” amount based on the patient’s level of income in comparison to the Federal Poverty Guidelines based on a 200% scale. Accordingly, the Hospital does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies, and other operating expenses. The costs of caring for charity care patients were approximately \$44,507, \$182,459, and \$245,622, for the years ended June 30, 2016, 2015, and 2014, respectively.

NOTE 12 - COMPENSATED ABSENCES

As of June 30, 2016, 2015, and 2014, the Hospital has accrued a compensated absence liability of \$299,208, \$292,543, and \$239,959, respectively. The Hospital pays accrued vacation absences upon termination, if proper notice and termination procedures are followed.

NOTE 13 - PENSION PLAN

Until December 31, 2006 all full-time Hospital employees participated in the Municipal Employees’ Retirement System, State of Louisiana (“System”), a multiple employer public employee retirement system. The payroll for Hospital employees covered by the System for the years ended June 30, 2015, and 2014, was approximately, \$57,000 and \$62,000, respectively; the Hospital’s total payroll was approximately \$6,560,000, and \$6,873,000 for the years ended June 30, 2015, and 2014, respectively. The Hospital no longer has employees covered by the System and had no covered employees in the year ended June 30, 2016.

Membership was mandatory as a condition of employment beginning on the date employed if the employee was on a permanent basis working at least thirty-five hours per week, not participating in another publicly funded retirement system, and under the age of sixty at the date of employment.

The System is comprised of two plans. “Plan A” combines the original plan and a supplemental plan, while “Plan B” involves only the original plan. Any member of Plan A can retire provided he/she is age fifty-five with twenty-five years of creditable service, is age sixty with a minimum of ten years of creditable service or at any age with thirty or more years of creditable service. A member of Plan B can retire provided he/she is age fifty-five with thirty years of creditable service or is age sixty with a minimum of ten years of creditable service.

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B, with thirty years of service at age fifty-five; twenty years of service at age sixty; fifteen years of service at age sixty-two; or ten years of service at age sixty-five, could elect to participate in the deferred retirement option plan (DROP) for up to two years and defer the receipt of benefits. Upon commencement of participation in the DROP plan, membership in the System terminated.

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NOTE 13 - PENSION PLAN (Continued)

During participation in the DROP plan, employer contributions were payable but employee contributions ceased. The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance were paid into the DROP fund. This fund does not earn interest. In addition, no cost of living increases were payable to participants until employment which made them eligible to become members in the System had been terminated for at least one full year. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the plan could receive, at his option, a lump sum from the account equal to the payment into the account, a true annuity based upon his actual balance in that fund, or any other method of payment if approved by the board of trustees. The monthly benefits that were being paid into the deferred retirement option plan fund would begin to be paid to the retiree. If a participant died during the participation in the plan, a lump sum equal to his account balance in the plan fund was paid to his named beneficiary or, if none, to his estate. If employment was not terminated at the end of the two years, payments into the plan fund cease and the person resumes active contributing membership in the System. Additional accrued benefits were based on final average compensation used to calculate the member's original benefit unless the additional period of service was at least thirty-six months.

Generally, the monthly amount of retirement allowance for any member of Plan A or Plan B would consist of an amount equal to three percent or two percent, respectively, of the member's final compensation multiplied by his/her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits were limited to specified amounts. Both plans provided for death and disability benefits. Benefits and employer/employee obligations to contribute were established by state statute.

Each participating employer of Plan A contributed an amount equal to 17% of each and every member's earnings through June 30, 2013. Each employee in Plan A contributed 9.25% of monthly earnings. Under Plan B, each participating employer contributed an amount equal to 8.00% of each and every member's earnings. Each employee in Plan B contributed 5.00% of monthly earnings.

The System also receives 1/4 of 1% of ad valorem taxes collected within the parishes of Louisiana, except for Orleans Parish.

Tax monies are apportioned between Plan A and Plan B in proportion to the salaries of plan participants. These additional sources of income are used as additional employer contributions. The remaining employer contributions were determined according to actuarial requirements and were set annually. The contribution requirement for the years ended June 30, 2015, and 2014, was approximately \$18,000 and \$18,000, respectively, which consisted of \$12,000 and \$12,000, respectively, from the Hospital and \$6,000 and \$6,000, respectively, from the employees during 2015 and 2014.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted to the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employees. The System does not make separate measurement of assets and pension benefits obligation for

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NOTE 13 - PENSION PLAN (Continued)

individual employers. The pension benefit obligation at June 30, 2013, (the latest actuarial report furnished to the Hospital), for the System as a whole, determined through an actuarial valuation performed as of that date (valued at market) was approximately \$950 million. The System's net assets available for benefits on that date (valued at market) were approximately \$872 million, with an unfunded pension benefit obligation of \$255 million. The Hospital's contributions for the years ended June 30, 2016, 2015, and 2014, represented approximately .03%, .03%, and .03% of total contributions paid by all participating entities, respectively. A report of five-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's annual financial report. No securities of the Hospital are held by the System.

The Hospital withdrew from the Municipal Employees' Retirement System effective December 31, 2006. No employees remain in the system at June 30, 2016.

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

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

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

Following is a schedule that summarizes information regarding the defined contribution retirement plans in effect for the years ended June 30, 2016, 2015, and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total payroll	\$ 6,647,000	\$ 6,560,000	\$ 6,873,000
Total covered payroll	6,647,000	6,512,000	6,816,000
Employee contributions	125,000	150,000	154,000
Employer contributions	102,000	121,000	111,000

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NOTE 14 - CONTINGENCIES

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

The principal contingencies are described below:

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

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

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

The Hospital included provision of \$40,000, \$34,700, and \$26,500 at June 30, 2016, 2015, and 2014, respectively, for professional liability losses and legal defense costs not covered by the Louisiana Patient's Compensation Fund. The Hospital is contingently liable for losses and related defense costs from professional liability not underwritten by the Louisiana Patient's Compensation Fund. The Hospital included no provision at June 30, 2016, 2015, and 2014 for uninsured general liability losses. The Hospital is contingently liable for losses and related defense costs from general liability.

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NOTE 14 - CONTINGENCIES (Continued)

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

	<u>Professional/General Liability</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 34,700	\$ 26,500	\$ 18,000
Claim payments	(45,265)	(20,070)	(7,600)
Change in estimate	10,565	(6,430)	(10,400)
Incurred claims	<u>40,000</u>	<u>34,700</u>	<u>26,500</u>
Balance, end of year	\$ <u>40,000</u>	\$ <u>34,700</u>	\$ <u>26,500</u>

Workers' Compensation Liability Risk - Effective for claims filed after August 1, 2004, the Hospital discontinued workers' compensation insurance coverage. The Hospital included a provision of \$-0-, \$-0-, and \$-0- at June 30, 2016, 2015, and 2014 for uninsured workers' compensation losses and related defense costs. The Hospital is contingently liable for losses and related defense costs from workers' compensation.

A reconciliation of the changes in the aggregate uninsured workers' compensation liability is as follows:

	<u>Workers' Compensation</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ -0-	\$ 35,000	\$ 35,000
Claim payments	(52,593)	(11,558)	(95,000)
Change in estimate	52,593	(23,442)	95,000
Incurred claims	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Balance, end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>35,000</u>

NOTE 15 - GRANT REVENUE

The Hospital recognized operating grant income of approximately \$337,973, \$631,025 and \$1,379,404 from Medicare during the years ended June 30, 2016, 2015 and 2014, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use", which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in during the next few years in three stages, with each progressive stage incorporating more stringent measures. The Hospital has met Stage 1 and State 2 criteria. The Hospital's policy is to record the incentive payments once various stages have been met rather than recognizing ratably

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NOTE 15 – GRANT REVENUE – Continued

throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management’s best estimate. The payments can be retained and additional payments can be earned for each stage if the Hospital meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

The Hospital received grants of \$1,394,751, \$1,609,555 and \$147,646 in 2016, 2015 and 2014, respectively, to be used solely to provide adequate and essential medically necessary health care services to the citizens in its community who are low income and/or indigent patients. As a condition of the grant agreement, the Hospital, along with other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement.

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

NOTE 16 - CLAIBORNE HEALTHCARE FOUNDATION (AFFILIATE)

The accompanying combined financial statements include the accounts of the Foundation, with intercompany accounts eliminated. Foundation contributions received of \$9,134, \$10,946, and \$33,844 are included in capital grants and contributions for the years ended June 30, 2016, 2015, and 2014, respectively. Hospital support of operational expenses for the Foundation were \$129,260, \$68,676, and \$70,218 during years ended June 30, 2016, 2015, and 2014, respectively.

Following is a summary of net position and results of operations of the Foundation as of June 30, 2016, 2015, and 2014.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>			
Limited use assets	\$ <u>148,350</u>	\$ <u>238,781</u>	\$ <u>250,657</u>
<b>LIABILITIES</b>			
Contribution Payable	-	8,800	16,663
<b>NET POSITION</b>	<u>148,350</u>	<u>229,981</u>	<u>233,994</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 148,350</u>	<u>\$ 238,781</u>	<u>\$ 250,657</u>

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NOTE 16 - CLAIBORNE HEALTHCARE FOUNDATION (AFFILIATE) (Continued)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>REVENUE</b>			
Contributions from third parties	\$ 9,134	\$ 10,946	\$ 33,844
Non-cash contributions from third parties	-0-	-0-	-0-
Non-cash contributions from Hospital	129,260	68,676	70,218
Interest & gain/loss on investments	<u>435</u>	<u>761</u>	<u>1,308</u>
Total Revenue	<u>138,829</u>	<u>80,383</u>	<u>105,370</u>
<b>EXPENSES</b>			
Grants to Claiborne Memorial Medical Center	91,200	15,673	113,011
Other expense	-0-	47	-0-
Administrative expense	<u>129,260</u>	<u>68,676</u>	<u>70,218</u>
Total Expenses	<u>220,460</u>	<u>84,396</u>	<u>183,229</u>
 Increase (decrease) in net position	 \$ <u>(81,631)</u>	 \$ <u>(4,013)</u>	 \$ <u>(77,859)</u>

NOTE 17 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 19, 2016, which is the date the financial statements were available to be issued, and noted no such subsequent events.

SUPPLEMENTARY FINANCIAL INFORMATION



CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE  
YEARS ENDED JUNE 30, 2016, 2015, AND 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Routine services:			
Adult and pediatric	\$ 3,597,857	\$ 5,568,793	\$ 3,908,844
Intensive care unit	1,661,773	1,446,995	1,016,457
Senior care	2,132,898	1,239,402	1,204,206
IOP services	489,503	-0-	-0-
Swing bed	<u>525,672</u>	<u>536,256</u>	<u>374,832</u>
 Total routine services	 <u>8,407,703</u>	 <u>8,791,446</u>	 <u>6,504,339</u>
Other professional services:			
Operating room			
Inpatient	118,048	124,574	130,099
Outpatient	<u>664,600</u>	<u>617,013</u>	<u>528,632</u>
 Total	 <u>782,648</u>	 <u>741,587</u>	 <u>658,731</u>
Anesthesia			
Inpatient	56,810	77,420	44,632
Outpatient	<u>315,315</u>	<u>337,820</u>	<u>172,782</u>
 Total	 <u>372,125</u>	 <u>415,240</u>	 <u>217,414</u>
Radiology			
Inpatient	1,333,349	1,291,255	1,181,881
Outpatient	<u>4,101,049</u>	<u>4,022,780</u>	<u>3,753,359</u>
 Total	 <u>5,434,398</u>	 <u>5,314,035</u>	 <u>4,935,240</u>
Laboratory			
Inpatient	2,017,487	2,191,057	2,024,842
Outpatient	<u>2,387,916</u>	<u>2,325,615</u>	<u>2,616,302</u>
 Total	 <u>4,405,403</u>	 <u>4,516,672</u>	 <u>4,641,144</u>
Blood			
Inpatient	382,974	354,704	326,030
Outpatient	<u>160,938</u>	<u>111,118</u>	<u>181,051</u>
 Total	 <u>\$ 543,912</u>	 <u>\$ 465,822</u>	 <u>\$ 507,081</u>

CAIBORNE PARISH HOSPITAL DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE  
YEARS ENDED JUNE 30, 2016, 2015, AND 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Respiratory therapy			
Inpatient	\$ 3,441,850	\$ 3,050,742	\$ 2,091,821
Outpatient	<u>502,557</u>	<u>449,133</u>	<u>345,234</u>
Total	<u>3,944,407</u>	<u>3,499,875</u>	<u>2,437,055</u>
Physical therapy			
Inpatient	125,447	156,906	365,773
Outpatient	<u>93,270</u>	<u>65,320</u>	<u>3,189</u>
Total	<u>218,717</u>	<u>222,226</u>	<u>368,962</u>
Occupational therapy			
Inpatient	118,005	164,695	388,033
Outpatient	<u>91,640</u>	<u>55,945</u>	<u>4,666</u>
Total	<u>209,645</u>	<u>220,640</u>	<u>392,699</u>
Electrocardiology			
Outpatient	<u>978</u>	<u>1,304</u>	<u>3,260</u>
Total	<u>1,304</u>	<u>1,304</u>	<u>3,260</u>
Central supply			
Inpatient	555,622	677,227	630,179
Outpatient	<u>452,358</u>	<u>438,513</u>	<u>522,151</u>
Total	<u>1,007,980</u>	<u>1,115,740</u>	<u>1,152,330</u>
Pharmacy			
Inpatient	3,900,626	4,301,587	4,439,697
Outpatient	<u>1,907,348</u>	<u>1,713,456</u>	<u>2,624,199</u>
Total	<u>5,807,974</u>	<u>6,015,043</u>	<u>7,063,896</u>
Outpatient treatment area			
Outpatient	<u>244,990</u>	<u>382,014</u>	<u>826,270</u>
Total	\$ <u>244,990</u>	\$ <u>382,014</u>	\$ <u>826,270</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
COMBINED SCHEDULES OF NET PATIENT SERVICE REVENUE  
YEARS ENDED JUNE 30, 2016, 2015, AND 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Emergency room			
Inpatient	\$ 907,107	\$ 867,362	\$ 628,985
Outpatient	<u>5,569,092</u>	<u>5,258,908</u>	<u>5,884,638</u>
Total	<u>6,476,199</u>	<u>6,126,270</u>	<u>6,513,623</u>
Neurology			
Inpatient	-0-	-0-	1,062
Outpatient	<u>-0-</u>	<u>-0-</u>	<u>53,553</u>
Total	<u>-0-</u>	<u>-0-</u>	<u>54,615</u>
Home health			
Skilled nursing visits	768,350	782,144	700,684
Physical therapy visits	215,180	196,630	149,645
Occupational therapy visits	14,685	111,873	83,022
Speech therapy visits	-0-	-0-	-0-
Social service visits	-0-	-0-	-0-
Aide visits	40,480	51,150	49,270
Medical supplies	<u>4,834</u>	<u>9,432</u>	<u>24,326</u>
Total	<u>1,043,529</u>	<u>1,151,229</u>	<u>1,006,947</u>
UPL grant funds received as grantor	<u>17,241,715</u>	<u>19,953,205</u>	<u>-0-</u>
Other professional services			
Inpatient	12,957,651	13,257,529	12,253,034
Outpatient	16,492,051	15,778,939	17,519,286
Home health	<u>1,043,529</u>	<u>1,151,229</u>	<u>1,006,947</u>
Total other professional services	<u>30,493,231</u>	<u>30,187,697</u>	<u>30,779,267</u>
Gross patient service charges	<u>56,142,649</u>	<u>58,932,348</u>	<u>37,283,606</u>
Contractual adjustments	21,893,773	21,965,748	20,495,005
Provision for bad debts	3,185,043	2,507,972	2,739,312
Charity care	<u>91,629</u>	<u>381,618</u>	<u>450,245</u>
Total patient service allowances	<u>25,170,445</u>	<u>24,855,338</u>	<u>23,684,562</u>
Net patient service revenue	\$ <u><u>30,972,204</u></u>	\$ <u><u>34,077,010</u></u>	\$ <u><u>13,599,044</u></u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
COMBINED SCHEDULES OF OTHER OPERATING REVENUE  
YEARS ENDED JUNE 30, 2016, 2015, AND 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cafeteria	\$ 91,848	\$ 77,881	\$ 78,882
Medical records	4,703	7,486	4,285
Vending machines	8,048	8,517	9,399
Sales tax revenue	619,481	-0-	-0-
Pharmacy sales to employees	30,128	40,280	15,678
340B Pharmacy Program	-0-	-0-	144,261
Miscellaneous	<u>33,804</u>	<u>59,038</u>	<u>(16,327)</u>
Total other operating revenue	\$ <u>788,012</u>	\$ <u>193,202</u>	\$ <u>236,178</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
COMBINED SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS  
YEARS ENDED JUNE 30, 2016, 2015, AND 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Salaries:</b>			
Administrative and general	\$ 983,525	\$ 829,104	\$ 942,678
Plant operations and maintenance	58,176	82,648	60,396
Quality	38,258	9,117	61,621
Housekeeping	143,817	129,260	85,630
Dietary and cafeteria	165,130	170,363	169,088
Nursing administration	11,292	32,679	70,591
Central supply	85,886	93,192	67,781
Pharmacy	162,146	33,836	49,998
Medical records	206,253	184,053	199,096
Nursing services	1,239,371	1,459,746	1,443,454
Intensive OP services	125,266	-0-	-0-
Intensive care unit	431,083	403,373	458,953
Senior care unit	428,593	454,790	442,398
Operating room	313,406	298,150	233,739
Radiology	307,739	311,232	366,468
Laboratory	310,102	316,686	359,269
Respiratory therapy	235,642	227,074	262,997
Emergency room	1,196,366	1,264,898	1,207,987
Home health	154,527	198,432	292,543
Outpatient treatment area	<u>50,530</u>	<u>61,321</u>	<u>98,348</u>
Total salaries	\$ <u>6,647,108</u>	\$ <u>6,559,954</u>	\$ <u>6,873,035</u>
<b>Benefits and payroll taxes:</b>			
Payroll taxes	\$ 496,930	\$ 483,691	\$ 560,764
Health insurance	656,184	713,944	611,509
Other benefits	<u>178,182</u>	<u>250,846</u>	<u>113,624</u>
Total benefits and payroll taxes	\$ <u>1,331,296</u>	\$ <u>1,448,481</u>	\$ <u>1,285,897</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
COMBINED SCHEDULES OF OPERATING EXPENSES – SUPPLIES AND DRUGS  
YEARS ENDED JUNE 30, 2016, 2015, AND 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Administration	\$ 476,458	\$ 400,124	\$ 433,629
Housekeeping	105,298	108,699	158,325
Maintenance	4,237	5,173	10,355
Dietary	233,378	225,251	272,934
Medical records	14,329	4,988	9,241
Adults and pediatrics	251,101	142,390	230,608
Intensive care unit	36,192	41,797	38,966
Nursery	1,057	-0-	-0-
Emergency room	64,699	68,526	62,101
Operating room	62,386	62,611	72,837
Anesthesiology	1,164	469	1
Radiology	26,400	44,837	48,150
Laboratory	182,659	174,131	233,486
Blood	129,551	152,117	191,712
Physical therapy	1,948	2,319	12
EKG	-0-	-0-	372
EEG	-0-	-0-	-0-
Central supply	1,752	11,040	20,710
Respiratory therapy	40,729	32,812	38,401
Pharmacy	526,117	685,309	917,587
Outpatient treatment area	7,255	13,513	10,368
Home health	5,619	6,191	11,155
Senior care	<u>8,422</u>	<u>15,422</u>	<u>7,643</u>
 Total supplies and drugs	 \$ <u>2,180,764</u>	 \$ <u>2,197,882</u>	 \$ <u>2,768,593</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
COMBINED SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES  
YEARS ENDED JUNE 30, 2016, 2015, AND 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Adults and pediatrics	\$ -0-	\$ -0-	\$ -0-
Operating room	-0-	5,650	81,505
Anesthesiology	-0-	-0-	200,000
Radiology	-0-	-0-	9,525
Laboratory	181,346	8,430	20,737
Respiratory therapy	2,290	100	13,246
Physical therapy	128,119	142,106	87,928
Occupational therapy	117,114	155,050	82,090
Pharmacy	154,470	287,458	384,034
Intensive care unit	3,882	-0-	-0-
Emergency room	718,613	686,640	665,588
Outpatient treatment area	67,222	98,774	212,335
Intensive OP services	130,896	-0-	-0-
Home health	73,941	98,302	109,670
Senior care	150,675	144,937	119,663
Dietary	23,013	23,240	20,452
Housekeeping	-0-	-0-	153,845
Medical records	7,507	43,307	54,201
Administration	<u>652,093</u>	<u>709,200</u>	<u>885,702</u>
 Total professional fees	 \$ <u>2,411,181</u>	 \$ <u>2,403,194</u>	 \$ <u>3,100,521</u>

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
COMBINED SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES  
YEARS ENDED JUNE 30, 2016, 2015, AND 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Management fees	\$ -0-	\$ 31,045	\$ 88,027
Legal and accounting	340,357	313,316	243,030
Repairs and maintenance	482,217	402,418	471,681
Utilities	268,982	301,010	316,819
Telephone	103,672	77,870	117,109
Travel	55,785	54,979	103,952
Rentals	257,339	323,080	350,586
License, inspection and membership fees	16,864	28,822	61,420
Education	38,736	22,981	14,936
Postage	22,704	23,919	25,387
Public relations	57,343	82,897	21,504
Education contracts	-0-	-0-	-0-
Miscellaneous	<u>181,735</u>	<u>269,928</u>	<u>194,557</u>
 Total other expenses	 \$ <u>1,825,734</u>	 \$ <u>1,932,265</u>	 \$ <u>2,009,008</u>



CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
SCHEDULE OF PER DIEM AND  
OTHER COMPENSATION PAID TO HOSPITAL BOARD MEMBERS  
YEARS ENDED JUNE 30, 2016, 2015, AND 2014

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

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
SCHEDULE OF INSURANCE COVERAGE  
JUNE 30, 2016

RISK COVERED	COVERAGE	PERIOD
Directors & Officers Liability	\$1,000,000	11/1/15 - 11/1/16
Commercial Insurance Package	Damage to Covered Property	\$33,841,181
	Time Element Loss	Included
	Perishable Stock	\$10,000,000
	Hazardous Substances	\$250,000
	Expediting Expense	Follows Property
	Data Restoration	\$50,000
Physician & Surgeons Prof. Liability	LHA Physicians Trust Per Occurrence	\$100,000
	LHA Physicians Trust Annual Aggregate	\$300,000
	LA Patients Comp Fund	\$400,000
Commercial Automobile	Each Accident	\$1,000,000
Excess Coverage for Workers Comp	Aggregate Retention	\$1,000,000
Crime Policy	Employee Theft	\$300,000
	ERISA	\$300,000
ER Physicians Liability	Each Medical Incident	\$1,000,000
	Aggregate	\$3,000,000
Senior Care General Liability	General Aggregate Limit	\$1,000,000
	Products / Completed Operations	Included
	Personal & Advertising Injury Limit	\$1,000,000
	Each Occurrence Limit	\$1,000,000
	Damage to Premises Rented	\$50,000
Patient's Compensation Fund		\$125,000

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS  
TO AGENCY HEAD  
FOR THE YEAR ENDED JUNE 30, 2016

<u>Agency Head:</u>	<u>Toni Goodin, CEO</u> 4/1/16 – 6/30/16	<u>Derrick Frazier, CEO</u> 7/1/15 – 3/31/16
Salary	50,924	139,329
Benefits – insurance	-0-	8,130
Benefits – retirement	-0-	3,775
Other benefits	-0-	12,776
Car allowance	-0-	5,850
Travel	1,303	5,481

**OTHER REPORTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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December 19, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Claiborne Parish Hospital Service District #3, d/b/a Claiborne Memorial Medical Center and its affiliate (the Hospital) as of and for the years ended June 30, 2016, and have issued our report thereon dated December 19, 2016.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, we consider the deficiency described in the accompanying schedule of findings to be a material weakness: 2016-02.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2016-01, 2016-03 and 2016-04.

**HMV**

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## **Compliance and Other Matters**

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

## **The Hospital's Response to Findings**

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

## **Purpose of this Report**

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

*Heard, McElroy & Vestal, LLC*  
Monroe, Louisiana

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2016

**Section I. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

*Federal Awards* – Not applicable

**Section II. Financial Statement Findings**

**2016-01 - Revenues**

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

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

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

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2016

**Section II. Financial Statement Findings (Continued)**

**2016-02 - Financial Statements**

**Finding:** In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 112 places more responsibility on management to ensure the propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary to internally complete the reporting requirements.

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

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

**2016-03 - General Accounting**

**Finding:** It was noted that certain detail schedules supporting balance sheet accounts had not been reconciled to the general ledger at year-end including supplies inventory and fixed assets and depreciation. This required several adjusting entries to correct the general ledger balances to accurately reflect the activity.

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

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

**2016-04 - Segregation of Duties**

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

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

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



CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a/ CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2016

**Section II. Financial Statement Findings (Continued)**

**Section III. Federal Award Findings**

Not applicable

**Section IV. Management Letter**

Not applicable

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2016

**Section II. Financial Statement Findings**

**2015-01 - Revenues**

**Finding:** The postings of various revenue items were misclassified during fiscal year 2015. This led to cost report receivables and other accounts being over or understated on an interim basis as well as at year end. Change in accounting personnel and the failure to share and seek documentation among management and the accounting staff contributed to these misclassifications.

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

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

**Current status:** Not resolved - See finding 2016-01.

**2015-02 - Financial Statements**

**Finding:** In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 112 places more responsibility on management to ensure the propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary to internally complete the reporting requirements.

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

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

**Current status:** Not resolved – See finding 2016-02.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
d/b/a CLAIBORNE MEMORIAL MEDICAL CENTER AND AFFILIATE  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2016

**Section II. Financial Statement Findings (Continued)**

**2015-03 - General Accounting**

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

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

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

**Current status:** Not resolved – See finding 2016-03.

**2015-04 - Segregation of Duties**

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

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

**Response:** Areas noted are being reviewed and further segregation of duties are being implemented where possible. For areas where segregation to the extent desired is not possible due to the size of the department, supervision and review by management will be increased.

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

**Response:** Management is implementing review procedures to see that all detail information is reconciled prior to monthly financial statements being prepared.

**Current status:** Partially resolved - See finding 2016-04.

CLAIBORNE PARISH HOSPITAL SERVICE DISTRICT #3  
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SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
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**Section III. Federal Award Findings**

Not applicable

**Section IV. Management Letter**

Not applicable