

**CRENSHAW COUNTY HEALTH
CARE AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

CRENSHAW COUNTY HEALTH CARE AUTHORITY

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SEPTEMBER 30, 2018

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INDEPENDENT AUDITORS' REPORT

Members of the Crenshaw County
Health Care Authority
Luverne, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Crenshaw County Health Care Authority as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Crenshaw County Health Care Authority as of September 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members

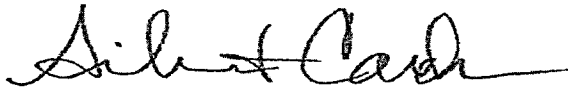
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
ALABAMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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 3 through 6 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019, on our consideration of the Crenshaw County Health Care Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Crenshaw County Health Care Authority's internal control over financial reporting and compliance.



Troy, Alabama
March 25, 2019

Crenshaw County Health Care Authority
Post Office Box 687
Luverne, Alabama 36049

Management's Discussion and Analysis

As management of the Crenshaw County Health Care Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Authority's financial statements, which follow this narrative.

The components of the general purpose external financial statements include Management's Discussion and Analysis (MD&A), Basic Financial Statements, and Other Required Supplementary Information (RSI). The MD&A, a component of RSI, introduces the basic financial statements and provides an analytical overview of the Authority's financial activities.

The Crenshaw County Health Care Authority (the Authority), a related organization of the Crenshaw County Commission, is a not-for-profit corporation. A Board of Directors appointed by the County Commission governs the Authority. The Authority's primary function is to provide a fully functioning acute care hospital in Crenshaw County, Alabama. Funding is made available from ad valorem taxes, investment revenue and rental revenue. In order to meet its obligation, the Authority entered into a multi-year agreement with Professional Resources of Crenshaw County, LLC (the Company) in July of 2002 whereby the hospital facilities are assigned and leased to the Company. The lease stipulates that the Company will pay rent of \$5,000 per month and that they will, among other things, maintain and operate a primary acute care hospital providing 24-hour emergency care. All real property and equipment remains as property of the Authority.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Many governmental basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In that the Authority is considered to be a special-purpose government, certain reporting accommodations are allowed by the Governmental Accounting Standards Board to better fit the nature of the Authority's business-type activities. Special purpose governments engaged only in business-type activities, such as the Authority, need only present financial statements required for enterprise funds.

The Authority's basic financial statements comprise the following elements:

Fund Financial Statements

Fund financial statements focus on individual parts of the Authority, reporting the Authority's operations in more detail than the government-wide financial statements. Fund financial statements include the statements for governmental, proprietary, and fiduciary funds. The Authority uses only proprietary fund accounting.

Notes to the Financial Statements

Notes to financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Refer to Note 1 to the basic financial statements for more detailed information on the elements of the financial statements. Table 1 below summarizes the major features of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes supplemental information concerning the Authority's compliance with laws and regulations and internal control over financial reporting.

Table 1: Major Features of the Basic Financial Statements				
	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Authority government (except fiduciary funds) and the Authority's component units	Activities of the Authority that are not proprietary or fiduciary	Activities of the Authority that are operated similar to private businesses	Instances in which the Authority is the trustee or agent for someone else's resources
Required financial statements	- Statement of net position -Statement of activities	- Balance sheet -Statement of revenues, expenditures, and changes in fund balance	- Statement of net position - Statement of revenues, expenses, and changes in net position - Statement of cash flows	- Statement of fiduciary net position - Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	- Revenues for which cash is received during or soon after the end of the year - Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Condensed Financial Information

Condensed Statement of Net Position

The assets and deferred outflows of the Authority exceeded the liabilities and deferred inflows by \$1,200,490 as of September 30, 2018. The Authority's net position decreased by \$397,753 for the fiscal year ended September 30, 2018. The Authority's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt still outstanding that was issued to acquire those items, is \$(350,256). The Authority uses these capital assets to fulfill its primary function; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of any outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The amount reserved for future debt payments is \$539,046 or 50%. The remaining balance of \$1,011,700 or 84%, is unrestricted.

Of the Authority's total assets, cash, accounts receivable, and investments comprise 27% of the total assets, while capital assets make up 73% of total assets.

Table 2 presents the Authority's condensed statement of net position as of September 30, 2018, and 2017, derived from the Statement of Net Position.

**Table 2: Condensed Statement of Net Position
As of September 30**

	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
Assets:		
Non-Capital Assets	\$ 2,064,571	\$ 1,850,424
Capital Assets	5,645,936	6,066,954
Total Assets	<u>\$ 7,710,507</u>	<u>\$ 7,917,378</u>
Deferred Outflow:		
Deferred loss on refunding	\$ 111,937	\$ -
Liabilities:		
Long-Term Liabilities	\$ 5,831,192	\$ 5,433,012
Other Liabilities	182,075	277,436
Total Liabilities	<u>\$ 6,013,267</u>	<u>\$ 5,710,448</u>
Deferred Inflow:		
Unavailable revenue	\$ 608,687	\$ 608,687
Net Position:		
Net Investment of Capital Assets	\$ (350,256)	\$ 492,238
Reserved for Debt Service	539,046	1,000,491
Unrestricted	1,011,700	105,514
Total Net Position	<u>\$ 1,200,490</u>	<u>\$ 1,598,243</u>

Condensed Statement of Activities

Table 3 presents the Authority's condensed statement of activities for the fiscal year ended September 30, 2018 and 2017, derived from the Statement of Activities. Over time, increases and decreases in net position measures whether the Authority's financial position is improving or deteriorating. During the fiscal year, the net position of the business-type activities decreased by \$350,256 or 29%.

Of the Authority's total revenues, 89% is derived from ad valorem taxes. Another 10% comes from the assignment and lease of the hospital facility. The balance, 1%, is derived from interest earned on investments in certificates of deposit.

Of the Authority's total expenses, 40% are from depreciation of plant and equipment. This expense does not represent a cash outlay of funds, but merely recognizes wear and tear of the Authority's capital assets. The remaining expenses are for normal operations. All assets owned by the Authority have been identified and tagged with a unique, machine-readable number. This will allow for more efficient asset inventory in future periods and places further safeguards on the public's interest.

**Table 3: Condensed Statement of Activities
As of September 30**

	<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Ad Valorem Tax	\$ 560,070	\$ 581,330
All Other	71,412	65,075
Total Revenues	<u>631,482</u>	<u>646,405</u>
Expenses:		
Depreciation	454,395	473,111
All Other	574,840	322,263
Total Expenses	<u>1,029,235</u>	<u>795,374</u>
Change in Net Position	(397,753)	(148,969)
Net Position, Beginning of Year	1,598,243	1,747,212
Net Position, End of Year	<u>\$ 1,200,490</u>	<u>\$ 1,598,243</u>

Overall Analysis

Financial highlights for the Authority during the fiscal year ended September 30, 2018, include the following:

- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$1,200,490.
- Unrestricted net position totaled \$1,011,700. This amount is not restricted for any other project or other purpose, but may, at the Authority's discretion, be used for future capital improvements or for other purposes.
- The Authority's total net position decreased by \$397,753 during the fiscal year.
- Ad valorem tax revenue represents 89% of the Authority's total funding. This revenue source experienced a decrease of 4% for the fiscal year.
- Major fixed asset additions in current year included South Wing improvements \$10,500, ER Doors \$6,900, and computer and printer equipment \$14,081.

Capital Asset and Long-term Debt Activity

Capital Asset Activity

The Authority's investment in capital assets as of September 30, 2018 totaled \$5,645,936 (net of accumulated depreciation). Refer to Note 4 of the basic financial statements for additional information on capital assets.

Long-term Debt Activity:

Refer to Note 7 to the basic financial statements for additional information on the Authority's long-term debt activities.

Economic Conditions and Outlook

The Authority considers the outlook for the hospital authority to be comparable to the current year.

As industry, employment and population expand throughout the County, demand for medical services will also increase. The Authority has taken a proactive role in meeting these needs head on.

Contact the Authority's Financial Management

Questions about this report or requests for additional financial information may be addressed to:

Crenshaw County Health Care Authority
Post Office Box 687
Luverne, Alabama 36049

BASIC FINANCIAL STATEMENTS

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CRENSHAW COUNTY HEALTH CARE AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

ASSETS AND DEFERRED OUTFLOWS

Current assets:

Unrestricted cash	\$ 635,559
Prepaid insurance	11,626
Other receivable insurance claims	132,418
Total current assets	<u>779,603</u>

Assets limited as to use:

Restricted cash	33,611
Certificates of deposit	505,435
Ad valorem tax receivable	608,687
Lease income receivable	87,500
Interest receivable	1,054
Total assets limited as to use	<u>1,236,287</u>

Capital assets, net of accumulated depreciation: 5,645,936

Other Assets:

Unamortized bond insurance	48,681
Total assets	<u>\$ 7,710,507</u>

Deferred Outflows

Deferred loss on refunding	<u>\$ 111,937</u>
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LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

Current liabilities (payable from current assets):

Accounts payable and accrued expenses	\$ 1,800
Bonds payable	165,000
Accrued interest payable	15,275
Total current liabilities (payable from current assets)	<u>182,075</u>

Long-term liabilities:

Bonds payable (net)	5,831,192
Total long-term liabilities	<u>5,831,192</u>
Total liabilities	<u>\$ 6,013,267</u>

Deferred Inflows

Unavailable revenue - property taxes	<u>\$ 608,687</u>
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Net position:

Net investment in capital assets	(350,256)
Restricted net position	539,046
Unrestricted net position	1,011,700
Total net position	<u>\$ 1,200,490</u>

SEE AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

CRENSHAW COUNTY HEALTH CARE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Operating revenues:

Lease revenue	\$ 60,000
Total operating revenues	<u>60,000</u>

Operating expenses:

Insurance	25,397
Professional fees	32,272
Bank service charges	500
Supplies	1,264
Repairs and maintenance	26,508
Lease expense	36,985
Miscellaneous expense	1,829
Depreciation & Amortization	454,395
Total operating expenses	<u>579,150</u>

Operating income (loss) (519,150)

Nonoperating revenues (expenses):

Ad valorem tax revenue	560,070
Investment revenue	11,412
Bond issue costs	(253,599)
Interest expense	(196,486)
Total nonoperating revenues (expenses)	<u>121,397</u>

Net income (Loss) (397,753)

Net position at beginning of year 1,598,243

Net position at end of year \$ 1,200,490

CRENSHAW COUNTY HEALTH CARE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Cash flows from operating activities:	
Receipts from lessee	\$ 2,500
Payment of operating supplies and costs	(124,755)
Payment of repairs net of insurance reimbursements	(122,618)
Net cash provided (used) by operating activities	<u>(244,873)</u>
Cash flows from non capital and related financing activities:	
Ad valorem tax received	560,070
Payment of debt issuance costs	(293,858)
Net cash provided (used) by non capital and related financing activities	<u>266,212</u>
Cash flows from capital and related financing activities:	
Interest paid on capital debt	(341,467)
Bond issuance proceeds	6,169,092
Payments on notes and bonds payable	(158,704)
Purchases of capital assets	(33,375)
Deposits to bond escrow trustee	(5,682,949)
Net cash provided (used) by capital and related financing activities	<u>(47,403)</u>
Cash flows from investing activities:	
Interest received on investments	11,032
Net cash provided (used) by investing activities	<u>11,032</u>
Net increase (decrease) in cash and cash equivalents	(15,032)
Cash and equivalents at beginning of year	<u>1,189,637</u>
Cash and equivalents at end of year	<u><u>\$ 1,174,605</u></u>

SUPPLEMENTARY INFORMATION

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (519,150)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	454,395
(Increase) decrease in:	
Lease income receivable	(57,500)
Other prepaids and receivables	(122,618)
Increase (decrease) in:	
Accounts payable and accrued expenses	-
Unearned revenue	-
Net cash provided by operating activities	<u><u>\$ (244,873)</u></u>

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CRENSHAW COUNTY HEALTH CARE AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

The accompanying financial statements of the Crenshaw County Health Care Authority (the Authority) have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following summary of the Authority's more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*, the Authority has elected to apply the provisions of all applicable GASB pronouncements as well as all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Authority implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Transactions*, an amendment of GASB Statement No. 33, beginning in fiscal year 2001. This statement required the accrual of some assets and revenues not previously recognized in the Authority's financial statements. The most significant of these is the accrual of revenues for ad valorem taxes for the entire amount estimated to be collected by the Authority for the upcoming reporting period. Prior to implementing GASB Statement No. 33, these revenues were recorded in the period the amounts were received from the County. GASB No. 33, among other things, requires that the receivable for ad valorem taxes (referred to as imposed nonexchange) be recorded when an enforceable legal claim has arisen and the revenue be recognized in the period for which the taxes are levied. GASB Statement No. 65 requires this tax accrual to be reported as a deferred outflow.

For fiscal year end 2004, the Authority implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus*, which provides additional guidance for the implementation of GASB Statement 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures*, which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis (MD&A), entity-wide financial statements, required supplementary information (RSI), and the elimination of the effects of the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that entity-wide financial statements are needed to allow users of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and entity-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The Crenshaw County Healthcare Authority has elected the status of single-purpose enterprise fund. As such, only the requirements for proprietary fund financial statements established under GASB Statement No. 34 are applicable.

CRENSHAW COUNTY HEALTH CARE AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For fiscal year end 2005, the Authority implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, which changes note disclosure requirements for governmental entities.

During the fiscal year ended September 30, 2014 Crenshaw County Health Care Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 established accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities as described below.

(A) Financial Reporting Entity

The Crenshaw County Health Care Authority (the Authority) is a not-for-profit public corporation that owns and operates a primary acute-care hospital (the Hospital) in Crenshaw County, Alabama that serves Crenshaw County and surrounding areas. The Authority was originally incorporated as the Crenshaw County Hospital Board under the provisions of *Code of Alabama 1975*, Section 22-21-70 through 22-21-83 and particularly under Act No. 46 adopted at the 1949 Regular Session of the Legislature of Alabama. As of October 1, 1989, the Authority was designated to operate as a hospital corporation under the provisions of the *Code of Alabama 1975*, Section 22-21-100 through 22-21-112. On April 28, 2003, the Authority reincorporated as the Crenshaw County Health Care Authority under the provisions of Article 11 of Chapter 21 of Title 22, *Code of Alabama 1975*.

(B) Tax Status

As a governmental unit, the Authority is exempt from federal and state income taxes.

(C) Related Organization

The Authority is governed by a Board of Directors. The Board members are appointed by the Crenshaw County Commission. Appointments are for staggered terms. The Commission is not financially accountable (because it does not impose will or have a financial benefit or burden relationship) for the Authority and the Authority is not considered part of the Commission's financial reporting entity. The Authority is, however, considered a related organization of the County Commission.

(D) Basis of Presentation

GASB Statement No. 34 makes certain reporting accommodations for special-purpose governments. The Management Discussion and Analysis (MD&A) is required for all governments, as are notes to basic financial statements and other required supplementary information (RSI), as appropriate. The required financial statements vary with the nature of the government's activities.

Special purpose governments engaged in only business-type activities (such as Crenshaw County Health Care Authority) need present only the financial statements required for enterprise funds.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

CRENSHAW COUNTY HEALTH CARE AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(D) Basis of Presentation (continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Enterprise Funds are used to account for operations (a) 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 are being financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(E) Basis of Accounting

Proprietary Fund Financial Statements - Proprietary fund financial statements are reported using the economic resources measurement focus. Proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(F) Assets, Liabilities, Net Position or Equity, and Other Financial Statement Items

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with an original maturity of twelve months or less.

Statutes authorize the Authority to invest in: a) securities that are direct obligations of, or the payment of the principal of and the interest on which is unconditionally guaranteed by the United States of America, b) securities that are direct obligations of any agency of the United States of America, c) interest bearing deposits, including certificates of deposit, of any bank organized under the laws of the United States of America or any state thereof, and d) securities of the corporation.

CRENSHAW COUNTY HEALTH CARE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(F) Assets, Liabilities, Net Position or Equity, and Other Items (continued)

For the purpose of the statement of cash flows, the Authority considers both unrestricted cash and cash limited as to use on deposit in demand time deposit accounts to be cash equivalents. Time certificates of deposit held in banks are carried at cost, which approximates market value. As of September 30, 2018, the carrying amount of the Authority's deposits with financial institutions was \$1,188,004. All of the account balances are covered either by Federal Depository Insurance or under the State of Alabama's Security of Alabama Funds Enhancement (SAFE) program administered by the Alabama State Treasurer.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of September 30, 2017, \$0 of the Authority's bank balance of \$1,188,004 was exposed to custodial credit risk due to the Authority being covered by the SAFE program.

Assets Limited as to Use

Assets limited as to use primarily include assets held by the Authority under indenture agreements and designated assets set aside by the Authority for future capital improvement, over which the Authority retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Authority have been reclassified in the balance sheet at September 30, 2018.

Investments in Debt and Equity Securities

There were no investments in debt and equity securities during the reporting period ending September 30, 2018.

Receivables

Ad valorem tax receivable and lease income receivable are shown net of an allowance for uncollectible accounts of zero. The Authority considers these receivables to be fully collectible.

Interest receivable reflects the interest earned, but not collected, on certificates of deposit.

Capital Assets

Capital assets, which include property, plant and equipment, are defined by the Authority as assets with an initial, individual cost of more than \$200 and an estimated useful life in excess of three years. Such assets are recorded at historical cost if purchased or constructed. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

CRENSHAW COUNTY HEALTH CARE AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(F) Assets, Liabilities, Net Position or Equity, and Other Items (continued)

Capital Assets (continued)

Estimated useful lives for depreciable assets are as follows:

<u>Asset</u>	<u>Estimated Service Life</u>
Land improvements	20 years
Buildings and fixed equipment	10 - 50 years
Equipment	3 - 20 years

Ad Valorem Taxes

The Authority received 89% of its financial support from ad valorem taxes. These funds were used as follows:

Percentage used to support operations	52%
Percentage used for debt service	48%

Ad valorem taxes are levied in February of each year based on the assessments for property as of the previous October 1. The taxes are due the following October 1 and are considered delinquent after December 31.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond discount costs are netted against the related liability and amortized over the term of the related debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has one item that meets this criterion, debt issuance related losses on refinancing. In addition to liabilities, the statement of financial position also reports a separate section for deferred inflows of resources. This financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has one item that meets the criterion for this category, the unearned portion of property taxes accrued.

Net Position

The financial statements utilize a net position presentation. Net position is classified as net investment of capital assets; restricted; and unrestricted.

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents net position of the Authority, not restricted for any project or other purpose.

CRENSHAW COUNTY HEALTH CARE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Flow Statements

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, deposits, short-term investments and cash and investments with fiscal agents. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of twelve months or less meet this definition.

(G) Use of Estimates

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

NOTE 2 - ASSETS LIMITED AS TO USE

Assets limited as to use that are required for obligations classified as current liabilities are reported as current assets. At September 30, 2018, these assets consist of those internally designated for capital acquisitions and operations in the amount of \$1,236,287.

NOTE 3 - CASH AND CASH EQUIVALENTS

Unrestricted:	
General operations	\$ 635,559
Assets limited as to use:	
Restricted cash	33,611
Certificates of deposit	505,435
Total Cash and Cash Equivalents	<u>\$ 1,174,605</u>

CRENSHAW COUNTY HEALTH CARE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 4 - PROPERTY AND EQUIPMENT

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 17,027	\$ -	\$ -	\$ 17,027
Total capital assets not being depreciated	17,027	-	-	17,027
Capital assets being depreciated:				
Land improvements	86,444	-	-	86,444
Buildings and fixed equipment	10,826,888	17,400	-	10,844,288
Equipment	4,876,055	15,975	-	4,892,030
Total capital assets being depreciated	15,789,387	33,375	-	15,822,762
Total capital assets before depreciation	15,806,414	33,375	-	15,839,789
Less accumulated depreciation				
Land improvements	78,475	750	-	79,225
Buildings and fixed equipment	5,428,970	346,166	-	5,775,136
Equipment	4,232,013	107,479	-	4,339,492
Total accumulated depreciation	9,739,458	454,395	-	10,193,853
Total capital assets being depreciated, net	6,049,929	(421,020)	-	5,628,909
Total capital assets, net	\$ 6,066,956	\$ (421,020)	\$ -	\$ 5,645,936

Total depreciation expense for the year ended September 30, 2018 was \$454,395

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Authority in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates fair value.

Assets limited as to use: These assets consist primarily of cash, short-term investments and receivables with a maturity date of one year or less. The carrying amount reported in the balance sheet is fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

The carrying amounts and fair values of the Authority's financial instruments at September 30, 2018 are as follows (carrying amounts and fair values are the same):

Cash and cash equivalents	\$ 635,559
Assets limited as to use	\$ 1,236,287
Accounts payable and accrued expenses	\$ 1,800

CRENSHAW COUNTY HEALTH CARE AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Assets whose use is limited at September 30, 2018, include \$33,611 for debt service requirements. The remaining funds are restricted for use for future expansion and other improvements.

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended September 30, 2018 was as follows:

Business-type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and Notes Payable:					
Notes payable	\$ 3,704	\$ -	\$ 3,704	\$ -	\$ -
General obligation bond	1,391,000	-	1,391,000	-	-
Tax obligation bonds	4,197,000	6,135,000	4,352,000	5,980,000	165,000
Total bonds and notes payable	5,591,704	6,135,000	5,746,704	5,980,000	165,000
Unamortized bond premium	-	27,324	11,132	16,192	
Unamortized bond discount	(20,692)	-	(20,692)	-	
Net bonds and notes payable	\$ 5,571,012	\$ 6,162,324	\$ 5,737,144	\$ 5,996,192	\$ 165,000

Bonds and notes payable at September 30, 2018 are comprised of the following individual issues:

\$6,135,000 Tax Anticipation Bonds, Series 2017, due in yearly debt service from \$165,000 to \$335,000 from March 1, 2019 through September 30, 2044; plus interest rates between 2.00% and 4.00% depending on maturity.

\$ 5,980,000

The Series 2017 Bonds are special, limited obligations of the Authority payable solely from, and secured by a pledge of, 75% of the proceeds (the "Pledgeable Tax Proceeds") from the Special Hospital Tax. The Series 2017 Bonds shall not constitute an obligation, debt or pledge of the faith and credit of the State of Alabama, the County or any political subdivision of either of them. The Authority is not liable for the payment of the Series 2017 Bonds except from the source herein described. No revenues from the operation of the Authority Facilities will be used at any time to pay the principal of or interest on any of the Series 2017 Bonds.

So long as the Series 2017 Bonds remain outstanding, the County is obligated to continue levying the Special Hospital Tax. While the Authorizing Act limits the pledge of the Special Hospital Tax to 75% of collections, 100% of its proceeds may be used to pay debt service on the Series 2017 Bonds.

Debt Related Deferred Inflows and Outflows of Resources:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred loss on refunding	\$ -	\$ 111,937	\$ -	\$ 111,937

CRENSHAW COUNTY HEALTH CARE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 - LONG-TERM DEBT (continued)

The annual requirements to amortize all long-term debt outstanding as of September 30, 2018, including interest payments of \$2,872,457 are as follows:

For the Year Ending September 30,	General Obligations		
	Principal	Interest	Total Payments
2019	165,000	182,668	347,668
2020	170,000	179,318	349,318
2021	170,000	175,918	345,918
2022	175,000	172,468	347,468
2023	180,000	168,918	348,918
2024-2028	950,000	785,129	1,735,129
2029-2033	1,115,000	620,280	1,735,280
2034-2038	1,325,000	415,034	1,740,034
2039-2043	1,565,000	169,837	1,734,837
2044-2048	165,000	2,887	167,887
	<u>\$ 5,980,000</u>	<u>\$ 2,872,457</u>	<u>\$ 8,852,457</u>

Current Refunding's:

Hospital Tax Anticipation Bonds

In November of 2017 the Authority issued the 2017 Hospital Tax Anticipation Bonds in the amount of \$6,135,000 to fund the defeasance of the then remaining outstanding bonds from the Hospital Tax Revenue Bonds, Series 2008-A (the "Series 2008-A Bonds"), originally issued in the initial principal amount of \$3,000,000 and now outstanding in the aggregate principal amount of \$2,762,000, and its General Obligation Bonds, Series 2008-B (the "Series 2008-B Bonds"), originally issued in the initial principal amount of \$1,509,000 and now outstanding in the aggregate principal amount of \$1,391,000; (ii) advance refund the Authority's Hospital Tax Anticipation Bonds, Series 2013 (the "Series 2013 Bonds"), originally issued in the principal amount of \$1,655,000 and now outstanding in the aggregate principal amount of \$1,435,000; (iii) pay the costs of certain capital improvements to Crenshaw County Hospital; and (iv) pay the costs of issuing the Series 2017 Bonds.

The Authority deposited \$5,871,859 into an escrow fund to redeem the then outstanding bonds and interest through January 1, 2018 for the Series 2008-A and 2008-B bonds and March 1, 2023 for the Series 2013 Bonds. The Authority reduced its' net debt service requirements by \$255,175 resulting in a net present value savings of \$392,999.

CRENSHAW COUNTY HEALTH CARE AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 8 - OPERATING LEASES AS LESSOR

On July 1, 2002, the Authority entered into a leasing agreement with Professional Resources Management of Crenshaw County, LLC (the Company). The lease specifies that the Company would pay rent of \$5,000 per month for a lease term of 20 years. The Company agreed to maintain and operate a primary acute-care hospital providing 24-hour emergency care in a skillful and efficient manner. The Company also agreed to be responsible for maintaining Crenshaw Community Hospital and the assets of the Authority. All real property and equipment remained the property of the Authority.

The title to all property acquired after July 1, 2002 and used by the lessee to meet its obligations will be given to the Authority upon termination of the lease. While in operation, the Company will have full and complete charge of the administration, management and operation of the hospital and shall have the exclusive right to make all fiscal, technical and professional policies related to the operation of the hospital.

Minimum future rentals to be received on non-cancelable leases as of September 30, 2018 for each of the next five years and in the aggregate are:

Year ending September 30:	
2019	60,000
2020	60,000
2021	60,000
2022	50,000
Total minimum future rentals	<u>\$ 230,000</u>

Total capital assets, net of accumulated depreciation of \$5,645,936 are leased to the Company.

NOTE 9 - LITIGATION

There are no claims that have been determined to have a possible unfavorable outcome that would require payment by, or result in a loss to, the Crenshaw County Health Care Authority. Therefore, no disclosure of ongoing litigation is required.

NOTE 10 - RISK MANAGEMENT

The Authority is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. No claims have been reported in this audit period.

NOTE 11 - SUBSEQUENT EVENTS

The Authority has evaluated events subsequent to the balance sheet date through the date of the auditors' report, March 25, 2019, which is the date through which the report was available to be issued.

OTHER SUPPLEMENTARY INFORMATION

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110 South Brundidge Street
Troy, Alabama 36081

**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**

Members of the Crenshaw County
Health Care Authority
Luverne, Alabama

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 the business-type activities of the Crenshaw County Health Care Authority, as of, and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Crenshaw County Health Care Authority's basic financial statements and have issued our report thereon dated March 25, 2019.

Internal Control Over Financial Reporting

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

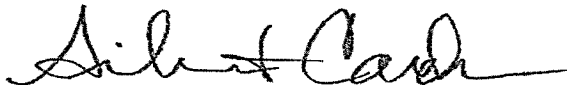
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

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.

A handwritten signature in black ink, appearing to read "Albert Cash". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Troy, Alabama
March 25, 2019

Board Members and Officials
October 1, 2017 through September 30, 2018

Name and Address	Position	Term
<u>Board Members</u>		
Andy Kimbro P.O. Box 654 Brantley, AL 36009	Chairman	2016 - 2022
Selina Fowler 869 Fowler Road Luverne, AL 36049	Vice Chairman	2015 - 2021
Martha Anne Allison P.O. Box 124 Glenwood, AL 36034	Secretary/ Treasurer	2018 - 2023
Yvonne Noble 1535 Petry Highway Luverne, AL 36049	Director	2018 - 2023
Butch Speed P.O. Box 373 Luverne, AL 36049	Director	2015 - 2021
Rita Brown 5979 Rutlegde Loop Road Luverne, AL 36049	Director	2018 - 2023
Stallion Sasser 147 Possum Branch Road Brantley, AL 36009	Director	2012 - 2018
Kenneth W. Stephens, Sr. 682 Panola Rd Lapine, AL 36046	Director	2015 - 2021
Charles Tompkins, MD P.O. Box 126 Brantley, AL 36009	Director	2014 - 2020
<u>Officials</u>		
John A. Nichols, Esquire P.O. Box 369 Luverne, AL 36049	Attorney	Continuing
J. Daryl Betts, CPA P.O. Box 268 Troy, AL 36081	Accountant	Continuing
