

CITIZENS MEDICAL CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
MARCH 31, 2019, 2018, AND 2017

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**Citizens Medical Center
Columbia, Louisiana**

Management's Discussion and Analysis

This section of the annual financial report for Hospital Service District No. 1 of Caldwell Parish, State of Louisiana d/b/a Citizens Medical Center (the "Hospital") provides background information and management's analysis of the Hospital's financial performance for the fiscal years that ended March 31, 2019, 2018, 2017, and 2016. Please read it in conjunction with the financial statements beginning on page 4 and notes to the financial statements beginning on page 8 in this report.

Financial Highlights

- ❖ The Hospital's total assets increased by approximately \$953,000, or roughly 5.6%. Cash and cash equivalents increased by approximately \$862,000 in 2019.
- ❖ The Hospital's total liabilities increased by approximately \$128,000, or 8.6%. Long-term debt decreased \$92,000 during fiscal year 2019.
- ❖ During the year, the Hospital's net patient revenue rose 2.7%. Operating expenses increased by roughly \$769,000, or 5.8% partially due to salary increases and hiring of new physicians. The Hospital had income from operation of \$721,000, which is 4.9% of total operating revenue.

Required Financial Statements

The financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements provide overall information about the Hospital's financial activities on both short-term and long-term basis. The Statements of Net Position present information about its assets (resources) and liabilities (the amounts obligated to its creditors). The Statements of Revenues, Expenses, and Changes in Net Position present information about the current and prior years' activities in revenues and expenses. This statement also provides useful information for determining whether the Hospital's patient service revenue and other revenue sources were sufficient to allow the Hospital to recover all of its costs. The final required financial statement is the Statement of Cash Flows which provides information about the Hospital's cash from operations, investing, and financing activities. In addition, this statement provides useful information to answer questions such as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Hospital

The Statements of Net Position and the Statements 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 them. Increases or decreases in the Hospital's net position are one of a number of indicators of whether its overall 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.

**Citizens Medical Center
Columbia, Louisiana**

Management's Discussion and Analysis

Net Position

A summary of the Hospital's Statements of Net Position are presented in the table below:

**TABLE 1
Condensed Statements of Net Position
(In thousands)**

	March 31,			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total current assets	\$ 13,375	\$ 12,146	\$ 10,468	\$ 11,184
Nondepreciable capital assets	205	167	158	133
Depreciable capital assets - net	3,851	4,022	3,963	3,393
Other assets, including assets whose use is limited	65	650	1,034	1,681
Deferred outflows of resources	<u>442</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Total Assets	 \$ <u>17,938</u>	 \$ <u>16,985</u>	 \$ <u>15,623</u>	 \$ <u>16,391</u>
 Total current liabilities	 \$ 1,335	 \$ 1,115	 \$ 1,169	 \$ 1,053
Long-term debt	<u>288</u>	<u>380</u>	<u>79</u>	<u>179</u>
 Total Liabilities	 <u>1,623</u>	 <u>1,495</u>	 <u>1,248</u>	 <u>1,232</u>
 Invested in capital assets, net of related debt	 3,471	 3,517	 3,784	 3,138
Restricted - unredeemed coupons	65	65	65	65
Unrestricted	<u>12,779</u>	<u>11,908</u>	<u>10,526</u>	<u>11,956</u>
 Total Liabilities and Net Position	 \$ <u>17,938</u>	 \$ <u>16,985</u>	 \$ <u>15,623</u>	 \$ <u>16,391</u>

A significant component of the change in the Hospital's current assets is the increase in cash and third-party payor settlements related to the Medicare and Medicaid cost settlements. Cash and cash equivalents increased by \$862,000 and \$1,374,000 in 2019 and 2018, respectively compared to a decrease of \$564,887 in 2017. Third-party payor settlements decreased in 2019 by \$214,000 compared to an increase of \$371,000 in 2018. Accounts receivable grew by \$520,000 due to issues with rural health clinic billing, new clinic billing and accounts associated with the new clinic.

**Citizens Medical Center
Columbia, Louisiana**

Management's Discussion and Analysis

Summary of Revenues, Expenses, and Changes in Net Position

The following table represents the Hospital's revenues, expenses, and changes in net position for the fiscal years ended March 31:

TABLE 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In thousands)

	March 31,			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Patient service revenue	\$ 12,653	\$ 12,326	\$ 10,914	\$ 10,759
Other revenue, net	<u>2,141</u>	<u>2,028</u>	<u>1,840</u>	<u>2,840</u>
 Total Operating Revenue	 <u>14,794</u>	 <u>14,354</u>	 <u>12,754</u>	 <u>13,599</u>
 Salaries and benefits	 8,626	 7,958	 8,339	 7,320
Supplies and drugs	1,118	1,140	1,163	1,236
Professional fees	2,052	2,039	1,900	2,039
Other expenses	1,426	1,362	1,396	1,419
Insurance	252	240	264	271
Depreciation and amortization	<u>599</u>	<u>565</u>	<u>539</u>	<u>548</u>
 Total Operating Expenses	 <u>14,073</u>	 <u>13,304</u>	 <u>13,601</u>	 <u>12,833</u>
 Operating income (loss)	 721	 1,050	 (847)	 766
Nonoperating income	<u>104</u>	<u>65</u>	<u>63</u>	<u>60</u>
 Changes in net position	 825	 1,115	 (784)	 826
 Beginning net position	 <u>15,491</u>	 <u>14,376</u>	 <u>15,160</u>	 <u>14,334</u>
 Ending Net Position	 <u>\$ 16,316</u>	 <u>\$ 15,491</u>	 <u>\$ 14,376</u>	 <u>\$ 15,160</u>

**Citizens Medical Center
Columbia, Louisiana**

Management's Discussion and Analysis

Sources of Revenue

Patient Service Revenue

During fiscal year 2019, 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 patients, or their third-party payors, 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. The difference between the covered charges and the established contract is recognized as a contractual adjustment. Total net patient service revenues increased by \$327,000 in 2019. The provision for bad debt increased by approximately \$99,000 compared to the previous year.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended March 31:

**TABLE 3
Payor Mix by Percentage**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare	32%	31%	30%	35%
Medicaid	34%	34%	31%	22%
Commercial insurance	31%	31%	33%	34%
Self-pay	<u>3%</u>	<u>4%</u>	<u>6%</u>	<u>9%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue includes cafeteria sales, rental income, grant income, and other miscellaneous services. Other revenue increased approximately \$113,000 or 5.6% for 2019.

**TABLE 4
Other Revenue
(in thousands)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cafeteria sales	\$ 12	\$ 11	\$ 14	\$ 19
Rentals	2	21	21	21
Sales tax	1,108	1,040	1,037	1,157
Grants	983	911	737	1,623
Miscellaneous	<u>36</u>	<u>45</u>	<u>31</u>	<u>19</u>
Total	<u>\$ 2,141</u>	<u>\$ 2,028</u>	<u>\$ 1,840</u>	<u>\$ 2,839</u>

**Citizens Medical Center
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Management's Discussion and Analysis

Grant Income

In fiscal year 2015, the Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital where by the Grantee (Hospital) receives an Intergovernmental Transfer to provide adequate and essential medically necessary health care services to the Grantee's service population. Grant income consists of Medicare and Medicaid grant monies received for meeting "meaningful use" standards for electronic health records as well as grants for providing healthcare to low income or indigent citizens of the community.

Miscellaneous Income

Miscellaneous income consists primarily of amounts received from processing Medicaid applications, clinic HPSA/PCP payments, group purchasing rebates, and claims settlements.

Investment Income

The Hospital earned \$137,000, \$71,000, \$74,000, and \$76,000, in interest income in fiscal years 2019, 2018, 2017, and 2016, respectively. Interest was earned on certificate of deposits with higher rates in fiscal year 2019.

Operating and Financial Performance

Patient Revenue

Table 5 below depicts Medicare and Medicaid patient revenue for the fiscal years ended March 31:

**TABLE 5
Patient Revenue
(in thousands)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Medicare and Medicaid gross patient charges	\$ 17,441	\$ 17,099	\$ 15,197	\$ 13,659
Contractual adjustments	<u>9,253</u>	<u>8,649</u>	<u>8,286</u>	<u>6,791</u>
Net Medicare and Medicaid revenue without Medicaid UCC	\$ <u>8,188</u>	\$ <u>8,450</u>	\$ <u>6,911</u>	\$ <u>6,868</u>
Percent of total gross charges	<u>64%</u>	<u>66%</u>	<u>61%</u>	<u>57%</u>
Percent of total net revenue	<u>65%</u>	<u>69%</u>	<u>63%</u>	<u>64%</u>

Gross patient service revenue increased by \$1,287,000, \$1,204,000, \$821,000, and \$928,000 in 2019, 2018, 2017, and 2016, respectively. An increase in allowances and uncollectibles of \$861,000 occurred in 2019. Charges were increased by 5% in fiscal year 2019 after remaining the same for a number of years. This aided in offsetting the loss of inpatient volume. The purchase of a new physician clinic also contributed to the increase in revenues.

**Citizens Medical Center
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Management's Discussion and Analysis

Medicare and Medicaid Patient Statistics

Table 6 is a comparison of the Hospital's Medicare and Medicaid discharges, patient days, and lengths of stay for the fiscal years ended March 31:

**TABLE 6
Medicare and Medicaid Patient Statistics**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Discharges:				
Adult and pediatric (A & P)	426	561	445	468
Medicare (included in A & P)	271	326	246	263
Medicaid (included in A & P)	72	107	64	66
Medicare swing bed	3	-0-	3	2
Patient days:				
Adult and pediatric (A & P)	1,816	2,459	1,859	2,283
Medicare (included in A & P)	1,172	1,475	1,102	1,521
Medicaid (included in A & P)	264	444	240	233
Swing bed	21	-0-	30	8
Medicare average length of stay	<u>4.32</u>	<u>4.52</u>	<u>4.48</u>	<u>5.78</u>
Medicaid average length of stay	<u>3.67</u>	<u>4.15</u>	<u>3.75</u>	<u>3.53</u>

Acute days decreased by 643 in fiscal year 2019 compared to an increase during fiscal year 2018 of 600 days, compared to decreases of 424 and 334 in 2017 and 2016, respectively. Medicare days decreased in 2019 by 303 after experiencing an increase in 2018 of 373. The Hospital also experienced a decrease of 180 Medicaid days.

Expenses

Overall expenses increased by \$769,000, decreased by \$297,000, increased by \$768,000 and \$243,000 in 2019, 2018, 2017, and 2016, respectively.

The increase in 2019 was due to increases in salaries and benefits of \$668,000, the 2018 decrease in expense was driven by a \$470,000 reduction in health insurance expense. Salaries increased \$67,000 in 2018, which is a slight increase compared to previous years. Salaries increased by \$467,000 and \$103,000 in 2017 and 2016, respectively.

**Citizens Medical Center
Columbia, Louisiana**

Management's Discussion and Analysis

Accounts Receivable

Table 7 below summarizes Accounts Receivable for the fiscal years ended March 31:

**TABLE 7
Accounts Receivable
(in thousands)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 3,603	\$ 3,043	\$ 3,168	\$ 4,004
Allowance for uncollectibles	<u>(1,116)</u>	<u>(1,076)</u>	<u>(1,077)</u>	<u>(1,588)</u>
Net accounts receivable	<u>\$ 2,487</u>	<u>\$ 1,967</u>	<u>\$ 2,091</u>	<u>\$ 2,416</u>

The increase in net accounts receivable in 2019 was driven by problems with billing with the rural health clinic, the new clinic and new accounts associated with the new clinic. Net accounts receivable has decreased in 2018 and 2017 by \$124,000 and \$345,000, respectively. The Hospital continues to work "old" accounts by sending them to collection agencies. If they are deemed uncollectible, accounts are written off consistent with the bad debt policy. Self-pay gross receivables (the financial class of the majority of the "old" accounts) has continued to decrease as these accounts are worked.

Capital Assets

At the end of 2019, the Hospital had \$3,851,000 invested in depreciable capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2019, the Hospital purchased capital assets costing approximately \$378,000 with \$48,000 in construction in progress. The majority of additions resulted from radiology equipment and upgrading the radiology room.

Table 8 below summarizes capital assets additions for the fiscal years ended March 31:

**TABLE 8
Capital Assets
(in thousands)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Building & land	\$ 22	\$ 142	\$ 990	\$ 131
Equipment	356	531	176	181
Construction in progress	<u>48</u>	<u>15</u>	<u>396</u>	<u>24</u>
Total capital additions	<u>\$ 426</u>	<u>\$ 688</u>	<u>\$ 1,562</u>	<u>\$ 336</u>

**Citizens Medical Center
Columbia, Louisiana**

Management's Discussion and Analysis

Debt

At year-end, the Hospital had \$380,000 in debt compared to \$505,000 on March 31, 2018. This decrease resulted from the Hospital paying off one capital lease and payments paid on the remaining CT lease. More detailed information about the Hospital's long-term liabilities is presented in the notes to the financial statements.

Contacting the Hospital's Financial Manager

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 the Hospital's Administration.



LESTER, MILLER & WELLS

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Independent Auditors' Report

To the Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
Columbia, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Hospital Service District No. 1, Parish of Caldwell, State of Louisiana d/b/a Citizens Medical Center (the "Hospital"), a component unit of the Caldwell Parish Police Jury, as of and for the years ended March 31, 2019, 2018, and 2017, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of March 31, 2019, 2018, and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Caldwell Parish Hospital Service District No. 1 and do not purport to, and do not, present fairly the financial position of the Caldwell Parish Police Jury as of March 31, 2019, 2018, and 2017, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The 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 financial statements. Such



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

September 20, 2019



CITIZENS MEDICAL CENTER
STATEMENTS OF NET POSITION
MARCH 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Current			
Cash and cash equivalents (Notes 2 & 3)	\$ 1,852,561	\$ 1,684,393	\$ 766,764
Short-term investments	7,712,950	7,019,385	6,562,801
Accounts receivable, net of allowances for uncollectibles (Note 4)	2,487,425	1,967,054	2,091,362
Other receivables	15,472	6,411	12,337
Estimated third-party payor settlements	731,912	946,296	575,475
Inventory	344,358	317,429	298,383
Prepays	<u>230,301</u>	<u>205,415</u>	<u>161,244</u>
Total Current Assets	<u>13,374,979</u>	<u>12,146,383</u>	<u>10,468,366</u>
Non-Current Assets			
Assets limited as to use (Note 6)	65,123	65,123	65,123
Nondepreciable capital assets (Note 5)	204,706	166,935	157,638
Depreciable capital assets, net (Note 5)	3,851,307	4,022,307	3,963,090
Long-term investments	<u>-0-</u>	<u>584,797</u>	<u>968,857</u>
Total Assets	<u>17,496,115</u>	<u>16,985,545</u>	<u>15,623,074</u>
Deferred Outflows of Resources			
Excess consideration provided for acquisition	<u>442,108</u>	<u>-0-</u>	<u>-0-</u>
Total Deferred Outflows of Resources	<u>442,108</u>	<u>-0-</u>	<u>-0-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 17,938,223</u>	<u>\$ 16,985,545</u>	<u>\$ 15,623,074</u>
<u>LIABILITIES AND NET POSITION</u>			
Current			
Accounts payable	\$ 251,306	\$ 264,039	\$ 245,442
Accrued expenses	985,885	715,200	769,332
Estimated third-party payor settlements	5,341	10,562	54,521
Current portion of capital lease obligations (Note 8)	<u>91,755</u>	<u>125,218</u>	<u>100,007</u>
Total Current Liabilities	<u>1,334,287</u>	<u>1,115,019</u>	<u>1,169,302</u>
Long-term			
Capital lease obligations (Note 8)	<u>288,180</u>	<u>379,935</u>	<u>78,520</u>
Total Liabilities	<u>1,622,467</u>	<u>1,494,954</u>	<u>1,247,822</u>
Net Position			
Net investment in capital assets	3,471,372	3,517,154	3,784,563
Restricted - Unredeemed coupons	65,123	65,123	65,123
Unrestricted	<u>12,779,261</u>	<u>11,908,314</u>	<u>10,525,566</u>
Total Net Position	<u>16,315,756</u>	<u>15,490,591</u>	<u>14,375,252</u>
Total Liabilities and Net Position	<u>\$ 17,938,223</u>	<u>\$ 16,985,545</u>	<u>\$ 15,623,074</u>

See accompanying notes to financial statements.

CITIZENS MEDICAL CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues			
Patient service revenue (Note 10)	\$ 12,652,792	\$ 12,325,576	\$ 10,914,135
Sales tax	1,108,123	1,039,802	1,037,101
Grants	983,401	910,810	737,105
Other operating revenue	<u>49,817</u>	<u>77,737</u>	<u>65,909</u>
 Total Revenues	 <u>14,794,133</u>	 <u>14,353,925</u>	 <u>12,754,250</u>
Expenses			
Salaries	7,039,099	6,444,224	6,377,280
Benefits and payroll taxes	1,586,923	1,514,008	1,962,064
Supplies and drugs	1,117,836	1,139,764	1,162,826
Professional fees	2,051,938	2,038,645	1,899,924
Other expenses	1,426,110	1,362,481	1,396,411
Insurance	252,325	239,666	264,255
Depreciation and amortization	<u>598,562</u>	<u>565,323</u>	<u>538,666</u>
 Total Expenses	 <u>14,072,793</u>	 <u>13,304,111</u>	 <u>13,601,426</u>
 Operating Income (Loss)	 721,340	 1,049,814	 (847,176)
Nonoperating Income (Loss)			
Interest income	137,366	71,111	74,094
Interest expense	(33,541)	(10,847)	(11,789)
Gain (loss) on disposal of assets	<u>-0-</u>	<u>5,261</u>	<u>383</u>
 Changes in Net Position	 <u>825,165</u>	 <u>1,115,339</u>	 <u>(784,488)</u>
 Beginning Net Position	 <u>15,490,591</u>	 <u>14,375,252</u>	 <u>15,159,740</u>
 Ending Net Position	 \$ <u>16,315,756</u>	 \$ <u>15,490,591</u>	 \$ <u>14,375,252</u>

See accompanying notes to financial statements.

CITIZENS MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 12,341,584	\$ 12,035,104	\$ 11,134,910
Other receipts from operations	2,132,280	2,034,275	1,837,758
Cash payments for other operating expenses	(4,912,757)	(4,825,176)	(4,780,773)
Cash payments to employees and for employee-related costs	<u>(8,355,337)</u>	<u>(8,012,364)</u>	<u>(8,238,312)</u>
Net cash provided (used) by operating activities	<u>1,205,770</u>	<u>1,231,839</u>	<u>(46,417)</u>
Cash flows from investing activities:			
Interest income	137,366	71,111	74,094
Proceeds from sale of certificates of deposit	584,797	384,060	647,322
Cash invested in certificates of deposit	<u>(693,565)</u>	<u>(456,584)</u>	<u>(200,546)</u>
Net cash provided (used) by investing activities	<u>28,598</u>	<u>(1,413)</u>	<u>520,870</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(125,218)	(155,436)	(95,015)
Interest expense	(33,541)	(10,847)	(11,789)
Proceeds from sale of capital assets	-0-	5,261	383
Acquisition of physician practice	(491,231)	-0-	-0-
Acquisition of capital assets	<u>(416,210)</u>	<u>(151,775)</u>	<u>(1,133,465)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,066,200)</u>	<u>(312,797)</u>	<u>(1,239,886)</u>
Net increase (decrease) in cash and cash equivalents	168,168	917,629	(765,433)
Beginning cash and cash equivalents	<u>1,684,393</u>	<u>766,764</u>	<u>1,532,197</u>
Ending cash and cash equivalents	\$ <u><u>1,852,561</u></u>	\$ <u><u>1,684,393</u></u>	\$ <u><u>766,764</u></u>

See accompanying notes to financial statements.

CITIZENS MEDICAL CENTER
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>33,541</u>	\$ <u>10,847</u>	\$ <u>11,789</u>
Equipment acquired under capital lease	\$ <u>-0-</u>	\$ <u>482,062</u>	\$ <u>-0-</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 721,340	\$ 1,049,814	\$ (847,176)
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation and amortization	598,562	565,323	538,666
Change in current assets (increase) decrease			
Accounts receivable, net	(520,371)	124,308	344,576
Other receivables	(9,061)	5,926	(2,357)
Estimated third-party payor settlements	214,384	(370,821)	(178,322)
Inventory	(26,929)	(19,046)	(8,664)
Prepays	(24,886)	(44,171)	(4,250)
Change in current liabilities (increase) decrease			
Accounts payable	(12,733)	18,597	(44,443)
Accrued expenses	270,685	(54,132)	101,032
Estimated third-party payor settlements	<u>(5,221)</u>	<u>(43,959)</u>	<u>54,521</u>
Net cash provided (used) by operating activities	\$ <u>1,205,770</u>	\$ <u>1,231,839</u>	\$ <u>(46,417)</u>

See accompanying notes to financial statements.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Caldwell Parish Hospital Service District No. 1 (the "Hospital" or the "District") was created by an ordinance of the Caldwell Parish Police Jury. The District is comprised of and embraces the territory contained within the Parish of Caldwell, State of Louisiana, as constituted as of the date of the ordinance.

The Hospital is a political subdivision of the Caldwell Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Caldwell Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Caldwell Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Caldwell Parish Police Jury 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 District and do not present information on the Police Jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The Hospital provides outpatient, emergency, rural health clinic, skilled nursing (through "swing-beds"), and acute inpatient services.

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.

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus.

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 ninety (90) days or less. Certificates of deposit with original maturities of ninety (90) days to one (1) year are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. Certificates of deposit with original maturities of over one (1) year are classified as long-term investments. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

The Hospital provides medical care primarily to Caldwell Parish residents and grants credit to patients substantially all of whom are local residents.

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 10. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

The Hospital has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the Hospital is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges for the services provided, less an estimate made for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by utilizing a historical experience applied to an aging of accounts. Patient accounts receivable are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expense are recorded as a reduction of bad debt expense when received.

Inventory

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

Income Taxes

The entity is a political subdivision and exempt from taxation.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 to 20 years
Intangibles	3 to 8 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are currently credited or charged to nonoperating revenue.

Net Position

The Hospital classifies net position into three components: invested in capital assets, net of related debt; restricted, and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, or contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Revenues and Expenses

The Hospital's Statements 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. Operating revenue also includes sales taxes passed to provide the Hospital with revenue to operate and maintain the Hospital. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Restricted Revenues

When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions

From time to time, the Hospital receives grants and contributions from the State of Louisiana, individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Use of Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then. The Hospital does have an item that qualifies for reporting in this category.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until then. The Hospital does not currently have any items that qualify for reporting in this category.

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 medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Hospital. At March 31, 2019, 2018, and 2017, management is not aware of any liability resulting from environmental matters.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Hospital expenses advertising cost as incurred. Advertising expense for the years ended March 31, 2019, 2018, and 2017 totaled \$56,963, \$44,668, and \$73,685, respectively.

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.

Recently Issued Accounting Principles

In March 2018, the GASB issued Statement No. 85 (GASB 85). The objective of GASB Statement No. 85 Omnibus 2018, is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018.

In June 2018, the GASB issued Statement No. 87 (GASB 87). The objective of GASB Statement No. 87, Leases, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increased the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classifications.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investing is performed in accordance with investment policies complying with state statutes. 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. 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 bank's records.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Account balances according to banks' records at March 31, 2019 for the Hospital are as follows:

	Homeland Federal Savings Bank	Caldwell Bank & Trust	Delta Bank
Cash in banks	\$ <u>9,642,688</u>	\$ <u>177,289</u>	\$ <u>14,559</u>
Insured by FDIC	\$ <u>500,000</u>	\$ <u>177,289</u>	\$ <u>14,559</u>
Collateralization by pledged securities	\$ <u>9,142,688</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

Custodial Credit Risks - 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. The Hospital's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name at March 31, 2019, 2018, and 2017.

Concentration of Credit Risks - The Hospital has 98% of its cash and cash equivalents at Homeland Federal Savings Bank in checking and certificates of deposit.

Interest Rate Risks - 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 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.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Carrying amount			
Deposits	\$ 376,021	\$ 526,260	\$ 710,413
Investments	<u>9,254,613</u>	<u>8,827,438</u>	<u>7,653,132</u>
	<u>\$ 9,630,634</u>	<u>\$ 9,353,698</u>	<u>\$ 8,363,545</u>
Included in the following statements of net position captions:			
Current assets			
Cash and cash equivalents	\$ 1,852,561	\$ 1,684,393	\$ 766,764
Short-term investments	7,712,950	7,019,385	6,562,801
Noncurrent cash and investments			
Long-term investments	-0-	584,797	968,857
Held for debt service	<u>65,123</u>	<u>65,123</u>	<u>65,123</u>
	<u>\$ 9,630,634</u>	<u>\$ 9,353,698</u>	<u>\$ 8,363,545</u>

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable at March 31 is presented below:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Patient accounts receivable	\$ 3,603,425	\$ 3,043,054	\$ 3,168,362
Estimated uncollectibles	<u>(1,116,000)</u>	<u>(1,076,000)</u>	<u>(1,077,000)</u>
Net accounts receivable	<u>\$ 2,487,425</u>	<u>\$ 1,967,054</u>	<u>\$ 2,091,362</u>

The following is a mix of receivables from patients and third-party payors at March 31:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Medicare	22%	20%	23%
Medicaid	25%	26%	20%
Commercial and other third-party payors	20%	17%	20%
Patients	<u>33%</u>	<u>37%</u>	<u>37%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 5 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation at March 31:

	<u>2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>2019</u>
Nondepreciable capital assets					
Land	\$ 113,989	\$ -0-	\$ -0-	\$ -0-	\$ 113,989
Construction in progress	10,439	48,210	10,439	-0-	48,210
Minor equipment	<u>42,507</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>42,507</u>
Total nondepreciable capital assets	\$ <u>166,935</u>	\$ <u>48,210</u>	\$ <u>10,439</u>	\$ <u>-0-</u>	\$ <u>204,706</u>
Depreciable capital assets					
Land improvements	\$ 66,522	\$ -0-	\$ -0-	\$ -0-	\$ 66,522
Buildings	7,316,534	21,761	-0-	377	7,338,672
Furniture and equipment	4,673,704	356,302	-0-	-0-	5,030,006
Property held under capital leases	<u>607,062</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>607,062</u>
Total depreciable capital assets	12,663,822	378,063	-0-	377	13,042,262
Accumulated depreciation	<u>8,641,515</u>	<u>549,440</u>	<u>-0-</u>	<u>-0-</u>	<u>9,190,955</u>
Total depreciable capital assets	\$ <u>4,022,307</u>	\$ <u>(171,377)</u>	\$ <u>-0-</u>	\$ <u>377</u>	\$ <u>3,851,307</u>
	<u>2017</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>2018</u>
Nondepreciable capital assets					
Land	\$ 113,989	\$ -0-	\$ -0-	\$ -0-	\$ 113,989
Construction in progress	1,142	15,325	6,028	-0-	10,439
Minor equipment	<u>42,507</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>42,507</u>
Total nondepreciable capital assets	\$ <u>157,638</u>	\$ <u>15,325</u>	\$ <u>6,028</u>	\$ <u>-0-</u>	\$ <u>166,935</u>
Depreciable capital assets					
Land improvements	\$ 66,522	\$ -0-	\$ -0-	\$ -0-	\$ 66,522
Buildings	7,174,289	142,245	-0-	-0-	7,316,534
Furniture and equipment	4,625,239	48,465	-0-	-0-	4,673,704
Property held under capital leases	<u>485,888</u>	<u>482,062</u>	<u>360,888</u>	<u>-0-</u>	<u>607,062</u>
Total depreciable capital assets	12,351,938	672,772	360,888	-0-	12,663,822
Accumulated depreciation	<u>8,388,848</u>	<u>565,323</u>	<u>312,656</u>	<u>-0-</u>	<u>8,641,515</u>
Total depreciable capital assets	\$ <u>3,963,090</u>	\$ <u>107,449</u>	\$ <u>48,232</u>	\$ <u>-0-</u>	\$ <u>4,022,307</u>

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 5 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets and related accumulated depreciation at March 31:

	<u>2016</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>2017</u>
Nondepreciable capital assets					
Land	\$ 113,989	\$ -0-	\$ -0-	\$ -0-	\$ 113,989
Construction in progress	24,038	396,020	418,916	-0-	1,142
Minor equipment	<u>42,507</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>42,507</u>
Total nondepreciable capital assets	\$ <u>180,534</u>	\$ <u>396,020</u>	\$ <u>418,916</u>	\$ <u>-0-</u>	\$ <u>157,638</u>
Depreciable capital assets					
Land improvements	\$ 66,522	\$ -0-	\$ -0-	\$ -0-	\$ 66,522
Buildings	6,184,221	990,068	-0-	-0-	7,174,289
Furniture and equipment	4,592,505	175,910	143,176	-0-	4,625,239
Property held under capital leases	<u>485,888</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>485,888</u>
Total depreciable capital assets	11,329,136	1,165,978	143,176	-0-	12,351,938
Accumulated depreciation	<u>7,983,741</u>	<u>538,666</u>	<u>133,559</u>	<u>-0-</u>	<u>8,388,848</u>
Total depreciable capital assets	\$ <u>3,345,395</u>	\$ <u>627,312</u>	\$ <u>9,617</u>	\$ <u>-0-</u>	\$ <u>3,963,090</u>

In the previously issued financial statements, intangibles, construction in progress, and minor equipment were classified under capital assets on the statement of net position. In these financial statements, intangibles are classified as capital assets while construction in progress and minor equipment are classified as nondepreciable assets. The reclassifications impacted the amount considered as invested in capital assets, net of related debt.

A summary of assets held under capital leases, which are included in capital assets at March 31 follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Equipment under capital lease	\$ 607,062	\$ 607,062	\$ 485,888
Accumulated depreciation	<u>237,481</u>	<u>120,236</u>	<u>331,675</u>
Net	\$ <u>369,581</u>	\$ <u>486,826</u>	\$ <u>154,213</u>

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 6 - ASSETS LIMITED AS TO USE

The following assets are limited as to use as designated below:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Restricted by third-parties</u>			
Bond sinking fund (unredeemed coupons)	\$ <u>65,123</u>	\$ <u>65,123</u>	\$ <u>65,123</u>
Total assets limited as to use	\$ <u>65,123</u>	\$ <u>65,123</u>	\$ <u>65,123</u>

NOTE 7 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid days off depending on length of service. The Hospital accrued \$464,047, \$389,511, and \$364,742 of vacation pay at March 31, 2019, 2018, and 2017, respectively. It is impractical to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 8 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations, at March 31, follows:

	March 31, <u>2018</u>	<u>Additions</u>	<u>Payments</u>	March 31, <u>2019</u>	Due Within <u>One Year</u>
Capital lease obligations	\$ <u>505,153</u>	\$ <u>-0-</u>	\$ <u>125,218</u>	\$ <u>379,935</u>	\$ <u>91,755</u>
	March 31, <u>2017</u>	<u>Additions</u>	<u>Payments</u>	March 31, <u>2018</u>	Due Within <u>One Year</u>
Capital lease obligations	\$ <u>178,527</u>	\$ <u>482,062</u>	\$ <u>155,436</u>	\$ <u>505,153</u>	\$ <u>125,218</u>
	March 31, <u>2016</u>	<u>Additions</u>	<u>Payments</u>	March 31, <u>2017</u>	Due Within <u>One Year</u>
Capital lease obligations	\$ <u>273,542</u>	\$ <u>-0-</u>	\$ <u>95,015</u>	\$ <u>178,527</u>	\$ <u>100,007</u>

The following are the terms and due dates of the Hospital's long-term debt at March 31:

- Siemens capital lease for lab equipment at 5.00% due in 60 monthly installments of \$2,083 through January 31, 2019, secured by equipment.
- Toshiba capital lease for radiology equipment at 5.34% due in 60 monthly installments of \$9,152 through January 10, 2023, secured by equipment.

CITIZENS MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 8 - LONG-TERM DEBT (Continued)

Minimum future lease payments under capital leases at March 31, 2019, and for each subsequent year in aggregate are provided below:

Years Ending March 31,	Capital Lease Obligations	
	Principal	Interest
2020	\$ 91,755	\$ 18,075
2021	96,779	13,050
2022	102,078	7,751
2023	<u>89,323</u>	<u>2,202</u>
Total	\$ <u>379,935</u>	\$ <u>41,078</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. The following is a schedule by year of future minimum lease payments under operating leases as of March 31, 2019, that have initial or remaining lease terms in excess of one year.

Years Ending <u>March 31,</u>	<u>Amount</u>
2019	\$ <u>1,020</u>
Total minimum lease payments	\$ <u>1,020</u>

NOTE 10 - 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 is classified as a Medicare Dependent Hospital and has received \$529,236, \$769,919, and \$552,560, in additional reimbursement in 2019, 2018, and 2017, respectively. This classification and related additional reimbursement expires for discharges on and after September 30, 2022, without change in Medicare law. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through March 31, 2017.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 10 - PATIENT SERVICE REVENUE (Continued)

Medicaid - Inpatient 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. The Hospital's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through March 31, 2015.

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.

The following is a summary of the Hospital's patient service revenue for the years ended March 31:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Gross charges	\$ 27,340,250	\$ 26,090,329	\$ 24,917,786
Less charges associated with charity patients	<u>(9,075)</u>	<u>(45,841)</u>	<u>(77,686)</u>
Gross patient service revenue	27,331,175	26,044,488	24,840,100
Less deductions from revenue:			
Contractual adjustments	(13,625,240)	(12,691,143)	(12,557,831)
Uncompensated cost reimbursement	-0-	-0-	240,239
Policy and other discounts	<u>(45,528)</u>	<u>(119,076)</u>	<u>(211,590)</u>
Patient service revenue (net of contractual adjustments and discounts)	13,660,407	13,234,269	12,310,918
Less provision for bad debts	<u>(1,007,615)</u>	<u>(908,693)</u>	<u>(1,396,783)</u>
Patient Service Revenue	\$ <u>12,652,792</u>	\$ <u>12,325,576</u>	\$ <u>10,914,135</u>

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and its finalized amounts. These adjustments resulted in an increase in net income of \$87,915 for 2018. Cost reports thereafter remain subject to audit and changes in estimated settlements.

CITIZENS MEDICAL CENTER
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 10 - PATIENT SERVICE REVENUE (Continued)

The Hospital receives a substantial portion of its revenue from third-party payors at discounted rates. The following percentages reflect service volumes for significant payors for the years ended March 31:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Percent Medicare of total gross patient charges	<u>32%</u>	<u>31%</u>	<u>30%</u>
Percent Medicare of total net patient revenue	<u>31%</u>	<u>28%</u>	<u>24%</u>
Percent Medicaid of total gross patient charges	<u>34%</u>	<u>35%</u>	<u>31%</u>
Percent Medicaid of total net patient revenue	<u>39%</u>	<u>40%</u>	<u>43%</u>
Percent Blue Cross of total gross patient charges	<u>9%</u>	<u>11%</u>	<u>11%</u>
Percent Blue Cross of total net patient revenue	<u>10%</u>	<u>13%</u>	<u>15%</u>

NOTE 11 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk.

The fund places no limitation on the number of occurrences covered. In connection with the establishment of the PCF, 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's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the Hospital. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has not included these allocations of income and equity amounts assigned to the Hospital by the Trust Fund in its financial statements.

NOTE 12 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical and drug coverage for its employees. The Hospital entered into an agreement on December 30, 2003, with a third-party administrator (Insurance Management Administrators) to administer the plan. The plan year runs from December 1 through November 30. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier provides for payment of 100% of claims in excess of \$55,000 per covered individual. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, and frequency of claims. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 12 - EMPLOYEE MEDICAL BENEFIT PLAN (Continued)

The following is a summary of changes in the Hospital's claims liability for the year ended March 31:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning of the year	\$ 125,202	\$ 219,278	\$ 133,233
Plus: Claims incurred and changes in estimate, net of reinsurance	892,211	857,836	1,327,892
Less: Claims paid	<u>741,246</u>	<u>951,912</u>	<u>1,241,847</u>
End of the year, included in accrued expenses	\$ <u>276,167</u>	\$ <u>125,202</u>	\$ <u>219,278</u>

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies are considered necessary. 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 program, 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 determinations. 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 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 Liability Risk (Note 11) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Hospital's insurance carrier.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

Workers' Compensation Risk - The Hospital participates in the Louisiana Hospital Association Self-Insurance Workers' Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. The trust fund presumes to be a "Grantor Trust" and income and expenses are prorated to member hospitals. The Hospital has not included these allocations of income and equity amounts assigned to the Hospital by the Trust Fund in its financial statements.

NOTE 14 - RETIREMENT PLAN

Effective January 1, 2008, 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 contribute to the plan on the following quarter after completing ninety (90) days of employment and reaching the age of 21. Employees are immediately 100% vested in their contributions to the plan through a salary reduction agreement. In fiscal year 2019, 2018, and 2017, employees contributed \$294,499, \$262,925, and \$256,111, respectively.

Effective January 1, 2008, the Hospital began sponsoring a money purchase pension plan (exempt under Section 401(a) of the Internal Revenue Code). After one year of employment, the Hospital will contribute a 1% discretionary match of all participating eligible employees' salaries per pay period. In addition to this discretionary match, the Hospital contributes a match amount equal to the 457(b) employee deferral contribution up to a maximum of 5% of compensation for participating employees. The employee will be 100% vested after three years of eligibility. In fiscal year 2019, 2018, and 2017, the Hospital contributed \$237,957, \$231,158, and \$204,704, respectively.

The Hospital's forfeiture policy is to notify Security Benefit who moves the forfeited funds into a forfeiture account. The forfeited funds are then subtracted from the employer amount due to the plan at next payroll date. In fiscal years 2019, 2018, and 2017, forfeitures of \$737, \$1,099, and \$1,463 occurred, respectively. Security Benefit administers the above 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.

NOTE 15 - 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 \$4,671, \$23,374, and \$42,409, for the years ended March 31, 2019, 2018, and 2017, respectively. Funds received through UCC and grants, which pay part of the cost of charity and uninsured care, were approximately \$3,861, \$20,592, and \$38,229, for the years ended March 31, 2019, 2018, and 2017, respectively.

CITIZENS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019, 2018, AND 2017

NOTE 16 - GRANT REVENUE

The Hospital recognized operating grant income of \$112,504 from Medicare during the year ended March 31, 2018 as an incentive for implementing electronic health records (EHR).

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

NOTE 17 - INTERGOVERNMENTAL TRANSFER GRANTS

The District (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to Grantee's service population subject to the availability of such grant funds. The aggregate grant revenue is \$979,651, \$796,100, and \$737,105, for fiscal years 2019, 2018, and 2017, respectively.

NOTE 18 - SALES TAX REVENUE

On April 2, 1977, the voters of the District passed a perpetual one percent sales tax. The sales tax collection is for the purposes of "constructing, acquiring, extending, improving, maintaining and/or operating a hospital for the parish and acquiring the necessary land, equipment, and furnishings therefore". Sales tax revenue is approximately 7%, 7%, and 8% of the total revenues in fiscal years 2019, 2018, and 2017, respectively.

NOTE 19 - SUBSEQUENT EVENTS

The Hospital signed an agreement to replace the computer system at a cost of \$600,000 in May 2019. The Hospital also entered into an agreement after year end to expand the lab at a cost of \$402,000.

Events have been evaluated through September 20, 2019 for subsequent event disclosure. This date is the date the financial statements were available to be issued.

NOTE 20 - COMMISSIONERS

The following commissioners served Citizens Medical Center without compensation during the year ended March 31, 2019:

Ms. Barbara Davis
Mr. Tom D. Gay
Ms. Mary Norris
Mr. Robert S. Wallace
Mr. Louis Champagne

SUPPLEMENTARY INFORMATION

CITIZENS MEDICAL CENTER
SCHEDULES OF PATIENT SERVICE REVENUE
YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Routine Services:			
Adult and pediatric	\$ 1,096,000	\$ 982,400	\$ 726,800
Swing bed	<u>12,600</u>	<u>-0-</u>	<u>12,000</u>
Total Routine Services	<u>1,108,600</u>	<u>982,400</u>	<u>738,800</u>
Other Professional Services:			
Operating room			
Inpatient	42,569	79,433	73,106
Outpatient	<u>782,338</u>	<u>644,366</u>	<u>657,375</u>
Total	<u>824,907</u>	<u>723,799</u>	<u>730,481</u>
Anesthesia			
Inpatient	26,327	43,714	31,110
Outpatient	<u>283,654</u>	<u>253,485</u>	<u>261,205</u>
Total	<u>309,981</u>	<u>297,199</u>	<u>292,315</u>
Radiology			
Inpatient	716,551	764,231	626,525
Outpatient	<u>5,238,748</u>	<u>4,639,774</u>	<u>4,709,026</u>
Total	<u>5,955,299</u>	<u>5,404,005</u>	<u>5,335,551</u>
Laboratory			
Inpatient	639,812	778,921	563,893
Outpatient	<u>3,504,085</u>	<u>3,454,334</u>	<u>3,464,224</u>
Total	<u>4,143,897</u>	<u>4,233,255</u>	<u>4,028,117</u>
IV solutions			
Inpatient	1,196	1,716	1,144
Outpatient	<u>21,580</u>	<u>24,927</u>	<u>26,315</u>
Total	\$ <u>22,776</u>	\$ <u>26,643</u>	\$ <u>27,459</u>

CITIZENS MEDICAL CENTER
SCHEDULES OF PATIENT SERVICE REVENUE (Continued)
YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Respiratory therapy			
Inpatient	\$ 337,012	\$ 470,100	\$ 330,096
Outpatient	<u>151,731</u>	<u>132,948</u>	<u>155,682</u>
Total	<u>488,743</u>	<u>603,048</u>	<u>485,778</u>
EKG			
Inpatient	105,924	150,459	91,594
Outpatient	<u>379,501</u>	<u>346,063</u>	<u>373,595</u>
Total	<u>485,425</u>	<u>496,522</u>	<u>465,189</u>
Central supply			
Inpatient	641,977	831,934	585,335
Outpatient	<u>1,162,143</u>	<u>1,013,531</u>	<u>1,011,188</u>
Total	<u>1,804,120</u>	<u>1,845,465</u>	<u>1,596,523</u>
Pharmacy			
Inpatient	1,232,016	1,466,929	1,218,319
Outpatient	<u>994,568</u>	<u>918,618</u>	<u>1,167,429</u>
Total	<u>2,226,584</u>	<u>2,385,547</u>	<u>2,385,748</u>
Emergency room			
Inpatient	329,340	583,237	429,895
Outpatient	<u>4,234,369</u>	<u>4,351,722</u>	<u>4,466,875</u>
Total	<u>4,563,709</u>	<u>4,934,959</u>	<u>4,896,770</u>
Observation room			
Inpatient	80,701	43,386	61,287
Outpatient	<u>653,971</u>	<u>350,849</u>	<u>388,216</u>
Total	<u>734,672</u>	<u>394,235</u>	<u>449,503</u>
Rural health clinic			
Outpatient	\$ <u>3,295,204</u>	\$ <u>3,428,016</u>	\$ <u>3,288,237</u>

CITIZENS MEDICAL CENTER
SCHEDULES OF PATIENT SERVICE REVENUE (Continued)
YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Columbia Medical Clinic Outpatient	\$ <u>975,893</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Hospitalist Inpatient	<u>400,440</u>	<u>335,236</u>	<u>197,315</u>
Total Other Professional Services	<u>26,231,650</u>	<u>25,107,929</u>	<u>24,178,986</u>
Gross Charges	27,340,250	26,090,329	24,917,786
Less charges associated with charity patients	<u>9,075</u>	<u>45,841</u>	<u>77,686</u>
Gross Patient Service Revenue	27,331,175	26,044,488	24,840,100
Deductions from revenue:			
Medicare and Medicaid contractual allowances	9,252,568	8,648,822	8,285,976
Uncompensated cost reimbursement	-0-	-0-	(230,249)
Other contractual allowances	4,372,672	4,042,321	4,261,865
Policy and other discounts	<u>45,528</u>	<u>119,076</u>	<u>211,590</u>
Patient service revenue (net of contractual adjustments and discounts)	13,660,407	13,234,269	12,310,918
Less provision for bad debt	<u>1,007,615</u>	<u>908,693</u>	<u>1,396,783</u>
Net patient service revenue less provision for bad debt	\$ <u><u>12,652,792</u></u>	\$ <u><u>12,325,576</u></u>	\$ <u><u>10,914,135</u></u>

CITIZENS MEDICAL CENTER
SCHEDULES OF OTHER OPERATING REVENUE
YEARS ENDED MARCH 31

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cafeteria sales	\$ 11,578	\$ 11,277	\$ 14,000
Physician office rentals	1,570	21,000	21,000
Medical records abstract fees	9,257	7,603	6,046
Miscellaneous	<u>27,412</u>	<u>37,857</u>	<u>24,863</u>
 Total Other Operating Revenue	 \$ <u>49,817</u>	 \$ <u>77,737</u>	 \$ <u>65,909</u>

CITIZENS MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Administrative and general	\$ 728,714	\$ 710,547	\$ 678,296
Plant operations and maintenance	109,395	107,094	105,620
Housekeeping	245,094	212,665	222,762
Dietary and cafeteria	222,240	179,563	177,397
Central supply	25,906	23,858	25,024
Pharmacy	283,405	284,086	227,601
Medical records	158,562	142,972	139,166
Nursing services	1,248,921	1,214,952	1,272,223
Operating room	212,048	212,278	210,503
Anesthesiology	198,834	193,351	188,809
Radiology	302,731	290,061	283,527
Laboratory	588,825	559,536	553,653
Respiratory care	150,087	159,453	158,187
Emergency room	355,835	360,398	337,939
Rural health clinic	1,660,081	1,793,410	1,796,573
Columbia Medical	548,421	-0-	-0-
	<u>7,039,099</u>	<u>6,444,224</u>	<u>6,377,280</u>
Total Salaries			
Payroll taxes	456,755	425,014	429,468
Health insurance	892,211	857,836	1,327,892
Retirement	237,957	231,158	204,704
	<u>1,586,923</u>	<u>1,514,008</u>	<u>1,962,064</u>
Total Benefits			
Total Salaries and Benefits	\$ <u>8,626,022</u>	\$ <u>7,958,232</u>	\$ <u>8,339,344</u>

CITIZENS MEDICAL CENTER
 SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
 YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Nursing service	\$ 9,150	\$ 11,125	\$ 6,525
Radiology	238,180	240,806	233,820
Laboratory	140,712	119,694	112,202
Respiratory therapy	-0-	21,000	21,000
EKG	2,410	44,825	44,570
Emergency room	1,633,586	1,581,068	1,448,872
Rural health clinic	<u>27,900</u>	<u>20,127</u>	<u>32,935</u>
 Total Professional Fees	 \$ <u>2,051,938</u>	 \$ <u>2,038,645</u>	 \$ <u>1,899,924</u>

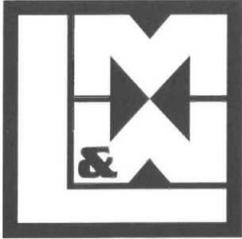
CITIZENS MEDICAL CENTER
SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED MARCH 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Miscellaneous service fees	\$ 142,333	\$ 113,440	\$ 108,238
Legal and accounting	100,257	72,972	77,014
Supplies	294,998	281,750	287,691
Repairs and maintenance	247,034	274,768	282,961
Utilities	146,490	161,099	177,156
Telephone	99,075	103,066	76,733
Travel	10,027	15,342	16,758
Rentals	23,388	18,936	12,646
Education	12,787	6,946	12,410
Dues and subscriptions	140,072	130,382	132,029
Intergovernmental fee	81,453	70,473	81,001
Intergovernmental administrative fee	10,207	6,729	9,676
Recruitment and advertising	56,963	44,668	73,685
Miscellaneous	<u>61,026</u>	<u>61,910</u>	<u>48,413</u>
 Total Other Expenses	 \$ <u>1,426,110</u>	 \$ <u>1,362,481</u>	 \$ <u>1,396,411</u>

CITIZENS MEDICAL CENTER
 SCHEDULE OF COMPENSATION, BENEFITS, AND
 OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER
 YEAR ENDED MARCH 31, 2019

Agency Head Name: Steve Barbo
 Position: Chief Executive Officer
 Time Period: April 1, 2018 through March 31, 2019

<u>Purpose</u>	<u>Amount</u>
Salary	202,355
Health insurance	5,006
Retirement	11,257
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	18



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INDEPENDENT AUDITORS' 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

Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
Columbia, Louisiana

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 financial statements of Hospital Service District No. 1, Parish of Caldwell, a component unit of the Caldwell Parish Police Jury, ("the Hospital") as of and for the years ended March 31, 2019, 2018, and 2017, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 20, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2019-001, 2019-002, and 2019-003.

Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
Columbia, Louisiana
Page Two

Compliance and Other Matters

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

Hospital's Response to Findings

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

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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Commissioners, management, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

September 20, 2019



CITIZENS MEDICAL CENTER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2019

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified – No
- Significant deficiencies identified – Yes

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – Not applicable

Section II. Financial Statement Findings

FINDING 2019-001 - Third-Party Payor Settlements

Fiscal Year Initially Reported: March 31, 2016

Finding: An estimate for Medicare and Medicaid cost report settlements was not recorded. Therefore, patient service revenue was understated by approximately \$302,000 and the related receivables were understated by the same amount.

Recommendation: Management should prepare an interim estimate of the Medicare and Medicaid cost report settlements and record periodically.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency. As it is impracticable for management to make such estimates, differences between interim payments and future cost report settlements will be charged to or against income in future periods when determinable.

FINDING 2019-002 - Draft of Financial Statements

Fiscal Year Initially Reported: March 31, 2008

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, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote



CITIZENS MEDICAL CENTER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2019

Section II. Financial Statement Findings (Continued)

FINDING 2019-002 - Draft of Financial Statements (Continued)

disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

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

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency.

FINDING 2019-003 - Segregation of Duties

Fiscal Year Initially Reported: March 31, 2008

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: Due to limited staffing with the technical skills to perform these duties, management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Steve Barbo, Administrator and Patty Laird, CFO, will continue to monitor these tasks on a daily basis.

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable



CITIZENS MEDICAL CENTER
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2019

Section I. Financial Statement Findings

FINDING 2018-001 - Third-Party Payor Settlements

Finding: Estimates of third-party payor cost settlements were not accurately calculated or recorded on an interim basis. Factors such as, changes in charge master, problems with collections and continued billing issues contributed to the inaccurate estimates.

Recommendation: Management should continue to adjust the settlements based on interim cost report calculations and consider the results in relation to other factors that occur that may impact the estimates.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency. As it is impracticable for management to make such estimates, differences between interim payments and future cost report settlements will be charged to or against income in future periods when determinable.

Resolution: Not resolved - See Finding 2019-001

FINDING 2018-002 - Draft of 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, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

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

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency.

Resolution: Not resolved - See Finding 2019-002

FINDING 2018-003 - 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.



CITIZENS MEDICAL CENTER
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2019

Section I. Financial Statement Findings (Continued)

FINDING 2018-003 - Segregation of Duties (Continued)

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: Due to limited staffing with the technical skills to perform these duties, management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Steve Barbo, Administrator and Patty Laird, CFO, will continue to monitor these tasks on a daily basis.

Resolution: Not resolved - See Finding 2019-003

Section II. Federal Award Findings

Not applicable

Section III. Management Letter

Not applicable





LESTER, MILLER & WELLS

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
of Caldwell Parish Hospital Service District No. 1
d/b/a Citizens Medical Center
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Board of Commissioners of Caldwell Parish Hospital Service District No. 1 d/b/a Citizens Medical Center (Hospital) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period April 1, 2018 through March 31, 2019. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

To the Board of Commissioners
of Caldwell Parish Hospital Service District No. 1
d/b/a Citizens Medical Center
and the Louisiana Legislative Auditor

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Exceptions: The policy for contracting does not include the following: standard terms and conditions.

The policy for travel and expense reimbursement does not contain dollar thresholds by category of expense.

Management's response: Additional wording will be added to the policy on contracting to make it more descriptive.

Our facility does not have dollar thresholds for travel expenses as we feel that allows the employee to spend a maximum dollar amount. Our policy states that reimbursement will be for reasonable priced meals. We prefer our employees to lodge where the meeting is taking place and we reimburse mileage at the federal standard mileage rate in effect at that time. We will review our policy for any revisions.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Exceptions: No exceptions noted in applying the above procedures.



To the Board of Commissioners
of Caldwell Parish Hospital Service District No. 1
d/b/a Citizens Medical Center
and the Louisiana Legislative Auditor

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exceptions: No exceptions noted in applying the above procedures.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.



To the Board of Commissioners
of Caldwell Parish Hospital Service District No. 1
d/b/a Citizens Medical Center
and the Louisiana Legislative Auditor

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- Observe that receipts are sequentially pre-numbered.
 - Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - Trace the deposit slip total to the actual deposit per the bank statement.
 - Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - Trace the actual deposit per the bank statement to the general ledger.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - At least two employees are involved in processing and approving payments to vendors.
 - The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
- Observe that the disbursement matched the related original invoice/billing statement.
 - Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.



To the Board of Commissioners
of Caldwell Parish Hospital Service District No. 1
d/b/a Citizens Medical Center
and the Louisiana Legislative Auditor

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Exceptions: No exceptions noted in applying the above procedures.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.



To the Board of Commissioners
of Caldwell Parish Hospital Service District No. 1
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Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.



To the Board of Commissioners
of Caldwell Parish Hospital Service District No. 1
d/b/a Citizens Medical Center
and the Louisiana Legislative Auditor

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Exceptions: The Hospital does not have any outstanding bonds or notes, therefore the above procedures were not applicable.



To the Board of Commissioners
of Caldwell Parish Hospital Service District No. 1
d/b/a Citizens Medical Center
and the Louisiana Legislative Auditor

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exceptions: In accordance with the instructions of the Statewide Agreed-Upon Procedures, we did not apply the procedures to the above section for fiscal year 2019, since fiscal year 2018 did not contain any exceptions.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Lester, Milla & Wells

Certified Public Accountants
Alexandria, Louisiana

September 20, 2019

