

CITIZENS MEDICAL CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
MARCH 31, 2013, 2012, AND 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 30 2013

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
YEARS ENDED MARCH 31, 2013, 2012, AND 2011

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**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

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 "Medical Center") provides background information and management's analysis of the Medical Center's financial performance for the fiscal years that ended March 31, 2013, 2012, 2011, and 2010. 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 Medical Center's total assets increased by \$635,000, \$1,431,000, \$178,000, and \$1,084,000, during fiscal years (FY) 2013, 2012, 2011, and 2010, respectively. During FY 2013 non capital grants of \$1,683,000 were received. One short-term CD was purchased with \$500,000 and three CD's were renewed at terms over one year for an increase in long-term investments of \$1,470,000. These grants were the cause of the major change in the total assets. In 2012, completion of the generator project and an increase in investments were the major changes in total assets. The increase in investments was due to the receipt of electronic health records (EHR) grant funds of \$1,841,000 and additional grants of \$667,000.
- ❖ In fiscal years 2013, 2012, 2011, and 2010, \$500,000, \$1,000,000, \$200,000, and \$350,000, respectively, was invested in certificates of deposit.
- ❖ An increase in gross patient charges of \$4,500,000 was offset with an increase in allowances and discounts of \$4,600,000, for a net decrease in patient service revenue of \$349,000. The increase in charges was the result of charge master increases in amounts charged for patient services. The "new" DSH audit method of calculating UCC, effective July 1, 2010, has contributed to the decrease of UCC revenue with a portion of the calculated amount not being paid during FY 2011. This "backfill" was paid as \$667,000 in grants during fiscal year 2012.
- ❖ The Medical Center's total operating expenses increased by \$71,000, \$219,000, and \$597,000 for fiscal years 2013, 2012, and 2011, respectively, due mainly to increases in professional fees and supplies in fiscal year 2013. In fiscal year 2012 and 2011, expenses other than salaries and benefits remained near prior year levels. FY 2010 expenses remained relatively level except for necessary increases in salaries and benefits.
- ❖ In fiscal year 2013 there was an increase in professional fees of \$167,000. This increase is comprised of increases for contracts with emergency room physicians and a rural health clinic physician. Miscellaneous expense increased by \$60,000 of which \$52,000 was related to recruitment of physicians and advertising. In FY 2012, administration expense increased by \$40,000 due mainly to the inter-governmental fees of \$36,000 required by the state to be remitted to the state before the Hospital received the Medicaid Supplemental Physician Payment of \$160,000. This reimbursement is considered a reduction in contractual adjustment, not a grant.
- ❖ Non-capital grants received during FY 2013 contributed to the net income of \$369,000. Grants for meeting "meaningful use" standards were received from Medicaid totaling \$186,000. A grant to provide healthcare to the citizens in its community who are low income or indigent of \$1,489,000 was also received. The total operating grants received were \$1,683,000. The loss from operations without taking into account the grant monies received was \$1,314,000. Overall increase in expenses of \$71,000 and decreases in non-capital grants of \$890,000 with a decrease in sales tax of \$7,000 all would contribute to an overall operation loss. The receipt of \$2,572,000 of non-capital grants in FY 2012 was the reason for a \$1,631,000 operating gain. Without those grants an operating loss of \$942,000 would have occurred. A fiscal year 2011 loss from operations of \$262,000 was mitigated by interest income of \$147,000 and grant income of \$20,000 for a net loss of \$105,000. Increases in expenses and a decrease in net patient service revenue contributed to the operating loss of \$262,000.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

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 Medical Center'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 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 Medical Center's patient service revenue and other revenue sources were sufficient to allow the Medical Center to recover all of its costs. The final required financial statement is the Statement of Cash Flows which provides information about the Medical Center'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 Changes in Net Position report information about the Medical Center's activities. These two statements report the net position of the Medical Center and changes in them. Increases or decreases in the Medical Center'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.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Net Position

A summary of the Medical Center's Statements of Net Position are presented in the table below

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

	March 31,			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total current assets	\$ 10,590	\$ 11,021	\$ 9,830	\$ 9,843
Capital assets - net	3,638	3,990	3,806	3,469
Other assets, including assets whose use is limited	<u>2,548</u>	<u>1,130</u>	<u>1,074</u>	<u>1,220</u>
Total Assets	\$ <u>16,776</u>	\$ <u>16,141</u>	\$ <u>14,710</u>	\$ <u>14,532</u>
Total current liabilities	\$ 1,389	\$ 1,110	\$ 1,371	\$ 1,042
Long-term debt	<u>-0-</u>	<u>13</u>	<u>61</u>	<u>106</u>
Total Liabilities	<u>1,389</u>	<u>1,123</u>	<u>1,432</u>	<u>1,148</u>
Invested in capital assets, net of related debt	3,622	3,929	3,702	3,226
Restricted - unredeemed coupons	65	65	65	65
Unrestricted	<u>11,700</u>	<u>11,024</u>	<u>9,511</u>	<u>10,093</u>
Total Liabilities and Net Position	\$ <u>16,776</u>	\$ <u>16,141</u>	\$ <u>14,710</u>	\$ <u>14,532</u>

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Summary of Changes in Net Position

The following table represents the Medical Center's changes in net position for the fiscal years ended March 31

**TABLE 2
Condensed Statements of Changes in Net Position
(In thousands)**

	March 31,			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Patient service revenue	\$ 8,527	\$ 8,876	\$ 9,268	\$ 10,005
Other revenue, net	<u>2,741</u>	<u>3,668</u>	<u>1,164</u>	<u>1,446</u>
 Total Operating Revenue	 <u>11,268</u>	 <u>12,544</u>	 <u>10,432</u>	 <u>11,451</u>
 Salaries and benefits	 6,155	 6,311	 6,084	 5,789
Other expenses	4,134	3,872	3,947	3,789
Depreciation and amortization	<u>695</u>	<u>730</u>	<u>663</u>	<u>519</u>
 Total Operating Expenses	 <u>10,984</u>	 <u>10,913</u>	 <u>10,694</u>	 <u>10,097</u>
 Operating income (loss)	 284	 1,631	 (262)	 1,354
Nonoperating income	<u>86</u>	<u>104</u>	<u>137</u>	<u>173</u>
 Changes in net position before capital grants	 370	 1,735	 (125)	 1,527
Capital grants	-0-	5	20	9
Beginning net position	<u>15,018</u>	<u>13,278</u>	<u>13,383</u>	<u>11,847</u>
 Ending Net Position	 \$ <u>15,388</u>	 \$ <u>15,018</u>	 \$ <u>13,278</u>	 \$ <u>13,383</u>

Sources of Revenue

Patient Service Revenue

Patient service revenue includes revenue from the Medicare and Medicaid programs (approximately two thirds) and other third party payor patients who receive care in the Medical Center'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. Patient service revenue decreased by \$349,000 or 4% in FY 2013 compared to a decrease of \$392,000 or 4% in FY 2012, and a decrease of \$737,000 or 7% in fiscal year 2011.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Patient Service Revenue (Continued)

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Medicare	37%	37%	42%	38%
Medicaid	22%	23%	22%	26%
Commercial insurance	30%	31%	32%	26%
Self-pay	<u>11%</u>	<u>9%</u>	<u>4%</u>	<u>10%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue (Table 4) includes cafeteria sales, rental income, grant income, and other miscellaneous services. Grant revenue decreased by \$890,000 in FY 2013. Sales tax revenue decreased slightly also. A decrease of \$109,000 in sales tax revenue with an increase in grant revenue of \$2,573,000 occurred in 2012. Fiscal year 2011 saw a decrease in sales tax revenue due to receiving in prior year 2010 a onetime pipeline sales tax payment.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cafeteria sales	\$ 12	\$ 15	\$ 18	\$ 24
Rentals	23	11	9	9
Sales tax	999	1,006	1,115	1,350
Non capital grants	1,683	2,573	-0-	9
Miscellaneous	<u>25</u>	<u>63</u>	<u>22</u>	<u>55</u>
Total	<u>\$ 2,742</u>	<u>\$ 3,668</u>	<u>\$ 1,164</u>	<u>\$ 1,447</u>

Grant Income

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. Grant income is separated into capital and non capital grants. Non capital grants are used for operating expenses. The EHR "meaningful use" and healthcare grants were operating grants. Capital grants are used for purchases of capital assets.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

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 Medical Center earned \$86,000, \$95,000, \$147,000, and \$196,000, in interest income in fiscal years 2013, 2012, 2011, and 2010, respectively. Interest rates on certificate of deposits declined in 2013, 2012, 2011, and 2010.

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Medicare and Medicaid gross patient charges	\$ 12,491	\$ 10,011	\$ 11,024	\$ 10,587
Contractual adjustments	<u>6,466</u>	<u>3,973</u>	<u>4,667</u>	<u>3,343</u>
 Net Medicare and Medicaid revenue without Medicaid UCC	 \$ <u>6,025</u>	 \$ <u>6,038</u>	 \$ <u>6,357</u>	 \$ <u>7,244</u>
 Percent of total gross charges	 <u>60%</u>	 <u>61%</u>	 <u>64%</u>	 <u>63%</u>
 Percent of total net revenue	 <u>71%</u>	 <u>68%</u>	 <u>69%</u>	 <u>72%</u>

Increases in the charge master in the amounts charged for patient services contributed to the increase in charges, a corresponding increase in contractual adjustments also occurred with a net decrease of net Medicare and Medicaid revenue without UCC of \$13,000. A decrease in 2012 gross Medicare and Medicaid patient charges was offset by a decrease in contractual adjustments leading to a net decrease of net Medicare and Medicaid revenue without Medicaid UCC of \$319,000. The main source of revenue for the Medical Center, gross Medicare and Medicaid patient charges increased in fiscal year 2011 by \$437,000.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Medicare and Medicaid Patient Statistics

Table 6 is a comparison of the Medical Center'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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Discharges.				
Adult and pediatric (A & P)	574	448	607	630
Medicare (included in A & P)	279	263	356	346
Medicaid (included in A & P)	114	78	102	114
Medicare swing bed	4	5	6	5
Patient days				
Adult and pediatric (A & P)	2,866	2,482	2,878	2,709
Medicare (included in A & P)	1,792	1,550	1,963	1,829
Medicaid (included in A & P)	392	256	299	296
Swing bed	43	134	85	72
Medicare average length of stay	<u>6.42</u>	<u>5.89</u>	<u>5.51</u>	<u>5.29</u>
Medicaid average length of stay	<u>3.44</u>	<u>3.28</u>	<u>2.93</u>	<u>2.60</u>

Medicare acute patient days increased in fiscal year 2013 by 242 days or 16% and decreased in 2012 by 413 days or 21%. They increased in fiscal year 2011 by 134 after decreasing in fiscal year 2010 by 682. Acute discharges increased by 126 or 28% compared to a decrease of 159 or 26% in 2012. Swing bed days for FY 2013 decreased by 91 days or 68%. They increased by 49 days or 58% in fiscal year 2012. Fiscal year 2011 Swing bed days increased slightly from 2010 levels.

Expenses

Salaries and benefits actually decreased in FY 2013 by \$156,000 compared to PY increases of \$227,000 and \$295,000, in fiscal years 2012 and 2011. Two rural health clinic physicians left and a contract physician replaced one of them which was part of the decrease. A competitive labor market drives up these expenses. Increases have been given to retain employees and remain competitive with the market.

Health insurance costs decreased slightly in FY 2013 by \$62,000 compared to increases of \$262,000 and \$140,000, for fiscal years 2012 and 2011, respectively. Large claims for seriously ill employees drove up these costs which were only partially mitigated by reinsurance coverage in prior years.

While the Medical Center continues to evaluate expenses and eliminate unnecessary costs, total expenses have increased slightly in fiscal years 2013 and 2012 due to rising costs of salaries, professional fees, and services in general. Other expenses increased in a manner consistent with normal increases due to cost of living and the economy.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Accounts receivable	\$ 5,004	\$ 3,950	\$ 3,756	\$ 5,955
Other accounts receivable	11	33	147	30
Allowance for uncollectibles	<u>(2,481)</u>	<u>(1,683)</u>	<u>(1,389)</u>	<u>(4,176)</u>
 Net accounts receivable	 \$ <u>2,534</u>	 \$ <u>2,300</u>	 \$ <u>2,514</u>	 \$ <u>1,809</u>

Difficulties in processing Medicaid claims continue to plague the Medical Center. This contributes to the slower collection rate and the increase in Accounts Receivable. Also in FY 2013 billing of Medicaid charges began under the "Bayou Health Plans", also known as "Prepaid" and "Shared" plans. Problems have occurred in the collection process and management continues to work on these problems. The Medical Center 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) have continued to decrease as these accounts are worked.

Capital Assets

Continuing improvements to the Medical Center included the purchase of land to build needed storage in FY 2013. Flooring, boiler replacement and other equipment was purchased during FY 2013. The generator project was completed in FY 2012 and the remainder of the computer system was purchased at approximately \$195,000. The purchase of a new computer system with the related infrastructure work done during fiscal year 2011 contributed to the increase in 2011 capital assets. Also, new hospital signs were purchased for \$58,000.

Table 8 below summarizes Capital Assets for the fiscal years ended March 31.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Building & land	\$ 128	\$ 640	\$ 96	\$ 44
Equipment	<u>306</u>	<u>792</u>	<u>1,601</u>	<u>463</u>
 Total capital additions	 \$ <u>434</u>	 \$ <u>1,432</u>	 \$ <u>1,697</u>	 \$ <u>507</u>

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

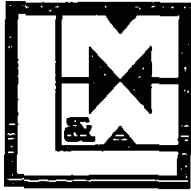
Management's Discussion and Analysis

Long-term Debt

The Medical Center did not acquire any long-term debt in fiscal years 2013, 2012, 2011, or 2010. A \$206,000 capital lease was entered into in 2009 to acquire a lab analyzer. At March 31, 2013, 2012, and 2011 long-term debt was \$-0-, \$61,000, and \$103,000, respectively, consisting of various capital leases. The only lease remaining at March 31, 2013 is the lab analyzer.

Contacting the Hospital's Financial Manager

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



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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 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, 2013, 2012, and 2011, 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 opinions 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.

Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Citizens Medical Center as of March 31, 2013, 2012, and 2011, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "ix" 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 opinions on the financial statements that collectively comprise Citizens Medical Center's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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



Board of Commissioners
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Parish of Caldwell, State of Louisiana
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The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2013 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance

Lester, Miller & Willis

Certified Public Accountants
Alexandria, Louisiana

September 17, 2013



HOSPITAL SERVICE DISTRICT NO 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF NET POSITION
 MARCH 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>			
Current			
Cash and cash equivalents (Notes 2 & 3)	\$ 1,646,836	\$ 954,914	\$ 638,469
Short-term investments	5,648,885	6,537,147	5,566,525
Accounts receivable, net of allowances for uncollectibles (Note 4)	2,533,503	2,300,009	2,514,483
Estimated third-party payor settlements	269,242	786,567	636,126
Inventory	325,616	274,538	313,294
Prepays	<u>166,336</u>	<u>168,296</u>	<u>160,831</u>
Total Current Assets	<u>10,590,418</u>	<u>11,021,471</u>	<u>9,829,728</u>
Assets limited as to use (Note 6)	65,123	65,123	65,123
Capital assets, net (Note 5)	3,638,031	3,990,130	3,805,691
Long-term investments	2,483,117	1,013,407	891,199
Notes receivable	-0-	51,011	118,410
Total Assets	<u>\$ 16,776,689</u>	<u>\$ 16,141,142</u>	<u>\$ 14,710,151</u>
 <u>LIABILITIES AND NET POSITION</u>			
Current			
Accounts payable	\$ 231,270	\$ 300,622	\$ 598,496
Accrued expenses	683,623	669,208	619,385
Deferred revenue	-0-	82,470	84,690
Estimated third-party payor settlements	458,528	10,000	25,992
Current portion of lease obligations and long-term debt (Note 8)	<u>15,570</u>	<u>47,255</u>	<u>42,561</u>
Total Current Liabilities	<u>1,388,991</u>	<u>1,109,555</u>	<u>1,371,124</u>
Long-term			
Capital lease obligations and notes payable (Note 8)	<u>-0-</u>	<u>13,321</u>	<u>60,576</u>
Total Liabilities	<u>1,388,991</u>	<u>1,122,876</u>	<u>1,431,700</u>
Net Position			
Invested in capital assets, net of related debt	3,622,461	3,929,554	3,702,554
Restricted - Unredeemed coupons	65,123	65,123	65,123
Unrestricted	<u>11,700,114</u>	<u>11,023,589</u>	<u>9,510,774</u>
Total Net Position	<u>15,387,698</u>	<u>15,018,266</u>	<u>13,278,451</u>
Total Liabilities and Net Position	<u>\$ 16,776,689</u>	<u>\$ 16,141,142</u>	<u>\$ 14,710,151</u>

See accompanying notes to financial statements

HOSPITAL SERVICE DISTRICT NO 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
STATEMENTS OF CHANGES IN NET POSITION
YEARS ENDED MARCH 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues			
Patent service revenue (Note 10)	\$ 8,526,651	\$ 8,875,980	\$ 9,268,160
Sales tax	998,854	1,006,284	1,115,004
Non capital grants	1,682,805	2,572,491	-0-
Other operating revenue	<u>59,489</u>	<u>88,944</u>	<u>49,045</u>
Total Revenues	<u>11,267,799</u>	<u>12,543,699</u>	<u>10,432,209</u>
Expenses			
Salaries	5,008,941	5,098,479	5,150,830
Benefits and payroll taxes	1,146,497	1,212,538	933,551
Supplies and drugs	1,087,040	980,677	1,040,561
Professional fees	1,563,879	1,397,144	1,440,481
Other expenses	1,216,731	1,253,031	1,198,667
Insurance	266,043	241,750	267,087
Depreciation and amortization	<u>694,955</u>	<u>729,542</u>	<u>662,884</u>
Total Expenses	<u>10,984,086</u>	<u>10,913,161</u>	<u>10,694,061</u>
Operating Income (Loss)	283,713	1,630,538	(261,852)
Nonoperating Income (Loss)			
Interest income	85,918	95,420	147,361
Interest expense	(2,249)	(4,695)	(10,415)
Gain (loss) on disposal of assets	<u>2,050</u>	<u>13,158</u>	<u>-0-</u>
Changes in net position before capital grants	369,432	1,734,421	(124,906)
Capital grants	<u>-0-</u>	<u>5,394</u>	<u>19,705</u>
Changes in Net Position	<u>369,432</u>	<u>1,739,815</u>	<u>(105,201)</u>
Beginning Net Position	<u>15,018,266</u>	<u>13,278,451</u>	<u>13,383,652</u>
Ending Net Position	\$ <u>15,387,698</u>	\$ <u>15,018,266</u>	\$ <u>13,278,451</u>

See accompanying notes to financial statements

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities.			
Cash received from patients and third-party payors	\$ 9,176,540	\$ 8,921,801	\$ 8,414,274
Other receipts from operations	2,741,148	3,667,718	1,164,049
Cash payments for other operating expenses	(4,226,027)	(4,212,604)	(3,598,641)
Cash payments to employees and for employee-related costs	<u>(6,185,230)</u>	<u>(6,261,193)</u>	<u>(5,977,418)</u>
Net cash provided (used) by operating activities	<u>1,506,431</u>	<u>2,115,722</u>	<u>2,264</u>
Cash flows (to) from investing activities:			
Interest income	85,918	95,420	147,361
Payments received on physician loans	32,940	-0-	-0-
Amortization of physician loans	18,071	67,399	62,655
Cash invested in certificates of deposit	<u>(581,448)</u>	<u>(1,092,830)</u>	<u>(132,893)</u>
Net cash provided (used) by investing activities	<u>(444,519)</u>	<u>(930,011)</u>	<u>77,123</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(45,006)	(42,561)	(140,187)
Interest expense	(2,249)	(4,695)	(10,415)
Proceeds from capital grants	-0-	5,394	19,705
Proceeds from sale of capital assets	2,050	13,158	-0-
Acquisition of capital assets	<u>(324,785)</u>	<u>(840,562)</u>	<u>(938,121)</u>
Net cash provided (used) by capital and related financing activities	<u>(369,990)</u>	<u>(869,266)</u>	<u>(1,069,018)</u>
Net increase (decrease) in cash and cash equivalents	691,922	316,445	(989,631)
Beginning cash and cash equivalents	<u>954,914</u>	<u>638,469</u>	<u>1,628,100</u>
Ending cash and cash equivalents	\$ <u>1,646,836</u>	\$ <u>954,914</u>	\$ <u>638,469</u>

See accompanying notes to financial statements

HOSPITAL SERVICE DISTRICT NO 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED MARCH 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>2,249</u>	\$ <u>4,695</u>	\$ <u>10,415</u>
Reconciliation of income from operations to net cash provided (used) by operating activities.			
Operating income (loss)	\$ 283,713	\$ 1,630,538	\$ (261,852)
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation	676,884	656,123	601,702
Change in current assets (increase) decrease			
Accounts receivable, net	(233,494)	214,474	(704,767)
Estimated third-party payor settlements	517,325	(150,441)	(69,905)
Inventory	(51,078)	38,756	36,221
Prepays	1,960	(7,465)	(22,348)
Change in current liabilities (increase) decrease			
Accounts payable	(69,352)	(297,874)	395,464
Accrued expenses	14,415	49,823	106,963
Deferred revenue	(82,470)	(2,220)	(73,206)
Estimated third-party payor settlements	<u>448,528</u>	<u>(15,992)</u>	<u>(6,008)</u>
Net cash provided (used) by operating activities	\$ <u>1,506,431</u>	\$ <u>2,115,722</u>	\$ <u>2,264</u>

See accompanying notes to financial statements

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2013, 2012, AND 2011

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 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 deposits 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.

HOSPITAL SERVICE DISTRICT NO 1
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2013, 2012, AND 2011

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 collectibility 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 District 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

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HOSPITAL ENTERPRISE FUND
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YEARS ENDED MARCH 31, 2013, 2012, AND 2011

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 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

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 consist 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. 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.

Revenues and Expenses

The Hospital's Statements of 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.

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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.

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 YEARS ENDED MARCH 31, 2013, 2012, AND 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Account balances according to banks' records at March 31, 2013 for the Hospital are as follows.

	Homeland Federal Savings Bank	Caldwell Bank & Trust	Delta Bank
Cash in banks	\$ <u>9,370,473</u>	\$ <u>538,417</u>	\$ <u>12,500</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>	\$ <u>12,500</u>
Collateralization by fair market value	\$ <u>9,120,473</u>	\$ <u>288,417</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, 2013, 2012, and 2011.

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.

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 YEARS ENDED MARCH 31, 2013, 2012, AND 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Carrying amount			
Deposits	\$ 830,949	\$ 318,839	\$ 503,497
Investments	<u>9,013,012</u>	<u>8,251,752</u>	<u>6,657,819</u>
	<u>\$ 9,843,961</u>	<u>\$ 8,570,591</u>	<u>\$ 7,161,316</u>

Included in the following statements of net position captions:

Current assets			
Cash and cash equivalents	\$ 1,646,836	\$ 954,914	\$ 638,469
Short-term investments	5,648,885	6,537,147	5,566,525
Noncurrent cash and investments			
Long-term investments	2,483,117	1,013,407	891,199
Held for debt service	<u>65,123</u>	<u>65,123</u>	<u>65,123</u>
	<u>\$ 9,843,961</u>	<u>\$ 8,570,591</u>	<u>\$ 7,161,316</u>

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable at March 31 is presented below

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Patient accounts receivable	\$ 5,003,944	\$ 3,950,354	\$ 3,756,096
Other accounts receivable	<u>10,559</u>	<u>32,655</u>	<u>147,057</u>
	5,014,503	3,983,009	3,903,153
Estimated uncollectibles	<u>(2,481,000)</u>	<u>(1,683,000)</u>	<u>(1,388,670)</u>
Net accounts receivable	<u>\$ 2,533,503</u>	<u>\$ 2,300,009</u>	<u>\$ 2,514,483</u>

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NOTE 4 - ACCOUNTS RECEIVABLE (Continued)

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Medicare	34%	40%	39%
Medicaid	18%	17%	21%
Commercial and other third-party payors	18%	20%	25%
Patients	<u>30%</u>	<u>23%</u>	<u>15%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>2012</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2013</u>
Land	\$ 26,903	\$ 87,086	\$ -0-	\$ 113,989
Land improvements	52,114	-0-	-0-	52,114
Buildings	5,530,157	40,601	-0-	5,570,758
Furniture and equipment	4,258,149	214,168	310,489	4,161,828
Property held under capital leases	504,868	-0-	-0-	504,868
Construction in progress	<u>62,917</u>	<u>91,690</u>	<u>108,760</u>	<u>45,847</u>
Total	10,435,108	433,545	419,249	10,449,404
Accumulated depreciation	<u>6,444,978</u>	<u>676,884</u>	<u>310,489</u>	<u>6,811,373</u>
Net	\$ <u>3,990,130</u>	\$ <u>(243,339)</u>	\$ <u>108,760</u>	\$ <u>3,638,031</u>

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NOTE 5 - CAPITAL ASSETS (Continued)

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

	<u>2011</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2012</u>
Land	\$ 26,903	\$ -0-	\$ -0-	\$ 26,903
Land improvements	50,429	1,685	-0-	52,114
Buildings	4,892,111	638,046	-0-	5,530,157
Furniture and equipment	3,396,744	861,405	-0-	4,258,149
Property held under capital leases	1,096,359	-0-	591,491	504,868
Construction in progress	<u>131,998</u>	<u>664,851</u>	<u>733,932</u>	<u>62,917</u>
 Total	 9,594,544	 2,165,987	 1,325,423	 10,435,108
Accumulated depreciation	<u>5,788,853</u>	<u>656,125</u>	<u>-0-</u>	<u>6,444,978</u>
 Net	 <u>\$ 3,805,691</u>	 <u>\$ 1,509,862</u>	 <u>\$ 1,325,423</u>	 <u>\$ 3,990,130</u>

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

	<u>2010</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2011</u>
Land	\$ 26,903	\$ -0-	\$ -0-	\$ 26,903
Land improvements	50,429	-0-	-0-	50,429
Buildings	4,796,069	96,042	-0-	4,892,111
Furniture and equipment	2,618,627	778,117	-0-	3,396,744
Property held under capital leases	1,096,359	-0-	-0-	1,096,359
Construction in progress	<u>68,036</u>	<u>823,089</u>	<u>759,127</u>	<u>131,998</u>
 Total	 8,656,423	 1,697,248	 759,127	 9,594,544
Accumulated depreciation	<u>5,187,151</u>	<u>601,702</u>	<u>-0-</u>	<u>5,788,853</u>
 Net	 <u>\$ 3,469,272</u>	 <u>\$ 1,095,546</u>	 <u>\$ 759,127</u>	 <u>\$ 3,805,691</u>

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NOTE 6 - ASSETS LIMITED AS TO USE

The following assets are limited as to use as designated below

	<u>2013</u>	<u>2012</u>	<u>2011</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 \$295,985, \$284,842, and \$264,167 of vacation pay at March 31, 2013, 2012, and 2011, 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>2012</u>	<u>Additions</u>	<u>Payments</u>	March 31, <u>2013</u>	Due Within <u>One Year</u>
Capital lease obligations	\$ <u>60,576</u>	\$ <u>-0-</u>	\$ <u>45,006</u>	\$ <u>15,570</u>	\$ <u>15,570</u>
	March 31, <u>2011</u>	<u>Additions</u>	<u>Payments</u>	March 31, <u>2012</u>	Due Within <u>One Year</u>
Capital lease obligations	\$ <u>103,137</u>	\$ <u>-0-</u>	\$ <u>42,561</u>	\$ <u>60,576</u>	\$ <u>47,255</u>
	March 31, <u>2010</u>	<u>Additions</u>	<u>Payments</u>	March 31, <u>2011</u>	Due Within <u>One Year</u>
Capital lease obligations	\$ <u>243,324</u>	\$ <u>-0-</u>	\$ <u>140,187</u>	\$ <u>103,137</u>	\$ <u>42,561</u>

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NOTE 8 - LONG-TERM DEBT (Continued)

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

- Capital lease obligation at an interest rate of 5.6%, due in monthly installments through 2014 secured by leased equipment.

Minimum future lease payments under capital leases at March 31, 2013, and for each subsequent year in aggregate are provided below

Years Ending March 31,	Capital Lease Obligations	
	Principal	Interest
2014	\$ <u>15,570</u>	\$ <u>182</u>
Total	\$ <u>15,570</u>	\$ <u>182</u>

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$46,120 is included in depreciation expense. Net book value of capital leases is \$20,566, \$61,699, and \$107,818, in 2013, 2012, and 2011, respectively.

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, 2013, that have initial or remaining lease terms in excess of one year.

Years Ending <u>March 31,</u>	<u>Amount</u>
2014	\$ 19,886
2015	19,886
2016	<u>1,657</u>
Total minimum lease payments	\$ <u>41,429</u>

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 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2013, 2012, AND 2011

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 \$307,094, \$365,070, and \$560,502, in additional reimbursement in 2013, 2012, and 2011, respectively. This classification and related additional reimbursement expires for discharges on and after October 1, 2013, without change in Medicare law. Certain outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis, with a hold harmless provision for partial cost reimbursement for some of these services until December 31, 2012. The hold harmless payments were \$72,588, \$220,173, and \$187,065, for the years ended March 31, 2013, 2012, and 2011, respectively. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors.

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. In fiscal year 2013, a Medicaid supplemental physician payment of \$33,676 was received after payments of \$12,377 in administrative fees and inter-governmental transfer payments.

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>2013</u>	<u>2012</u>	<u>2011</u>
Gross patient service charges	\$ 20,942,356	\$ 16,452,436	\$ 17,216,838
Contractual adjustments	(9,412,657)	(5,960,114)	(6,211,470)
Provision for bad debts	(2,188,827)	(1,304,181)	(1,553,859)
Uncompensated cost reimbursement	-0-	247,413	338,764
Charity care	(201,074)	(209,628)	(186,431)
Policy discounts	<u>(613,147)</u>	<u>(349,946)</u>	<u>(335,682)</u>
 Patient Service Revenue	 \$ <u>8,526,651</u>	 \$ <u>8,875,980</u>	 \$ <u>9,268,160</u>

HOSPITAL SERVICE DISTRICT NO 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2013, 2012, AND 2011

NOTE 10 - PATIENT SERVICE REVENUE (Continued)

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Percent Medicare of total gross patient charges	<u>38%</u>	<u>38%</u>	<u>42%</u>
Percent Medicare of total net patient revenue	<u>37%</u>	<u>37%</u>	<u>35%</u>
Percent Medicaid of total gross patient charges	<u>22%</u>	<u>23%</u>	<u>22%</u>
Percent Medicaid of total net patient revenue	<u>33%</u>	<u>34%</u>	<u>29%</u>
Percent Blue Cross of total gross patient charges	<u>12%</u>	<u>12%</u>	<u>7%</u>
Percent Blue Cross of total net patient revenue	<u>19%</u>	<u>15%</u>	<u>8%</u>

Patient service revenues increased (decreased) to reflect adjustments to prior year third party receivables or payables estimates. Write-offs of uncollectible accounts in fiscal year 2013 resulted in adjustments to third party payor contractual adjustment accounts. Contractual adjustments for Medicare increased \$777,259, Medicaid increased \$47,328 and Commercial insurance increased \$126,829 for a total adjustment to prior year receivable balances of \$966,522. A liability of \$96,263 has been recorded in 2013 for prior years Medicare claims that are estimated to be recoverable by the Medicare recovery audit contractor (RAC). These denials are being appealed by Hospital management.

The Hospital received interim amounts of \$-0-, \$247,413, and \$338,764, for Medicaid and self-pay uncompensated care services (UCC) for the years ended March 31, 2013, 2012, and 2011, respectively, which represents 0%, 3%, and 4%, of patient service revenue, respectively. The interim payments received are based upon uncompensated cost incurred in previous years. Current regulations limit UCC to actual cost incurred by the Hospital in each state fiscal year. Any overpayments will be recouped after audit by Medicaid. The Federal definition of UCC changed effective July 1, 2010, which reduced income in 2011 and for future years. Management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise. Future UCC payments are dependent upon State appropriations, which require annual approval by the State legislature. Should the State not fund or substantially change this program, it would have a significant impact on the Hospital's revenue. In 2012, the Hospital began participation in a grant program with other hospitals (see Note 15) which supplements payments previously paid under UCC.

HOSPITAL SERVICE DISTRICT NO. 1
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YEARS ENDED MARCH 31, 2013, 2012, AND 2011

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.

NOTE 12 - 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.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
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YEARS ENDED MARCH 31, 2013, 2012, AND 2011

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

The Hospital also participates in the Louisiana Hospital Association Self-Insurance Employee Benefits Trust Fund. If the fund's assets are not adequate to cover the claims made against it, the Hospital will be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. The Hospital has acquired stop-loss insurance to cover individual claims exceeding \$35,000 or aggregate claims exceeding \$1,000,000 per year.

NOTE 13 - 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 the first 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 2013, 2012, and 2011, employees contributed \$189,098, \$187,812, and \$190,479, 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 participating for three years. In fiscal year 2013, 2012, and 2011, the Hospital contributed \$174,573, \$181,366, and \$160,602, respectively.

Security Benefit administers the above plans. The Board of Commissioners adopted these plans and may change the terms of the plan to improve administration and can, at their discretion, increase or decrease the contribution percentages.

NOTE 14 - 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 \$105,463, \$139,046, and \$115,792, for the years ended March 31, 2013, 2012, and 2011, respectively. Funds received through UCC and grants, which pay part of the cost of charity and uninsured care, were approximately \$94,203, \$128,355, and \$104,401, for the years ended March 31, 2013, 2012, and 2011, respectively.

HOSPITAL SERVICE DISTRICT NO 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2013, 2012, AND 2011

NOTE 15 - GRANT REVENUE

The Hospital recognized operating grant income of approximately \$185,982 from Medicaid during the year ended March 31, 2013, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use", which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in during the next few years in three stages, with each progressive stage incorporating more stringent measures. The Hospital met Stage 1 criteria during FY 2012, which included electronically capturing health information in a coded format and using certified EHR technology to meet certain required core objectives for a continuous ninety day period. The Hospital's policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the Hospital meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

The Hospital received grants of \$1,489,334 in 2013 to be used solely to provide adequate and essential medically necessary health care services to the citizens in its community who are low income and/or indigent patients. As a condition of the grant agreement, the Hospital, along with other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement.

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

NOTE 16 - 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 9%, 8%, and 11% of the total revenues in fiscal years 2013, 2012, and 2011, respectively.

NOTE 17 - SUBSEQUENT EVENT

In September 2013, the Hospital entered into a lease agreement for diagnostic equipment valued at \$359,750. The lease calls for sixty (60) monthly payments beginning in October 2013 in the amount of \$11,750, separated into a lease payment of \$6,817 and a maintenance payment of \$4,933.

Events have been evaluated through September 17, 2013, for subsequent event disclosure. This date is the date the financial statements were available to be issued.

HOSPITAL SERVICE DISTRICT NO 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2013, 2012, AND 2011

NOTE 18 - COMMISSIONERS

The following commissioners served Citizens Medical Center without compensation during the year ended March 31, 2013

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

SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF PATIENT SERVICE REVENUE
 YEARS ENDED MARCH 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Routine Services			
Adult and pediatric	\$ 1,126,750	\$ 718,569	\$ 863,700
Swing bed	<u>17,200</u>	<u>40,200</u>	<u>17,400</u>
Total Routine Services	<u>1,143,950</u>	<u>758,769</u>	<u>881,100</u>
Other Professional Services:			
Operating room			
Inpatient	110,811	97,613	129,759
Outpatient	<u>490,884</u>	<u>456,895</u>	<u>483,916</u>
Total	<u>601,695</u>	<u>554,508</u>	<u>613,675</u>
Anesthesia			
Inpatient	59,365	56,620	68,960
Outpatient	<u>248,825</u>	<u>246,620</u>	<u>252,740</u>
Total	<u>308,190</u>	<u>303,240</u>	<u>321,700</u>
Radiology			
Inpatient	573,871	350,658	505,040
Outpatient	<u>3,050,136</u>	<u>2,404,635</u>	<u>2,470,420</u>
Total	<u>3,624,007</u>	<u>2,755,293</u>	<u>2,975,460</u>
Laboratory			
Inpatient	558,809	486,472	700,582
Outpatient	<u>2,702,953</u>	<u>2,677,163</u>	<u>2,695,417</u>
Total	<u>3,261,762</u>	<u>3,163,635</u>	<u>3,395,999</u>
IV solutions			
Inpatient	11,960	54,679	174,644
Outpatient	<u>48,620</u>	<u>44,690</u>	<u>48,849</u>
Total	<u>\$ 60,580</u>	<u>\$ 99,369</u>	<u>\$ 223,493</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED MARCH 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Respiratory therapy			
Inpatient	\$ 832,865	\$ 529,921	\$ 823,197
Outpatient	<u>186,208</u>	<u>145,391</u>	<u>130,688</u>
Total	<u>1,019,073</u>	<u>675,312</u>	<u>953,885</u>
EKG			
Inpatient	97,407	46,669	64,064
Outpatient	<u>269,793</u>	<u>230,346</u>	<u>209,149</u>
Total	<u>367,200</u>	<u>277,015</u>	<u>273,213</u>
Central supply			
Inpatient	522,913	418,165	468,962
Outpatient	<u>781,135</u>	<u>660,622</u>	<u>619,040</u>
Total	<u>1,304,048</u>	<u>1,078,787</u>	<u>1,088,002</u>
Pharmacy			
Inpatient	1,449,381	1,190,302	1,182,141
Outpatient	<u>690,293</u>	<u>755,092</u>	<u>552,629</u>
Total	<u>2,139,674</u>	<u>1,945,394</u>	<u>1,734,770</u>
Emergency room			
Inpatient	412,979	117,702	171,673
Outpatient	<u>3,539,548</u>	<u>1,702,199</u>	<u>1,886,565</u>
Total	<u>3,952,527</u>	<u>1,819,901</u>	<u>2,058,238</u>
Observation room			
Inpatient	23,152	10,044	9,278
Outpatient	<u>132,021</u>	<u>56,348</u>	<u>44,771</u>
Total	\$ <u>155,173</u>	\$ <u>66,392</u>	\$ <u>54,049</u>

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULES OF PATIENT SERVICE REVENUE (Continued)
YEARS ENDED MARCH 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Rural health clinic			
Outpatient	\$ <u>2,801,895</u>	\$ <u>2,871,282</u>	\$ <u>2,560,434</u>
Hospitalist			
Inpatient	<u>202,582</u>	<u>83,539</u>	<u>82,820</u>
Total Other Professional Services	<u>19,798,406</u>	<u>15,693,667</u>	<u>16,335,738</u>
Gross Patient Service Charges	<u>20,942,356</u>	<u>16,452,436</u>	<u>17,216,838</u>
Contractual allowances	9,412,657	5,960,114	6,211,470
Provision for bad debts	2,188,827	1,304,181	1,553,859
Uncompensated cost reimbursement	-0-	(247,413)	(338,764)
Charity care	201,074	209,628	186,431
Policy discounts	<u>613,147</u>	<u>349,946</u>	<u>335,682</u>
Total Allowances and Uncollectibles	<u>12,415,705</u>	<u>7,576,456</u>	<u>7,948,678</u>
Patient Service Revenue	\$ <u>8,526,651</u>	\$ <u>8,875,980</u>	\$ <u>9,268,160</u>

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULES OF OTHER OPERATING REVENUE
YEARS ENDED MARCH 31

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cafeteria sales	\$ 12,012	\$ 15,081	\$ 17,983
Physician office rentals	22,750	11,250	9,000
Medical records abstract fees	3,363	4,341	4,685
Miscellaneous	<u>21,364</u>	<u>58,272</u>	<u>17,377</u>
 Total Other Operating Revenue	 \$ <u>59,489</u>	 \$ <u>88,944</u>	 \$ <u>49,045</u>

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED MARCH 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Administrative and general	\$ 512,341	\$ 502,035	\$ 504,538
Plant operations and maintenance	80,733	85,021	95,333
Housekeeping	184,139	190,700	190,391
Dietary and cafeteria	153,179	158,914	159,123
Central supply	22,305	24,227	36,184
Pharmacy	168,893	162,991	162,979
Medical records	111,411	107,047	109,880
Nursing services	1,119,013	1,046,666	1,040,075
Operating room	198,885	190,315	205,797
Anesthesiology	160,546	2,400	2,400
Radiology	266,810	322,594	315,093
Laboratory	464,141	447,219	443,130
Respiratory care	139,021	133,279	133,922
Emergency room	295,307	324,727	323,165
Rural health clinic	<u>1,132,217</u>	<u>1,400,344</u>	<u>1,428,820</u>
 Total Salaries	 <u>5,008,941</u>	 <u>5,098,479</u>	 <u>5,150,830</u>
 Payroll taxes	 355,528	 352,948	 356,639
Health insurance	616,396	678,224	416,310
Retirement	<u>174,573</u>	<u>181,366</u>	<u>160,602</u>
 Total Benefits	 <u>1,146,497</u>	 <u>1,212,538</u>	 <u>933,551</u>
 Total Salaries and Benefits	 <u>\$ 6,155,438</u>	 <u>\$ 6,311,017</u>	 <u>\$ 6,084,381</u>

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
YEARS ENDED MARCH 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Nursing service	\$ 6,000	\$ 5,500	\$ 6,500
Anesthesiology	36,295	197,954	207,289
Radiology	153,104	84,833	109,550
Laboratory	190,089	154,769	160,922
EKG	29,190	20,974	18,384
Emergency room	1,059,589	933,114	937,836
Rural health clinic	<u>89,612</u>	<u>-0-</u>	<u>-0-</u>
 Total Professional Fees	 \$ <u>1,563,879</u>	 \$ <u>1,397,144</u>	 \$ <u>1,440,481</u>

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED MARCH 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Miscellaneous service fees	\$ 114,326	\$ 108,677	\$ 100,042
Legal and accounting	75,261	99,718	97,980
Supplies	329,621	311,212	348,667
Repairs and maintenance	155,191	187,267	177,231
Utilities	150,151	182,859	170,337
Telephone	80,155	72,422	71,667
Travel	7,196	19,083	15,506
Rentals	27,081	28,758	29,420
Education	2,757	9,575	6,185
Dues and subscriptions	106,924	127,424	120,540
Advertising	22,876	19,953	14,903
Physician recruitment	52,821	-0-	-0-
UPL inter-governmental expense	10,763	31,635	-0-
UPL administrative fee	1,614	4,745	-0-
Miscellaneous	<u>79,994</u>	<u>49,703</u>	<u>46,189</u>
 Total Other Expenses	 \$ <u>1,216,731</u>	 \$ <u>1,253,031</u>	 \$ <u>1,198,667</u>



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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, 2013, 2012, and 2011, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated September 17, 2013

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been

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

identified We did identify certain deficiencies in internal control described in the accompanying schedule of findings and that we consider to be significant deficiencies. 2013-1, 2013-2, and 2013-3

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

The Hospital's response to the findings identified in our audit is described in the accompanying schedule of findings. 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.

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 17, 2013



HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2013

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 2013-1 - Third-Party Payor Settlements

Finding: Estimates of third-party payor settlements were not accurately calculated. 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 calculations and consider the results in relation to other factors that occur that may impact the estimates.

Response: Ms. Patty Laird, CFO, will continue to adjust estimates during the year and consider factors such as collection and billing issues that occur during the year that could impact the estimates.

FINDING 2013-2 - 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.

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d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2013

Section II. Financial Statement Findings (Continued)

FINDING 2013-2 - Financial Statements (Continued)

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 2013-3 - Segregation of Duties

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

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

Response: 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. Administration will continue to monitor these tasks on a daily basis.

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable

HOSPITAL SERVICE DISTRICT NO 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2013

Section I. Financial Statement Findings

FINDING 2012-1 - Allowances

Finding: Income, allowances, and trade receivables were understated during the fiscal year and adjusted at year end. The primary contributor to the understatements was delinquent charts, followed by late billing and payment of third party claims. Problems from last year's computer conversion may have also contributed to the delays and continue because of problems with interaction within the claims processing, particularly in the area of Medicaid. Medicaid no longer provides rate adjustment notices during the year as was done in the past. These factors prevented timely determination of current contractual percentages and completion of interim cost reports which could have been used to reflect more accurate income figures and earlier receipt of related third party settlements from payers like Medicaid. Unavoidable time off by the limited number of accounting and business office personnel also contributed to the delay in making timely adjustments.

Recommendation: Management should continue to work with the medical staff to insure timely completion of medical records required to bill claims. The business office management and staff must timely and accurately bill third party payers upon receipt of medical records information. Consideration should be given to adding a business office manager to increase supervision of staff, complete claims when seasonal volumes increase, and resolve unique claims issues. Third party allowances should be set using current, timely paid claims rather than a full year, with consideration given to special circumstances such as changes in contract payment terms for each payer, charge master adjustments, etc. When claims are timely billed and paid, then interim cost report calculations should be completed regularly to properly record income, allowances, and provide regulators with evidence to timely adjust payments.

Response: The Administrator met with attending physicians and discussed the importance of timely completion of charts. Physicians are now completing charts in a timely fashion and administration will continue to emphasize timely completion. With up to date charts, the majority of claims are being billed and paid timely. The Chief Financial Officer (CFO) has contacted the Medicaid claims processing companies numerous times to correct the various issues that have arisen since the computer conversion. The two companies involved in the claims process for Medicaid continue to have significant issues including non recognition of submitter and taxonomy numbers, information fields not included in transfers of data or being transferred into incorrect data fields. Exacerbating the problem is the contractual inability of management to speak directly with the second company involved in the process to verify the exact nature of the issues as they occur. The CFO has also contacted the Hospital's software vendor to intercede with the contracted companies in an attempt to solve these issues. Louisiana Department of Health and Hospitals has also been contacted throughout the process in the hope they could provide assistance with the claims processing. The CFO and business office staff will continue to address the issues as they occur with the electronic claims processing. As these issues are resolved, the accuracy of interim data used to calculate interim allowances and receivables will improve.

Current Status: This matter has been resolved.

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YEAR ENDED MARCH 31, 2013

Section I. Financial Statement Findings (Continued)

FINDING 2012-2 - Liabilities

Finding: Liabilities for self insurance claims were not accrued at year end due to vendor billing problems and lapse of time in payment of self insurance claims. The understatement of liabilities will affect the accuracy of interim financial information.

Recommendation: We recommend accruals be estimated based on historical data and known changes to historical circumstances.

Response: The CFO has been reviewing paid claims monthly and determining if the Hospital has employees with serious illnesses. The CFO has requested the third party administrator to advise management of any claims over the specific reimbursement limits that are undergoing special medical review prior to reimbursement being provided. The CFO is currently adjusting the employees self insured health plan liability during the year as needed for the above items.

Current Status: This matter has been resolved.

FINDING 2012-3 - 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.

Current Status: Not resolved – see finding 2013-2

FINDING 2012-4 - 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.

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Section I. Financial Statement Findings (Continued)

FINDING 2012-4 - 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. Administration will continue to monitor these tasks on a daily basis.

Current Status: Not resolved -- see finding 2013-3

Section II. Federal Award Findings

Not applicable

Section III. Management Letter

Not applicable