

RIVERLAND MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND  
FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT  
  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2017, 2016 AND 2015



CONCORDIA PARISH HOSPITAL SERVICE DISTRICT NUMBER ONE  
 OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
 d/b/a RIVERLAND MEDICAL CENTER  
 YEARS ENDED SEPTEMBER 30, 2017, 2016 AND 2015

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CONCORDIA PARISH HOSPITAL SERVICE DISTRICT NUMBER ONE  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2017, 2016, 2015 AND 2014

This section of the Hospital's annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal years ended on September 30, 2017, 2016, 2015, and 2014. 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**

- Total assets decreased by approximately \$570,000 during fiscal year 2017 and decreased by approximately \$425,000 during fiscal year 2016. These changes were due in large part to changes in cash and cash equivalents.
- During fiscal year 2017 and 2016, the Hospital's total operating revenues increased by approximately \$1,100,000 and \$339,000 respectively. The Hospital also had operating gains of \$256,000 and \$511,000 in fiscal years 2017 and 2016, respectively. The gains were a result of increased patient volumes.
- Net patient service revenue increased by approximately \$1,032,000 and \$1,254,000 in fiscal year 2017 and 2016, respectively. However, fiscal year 2017 and 2016 had increases of almost \$1,355,000 and \$552,000 in operating expenses from year to year. Increased volume was the primary reason for the increase in net patient revenue from year to year.
- The Hospital had a net position of approximately \$6,132,000 as of September 30, 2017.

### **Required Financial Statements**

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

CONCORDIA PARISH HOSPITAL SERVICE DISTRICT NUMBER ONE  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2017, 2016, 2015 AND 2014

**Financial Analysis of the Hospital**

The statements of net position and the statements of revenue, expenses and changes in net position report information about the Hospital's activities. These two statements report the net assets of the Hospital and changes in them. Increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial 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.

**Net Assets**

A summary of the Hospital's Statements of Net Position is presented in Table 1 below:

**TABLE 1**  
**Condensed Statements of Net Position**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current assets				
Total current assets	\$ 6,123,446	\$ 7,391,266	\$ 7,528,701	\$ 5,292,054
Capital assets - net	3,053,328	2,224,899	2,512,860	2,505,050
Other assets	<u>158,636</u>	<u>288,908</u>	<u>288,258</u>	<u>288,258</u>
 Total assets	 \$ <u>9,335,410</u>	 \$ <u>9,905,073</u>	 \$ <u>10,329,819</u>	 \$ <u>8,085,362</u>
Current liabilities	\$ 2,720,307	\$ 3,546,064	\$ 4,240,200	\$ 2,863,764
Long-term debt outstanding and other long-term liabilities	<u>483,449</u>	<u>492,411</u>	<u>721,790</u>	<u>569,418</u>
 Total liabilities	 <u>3,203,756</u>	 <u>4,038,475</u>	 <u>4,961,990</u>	 <u>3,433,182</u>
Invested in capital assets, net of related debt	2,697,395	1,706,115	1,994,076	1,927,763
Unrestricted	<u>3,434,259</u>	<u>4,160,483</u>	<u>3,373,753</u>	<u>2,724,417</u>
 Total net position	 <u>6,131,654</u>	 <u>5,866,598</u>	 <u>5,367,829</u>	 <u>4,652,180</u>
 Total liabilities and net position	 \$ <u>9,335,410</u>	 \$ <u>9,905,073</u>	 \$ <u>10,329,819</u>	 \$ <u>8,085,362</u>

As can be seen in Table 1, total assets decreased by approximately \$570,000 during fiscal year 2017 and decreased by approximately \$425,000 during fiscal year 2016. These changes were due in large part to changes in cash and cash equivalents.

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YEARS ENDED SEPTEMBER 30, 2017, 2016, 2015 AND 2014

**Summary of Revenues, Expenses and Changes in Net Position**

The following table presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended September 30.

**TABLE 2**  
**Condensed Statements of Revenues, Expenses and**  
**Changes in Net Position**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Revenue:</b>				
Net patient service revenue	\$ 16,164,776	\$ 15,132,553	\$ 13,878,212	\$ 13,352,578
Sales tax revenue	639,157	629,242	657,977	665,286
Grant revenue	2,530	-0-	312,186	1,530,681
Intergovernmental transfer grant	1,655,584	1,603,656	2,193,134	-0-
Other revenue	99,708	96,718	81,814	116,139
Total revenue	<u>18,561,755</u>	<u>17,462,169</u>	<u>17,123,323</u>	<u>15,664,684</u>
<b>Expenses:</b>				
Salaries and benefits	9,733,030	8,594,738	8,719,752	7,995,003
Medical supplies and drugs	1,803,056	1,727,587	1,429,383	1,504,718
Professional fees	1,923,983	2,303,041	1,960,462	1,822,294
Other expenses	4,078,645	3,495,957	3,337,636	2,995,508
Insurance	375,195	393,544	415,959	411,553
Depreciation and amortization	392,266	436,063	536,207	677,002
Total expenses	<u>18,306,175</u>	<u>16,950,930</u>	<u>16,399,399</u>	<u>15,406,078</u>
Operating income (loss)	<u>255,580</u>	<u>511,239</u>	<u>723,924</u>	<u>258,606</u>
<b>Nonoperating income:</b>				
Interest expense	(16,895)	(17,486)	(11,024)	(29,489)
Interest income	3,451	5,016	2,749	1,282
Gain (loss) on disposal of assets	450	-0-	-0-	125
Changes in net position before capital grants	242,586	498,769	715,649	230,524
Capital grants	22,470	-0-	-0-	25,000
Increase (decrease) in net assets	265,056	498,769	715,649	255,524
Beginning net position	5,866,598	5,367,829	4,652,180	4,396,656
Ending net position	<u>\$ 6,131,654</u>	<u>\$ 5,866,598</u>	<u>\$ 5,367,829</u>	<u>\$ 4,652,180</u>

CONCORDIA PARISH HOSPITAL SERVICE DISTRICT NUMBER ONE  
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 YEARS ENDED SEPTEMBER 30, 2017, 2016, 2015 AND 2014

**Sources of Revenue**

**Operating Revenue**

During fiscal year 2017, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payers, who receive care in the District's facilities.

Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes medical records revenue, sales tax revenue and home health joint venture payments.

**Capital Assets**

During fiscal year 2017, total capital assets increased by approximately \$1,093,000. This increase was related to increase in construction in progress.

**TABLE 3  
 Capital Assets**

	September 30, <u>2017</u>	September 30, <u>2016</u>	September 30, <u>2015</u>	September 30, <u>2014</u>
Land and land improvements	\$ 265,906	\$ 260,906	\$ 260,906	\$ 260,906
Buildings and fixed equipment	5,860,311	5,909,345	5,879,910	5,857,904
Equipment	5,610,618	5,546,062	5,683,039	6,460,082
Construction in progress	<u>1,178,314</u>	<u>105,735</u>	<u>-0-</u>	<u>29,792</u>
 Total	 12,915,149	 11,822,048	 11,823,855	 12,608,684
Less: accumulated depreciation	<u>9,861,821</u>	<u>9,597,149</u>	<u>9,310,995</u>	<u>10,103,634</u>
 Net capital assets	 <u>\$ 3,053,328</u>	 <u>\$ 2,224,899</u>	 <u>\$ 2,512,860</u>	 <u>\$ 2,505,050</u>

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**Long-term Debt**

The District's noncurrent portion of long-term debt was \$483,000 and \$492,000 at end of fiscal years 2017 and 2016, respectively. The current portion of long-term debt was \$235,000 and \$239,000 for fiscal years 2017 and 2016. At year end the Hospital owed \$180,000 and \$182,000 on Certificate of Indebtedness 2012 Series and Certificate of Indebtedness 2017 Series, respectively. Current portion of long-term debt outstanding represents 2.5% of the District's total assets at September 30, 2017, as compared to 2% in 2016.

**Contacting the Hospital's Financial Manager**

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



## **LESTER, MILLER & WELLS**

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### INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Concordia Parish Hospital Service District Number One  
Parish of Concordia, State of Louisiana  
Ferriday, Louisiana

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Concordia Parish Hospital Service District Number One d/b/a Riverland Medical Center (the "District"), a component unit of the Concordia Parish Police Jury, Ferriday, Louisiana, as of and for the years ended September 30, 2017, 2016 and 2015 and the notes to the financial statements, which collectively comprise the District'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.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of September 30, 2017, 2016 and 2015, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the financial information of Riverland Medical Center and do not purport to, and do not, present fairly the financial position of the Concordia Parish Police Jury as of September 30, 2017, 2016 and 2015, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "v" 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District'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.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2018 on our consideration of the District'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.

*Lesta, Melles & Wells*

Certified Public Accountants  
Alexandria, Louisiana

January 18, 2018



CONCORDIA PARISH HOSPITAL SERVICE DISTRICT NUMBER ONE  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
STATEMENTS OF NET POSITION  
SEPTEMBER 30,

ASSETS	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current Assets			
Cash and cash equivalents (Note 3)	\$ 2,063,972	\$ 4,161,334	\$ 4,241,796
Accounts receivable, net of estimated uncollectibles (Note 4)	2,802,071	2,294,965	2,641,204
Estimated third-party payor settlements	661,151	88,426	54,344
Inventory	468,173	453,400	480,871
Prepaid expenses	98,759	85,064	80,078
Other receivables	29,320	308,077	30,408
Total Current Assets	<u>6,123,446</u>	<u>7,391,266</u>	<u>7,528,701</u>
Non-Current Assets			
Capital assets, net (Note 5)	3,053,328	2,224,899	2,512,860
Other assets (Note 6)	158,636	288,908	288,258
Total Assets	<u>\$ 9,335,410</u>	<u>\$ 9,905,073</u>	<u>\$ 10,329,819</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 643,729	\$ 527,566	\$ 728,981
Accrued expenses and withholdings payable (Note 7)	1,012,722	980,236	960,957
Estimated third-party payor settlements	829,076	1,798,889	2,319,085
Current maturities of long-term debt (Note 10)	234,780	239,373	231,177
Total Current Liabilities	<u>2,720,307</u>	<u>3,546,064</u>	<u>4,240,200</u>
Long-term debt, net of current maturities (Note 10)	<u>483,449</u>	<u>492,411</u>	<u>721,790</u>
Total Liabilities	<u>3,203,756</u>	<u>4,038,475</u>	<u>4,961,990</u>
Net Position			
Invested in capital assets, net of related debt	2,697,395	1,706,115	1,994,076
Unrestricted	3,434,259	4,160,483	3,373,753
Total Net Position	<u>6,131,654</u>	<u>5,866,598</u>	<u>5,367,829</u>
Total Liabilities and Net Position	<u>\$ 9,335,410</u>	<u>\$ 9,905,073</u>	<u>\$ 10,329,819</u>

See accompanying notes to financial statements.

CONCORDIA PARISH HOSPITAL SERVICE DISTRICT NUMBER ONE  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Revenues</b>			
Net patient service revenue (Note 11)	\$ 16,164,776	\$ 15,132,553	\$ 13,878,212
Sales tax revenue (Note 15)	639,157	629,242	657,977
Grant revenue	2,530	-0-	312,186
Intergovernmental transfer grant (Note 14)	1,655,584	1,603,656	2,193,134
Other operating revenue	<u>99,708</u>	<u>96,718</u>	<u>81,814</u>
Total Revenues	<u>18,561,755</u>	<u>17,462,169</u>	<u>17,123,323</u>
<b>Expenses</b>			
Salaries and benefits	9,733,030	8,594,738	8,719,752
Medical supplies and drugs	1,803,056	1,727,587	1,429,383
Professional fees	1,923,983	2,303,041	1,960,462
Other expenses	4,037,880	3,482,941	3,327,781
Lease expense	40,765	13,016	9,855
Insurance	375,195	393,544	415,959
Depreciation and amortization	<u>392,266</u>	<u>436,063</u>	<u>536,207</u>
Total Expenses	<u>18,306,175</u>	<u>16,950,930</u>	<u>16,399,399</u>
Operating Income (Loss)	<u>255,580</u>	<u>511,239</u>	<u>723,924</u>
<b>Non-Operating Income (Expenses)</b>			
Interest expense	(16,895)	(17,486)	(11,024)
Interest income	3,451	5,016	2,749
Gain (loss) on disposal of assets	<u>450</u>	<u>-0-</u>	<u>-0-</u>
Changes in net position before capital grants	242,586	498,769	715,649
Capital grants	<u>22,470</u>	<u>-0-</u>	<u>-0-</u>
Increase (Decrease) in Net Position	265,056	498,769	715,649
Net Position at Beginning of Year	<u>5,866,598</u>	<u>5,367,829</u>	<u>4,652,180</u>
Net Position at End of Year	\$ <u>6,131,654</u>	\$ <u>5,866,598</u>	\$ <u>5,367,829</u>

See accompanying notes to financial statements.

CONCORDIA PARISH HOSPITAL SERVICE DISTRICT NUMBER ONE  
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STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 14,115,132	\$ 14,924,514	\$ 15,403,870
Other operating cash receipts	2,675,736	2,051,947	3,557,608
Cash paid to employees and for employee-related cost	(9,700,541)	(8,575,457)	(8,871,620)
Cash payments for other operating expenses	<u>(8,093,837)</u>	<u>(8,099,713)</u>	<u>(7,471,915)</u>
Net cash provided (used) by operating activities	<u>(1,003,510)</u>	<u>301,291</u>	<u>2,617,943</u>
Cash flows from investing activities:			
Loans to students and amortization of loans	136,650	(650)	-0-
Investment in clinic	(6,378)	-0-	-0-
Interest income	<u>3,451</u>	<u>5,016</u>	<u>2,749</u>
Net cash provided (used) by investing activities	<u>133,723</u>	<u>4,366</u>	<u>2,749</u>
Cash flows from financing activities:			
Principal payments on short-term debt	(213,076)	(201,463)	(315,237)
Interest expense on short-term debt	<u>(9,167)</u>	<u>(9,758)</u>	<u>(3,296)</u>
Net cash provided (used) by financing activities	<u>(222,243)</u>	<u>(211,221)</u>	<u>(318,533)</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(33,000)	(32,000)	(31,000)
Interest expense on long-term debt	(7,728)	(7,728)	(7,728)
Proceeds from long-term debt	232,521	12,280	445,917
Proceeds from disposal of assets	450	-0-	-0-
Proceeds from capital grants	22,470	-0-	-0-
Acquisition of capital assets	<u>(1,220,045)</u>	<u>(147,450)</u>	<u>(544,017)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(1,005,332)</u>	\$ <u>(174,898)</u>	\$ <u>(136,828)</u>

See accompanying notes to financial statements.

CONCORDIA PARISH HOSPITAL SERVICE DISTRICT NUMBER ONE  
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STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net increase (decrease) in cash and cash equivalents	\$ (2,097,362)	\$ (80,462)	\$ 2,165,331
Beginning cash and cash equivalents	<u>4,161,334</u>	<u>4,241,796</u>	<u>2,076,465</u>
Ending cash and cash equivalents	\$ <u>2,063,972</u>	\$ <u>4,161,334</u>	\$ <u>4,241,796</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>16,895</u>	\$ <u>17,486</u>	\$ <u>29,489</u>
Equipment acquired under capital lease	\$ <u>50,225</u>	\$ <u>12,280</u>	\$ <u>445,917</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 255,580	\$ 511,239	\$ 723,924
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	391,616	436,063	536,207
Changes in:			
Net patient accounts receivable	(507,106)	346,239	(302,891)
Estimated third-party payor settlements	(1,542,538)	(554,278)	1,828,549
Inventory	(14,773)	27,471	(50,487)
Prepaid expenses	(13,695)	(4,986)	(7,177)
Other receivables	278,757	(278,321)	312,497
Accounts payable	116,163	(201,415)	(270,811)
Accrued expenses and withholdings payable	<u>32,486</u>	<u>19,279</u>	<u>(151,868)</u>
Net cash provided (used) by operating activities	\$ <u>(1,003,510)</u>	\$ <u>301,291</u>	\$ <u>2,617,943</u>

See accompanying notes to financial statements.

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NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana (referred to as "the District" or the "Hospital") was created by an ordinance of the Concordia Parish Police Jury on April 26, 1961, and was referred to as Concordia Parish Hospital until January 13, 1986, when the name was changed to Riverland Medical Center.

The District is a political subdivision of the Concordia Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Concordia Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Concordia Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Concordia Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, inpatient acute hospital services, skilled nursing (through "swing bed"), clinic, behavioral health and home health services (by joint venture effective July 15, 2000). On November 1, 2004, the Hospital converted to a 25 bed critical access hospital (CAH).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant 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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

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.

Capital Assets

Capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value on the date of their donation. The District uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings	25 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 to 15 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 years of disposal. Gains or losses resulting from property disposal are credited or charged to nonoperating revenue currently.

Restricted Resources

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

Revenue and Expenses

The District's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the District's principal activity. Operating revenue also includes sales taxes passed to provide the District with revenue to operate and maintain the District. Non exchange 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 District receives grants and contributions from the State of Louisiana, individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Charity Care

The District 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 District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Credit Risk

The District provides medical care to Concordia Parish residents and grants credit to patients, substantially all of whom are local residents. The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 11. Accordingly, changes in federal or state legislation or interpretations of rules have a significant impact on the District.

Net Patient Service Revenue

The District has entered into agreements with third-party payors, including government programs, health insurance companies and managed care health plans, under which the District 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.

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 District 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; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the District to invest in direct obligations of the United States Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Account balances according to banks' records at September 30, 2017 for the District are as follows:

	Concordia Bank & Trust	Delta Bank
Cash in banks	\$ <u>2,502,082</u>	\$ <u>44,689</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>44,689</u>
Collateralization by fair market value	\$ <u>2,252,082</u>	\$ <u>-0-</u>
Uncollateralized	\$ <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 District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at September 30, 2017, 2016 and 2015.

Concentration of Credit Risks - The District has 98% of its cash and cash equivalents at Concordia Bank and Trust in checking accounts.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have an 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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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Carrying amount			
Deposits	\$ <u>2,063,972</u>	\$ <u>4,161,334</u>	\$ <u>4,241,796</u>
Total cash and cash equivalents	\$ <u>2,063,972</u>	\$ <u>4,161,334</u>	\$ <u>4,241,796</u>

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net patient accounts receivable	\$ 6,108,621	\$ 7,508,105	\$ 9,917,091
Estimated uncollectibles	<u>(3,306,550)</u>	<u>(5,213,140)</u>	<u>(7,275,887)</u>
Total	\$ <u>2,802,071</u>	\$ <u>2,294,965</u>	\$ <u>2,641,204</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	16%	17%	21%
Medicaid	15%	9%	9%
Commercial and other third-party payors	19%	21%	27%
Self-pay	<u>50%</u>	<u>53%</u>	<u>43%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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NOTE 5 - CAPITAL ASSETS

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

	September 30, <u>2016</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2017</u>
Land	\$ 116,996	\$ 5,000	\$ -0-	\$ 121,996
Land improvements	143,910	-0-	-0-	143,910
Building & fixed equipment	5,909,345	-0-	49,034	5,860,311
Major moveable equipment	5,546,062	142,467	77,911	5,610,618
Construction in progress	<u>105,735</u>	<u>1,072,579</u>	<u>-0-</u>	<u>1,178,314</u>
 Total	 11,822,048	 1,220,046	 126,945	 12,915,149
Accumulated depreciation	<u>9,597,149</u>	<u>391,617</u>	<u>126,945</u>	<u>9,861,821</u>
 Net capital assets	 \$ <u>2,224,899</u>	 \$ <u>828,429</u>	 \$ <u>-0-</u>	 \$ <u>3,053,328</u>
	September 30, <u>2015</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2016</u>
Land	\$ 116,996	\$ -0-	\$ -0-	\$ 116,996
Land improvements	143,910	-0-	-0-	143,910
Building & fixed equipment	5,879,910	29,435	-0-	5,909,345
Major moveable equipment	5,683,039	12,280	149,257	5,546,062
Construction in progress	<u>-0-</u>	<u>105,735</u>	<u>-0-</u>	<u>105,735</u>
 Total	 11,823,855	 147,450	 149,257	 11,822,048
Accumulated depreciation	<u>9,310,995</u>	<u>435,411</u>	<u>149,257</u>	<u>9,597,149</u>
 Net capital assets	 \$ <u>2,512,860</u>	 \$ <u>(287,961)</u>	 \$ <u>-0-</u>	 \$ <u>2,224,899</u>

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NOTE 5 - CAPITAL ASSETS (Continued)

	September 30, <u>2014</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2015</u>
Land	\$ 116,996	\$ -0-	\$ -0-	\$ 116,996
Land improvements	143,910	-0-	-0-	143,910
Building & fixed equipment	5,857,904	22,006	-0-	5,879,910
Major moveable equipment	6,460,082	582,964	1,360,007	5,683,039
Construction in progress	<u>29,792</u>	<u>113,786</u>	<u>143,578</u>	<u>-0-</u>
 Total	 12,608,684	 718,756	 1,503,585	 11,823,855
Accumulated depreciation	<u>10,103,634</u>	<u>527,004</u>	<u>1,319,643</u>	<u>9,310,995</u>
 Net capital assets	 \$ <u>2,505,050</u>	 \$ <u>191,752</u>	 \$ <u>183,942</u>	 \$ <u>2,512,860</u>

The hospital facility was originally built by the Concordia Parish Police Jury which issued ad valorem tax bonds to finance its construction. The facility assets were transferred to the District's financial statements with corresponding increases in net position.

A summary of assets held under capital leases, which are included in capital assets, at September 30 follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Equipment	\$ 1,389,485	\$ 1,354,209	\$ 1,341,929
Accumulated depreciation	<u>(1,034,278)</u>	<u>(825,016)</u>	<u>(616,484)</u>
 Total	 \$ <u>355,207</u>	 \$ <u>529,193</u>	 \$ <u>725,445</u>

NOTE 6 - OTHER ASSETS

Other assets at September 30 consist of the following:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Investment in clinic	\$ 6,378	\$ -0-	\$ -0-
Notes receivable from medical students and doctors less estimated uncollectibles	-0-	136,650	136,000
LHA Trust Fund equity	<u>152,258</u>	<u>152,258</u>	<u>152,258</u>
 Total	 \$ <u>158,636</u>	 \$ <u>288,908</u>	 \$ <u>288,258</u>

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NOTE 7 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30 consist of the following:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
State and federal taxes payable	\$ 35,600	\$ 32,402	\$ 31,730
Accrued salaries and fees payable	264,544	214,825	173,328
Accrued compensated absences	361,231	326,500	328,213
Payroll withholdings payable	218,563	277,551	301,394
Vested sick pay payable	<u>132,784</u>	<u>128,958</u>	<u>126,292</u>
Total	<u>\$ 1,012,722</u>	<u>\$ 980,236</u>	<u>\$ 960,957</u>

NOTE 8 - COMPENSATED ABSENCES

Employees of the District are entitled to paid time off (PTO) and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. Employees hired prior to April 1, 2000 are eligible for payment of accrued sick leave as a termination benefit. Employees hired after April 1, 2000 are not eligible for accrued sick leave as a termination benefit. However, for employees with over ten years of service, accrued paid time off and vested sick pay for employees hired prior to April 1, 2000 have been recorded as liabilities in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

NOTE 9 - PENSION PLAN

The District contributes to a qualified defined contribution plan, Riverland Medical Center Money Purchase Pension Plan as authorized under Internal Revenue Code of 1986, Sections 401(a), 402(g) and other Code sections. The Plan is administered by an unrelated third party, Lincoln Retirement Services Company, LLC. An employee is 100% vested upon entry to the plan with retirement age being age 59 ½.

Plan benefits include death and disability provisions and choice of four payment options upon retirement. Plan provisions may be amended by the plan trustee. The District contributes 5% of salaries to the plan. Employee mandatory contributions are 6% and employee voluntary contributions are up to 14%. Pension expense charged to operations was \$411,929, \$366,753 and \$367,825, in 2017, 2016 and 2015, respectively.

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NOTE 9 - PENSION PLAN (Continued)

Employee contributions for each fiscal year are summarized below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employee mandatory contributions	\$ 462,564	\$ 412,083	\$ 431,813
Employee voluntary contributions	<u>132,815</u>	<u>133,433</u>	<u>136,818</u>
 Total	 <u>\$ 595,379</u>	 <u>\$ 545,516</u>	 <u>\$ 568,631</u>

NOTE 10 - LONG-TERM DEBT

The following is a summary of long-term debt, including capital lease obligations, at September 30:

	September 30 <u>2016</u>			September 30 <u>2017</u>			Due Within <u>One Year</u>
	<u>Additions</u>	<u>Payments</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>One Year</u>
Capital lease obligations	\$ 518,784	\$ 50,225	\$ 213,076	\$ 355,933	\$ 201,780	\$ 201,780	\$ 201,780
Series 2012 bonds	213,000	-0-	33,000	180,000	33,000	180,000	33,000
Series 2017 certificates of indebtedness	<u>-0-</u>	<u>182,296</u>	<u>-0-</u>	<u>182,296</u>	<u>-0-</u>	<u>182,296</u>	<u>-0-</u>
 Total	 <u>\$ 731,784</u>	 <u>\$ 232,521</u>	 <u>\$ 246,076</u>	 <u>\$ 718,229</u>	 <u>\$ 234,780</u>	 <u>\$ 718,229</u>	 <u>\$ 234,780</u>

	September 30 <u>2015</u>			September 30 <u>2016</u>			Due Within <u>One Year</u>
	<u>Additions</u>	<u>Payments</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>One Year</u>
Capital lease obligations	\$ 707,967	\$ 12,280	\$ 201,463	\$ 518,784	\$ 206,373	\$ 518,784	\$ 206,373
Series 2012 bonds	<u>245,000</u>	<u>-0-</u>	<u>32,000</u>	<u>213,000</u>	<u>33,000</u>	<u>213,000</u>	<u>33,000</u>
 Total	 <u>\$ 952,967</u>	 <u>\$ 12,280</u>	 <u>\$ 233,463</u>	 <u>\$ 731,784</u>	 <u>\$ 239,373</u>	 <u>\$ 731,784</u>	 <u>\$ 239,373</u>

	September 30 <u>2014</u>			September 30 <u>2015</u>			Due Within <u>One Year</u>
	<u>Additions</u>	<u>Payments</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>One Year</u>
Capital lease obligations	\$ 577,287	\$ 445,917	\$ 315,237	\$ 707,967	\$ 199,177	\$ 707,967	\$ 199,177
Series 2012 bonds	<u>276,000</u>	<u>-0-</u>	<u>31,000</u>	<u>245,000</u>	<u>32,000</u>	<u>245,000</u>	<u>32,000</u>
 Total	 <u>\$ 853,287</u>	 <u>\$ 445,917</u>	 <u>\$ 346,237</u>	 <u>\$ 952,967</u>	 <u>\$ 231,177</u>	 <u>\$ 952,967</u>	 <u>\$ 231,177</u>

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NOTE 10 - LONG-TERM DEBT (Continued)

The following are the terms and due dates of the Hospital's long-term debt at September 30:

- Series 2017 Certificates of Indebtedness, at an average interest rate of 3.35%, due in variable annual installments due June 1 of each year with full repayment at June 1, 2027, collateralized by a pledge and dedication of the District's excess annual revenues over expenses, subject to the payment of principal and interest falling due on the Issuer's outstanding Certificates of Indebtedness, Series 2012. The full amount available for the District's use is \$2,500,000. The District had borrowed \$182,296 at September 30, 2017. Series 2017 Certificates of Indebtedness were issued to provide funds to pay various architectural and other professional fees pertaining to the construction of a new hospital for the District, purchasing the land upon which the Hospital is to be constructed and paying costs of issuance of the Certificates.
- Series 2012 Certificates of Indebtedness, at an average interest rate of 2.70%, due in variable semi-annual installments with full repayment at August 22, 2022, collateralized by a pledge and dedication of the District's excess annual revenues over expenses. The District had borrowed the full amount of the maximum \$300,000 debt at September 30, 2012. Series 2012 Certificates of Indebtedness were issued to provide funds to pay costs of acquiring a building to provide health services and make improvements to existing facilities and to acquire equipment, furnishings and fixtures for said buildings and facilities.
- Capital leases at varying rates of imputed interest of 1.2% to 6.57%, with total monthly payments ranging from \$443 to \$10,555 until 2020, collateralized by leased equipment.

Scheduled principal and interest payments on long-term debt and capital leases are as follows:

<u>Year Ending September 30,</u>	<u>Long-Term Debt</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 33,000	\$ 5,310	\$ 201,780	\$ 5,543
2019	35,000	4,336	104,877	2,884
2020	218,296	3,304	31,645	1,657
2021	37,000	2,242	13,777	738
2022	<u>39,000</u>	<u>1,150</u>	<u>3,854</u>	<u>50</u>
Totals	\$ <u>362,296</u>	\$ <u>16,342</u>	\$ <u>355,933</u>	\$ <u>10,872</u>

NOTE 11 - NET PATIENT SERVICE REVENUE

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

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NOTE 11 - NET PATIENT SERVICE REVENUE (Continued)

Medicare - Effective November 1, 2004, the District became a Medicare "Critical Access Hospital" (CAH). This designation enables the District to receive cost based reimbursement for most services provided to Medicare beneficiaries on or after this date, including Swing Bed. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District.

Medicaid - Inpatient acute 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 District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary.

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The following is a summary of the District's net patient service revenue for the years ended September 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Gross charges	\$ 58,268,421	\$ 54,986,634	\$ 55,520,156
Less charges associated with charity patients	<u>-0-</u>	<u>-0-</u>	<u>(27,771)</u>
Gross patient service revenue	58,268,421	54,986,634	55,492,385
Less deductions from revenue:			
Contractual adjustments	(37,304,489)	(34,647,052)	(33,966,564)
Policy and other discounts	<u>(721,879)</u>	<u>(921,752)</u>	<u>(517,926)</u>
Patient service revenue (net of contractual adjustments and discounts)	20,242,053	19,417,830	21,007,895
Less provision for bad debt	<u>(4,077,277)</u>	<u>(4,285,277)</u>	<u>(7,129,683)</u>
Net patient service revenue less provision for bad debt	\$ <u>16,164,776</u>	\$ <u>15,132,553</u>	\$ <u>13,878,212</u>

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 YEARS ENDED SEPTEMBER 30, 2017, 2016 AND 2015

NOTE 11 - NET PATIENT SERVICE REVENUE (Continued)

The District generated a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. The following is a summary of gross Medicare and Medicaid patient charges for the years ended September 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare and Medicaid gross patient charges	\$ 36,962,570	\$ 35,388,589	\$ 35,573,588
Contractual adjustments	<u>(27,087,474)</u>	<u>(24,613,892)</u>	<u>(24,671,094)</u>
Program patient service revenue	\$ <u>9,875,096</u>	\$ <u>10,774,697</u>	\$ <u>10,902,494</u>
Percent of total gross patient revenue	<u>63%</u>	<u>64%</u>	<u>64%</u>
Percent of total net patient revenue	<u>61%</u>	<u>71%</u>	<u>79%</u>

The District experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. The adjustments resulted in an increase of approximately \$225,000 for fiscal year 2017 and decreases of approximately \$660,000 and \$440,000 in net patient service revenue for fiscal years 2016 and 2015.

NOTE 12 - PATIENT PROTECTION AND AFFORDABLE CARE ACT (PPACA)

The PPACA was passed into law in 2010. This federal legislation is extremely complex and will substantially change the landscape of the healthcare industry. The PPACA has the potential to affect both payment rates and coverage issues for all healthcare payors. While the overall impact of the PPACA cannot currently be estimated, it could have a negative impact on the District's revenues.

NOTE 13 - PROFESSIONAL LIABILITY RISK

The District 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 District is at risk.

The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member

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NOTE 13 - PROFESSIONAL LIABILITY RISK (Continued)

hospitals. The District has included these allocations of income and equity in the trust in its financial statements.

NOTE 14 - INTERGOVERNMENTAL TRANSFER GRANT

The District entered into a cooperative endeavor agreement with a regional hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant ("IGT") to be used solely to provide adequate and essential medically necessary and available healthcare services to the District's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$1,655,584, \$1,603,656 and \$2,193,134 for the fiscal years 2017, 2016 and 2015.

NOTE 15 - SALES TAX REVENUE

During the year ended September 30, 1985, the voters of the District passed a one-fourth cent sales tax for the operation and maintenance of the District, which was renewed for an additional ten years in 1995 and 2005. An additional ten year renewal was approved by voters in November 2014. The sales tax is collected by the Concordia Parish School Board for a five percent collection fee. Sales tax revenue is approximately 4.0% of the total revenues in fiscal years 2017, 2016 and 2015.

NOTE 16 - SELF-FUNDED BENEFIT PLAN

The District is self-insured to provide group medical and drug coverage for its employees. The District entered into an agreement on November 1, 1997, with a third-party administrator to administer the plan. The third-party administrator was changed in fiscal year 2013 to Fox-Everett. In fiscal year 2015 IMA became the third-party administrator. The plan year runs from November 1 through October 31. The District funds its losses based on actual claims. A stop-loss insurance contract was executed with an insurance carrier that provides for payment of 100% of claims in excess of \$75,000 per year up to specific individual maximums of \$1,063,000. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the District's estimate will change by a material amount in the near term.

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NOTE 16 - SELF-FUNDED BENEFIT PLAN (Continued)

The following is a summary of changes in the Hospital's claims liability for the year ended September 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning of the year	\$ 275,741	\$ 298,843	\$ 438,742
Plus: Claims incurred and changes in estimate, net of reinsurance	991,279	1,117,130	1,654,269
Less: Claims paid	<u>(1,051,094)</u>	<u>(1,140,232)</u>	<u>(1,794,168)</u>
End of the year	\$ <u>215,926</u>	\$ <u>275,741</u>	\$ <u>298,843</u>

NOTE 17 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited. The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 11) - The District 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 District entered into an agreement with a government agent allowing the agent access to the District'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 District.

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, privacy, 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 District 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 13) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

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NOTE 17 - CONTINGENCIES (Continued)

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

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

NOTE 18 - CHARITY CARE

The District 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. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District 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 \$-0-, \$-0- and \$8,204, for the years ended September 30, 2017, 2016 and 2015, respectively. See Notes 14 and 20 for funds received through grants, which pay part of the cost of charity and uninsured care. Charges for services and supplies furnished to patients who may qualify for charity care but are not documented according to the District's policy are included in bad debt expense.

NOTE 19 - JOINT VENTURE

The District entered into a cooperative endeavor (i.e. joint venture) with a home health company on July 15, 2000. The District receives ten percent (10%) of the profits from this organization. The District's share of the profits was \$-0-, \$248 and \$6,684 for fiscal years ended in 2017, 2016 and 2015, respectively. The financial statements of the joint venture are available for review at the District's administrative office.

NOTE 20 - GRANT REVENUE

Meaningful use operating grant income of \$300,625 was received from Medicaid during fiscal year 2015 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 District's policy is to record the incentive payments once various stages have been met rather than recognizing ratably

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NOTE 20 - GRANT REVENUE (Continued)

throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the District 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.

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

NOTE 21 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charge to operations as incurred.

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2017, that have initial or remaining lease terms in excess of one year.

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 82,222
2019	28,548
2020	28,548
2021	<u>26,169</u>
Total minimum lease payments	\$ <u><u>165,487</u></u>

NOTE 22 - SUBSEQUENT EVENT

Events have been evaluated through January 18, 2018, for subsequent event disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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 YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Routine Services:			
Adult and pediatric	\$ 3,686,427	\$ 4,037,621	\$ 4,934,125
Swing bed	890,550	1,069,200	532,350
Intensive care	<u>290,400</u>	<u>482,900</u>	<u>693,000</u>
 Total routine services	 <u>4,867,377</u>	 <u>5,589,721</u>	 <u>6,159,475</u>
Other Professional Services:			
Operating room			
Inpatient	295,420	377,394	579,748
Outpatient	<u>5,363,347</u>	<u>4,725,018</u>	<u>4,854,442</u>
 Total operating room	 <u>5,658,767</u>	 <u>5,102,412</u>	 <u>5,434,190</u>
Recovery room			
Inpatient	39,998	51,580	51,646
Outpatient	<u>344,971</u>	<u>278,711</u>	<u>235,994</u>
 Total recovery room	 <u>384,969</u>	 <u>330,291</u>	 <u>287,640</u>
Anesthesia			
Inpatient	89,360	122,088	132,720
Outpatient	<u>603,044</u>	<u>478,880</u>	<u>400,360</u>
 Total anesthesia	 <u>692,404</u>	 <u>600,968</u>	 <u>533,080</u>
Radiology			
Inpatient	739,401	802,300	1,182,627
Outpatient	<u>12,029,695</u>	<u>9,086,749</u>	<u>7,738,260</u>
 Total radiology	 <u>12,769,096</u>	 <u>9,889,049</u>	 <u>8,920,887</u>
Laboratory			
Inpatient	1,218,420	1,557,282	1,986,061
Outpatient	<u>7,180,734</u>	<u>6,006,997</u>	<u>5,747,222</u>
 Total laboratory	 <u>\$ 8,399,154</u>	 <u>\$ 7,564,279</u>	 <u>\$ 7,733,283</u>

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SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)  
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Blood			
Inpatient	\$ 238,254	\$ 296,544	\$ 423,516
Outpatient	<u>102,797</u>	<u>161,354</u>	<u>113,429</u>
Total blood	<u>341,051</u>	<u>457,898</u>	<u>536,945</u>
Respiratory care			
Inpatient	3,415,038	4,470,724	4,074,058
Outpatient	<u>599,042</u>	<u>653,088</u>	<u>378,227</u>
Total respiratory care	<u>4,014,080</u>	<u>5,123,812</u>	<u>4,452,285</u>
IV therapy			
Inpatient	308,119	339,026	450,401
Outpatient	<u>337,063</u>	<u>343,877</u>	<u>277,913</u>
Total IV therapy	<u>645,182</u>	<u>682,903</u>	<u>728,314</u>
Physical & speech therapy			
Inpatient	597,885	431,497	280,855
Outpatient	<u>158,851</u>	<u>5,218</u>	<u>255,151</u>
Total physical & speech therapy	<u>756,736</u>	<u>436,715</u>	<u>536,006</u>
EKG and EEG			
Inpatient	88,173	116,460	205,045
Outpatient	<u>544,550</u>	<u>527,281</u>	<u>481,292</u>
Total EKG and EEG	<u>632,723</u>	<u>643,741</u>	<u>686,337</u>
Medical supply			
Inpatient	597,594	789,847	947,556
Outpatient	<u>1,675,146</u>	<u>1,440,998</u>	<u>1,330,614</u>
Total medical supply	\$ <u>2,272,740</u>	\$ <u>2,230,845</u>	\$ <u>2,278,170</u>

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SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)  
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Pharmacy			
Inpatient	\$ 1,591,046	\$ 1,965,423	\$ 1,817,157
Outpatient	<u>2,549,625</u>	<u>2,051,896</u>	<u>1,301,571</u>
Total pharmacy	<u>4,140,671</u>	<u>4,017,319</u>	<u>3,118,728</u>
Wound care			
Inpatient	-0-	17,807	49,720
Outpatient	<u>136,955</u>	<u>1,438,624</u>	<u>1,393,756</u>
Total wound care	<u>136,955</u>	<u>1,456,431</u>	<u>1,443,476</u>
Emergency room			
Outpatient	<u>7,693,009</u>	<u>6,934,982</u>	<u>8,007,538</u>
Total emergency room	<u>7,693,009</u>	<u>6,934,982</u>	<u>8,007,538</u>
Emergency room physician fees			
Inpatient	<u>528,639</u>	<u>496,156</u>	<u>1,069,226</u>
Total emergency room physician fees	<u>528,639</u>	<u>496,156</u>	<u>1,069,226</u>
Monitor			
Inpatient	295,030	510,805	802,785
Outpatient	<u>174,039</u>	<u>150,190</u>	<u>112,083</u>
Total monitor	<u>469,069</u>	<u>660,995</u>	<u>914,868</u>
Behavioral health			
Outpatient	<u>1,221,224</u>	<u>1,349,296</u>	<u>1,311,257</u>
Total behavioral health	\$ <u>1,221,224</u>	\$ <u>1,349,296</u>	\$ <u>1,311,257</u>

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SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)  
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Clinic			
RMC Ferriday Clinic	\$ 1,959,818	\$ 1,418,821	\$ 1,368,451
RMC Living Well Clinic	<u>684,757</u>	<u>-0-</u>	<u>-0-</u>
Total clinics	<u>2,644,575</u>	<u>1,418,821</u>	<u>1,368,451</u>
Total other professional services	<u>53,401,044</u>	<u>49,396,913</u>	<u>49,360,681</u>
Gross charges	58,268,421	54,986,634	55,520,156
Less charges associated with charity patients	<u>-0-</u>	<u>-0-</u>	<u>27,771</u>
Gross patient service revenue	58,268,421	54,986,634	55,492,385
Deductions from Revenue:			
Medicare and Medicaid contractual adjustments	27,087,474	24,613,892	24,671,094
Other contractual adjustments	10,217,015	10,033,160	9,295,470
Policy and other discounts	<u>721,879</u>	<u>921,752</u>	<u>517,926</u>
Patient service revenue (net of contractual adjustments and discounts)	20,242,053	19,417,830	21,007,895
Less provision for bad debt	<u>4,077,277</u>	<u>4,285,277</u>	<u>7,129,683</u>
Net patient service revenue	\$ <u>16,164,776</u>	\$ <u>15,132,553</u>	\$ <u>13,878,212</u>

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SCHEDULES OF OTHER OPERATING REVENUE  
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>		<u>2016</u>		<u>2015</u>
Medical records revenue	\$ 15,915	\$	10,517	\$	14,022
Vending machine commissions	1,596		1,569		1,500
Home health joint venture payments	-0-		248		6,684
Pharmacy 340B program	2,585		39,464		-0-
Rebates on purchases	14,727		2,768		2,899
Insurance recovery	-0-		11,701		6,984
Hospital incentive	5,604		4,005		2,737
Clinics' incentive	17,914		21,244		17,282
Miscellaneous revenue	<u>41,367</u>		<u>5,202</u>		<u>29,706</u>
 Total other operating revenue	 \$ <u>99,708</u>	\$	 <u>96,718</u>	\$	 <u>81,814</u>

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 SCHEDULES OF EXPENSES - SALARIES AND BENEFITS  
 YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Administration	\$ 853,177	\$ 766,787	\$ 734,801
Plant operations and maintenance	112,430	119,076	118,548
Medical records	263,335	259,513	214,631
Nursing services	1,630,665	1,501,773	1,333,608
Intensive care unit	353,130	409,547	486,589
Operating room	1,009,897	904,763	848,740
Anesthesiology	281,502	283,579	284,873
Radiology	526,835	486,988	494,089
Laboratory	466,495	431,888	435,826
Respiratory therapy	362,628	345,303	337,794
Physical therapy	305,857	185,429	271,299
Central supply	108,284	104,198	100,050
Pharmacy	160,942	86,918	305,872
Emergency room	745,530	645,355	593,430
IOP	409,523	382,436	410,621
Clinics	<u>536,909</u>	<u>277,530</u>	<u>276,625</u>
 Total salaries	 <u>8,127,139</u>	 <u>7,191,083</u>	 <u>7,247,396</u>
 Payroll taxes	 113,996	 100,854	 101,519
Hospital insurance	1,054,847	676,934	957,084
Retirement	411,929	366,753	367,825
Other	<u>25,119</u>	<u>259,114</u>	<u>45,928</u>
 Total benefits	 <u>1,605,891</u>	 <u>1,403,655</u>	 <u>1,472,356</u>
 Total salaries and benefits	 <u>\$ 9,733,030</u>	 <u>\$ 8,594,738</u>	 <u>\$ 8,719,752</u>

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 SCHEDULES OF EXPENSES - MEDICAL SUPPLIES AND DRUGS  
 YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Nursing services	\$ 100,351	\$ 114,535	\$ 109,458
Intensive care unit	27,245	35,627	37,163
Operating room	329,653	327,618	273,165
Anesthesiology	188	-0-	403
Radiology	17,687	14,338	16,109
Laboratory and blood	598,513	514,635	524,609
Respiratory therapy	63,540	45,647	52,905
Physical therapy	1,083	328	811
Central supply	3,386	6,966	3,682
Pharmacy	537,662	575,440	345,807
Pharmacy 340B program	91	10,569	-0-
Emergency room	60,515	63,795	57,982
Clinics	<u>63,142</u>	<u>18,089</u>	<u>7,289</u>
 Total medical supplies and drugs	 \$ <u>1,803,056</u>	 \$ <u>1,727,587</u>	 \$ <u>1,429,383</u>

CONCORDIA PARISH HOSPITAL SERVICE DISTRICT NUMBER ONE  
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 SCHEDULES OF EXPENSES - PROFESSIONAL FEES  
 YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating room	\$ -0-	\$ -0-	\$ 15,000
Anesthesia	-0-	-0-	2,000
Ultrasound	106,320	88,280	87,451
Laboratory	24,000	26,384	24,000
EKG	25,088	25,296	26,994
Wound care	32,400	372,325	446,400
Pharmacy	275,549	461,990	109,526
Emergency room	1,359,826	1,227,966	1,207,091
Ferriday clinic	<u>100,800</u>	<u>100,800</u>	<u>42,000</u>
 Total professional fees	 \$ <u>1,923,983</u>	 \$ <u>2,303,041</u>	 \$ <u>1,960,462</u>

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SCHEDULES OF EXPENSES - OTHER EXPENSES  
YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contract services	\$ 1,425,009	\$ 1,146,481	\$ 1,041,188
Collection fees	65,638	106,911	91,629
Director fees	6,900	5,600	3,600
Legal and accounting	317,619	148,643	168,012
Supplies	183,821	157,418	181,260
Repairs and maintenance	402,294	434,408	411,308
Utilities	252,873	238,176	279,908
Telephone	48,324	58,474	48,907
Information technology	645,679	573,040	532,364
Travel	28,680	22,676	10,601
Rentals	185,354	108,675	82,669
Education	9,433	7,182	8,468
Advertising	53,354	69,668	84,266
Dues and subscriptions	102,693	93,128	85,673
Physician recruitment	5,817	35,718	19,257
Miscellaneous	<u>304,392</u>	<u>276,743</u>	<u>278,671</u>
 Total other expenses	 \$ <u>4,037,880</u>	 \$ <u>3,482,941</u>	 \$ <u>3,327,781</u>

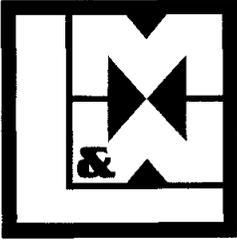
CONCORDIA PARISH HOSPITAL SERVICE DISTRICT NUMBER ONE  
 OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
 d/b/a RIVERLAND MEDICAL CENTER  
 SCHEDULES OF PER DIEM AND OTHER  
 COMPENSATION PAID TO BOARD MEMBERS  
 YEARS ENDED SEPTEMBER 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Board Members:			
Mr. Jim Graves	\$ 1,100	\$ 1,000	\$ 600
Mr. Fred Butcher	700	800	550
Ms. Rena Pitts	600	800	450
Mr. Larry Chauvin	600	900	550
Mr. Fred Marsalis	1,100	1,000	550
Mr. James King	1,000	200	-0-
Dr. Kevin Ingram	900	800	-0-
Ms. Rowena Lipsey	400	-0-	-0-
Mr. Randy Hoggatt	500	-0-	-0-
Ms. Carolyn Magoun	-0-	-0-	500
Dr. Carrie Bonomo	<u>-0-</u>	<u>100</u>	<u>400</u>
 Totals	 \$ <u>6,900</u>	 \$ <u>5,600</u>	 \$ <u>3,600</u>

CONCORDIA PARISH HOSPITAL SERVICE DISTRICT NUMBER ONE  
 OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
 d/b/a RIVERLAND MEDICAL CENTER  
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS  
 TO CHIEF EXECUTIVE OFFICER  
 YEAR ENDED SEPTEMBER 30, 2017

Agency Head Name: William Rucker  
 Position: CEO  
 Time Period: October 1, 2016 to September 30, 2017

<u>Purpose</u>	<u>Amount</u>
Salary	121,693
Health insurance	1,259
Retirement (FICA replacement plan)	6,085
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	2,575
Registration fees	-0-
Conference travel	1,604
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	80
Special meals	3,678



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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  
Concordia Parish Hospital Service District Number One  
Parish of Concordia, State of Louisiana  
Ferriday, 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 Concordia Parish Hospital Service District Number One, a component unit of the Concordia Parish Police Jury, ("the District") as of and for the years ended September 30, 2017, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 18, 2018.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings that we consider to be significant deficiencies: 2017-1 and 2017-2.

Board of Commissioners  
Concordia Parish Hospital Service District Number One  
Parish of Concordia, State of Louisiana  
Ferriday, Louisiana  
Page Two

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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.

### **District's Response to Findings**

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

### **Purpose of this Report**

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

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

*Joshua Mulla & Wells*

Certified Public Accountants  
Alexandria, Louisiana

January 18, 2018



CONCORDIA PARISH HOSPITAL SERVICE DISTRICT NUMBER ONE  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
RIVERLAND MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2017

**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 2017-1 - Third-Party Payor Settlements**

**Fiscal Year Initially Reported:** September 30, 2016

**Finding:** Management is responsible for calculating and recording estimates of interim Medicare and Medicaid cost settlements. Adjustments were made to revise prior year settlement balances and to record the fiscal year 2017 as-filed cost report receivable/payable from/to Medicare and Medicaid.

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

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

**FINDING 2017-2 - Segregation of Duties**

**Fiscal Year Initially Reported:** September 30, 2007

**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

CONCORDIA PARISH HOSPITAL SERVICE DISTRICT NUMBER ONE  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
RIVERLAND MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2017

**FINDING 2017-2 - Segregation of Duties (Continued)**

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

CONCORDIA PARISH HOSPITAL SERVICE DISTRICT NUMBER ONE  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
RIVERLAND MEDICAL CENTER  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2017

**Section I. Financial Statement Findings**

**FINDING 2016-1 - Third-Party Payor Settlements**

**Finding:** Estimates of third-party payor cost settlements were not accurately calculated or recorded on an interim basis.

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

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

**Current Status:** This matter has not been fully resolved. See finding 2017-1

**FINDING 2016-2 - 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.

**Current Status:** This matter has not been resolved. See finding 2017-2

**Section II. Federal Award Findings**

Not applicable

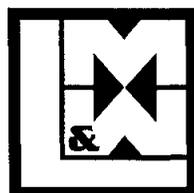
**Section III. Management Letter**

Not applicable



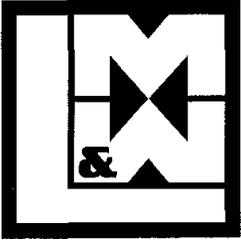
RIVERLAND MEDICAL CENTER  
INDEPENDENT AUDITORS' REPORT  
ON APPLYING AGREED UPON  
PROCEDURES

FOR THE YEAR ENDED  
SEPTEMBER 30, 2017



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### Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners  
of Concordia Parish Hospital Service District Number One  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Concordia Parish Hospital Service District Number One and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2016 through September 30, 2017. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

#### ***Written Policies and Procedures***

---

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing, and approving
  - d) **Receipts**, including receiving, recording, and preparing deposits
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

- g) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- h) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- i) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Findings:** The Hospital did not have written policies and procedures for the following areas: budgeting, disbursements, and debt service. The policies on purchasing do not state how vendors are added. The policies on payroll do not address payroll processing or reviewing and approving attendance records including leave and overtime worked. Policies on credit cards do not state who is allowed to have fuel card and the required approvers.

**Management's Response:** Management is in the process of drafting policies and procedures to address the control and compliance areas identified.

#### ***Board (or Finance Committee, if applicable)***

---

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
  - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
  - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
    - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
  - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

**Findings:** Per the governing board's by-laws, the board is to meet monthly. The board met all twelve months. Riverland Medical Center is a hospital service district and not required to comply with the Local Government Budget Act. The board minutes referenced non-budgetary financial information, such as approval of contracts and policies and procedures. Interim financial statements are presented monthly.

#### ***Bank Reconciliations***

---

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.



**Findings:** We obtained a list of bank accounts, and management provided representation that the list was complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
- Bank reconciliations have been prepared;
  - Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
  - If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

**Findings:** All bank reconciliations tested were prepared monthly. The prepared bank reconciliations had evidence that a member of management reviewed the reconciliations all twelve months. Management does not have documentation reflecting that reconciling items outstanding for six months have been researched.

**Management's Response:** Management is in the process of drafting policies and procedures to address the control and compliance areas identified.

## Collections

---

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

**Findings:** We obtained a list of collection locations, and management provided representation that the list was complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
- Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
  - Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.



- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
  - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

**Findings:** Written documentation was provided that stated the entity has insurance guarding against employee theft. Written documentation was not provided that stated whether each person collecting cash was not responsible for depositing cash in the bank, recording the related transactions, or reconciling the related bank account, and not required to share the same cash drawer.

The person responsible for collecting cash does record the transactions at the Hospital. Staff responsible for cash collections share the same cash drawer.

The Hospital provided receipts, payment logs, system reports and reconciliation worksheets that demonstrated a formal process is used to reconcile cash collections to the general ledger. Daily cash reconciliations are prepared by an employee who is not responsible for cash collections.

For the highest week of collections at each location, the deposits were made within one business day of collection. All cash collections tested were completely supported by documentation.

**Management's Response:** Management is in the process of drafting policies and procedures to address the control and compliance areas identified.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund addition (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

**Findings:** The Hospital does have written documentation detailing a process specifically defined to determine the completeness of all collections, including electronic transfers, for each revenue source and agency fund addition.

**Disbursements – General (excluding credit card/debit card/fuel card/P-card purchases or payments)**

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

**Findings:** We obtained a list of disbursements, and management provided representation that the list was complete.



Board of Commissioners  
of Concordia Parish Hospital Service District Number One  
and the Louisiana Legislative Auditor

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
- Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
  - Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
  - Payments for purchases were not processed without an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

**Findings:** Of the twenty five (25) disbursements selected for testing, one (1) did not have evidence of approval by a person who did not initiate the purchase. Twelve (12) of the transactions were items other than materials and supplies, such as professional services, and did not require a purchase order.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

**Findings:** No written procedures. Per inquiry, the person responsible for processing payments is the only one who can add vendors.

**Management's Response:** Management is in the process of drafting policies and procedures to address the control and compliance areas identified.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

**Findings:** No written procedures. Per inquiry, persons with signatory authority do not initiate or record purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

**Findings:** Unused checks are maintained in an office with restricted access. The two people who have access to the office do not have signatory authority. Persons with signatory authority do not have system access to print checks.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.



**Findings:** Signature stamps are used only with knowledge and consent of the signer. Signed checks are returned to the staff who prepares and prints checks.

**Management's Response:** Management is in the process of drafting policies and procedures to address the control and compliance areas identified.

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

---

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

**Findings:** We obtained a list of all active credit cards, and management provided representation that the list was complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

**Findings:** The entire population of three fuel cards was selected for testing. One fuel card's transaction was not reviewed and approved by someone other than the authorized signer. One fuel card's statement was found with late fees assessed.

**Management's Response:** Management is in the process of drafting policies and procedures to address the control and compliance areas identified.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
- a) For each transaction, report whether the transaction is supported by:
    - An original itemized receipt (i.e., identifies precisely what was purchased)
    - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
    - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)



- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless of whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

**Findings:** The entire population of three fuel cards were selected for testing. Two fuel cards had itemized receipts with documentation of business purpose. One fuel card did not have itemized receipts with the business purpose identified. Purchases were for fuel only, not required to comply with Public Bid Law.

**Management's Response:** Management is in the process of drafting policies and procedures to address the control and compliance areas identified.

### ***Travel and Expense Reimbursement***

---

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

**Findings:** We obtained a list of all travel and related expense reimbursements, and management provided representation that the listing is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

**Findings:** No per diem, meal or mileage rates are included in the written policy.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
  - a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
  - b) Report whether each expense is supported by:
    - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
    - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
    - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)



- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Findings:** No rates were established in the written policy. One night in hotel exceeded GSA rates by \$35.00 for administrative travel.

Each expense was supported by original receipt with a documented business purpose and a completed and approved expense report.

Each expense was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

### ***Contracts***

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20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

**Findings:** We obtained a list of contract vendors for the period, and management provided representation that the list was complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
  - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
    - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
    - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
  - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
  - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
  - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).



**Findings:** For the five vendors selected for testing, the Hospital had a formal, written agreement that supported the services being provided and the amounts paid.

None of the contracts were subject to the Louisiana Public Bid Law or the Procurement Code.

None of the contracts were amended. Three of the contracts have terms that provide for amendment.

Each of the five invoices tested and related payments complied with the terms and conditions of the contract.

Four of the five contracts had documentation of board approval.

### ***Payroll and Personnel***

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22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
  - Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

**Findings:** We obtained a listing of employees and their related salaries, and management provided representation that the list was complete. The five employees were paid in strict accordance with the terms and conditions of their pay rate structure. Two employees experienced changes to hourly pay during the period, and the changes were approved in writing. No written policy for changes in hourly pay rates/salaries.

**Management's Response:** Management is in the process of drafting policies and procedures to address the control and compliance areas identified.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
  - Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.



**Findings:** All 25 employees selected documented their daily attendance and leave and had written documentation their time was approved by a supervisor.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

**Findings:** We obtained a list of employees terminated during the period, and management provided representation that the list was complete. The two largest termination payments were made in accordance with the policy. The payments were approved by management.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

**Findings:** Employee and employer portions of payroll taxes and the required reporting forms were submitted to the applicable agencies by the required deadlines.

### ***Ethics (excluding nonprofits)***

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26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

**Findings:** Only one of the employees selected was required to complete the ethics training mandated by the state. She completed the training. The other four employees randomly selected for procedure #22 were non-salaried employees of the hospital service district and do not supervise other employees or contract on behalf of the Hospital. These employees were not required to complete the ethics training mandated by the state.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

**Findings:** Per inquiry of management, no alleged ethics violations were reported to the entity during the fiscal period.



***Debt Service (excluding nonprofits)***

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

**Findings:** A Certificate of Indebtedness, Series 2017 was issued during the fiscal year and state bond commission approval was obtained.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

**Findings:** The Hospital made payments in accordance with the debt service schedule. The entity was not required to maintain debt reserves.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

**Findings:** The Hospital did not have tax millages related to debt service.

***Other***

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

**Findings:** Per inquiry of management, the Hospital had no misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Findings:** The notice required by R.S. 24:523.1 concerning the reporting of misappropriations, fraud, waste, or abuse is posted on the premises of the Hospital. The Hospital's website contains the "Fight Fraud" button, which redirects visitors to the LLA website where an online fraud report form can be completed.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

**Findings:** We did not note any exceptions regarding management's representations in the procedures above.

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



Board of Commissioners  
of Concordia Parish Hospital Service District Number One  
and the Louisiana Legislative Auditor

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

*Aesta, Muller & Wells*

Certified Public Accountants  
Alexandria, Louisiana

January 18, 2018

