

**Hospital Service District No. 1A of the Parish of Richland**  
**d.b.a. Richland Parish Hospital**  
**A Component Unit of Richland Parish Police Jury**  
Independent Auditor's Reports and Financial Statements  
September 30, 2019 and 2018

**Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
A Component Unit of Richland Parish Police Jury  
September 30, 2019 and 2018**

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## Independent Auditor's Report

Board of Commissioners  
Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
Delhi, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the District), a component unit of Richland Parish Police Jury, as of and for the years ended September 30, 2019 and 2018, and the related 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.

### *Auditor's Responsibility*

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital as of September 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information and other information, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and schedule of compensation, benefits and other payments to agency head or chief executive officer, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, 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 audits 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, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*BKD, LLP*

Jackson, Mississippi  
March 26, 2020

# **Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital A Component Unit of Richland Parish Police Jury Management's Discussion and Analysis September 30, 2019 and 2018**

## **Introduction**

This management's discussion and analysis of the financial performance of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the District) provides an overview of the District's financial activities for the years ended September 30, 2019 and 2018. It should be read in conjunction with the accompanying financial statements of the District.

## **Financial Highlights**

- Cash and investments increased in 2019 by \$3,556,345, or 24.6% and increased in 2018 by \$2,147,332, or 17.4%,
- The District's net position increased in each of the past two years with a \$3,145,217, or 13.1% increase in 2019, and a \$3,382,465, or 16.4% increase in 2018.
- The District reported operating income of \$986,745 in 2019, due to an increase in grant and 340b program revenue, which benefited from reimbursement for uncompensated care, and an increase in net revenue from the 340B program. In 2018, the District reported an operating income of \$1,605,803.
- Net nonoperating revenues, including noncapital grants and gifts, increased by \$155,998, or 8.8% in 2019, compared to 2018, and increased by \$330,038, or 22.8% in 2018, compared to 2017.

During 2019, the District began construction of a new clinic building on land owned by the District. Upon completion, scheduled for the end of 2020, the building will be occupied by the Delhi Community Health Clinic. The total project cost of construction, fees and equipment is expected to total approximately \$5,755,000. The District was awarded a capital development in health center grant from the U.S. Department of Health and Human Services in the amount of \$1,000,000 that will be used to fund construction. As of September 30, 2019, the District had incurred approximately \$987,000, which is included within construction in progress.

## **Using This Annual Report**

The District's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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**The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position**

One of the most important questions asked about any hospital's finances is "Is the hospital as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. The District's total net position – the difference between assets and liabilities – is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the District.

**The Statement of Cash Flows**

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

**The District's Net Position**

The District's net position is the difference between its assets and liabilities reported in the statements of net position. The District's net position increased by \$3,145,217, or 13.1% in 2019 over 2018, and by \$3,382,465, or 16.4% in 2018 over 2017, as shown in Table 1.

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**Table 1: Assets, Liabilities, and Net Position**

	2019	2018	2017
<b>Assets</b>			
Patient accounts receivable, net	\$ 2,467,472	\$ 1,974,447	\$ 2,260,180
Other current assets	20,779,965	18,818,720	14,467,162
Capital assets, net	5,518,970	4,586,781	5,129,815
Other assets	236,088	236,088	236,088
	<u>236,088</u>	<u>236,088</u>	<u>236,088</u>
Total assets	<u>\$ 29,002,495</u>	<u>\$ 25,616,036</u>	<u>\$ 22,093,245</u>
<b>Liabilities</b>			
Long-term capital lease	\$ -	\$ 15,607	\$ 77,045
Current liabilities	1,851,612	1,594,763	1,392,999
	<u>1,851,612</u>	<u>1,594,763</u>	<u>1,392,999</u>
Total liabilities	<u>1,851,612</u>	<u>1,610,370</u>	<u>1,470,044</u>
<b>Net Position</b>			
Net investment in capital assets	4,961,627	4,514,786	4,883,433
Restricted - expendable	-	-	7,632
Unrestricted	22,189,256	19,490,880	15,732,136
	<u>22,189,256</u>	<u>19,490,880</u>	<u>15,732,136</u>
Total net position	<u>27,150,883</u>	<u>24,005,666</u>	<u>20,623,201</u>
Total liabilities and net position	<u>\$ 29,002,495</u>	<u>\$ 25,616,036</u>	<u>\$ 22,093,245</u>

The most significant change in the District's financial position in 2019 was the increase in other current assets from 2018 to 2019 of \$1,961,245. This increase of 10.4% was attributable to an increase in cash and investments.

In 2018, the most significant change in the District's financial position was also an increase in other current assets of \$4,351,558 or 30.1%. This increase of 30.1% was attributable to an increase in cash and investments.



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**Operating Results and Changes in the District's Net Position**

In 2019, the District's net position increased by \$3,145,217 as shown in Table 2. This increase is made up of several different components and represents an increase of 13.1%, compared with the increase in net position for 2018 of \$3,382,465, or 16.4%.

**Table 2: Operating Results and Changes in Net Position**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 22,579,766	\$ 23,209,679	\$ 21,495,891
Grant revenue	2,464,577	2,164,299	2,115,264
Other	1,946,622	1,537,529	741,788
Total operating revenues	<u>26,990,965</u>	<u>26,911,507</u>	<u>24,352,943</u>
<b>Operating Expenses</b>			
Salaries and wages	13,227,940	12,790,038	12,162,543
Employee benefits	2,854,220	3,310,920	2,766,156
Purchased services and professional fees	3,863,756	3,365,296	2,561,348
Supplies and other	5,441,021	5,171,763	4,640,262
Depreciation and amortization	617,283	667,687	875,911
Total operating expenses	<u>26,004,220</u>	<u>25,305,704</u>	<u>23,006,220</u>
<b>Operating Income</b>	<u>986,745</u>	<u>1,605,803</u>	<u>1,346,723</u>
<b>Nonoperating Revenues (Expenses)</b>			
Property taxes	790,435	795,361	808,916
Investment income	193,285	106,482	24,080
Interest expense	(4,007)	(3,314)	(11,175)
Noncapital grants and gifts	952,947	882,076	624,803
Gain on sale of capital assets	-	(3,943)	-
Net nonoperating revenues	<u>1,932,660</u>	<u>1,776,662</u>	<u>1,446,624</u>
<b>Excess of Revenues over Expenses</b>	2,919,405	3,382,465	2,793,347
<b>Capital Grants and Gifts</b>	<u>225,812</u>	<u>-</u>	<u>-</u>
<b>Increase in Net Position</b>	<u><u>\$ 3,145,217</u></u>	<u><u>\$ 3,382,465</u></u>	<u><u>\$ 2,793,347</u></u>

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***Operating Results***

The first component of the overall change in the District's net position is its operating income or loss – generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The District has reported operating income for the past three years, 2019, 2018 and 2017. This is consistent with the District's improvement in clinic operations, reimbursements from third-party payers, and growth of the 340B program.

Grants and property taxes (nonoperating revenues) levied by the District have provided sufficient resources to enable the District to serve lower income and other residents.

The District reported operating income for 2019 which was decreased by (\$619,058), compared to 2018. The primary components of the change in operating results were:

- Decreases in net patient service revenue of approximately (\$629,913) or (2.7%).
- Increase in grant revenue and other operating revenue of \$1,009,649, primarily related to increased revenue from 340B outpatient drug discount programs.

The District reported operating income for 2018 improved by \$259,080, compared to 2017. The primary components of the change in operating results were:

- Increase in net patient service revenue of approximately \$1,714,000, or 8.0%.
- Increase in salaries and wages and employee benefits expenses of approximately \$1,172,000, or 7.9%, resulting from additional professionals and health claims.

**Nonoperating Revenues and Expenses**

Nonoperating revenues (expenses) consist primarily of property taxes levied by the District and noncapital grants and gifts. In 2019, the District recognized a decrease in property taxes of (\$4,926), or (0.6%), compared to 2018. Noncapital grants and gifts increased by \$70,871, or 8.0% in 2019, compared to 2018.

***Capital Grants and Gifts***

The District receives both capital and operating grants from various state and federal agencies for specific programs. The District received capital grants and gifts of \$225,812 and \$0 in 2019 and 2018, respectively.

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***Grant Expenses***

The District actively applies for available state and federal grants. A majority of the grants are reimbursement grants requiring the District to spend the money for an approved purchase and then request reimbursement from the grantor. The revenues and expenses associated with these grants generally offset each other. The District recorded \$952,947 and \$882,076 of noncapital grants and gifts in 2019 and 2018, respectively; however, the expenses associated with these grant receipts have been recorded in operating expenses for each year.

**The District's Cash Flows**

Changes in the District's cash flows are consistent with changes in operating income and nonoperating revenues and expenses for 2019 and 2018, as discussed earlier.

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of 2019 and 2018, the District had \$5,158,970 and \$4,586,781 of net capital assets, as detailed in *Note 5* to the financial statements. Approximately \$1,552,000 and \$129,000 was spent to construct the new community health center building and new equipment in 2019 and 2018, respectively.

**Debt**

For the years ended September 30, 2019 and 2018, The District issued no new debt. At September 30, 2019 and 2018, the District had approximately \$11,000 and \$72,000, respectively, of capital lease obligation outstanding. The capital lease is for a mammography machine. The District's formal debt issuances and revenue bonds are subject to limitations imposed by state law.

**Contacting the District's Financial Management**

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the District's Chief Executive Officer at Hospital Service District No. 1A of the Parish of Richland, 407 Cincinnati Street, Delhi, Louisiana 71232 or calling 318.878.5171.

**Hospital Service District No. 1A of the Parish of Richland  
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Statements of Net Position  
September 30, 2019 and 2018**

**Assets**

	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 9,834,301	\$ 12,108,760
Short-term investments - certificates of deposit	7,323,617	1,512,326
Board designated - short-term investments	851,925	832,112
Patient accounts receivable, net of allowance; 2019 - \$1,671,000; 2018 - \$1,456,000	2,467,472	1,974,447
Estimated amounts due from third-party payers	1,433,339	2,463,905
Grant and other receivables	546,723	1,046,609
Supplies	534,759	531,108
Prepaid expenses and other	255,301	323,900
	<u>23,247,437</u>	<u>20,793,167</u>
<b>Capital Assets, Net</b>	<u>5,518,970</u>	<u>4,586,781</u>
<b>Other Assets</b>	<u>236,088</u>	<u>236,088</u>
<b>Total assets</b>	<u><u>\$ 29,002,495</u></u>	<u><u>\$ 25,616,036</u></u>

## Liabilities and Net Position

	2019	2018
<b>Current Liabilities</b>		
Current maturities of capital lease	\$ 10,525	\$ 56,388
Accounts payable	906,647	536,325
Accrued expenses	791,560	687,050
Estimated self-insured health insurance costs	142,880	315,000
Total current liabilities	1,851,612	1,594,763
<b>Long-term Capital Lease</b>	-	15,607
Total liabilities	1,851,612	1,610,370
<b>Net Position</b>		
Net investment in capital assets	4,961,627	4,514,786
Unrestricted	22,189,256	19,490,880
Total net position	27,150,883	24,005,666
Total liabilities and net position	\$ 29,002,495	\$ 25,616,036

**Hospital Service District No. 1A of the Parish of Richland  
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Statements of Revenues, Expenses and Changes in Net Position  
Years Ended September 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2019 - \$1,729,000; 2018 - \$1,728,000	\$ 22,579,766	\$ 23,209,679
Grant revenue	2,464,577	2,164,299
Other	1,946,622	1,537,529
Total operating revenues	<u>26,990,965</u>	<u>26,911,507</u>
<b>Operating Expenses</b>		
Salaries and wages	13,227,940	12,790,038
Employee benefits	2,854,220	3,310,920
Purchased services and professional fees	3,863,756	3,365,296
Supplies and other	5,441,021	5,171,763
Depreciation and amortization	617,283	667,687
Total operating expenses	<u>26,004,220</u>	<u>25,305,704</u>
<b>Operating Income</b>	<u>986,745</u>	<u>1,605,803</u>
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	790,435	795,361
Investment income	193,285	106,482
Interest expense	(4,007)	(3,314)
Noncapital grants and gifts	952,947	882,076
Gain on sale of capital assets	-	(3,943)
Total nonoperating revenues	<u>1,932,660</u>	<u>1,776,662</u>
<b>Excess of Revenues Over Expenses</b>	2,919,405	3,382,465
<b>Capital Grants and Gifts</b>	<u>225,812</u>	<u>-</u>
<b>Increase in Net Position</b>	3,145,217	3,382,465
<b>Net Position, Beginning of Year</b>	<u>24,005,666</u>	<u>20,623,201</u>
<b>Net Position, End of Year</b>	<u><u>\$ 27,150,883</u></u>	<u><u>\$ 24,005,666</u></u>

**Hospital Service District No. 1A of the Parish of Richland  
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**Statements of Cash Flows  
Years Ended September 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 23,153,932	\$ 22,160,882
Payments to suppliers and contractors	(9,522,672)	(8,436,644)
Payments to employees	(16,091,183)	(15,914,367)
Other receipts, net	4,922,220	2,855,896
Net cash provided by operating activities	<u>2,462,297</u>	<u>665,767</u>
<b>Noncapital Financing Activities</b>		
Property taxes supporting operations	790,435	795,361
Noncapital grants and gifts	952,947	882,076
Other financing payments	-	(3,943)
Net cash provided by noncapital financing activities	<u>1,743,382</u>	<u>1,673,494</u>
<b>Capital and Related Financing Activities</b>		
Capital grants and gifts	225,812	-
Principal paid on long-term capital lease	(61,470)	(60,444)
Interest paid on long-term capital lease	(4,007)	(3,314)
Purchase of capital assets	(1,002,654)	(234,653)
Net cash used in capital and related financing activities	<u>(842,319)</u>	<u>(298,411)</u>
<b>Investing Activities</b>		
Interest and dividends on investments	193,285	106,482
Purchase of investments	(5,831,104)	(35,188)
Net cash provided by (used in) investing activities	<u>(5,637,819)</u>	<u>71,294</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(2,274,459)	2,112,144
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>12,108,760</u>	<u>9,996,616</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 9,834,301</u></u>	<u><u>\$ 12,108,760</u></u>

**Hospital Service District No. 1A of the Parish of Richland  
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Statements of Cash Flows (Continued)  
Years Ended September 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 986,745	\$ 1,605,803
Depreciation and amortization	617,283	667,687
Provision for uncollectible accounts	1,729,201	1,728,432
Changes in operating assets and liabilities		
Patient accounts receivable	(2,222,226)	(1,442,699)
Estimated amounts due from third-party payers	1,030,566	(1,334,530)
Accounts payable and accrued expenses	(244,106)	310,770
Other assets and liabilities	564,834	(869,696)
	<u>\$ 2,462,297</u>	<u>\$ 665,767</u>
<b>Supplemental Cash Flows Information</b>		
Capital asset acquisitions included in accounts payable and accrued expenses	\$ 546,818	\$ -



# **Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital A Component Unit of Richland Parish Police Jury**

## **Notes to Financial Statements September 30, 2019 and 2018**

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

#### ***Nature of Operations and Reporting Entity***

Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the District) is located in Delhi, Louisiana. The District was created on April 18, 1989, by the Richland Parish Police Jury. It is comprised of and embraces the territory contained within Ward 1 of the Parish of Richland, State of Louisiana, as constituted as of the date of the ordinance. It is a critical access hospital located in Delhi. The District provides inpatient, outpatient and emergency care services for the residents of Delhi and the surrounding area. Admitting physicians are primarily practitioners in the local area.

Effective October 1, 1989, Richland Parish Hospital Service District No. 1 transferred operations of the District in Delhi, Louisiana to Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital, along with all related assets, liabilities and equity.

The District operates and manages a Federally Qualified Health Center (FQHC) d.b.a. Delhi Community Health Center. The FQHC began operations on October 8, 2012. The FQHC earns revenues by providing primary and preventive health, behavioral health and dental care to indigent and low income patients in the same geographic area and grants funding from the U.S. Department of Health and Human Services in support of its commitment to provide services to a higher percentage of indigent patients. The FQHC is considered an operating division of the District.

Richland Health Services, Inc. (RHI) is a separate, not-for-profit corporation, which was organized exclusively to provide the required governance and oversight as stipulated by program guidelines for "Public Entity" models of the FQHC's operations for the delivery of primary and preventative health care services to the underserved populations in the same geographic area and does not have financial transactions. The RHI Board of Directors does not have the same composition as the District's Board of Commissioners. The District and RHI, through a co-applicant agreement, collaboratively operate the FQHC clinics. RHI is considered an affiliate rather than a component unit of the District.

The District is a political subdivision of the Richland Parish Police Jury whose jurors are elected officials. The District's Commissioners are appointed by the Richland Parish Police Jury. As the governing authority of the parish for reporting purposes, the Richland Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Richland Parish Police Jury. The accompanying financial statements present information only on the funds maintained by the District.

#### ***Basis of Accounting and Presentation***

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and

**Hospital Service District No. 1A of the Parish of Richland  
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liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, property taxes, investment income and interest on capital assets - related debt are included in nonoperating revenues (expenses). The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

***Cash Equivalents***

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers.

***Patient Accounts Receivable***

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

***Supplies***

Supply inventories are stated at the lower of cost or market. Costs are determined using the first-in, first-out method.

***Investments and Investment Income***

Investments in nonnegotiable certificates of deposit are carried at amortized cost.

Investment income consists primarily of interest income from certificates of deposit.

# **Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital A Component Unit of Richland Parish Police Jury**

## **Notes to Financial Statements September 30, 2019 and 2018**

### ***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term, or their respective estimated useful lives. The following estimated useful lives are being used by the District.

Land improvements	10 - 20 years
Buildings and leasehold improvements	5 - 40 years
Equipment	3 - 20 years
Furniture	3 - 5 years
Vehicles	2 - 4 years

### ***Capital Asset Impairment***

The District evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the years ended September 30, 2019 or 2018.

### ***Compensated Absences***

District policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statements of net position date.

### ***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 other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

# **Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital A Component Unit of Richland Parish Police Jury**

## **Notes to Financial Statements September 30, 2019 and 2018**

The District is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

### ***Net Position***

Net position of the District is classified in two components on its statements of net position.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

### ***Net Patient Service Revenue***

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

### ***Charity Care***

The District provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue.

### ***Property Taxes***

The District levies a property tax on all property subject to taxation in the service district. In 2010, a tax continuation proposition duly carried by a majority of votes cast. Under this proposition, the District will continue to levy a tax on all property subject to taxation in the District for a period of 10 years, beginning with the year 2011 and ending in the year 2020. Such rate may be subject to adjustment from time to time due to reassessment. Mill rate for both 2019 and 2018 was 8.57. The purpose of the tax is for constructing, maintaining, improving and operating the District. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District.

# **Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital A Component Unit of Richland Parish Police Jury**

## **Notes to Financial Statements September 30, 2019 and 2018**

Property taxes are levied by the District on October 1 of each year based on the preceding January 1 assessed property values. To secure payment, an enforceable lien attaches to the property on January 1, when the value is assessed. Property taxes become due and payable when levied on October 1. This is the date on which an enforceable legal claim arises, and the District records a receivable for the property tax assessment, less an allowance for uncollectible taxes. Property taxes are considered delinquent after January 31 of the following year.

The District received approximately 3.0% of its financial support from property taxes in both 2019 and 2018. These funds were used to support building, maintenance and repairs.

### ***Income Taxes***

As an essential government function of the parish, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income.

### ***Foundation***

Delhi Health Care Foundation (the Foundation) is a foundation established to support health care in Richland Parish. There was no activity in the Foundation for the years ended September 30, 2019 or 2018.

## **Note 2: Net Patient Service Revenue**

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payment arrangements include:

*Medicare* - The District is certified as a Critical Access Hospital (CAH) by Medicare. As a CAH, the District is reimbursed for substantially all inpatient and outpatient services to Medicare beneficiaries based on reasonable costs. Additionally, as a CAH, the District's licensed beds are limited to 25, and the District's acute average length of stay may not exceed 96 hours. The District is reimbursed for substantially all services at tentative rates, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor.

*Medicaid* - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The District is reimbursed for cost reimbursable services at tentative rates, with final settlement determined after submission

# Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital A Component Unit of Richland Parish Police Jury

## Notes to Financial Statements September 30, 2019 and 2018

of annual cost reports by the District and audits thereof by the Medicaid administrative contractor.

*Other* - Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment to the District using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Approximately 83% and 81% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2019 and 2018, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The District entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor), whereby the Grantor awards an intergovernmental transfer (IGT) grant to be used solely to provide adequate and essential medically necessary and available health care services to the District's service population subject to the availability of such grant funds. The aggregate IGT grant income was approximately \$1,164,000 and \$1,517,000 for the years ended September 30, 2019 and 2018, respectively, and is included in net patient service revenue.

### Note 3: Deposits, Investments and Investment Income

#### *Deposits*

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or other qualified investments. At September 30, the District's bank balances were as follows:

	<u>2019</u>	<u>2018</u>
Insured by Federal Deposit Insurance Corporation	\$ 4,379,891	\$ 1,250,000
Collateralized by securities held by the pledging financial institution's Trust Department in the District's name	<u>14,736,025</u>	<u>13,396,293</u>
Total depository balance	<u>\$ 19,115,916</u>	<u>\$ 14,646,293</u>

**Hospital Service District No. 1A of the Parish of Richland  
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***Summary of Carrying Values***

The carrying values of deposits shown above are included in the statements of net position as follows:

	<b><u>2019</u></b>	<b><u>2018</u></b>
Carrying value		
Deposits	<u>\$ 18,009,843</u>	<u>\$ 14,453,198</u>
Included in the following statements of net position captions		
Cash and cash equivalents	\$ 9,834,301	\$ 12,108,760
Short-term investments - certificates of deposit	7,323,617	1,512,326
Board designated - short-term investments	<u>851,925</u>	<u>832,112</u>
	<u>\$ 18,009,843</u>	<u>\$ 14,453,198</u>

**Note 4: Patient Accounts Receivable**

The District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at September 30 consisted of:

	<b><u>2019</u></b>	<b><u>2018</u></b>
Medicare	\$ 1,247,291	\$ 906,032
Medicaid	339,411	515,003
Other third-party payers	558,348	442,308
Patients	<u>1,993,268</u>	<u>1,566,899</u>
	4,138,318	3,430,242
Less allowance for uncollectible accounts	<u>(1,670,846)</u>	<u>(1,455,795)</u>
	<u>\$ 2,467,472</u>	<u>\$ 1,974,447</u>

**Hospital Service District No. 1A of the Parish of Richland  
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**Notes to Financial Statements  
September 30, 2019 and 2018**

**Note 5: Capital Assets**

Capital assets activity for the years ended September 30 was:

	2019				
	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Land	\$ 1,708,256	\$ -	\$ -	\$ -	\$ 1,708,256
Land improvements	241,720	-	-	-	241,720
Buildings and improvements	6,763,627	6,900	-	(2,156)	6,768,371
Equipment	7,532,306	521,067	(397,233)	-	7,656,140
Vehicles	760,985	47,282	-	-	808,267
Furniture	76,557	-	-	-	76,557
Construction in progress	108,272	977,244	-	(865)	1,084,651
	<u>17,191,723</u>	<u>1,552,493</u>	<u>(397,233)</u>	<u>(3,021)</u>	<u>18,343,962</u>
Less accumulated depreciation					
Land improvements	125,116	13,206	-	-	138,322
Buildings and improvements	5,253,108	135,606	-	-	5,388,714
Equipment	6,795,670	51,150	(397,233)	-	6,449,587
Vehicles	329,996	348,815	-	-	678,811
Furniture	101,052	68,506	-	-	169,558
	<u>12,604,942</u>	<u>617,283</u>	<u>(397,233)</u>	<u>-</u>	<u>12,824,992</u>
Capital assets, net	<u>\$ 4,586,781</u>	<u>\$ 935,210</u>	<u>\$ -</u>	<u>\$ (3,021)</u>	<u>\$ 5,518,970</u>

	2018				
	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Land	\$ 1,690,256	\$ 18,000	\$ -	\$ -	\$ 1,708,256
Land improvements	241,720	-	-	-	241,720
Buildings and improvements	6,763,627	-	-	-	6,763,627
Equipment	7,795,842	47,071	(310,607)	-	7,532,306
Vehicles	760,985	-	-	-	760,985
Furniture	76,557	-	-	-	76,557
Construction in progress	44,747	63,525	-	-	108,272
	<u>17,373,734</u>	<u>128,596</u>	<u>(310,607)</u>	<u>-</u>	<u>17,191,723</u>
Less accumulated depreciation					
Land improvements	111,910	13,206	-	-	125,116
Buildings and improvements	5,059,314	193,794	-	-	5,253,108
Equipment	6,772,779	329,555	(306,664)	-	6,795,670
Vehicles	239,147	90,849	-	-	329,996
Furniture	60,769	40,283	-	-	101,052
	<u>12,243,919</u>	<u>667,687</u>	<u>(306,664)</u>	<u>-</u>	<u>12,604,942</u>
Capital assets, net	<u>\$ 5,129,815</u>	<u>\$ (539,091)</u>	<u>\$ (3,943)</u>	<u>\$ -</u>	<u>\$ 4,586,781</u>



# **Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital A Component Unit of Richland Parish Police Jury**

## **Notes to Financial Statements September 30, 2019 and 2018**

At September 30, 2019, construction in progress primarily represents costs incurred in connection with the construction of a new Delhi Community Health Clinic building. The total project cost of construction, fees and equipment is expected to total approximately \$5,755,000. The District was awarded a capital development in health center grant from the U.S. Department of Health and Human Services in the amount of \$1,000,000 that will be used to fund the construction. As of September 30, 2019, the District used approximately \$226,000 of the grant funds. All other costs will be funded through the cash reserves of the District. As of September 30, 2019, the District had incurred costs of approximately \$987,000 in construction in progress.

At September 30, 2018, construction in progress represents costs incurred in connection with various construction projects and equipment purchases. The costs for these projects will be funded through operations.

### **Note 6: Medical Malpractice Claims**

The District participates in the Louisiana Patients' Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides \$400,000 in coverage per occurrence above the first \$100,000 per occurrence. The first \$100,000 is covered by the Louisiana Hospital Association Malpractice and General Liability Trust. There is not a limitation placed on the number of occurrences covered.

GAAP requires a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

### **Note 7: Employee Health Claims**

Substantially all of the District's employees and their dependents are eligible to participate in the District's employee health insurance plan. The District is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$45,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision 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, frequency of claims and other economic and social factors. It is reasonably possible that the District's estimate will change by a material amount in the near term.

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Activity in the District's accrued employee health claims liability is summarized as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 315,000	\$ 225,000
Current year claims incurred and changes in estimates for claims incurred in prior years	1,041,658	1,399,144
Claims and expenses paid	<u>(1,213,778)</u>	<u>(1,309,144)</u>
Balance, end of year	<u>\$ 142,880</u>	<u>\$ 315,000</u>

**Note 8: Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses included in current liabilities at September 30 consisted of:

	<u>2019</u>	<u>2018</u>
Payable to suppliers and contractors	\$ 840,889	\$ 539,857
Payable to employees (including payroll tax benefits)	786,327	683,518
Payable to patients	<u>70,991</u>	<u>-</u>
	<u>\$ 1,698,207</u>	<u>\$ 1,223,375</u>

# Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital A Component Unit of Richland Parish Police Jury

## Notes to Financial Statements September 30, 2019 and 2018

### Note 9: Long-term Obligations

The following is a summary of long-term obligation transactions for the District for the years ended September 30, 2019 and 2018.

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
<b>2019</b>					
Capital lease obligations	\$ 71,995	\$ -	\$ (61,470)	\$ 10,525	\$ 10,525
<b>2018</b>					
Capital lease obligations	\$ 132,439	\$ -	\$ (60,444)	\$ 71,995	\$ 56,388

### *Capital Lease Obligations*

The Hospital is obligated under a lease for equipment that is accounted for as a capital lease. Assets under capital leases at September 30, 2019 and 2018, totaled \$14,901, net of accumulated amortization of \$283,119.

### Note 10: Charity Care

The costs of charity care provided under the District's charity care policy were approximately \$165,000 and \$182,000 for 2019 and 2018, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

### Note 11: Pension Plan

In January 1993, the District elected to withdraw from the Social Security System. In place of the Social Security System, the District has a combination of a 401(a) pension plan and a 457 deferred compensation plan.

Employees are eligible to participate upon date of employment and are immediately vested in the employer's matching contribution. Contributions to the plans by the District are determined by the Board at a minimum of 6.2% of the participant's compensation. Contribution rates for plan members and the District, expressed as a percentage of covered payroll, were 6.2% for 2019 and 6.4% for 2018. Contributions actually made by plan members and the District aggregated approximately \$810,000 during 2019 and \$780,000 during 2018.

# **Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital A Component Unit of Richland Parish Police Jury**

## **Notes to Financial Statements September 30, 2019 and 2018**

### **Note 12: Joint Venture**

On October 1, 2003, the District entered into an agreement with Delhi Homecare, LLC (DHLLC). Under the terms of the agreement, the District received a 33% equity interest in Delhi Homecare, LLC. At September 30, 2019 and 2018, the investment was \$71,667 and \$86,663, respectively, with (\$5,753) and \$9,244, respectively, being current amounts (payable) receivable from DHLLC. For the years ended September 30, 2019 and 2018, the District recorded gains on the investment of \$18,199 and \$37,636, respectively.

### **Note 13: Affiliated Organizations**

Affiliated organizations include Richland Parish Hospital Service District No. 1, Richland Parish Hospital Service District No. 1B and the Richland Parish Police Jury. The districts are related because they are all political subdivisions of the Richland Parish Police Jury who appoints their commissioners.

### **Note 14: 340B Outpatient Drug Discount Program**

The District participates in the 340B outpatient drug discount program administered by the Office of Pharmacy Affairs of the Health Resources and Services Administration (HRSA). The District also contracts with certain local pharmacies to assist them in providing outpatient drugs to the District's patients. The District purchases outpatient drugs at 340B outpatient drug discount prices to replenish those dispensed to patients on the District's behalf. The District recognized revenue from these contracts of approximately \$1,532,000 and \$1,021,000, with associated costs of goods sold of approximately \$628,000 and \$431,000 in 2019 and 2018, respectively.

Regulations associated with this program are complex, and eligibility for the program is determined annually. Changes in 340B outpatient drug discount program regulations could have a significant impact on the operations of the District.

### **Note 15: Contingencies**

#### ***Litigation***

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim.

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Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

***Workers' Compensation***

The District participates in the Louisiana District Association's Self-Insurance Workmen's 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 assessments, if any, under this program. The portion of the fund that is refundable to the District is included in other assets.

**Note 16: Board Members**

The Board members of the District for 2019 and 2018 are as follows:

Name	Office	Residence	Compensation
Paul Lipe	Chairman	Delhi, Louisiana	None
Nathan Monroe	Vice-Chairman	Delhi, Louisiana	None
Paul Grandon, M.D.	Member	Monroe, Louisiana	None
Barbara Roark	Member	Delhi, Louisiana	None
Annie Guine	Member	Delhi, Louisiana	None

**Note 17: Future Change in Accounting Principle**

The Governmental Accounting Standards Board (GASB) recently issued its Statement No. 84 (GASB 84), *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments, including pension and employee benefit trusts. The focus of the criteria generally is on (1) whether a government controls the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. GASB 84 is applicable during the year ending September 30, 2020. The impact of applying this statement has not yet been determined.

GASB recently issued its Statement No. 87 (GASB 87), *Leases*. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the

**Hospital Service District No. 1A of the Parish of Richland  
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Notes to Financial Statements  
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right to use an underlying asset. The District expects to first apply GASB 87 during the year ending September 30, 2021. The impact of applying the statement has not been determined.

**Note 18: Current Economic Condition**

In late 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. Subsequent to year-end, the spread of COVID-19 began to cause some business disruption through reduced patient revenue, specifically related to elective and preventive procedures and physician office visits. As the economy adjusts to the pandemic caused by COVID-19, certain changes in availability of supplies and equipment, reduction in patient visits and other yet undetermined impacts will affect the operations of the District. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The District expects this matter could negatively impact its financial condition and operating results. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

## **Supplementary Information**

**Hospital Service District No. 1A of the Parish of Richland  
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Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2019**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Total Federal Expenditures
U.S. Department of Health and Human Services Health Center Program Cluster Grants for New and Expanded Services under the Health Center Program	93.527		\$ 2,334,134
Grants for Capital Development in Health Centers	93.526		225,812
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912		<u>797,578</u>
			<u><u>\$ 3,357,524</u></u>

**Notes to Schedule**

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
3. The District did not provide any federal awards to subrecipients.



**Hospital Service District No. 1A of the Parish of Richland  
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Schedule of Compensation, Benefits and Other Payments  
to Agency Head or Chief Executive Officer  
Year Ended September 30, 2019**

Agency Head Name: Michael W. Carroll, CEO

Purpose	Amount
Salary	\$ 239,990
Benefits - insurance	611
Benefits - retirement	14,879
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	110
Reimbursements	-
Travel	-
Registration fees	177
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

## **Other Information**

**Hospital Service District No. 1A of the Parish of Richland**  
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**Combining Statement of Net Position**  
**September 30, 2019**

	<b>Hospital and Clinics</b>	<b>Delhi Community Health Center</b>	<b>Eliminations</b>	<b>Combined</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 6,116,217	\$ 3,718,084	\$ -	\$ 9,834,301
Short-term investments - certificates of deposit	7,323,617	-	-	7,323,617
Board designated - short-term investments	851,925	-	-	851,925
Patient accounts receivable, net of allowance	2,236,955	230,517	-	2,467,472
Due from affiliate	182,889	-	(182,889)	-
Estimated amounts due from third-party payers	1,398,013	35,326	-	1,433,339
Grant and other receivables	49,622	497,101	-	546,723
Supplies	534,759	-	-	534,759
Prepaid expenses and other	224,879	30,422	-	255,301
Total current assets	18,918,876	4,511,450	(182,889)	23,247,437
<b>Capital Assets, Net</b>	3,991,136	1,527,834	-	5,518,970
<b>Other Assets</b>	236,088	-	-	236,088
Total assets	\$ 23,146,100	\$ 6,039,284	\$ (182,889)	\$ 29,002,495

**Hospital Service District No. 1A of the Parish of Richland**  
**d.b.a. Richland Parish Hospital**  
**A Component Unit of Richland Parish Police Jury**  
**Combining Statement of Net Position (Continued)**  
**September 30, 2019**

	Hospital and Clinics	Delhi Community Health Center	Eliminations	Combined
<b>Liabilities and Net Position</b>				
<b>Current Liabilities</b>				
Current maturities of capital lease	\$ 10,525	\$ -	\$ -	\$ 10,525
Accounts payable	297,139	609,508	-	906,647
Accrued expenses	639,214	152,346	-	791,560
Estimated self-insured health insurance costs	142,880	-	-	142,880
Due to affiliate	-	182,889	(182,889)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	1,089,758	944,743	(182,889)	1,851,612
<b>Net Position</b>				
Net investment in capital assets	3,433,793	1,527,834	-	4,961,627
Unrestricted	18,622,549	3,566,707	-	22,189,256
	<hr/>	<hr/>	<hr/>	<hr/>
Total net position	22,056,342	5,094,541	-	27,150,883
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net position	<u>\$ 23,146,100</u>	<u>\$ 6,039,284</u>	<u>\$ (182,889)</u>	<u>\$ 29,002,495</u>

**Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
A Component Unit of Richland Parish Police Jury  
Combining Statement of Revenues, Expenses  
and Changes in Net Position  
Year Ended September 30, 2019**

	<b>Hospital and Clinics</b>	<b>Delhi Community Health Center</b>	<b>Eliminations</b>	<b>Combined</b>
<b>Operating Revenues</b>				
Net patient service revenue, net	\$ 19,291,465	\$ 3,288,301	\$ -	\$ 22,579,766
Grant revenue	-	2,464,577	-	2,464,577
Other	997,177	1,024,445	(75,000)	1,946,622
Total operating revenues	20,288,642	6,777,323	(75,000)	26,990,965
<b>Operating Expenses</b>				
Salaries and wages	9,870,629	3,357,311	-	13,227,940
Employee benefits	2,237,578	616,642	-	2,854,220
Purchased services and professional fees	3,503,728	360,028	-	3,863,756
Supplies and other	4,336,107	1,179,914	(75,000)	5,441,021
Depreciation and amortization	501,371	115,912	-	617,283
Total operating expenses	20,449,413	5,629,807	(75,000)	26,004,220
<b>Operating Income</b>	(160,771)	1,147,516	-	986,745
<b>Nonoperating Revenues (Expenses)</b>				
Property taxes	790,435	-	-	790,435
Investment income	151,955	41,330	-	193,285
Interest expense	(4,007)	-	-	(4,007)
Noncapital grants and gifts	895,057	57,890	-	952,947
Total nonoperating revenues	1,833,440	99,220	-	1,932,660
<b>Excess of Revenues Over Expenses</b>	1,672,669	1,246,736	-	2,919,405
<b>Capital Grants and Gifts</b>	-	225,812	-	225,812
<b>Increase in Net Position</b>	1,672,669	1,472,548	-	3,145,217
<b>Net Position, Beginning of Year</b>	20,383,673	3,621,993	-	24,005,666
<b>Net Position, End of Year</b>	\$ 22,056,342	\$ 5,094,541	\$ -	\$ 27,150,883

**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***

**Independent Auditor's Report**

Board of Commissioners  
Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
Delhi, Louisiana

We have audited, 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, the financial statements of the Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the District), a component unit of Richland Parish Police Jury, which comprise the statement of net position as of September 30, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the 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 or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

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

**BKD, LLP**

Jackson, Mississippi  
March 26, 2020

## **Report on Compliance for the Major Federal Program and on Internal Control Over Compliance**

### **Independent Auditor's Report**

Board of Commissioners  
Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
Delhi, Louisiana

### **Report on Compliance for the Major Federal Program**

We have audited the Hospital Service District No. 1A of the Parish of Richland's d.b.a. Richland Parish Hospital (the District), a component unit of Richland Parish Police Jury, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2019. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.



### ***Opinion on the Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**BKD, LLP**

Jackson, Mississippi  
March 26, 2020

**Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
A Component Unit of Richland Parish Police Jury  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2019**

***Summary of Auditor's Results***

*Financial Statements*

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
- ☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimer
2. The independent auditor's report on internal control over financial reporting disclosed:
- Significant deficiency(ies)?      ☐ Yes      ☒ None reported
- Material weakness(es)?      ☐ Yes      ☒ No
3. Noncompliance considered material to the financial statements was disclosed by the audit?      ☐ Yes      ☒ No

*Federal Awards*

4. The independent auditor's report on internal control over compliance for the major federal award program disclosed:
- Significant deficiency(ies)?      ☐ Yes      ☒ None reported
- Material weakness(es)?      ☐ Yes      ☒ No
5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:
- ☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimer
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?      ☐ Yes      ☒ No

**Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
A Component Unit of Richland Parish Police Jury  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended September 30, 2019**

7. The District's major program was:

Cluster/Program	CFDA Number
Health Center Program Cluster	93.527

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The District qualified as a low-risk auditee? ☒ Yes ☐ No

**Findings Required to be Reported by *Government Auditing Standards***

Reference Number	Finding	Questioned Costs
No matters are reportable.		

**Findings Required to be Reported by the Uniform Guidance**

Reference Number	Finding	Questioned Costs
No matters are reportable.		

**Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
A Component Unit of Richland Parish Police Jury  
Summary Schedule of Prior Year Audit Findings  
Year Ended September 30, 2019**

<b>Reference Number</b>	<b>Fiscal Year Finding Initially Occurred</b>	<b>Summary of Finding</b>	<b>Status</b>
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No matters are reportable.

Board of Commissioners  
Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
Delhi, Louisiana

As part of our audit of the financial statements and compliance of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the District), a component unit of Richland Parish Police Jury, as of and for the year ended September 30, 2019, we wish to communicate the following to you.

## **AUDIT SCOPE AND RESULTS**

**Auditor's Responsibility Under 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, and U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***

An audit performed 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, and U.S. Office of Management and Budget (OMB) Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

### **Qualitative Aspects of Significant Accounting Policies and Practices**

#### **Significant Accounting Policies**

The District's significant accounting policies are described in *Note 1* of the audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowance for uncollectible accounts and contractual adjustments
- Self-insured employee health claims

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Net patient service revenue
- 340B drug discount program

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

- Reclassification of prepaid expenses from accounts payable

Auditor's Judgments About the Quality of the Entity's Accounting Principles

No matters are reportable.

Other Material Communication

Listed below is an other material communication between management and us related to the audit:

- Management Representation Letter (copy attached)

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the District as of and for the year ended September 30, 2019, 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, we considered the District's internal control over financial reporting (internal control) as a basis for designing our audit procedures 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be deficiencies.

A deficiency 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 deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matters that we consider to be deficiencies:

### **Deficiencies**

#### ***Segregation of Duties***

Segregation of duties is an essential element of internal controls involving the separation of custody of assets from related recording and monitoring of transactions. To reduce the possibility of errors or fraud going undetected in the normal course of business, we encourage you to limit, to the extent possible, performance of incompatible duties. We recommend management continue to evaluate the cost-benefit of these limitations on segregation of duties.

- Admission clerks receive cash and have the ability to post to patient accounts. The Business Office Manager provides electronic funds transfer information to third-party payers, authorizes bad debt adjustments and has the ability to post to patient accounts.
- Accounts payable clerk and accounting clerk have incompatible duties in the cash disbursements cycle, such as the ability to change master files, add new vendors, enter invoices into accounts payable system, process checks and reconcile accounts payable account to the general ledger.
- Human Resources Director has the ability to change employee master files, including rates and direct deposit information, and make changes to hours worked.
- Information Systems Director has data entry capabilities and system administrative ability.
- Purchasing Department has the ability to both purchase and receive items.

We verbally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

## **OTHER MATTERS**

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

### **GASB 84, *Fiduciary Activities***

The Governmental Accounting Standards Board (GASB) recently issued its Statement No. 84 (GASB 84), *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments, including pension and employee benefit trusts. The focus of the criteria generally is on (1) whether a government controls the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. GASB 84 is applicable during the year ending September 30, 2020. The impact of applying this statement has not yet been determined.



**GASB 87, *Leases***

GASB recently issued its Statement No. 87 (GASB 87), *Leases*. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The District expects to first apply GASB 87 during the year ending September 30, 2021. The impact of applying the statement has not been determined.

This communication is intended solely for the information and use of management, the Board of Commissioners, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

March 26, 2020

Richland Parish Hospital - Delhi

407 Cincinnati Street Delhi, LA 71232

Phone (318) 878-5171; Fax (318) 878-6427

Michael W. Carroll, Administrator



March 26, 2020

**BKD, LLP**

Certified Public Accountants

190 East Capitol Street, Suite 500

Jackson, Mississippi 39201

We (Hospital Service District No.1A of the Parish of Richland d.b.a Richland Parish Hospital “the District”) are providing this letter in connection with your audits of our consolidated financial statements as of and for the years ended September 30, 2019 and 2018 and your audit of our compliance with requirements applicable to our major federal awards program as of and for the year ended September 30, 2019. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated October 28, 2019 for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
5. We have provided you with:
  - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
  - (b) Additional information that you have requested from us for the purpose of the audit.
  - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - (d) All minutes of commissioners and directors' meetings held through the date of this letter.
  - (e) All significant contracts and grants.
  - (f) All peer review organizations, fiscal intermediary and third-party payer reports and information.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by the District's procedures with respect to:
  - (a) Misappropriation of assets.
  - (b) Misrepresented or misstated assets or liabilities.
8. We have no knowledge of any known or suspected:
  - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
  - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
  - (c) Communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting

practices or other matters that could have a material adverse effect on the financial statements.

9. We have no knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, customers, regulators, suppliers or others.
10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; principal owners, management, and members of their immediate families, subsidiaries accounted for by the equity method; and any other party with which the District may deal if the District can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the District.
11. Except as reflected in the financial statements, there are no:
  - (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
  - (b) Material transactions omitted or improperly recorded in the financial records.
  - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
  - (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
  - (e) Agreements to purchase assets previously sold.
  - (f) Capital stock repurchase options or agreements, or capital stock reserved for options, warrants, conversions, or other requirements.
  - (g) Restrictions on cash balances or compensating balance agreements.
  - (h) Guarantees, whether written or oral, under which the District is contingently liable.
12. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
13. We have no reason to believe the District owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable

Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.<sup>(M)</sup>

14. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. There are no known circumstances that could jeopardize the District's participation in the Medicare or other governmental health care programs.
15. Adequate provisions and allowances have been accrued for any material losses from:
  - (a) Uncollectible receivables.
  - (b) Medicare/Medicaid and other third-party payer contractual, audit or other adjustments.
  - (c) Reducing obsolete or excess inventories to estimated net realizable value.
  - (d) Purchase commitments in excess of normal requirements or above prevailing market prices.
16. Except as disclosed in the financial statements, the District has:
  - (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
  - (b) Complied with all aspects of contractual agreements, for which noncompliance would materially affect the financial statements.
17. With respect to the District's possible exposure to past or future medical malpractice assertions:
  - (a) We have disclosed to you all incidents known to us that could possibly give rise to an assertion of malpractice.
  - (b) All known incidents have been reported to the appropriate medical malpractice insurer and are appropriately considered in our malpractice liability accrual.
  - (c) There is no known lapse in coverage, including any lapse subsequent to the fiscal year-end, that would result in any known incidents being uninsured.

- (d) Management does not expect any claims to exceed malpractice insurance limits.
- (e) We believe our accruals for malpractice claims are sufficient for all known and probable potential claims.

18. With regard to deposit and investment activities:

- (a) All deposit, repurchase, and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.
- (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
- (c) We understand that your audit does not represent an opinion regarding the enforceability of collateral pledges.

19. With respect to any nonattest services you have provided us during the year, including drafting the financial statements and related notes and data collection form:

- (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
- (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
- (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
- (d) We have evaluated the adequacy of the services performed and any findings that resulted.

20. We are not aware of any unusually large employee health claims that have been incurred but not reported at year end.

21. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.

22. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.



23. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
24. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
25. We have a process to track the status of audit findings and recommendations.
26. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.
27. With regard to federal awards programs:
  - (a) We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations or in any other form.
  - (b) We have identified the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of performance of federal funds; procurement and suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations.
  - (c) We are responsible for complying, and have complied, with the requirements of the Uniform Guidance.
  - (d) We are responsible to understand and comply with the requirements of federal statutes, regulations and the terms and conditions of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the District has complied with all applicable compliance requirements.

- (e) We are responsible for establishing and maintaining effective internal control over compliance to provide reasonable assurance we have administered each of our federal awards programs in compliance with federal statutes, regulations and the terms and conditions of our federal awards.
- (f) We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.
- (g) The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.
- (h) The costs charged to federal awards are in accordance with applicable cost principles.
- (i) The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency, the applicable payment system or pass-through entity in the case of a subrecipient.
- (j) Amounts claimed or used for matching were determined in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) regarding cost principles.
- (k) We have disclosed to you any communications from federal award agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.
- (l) We have identified to you any previous compliance audits, attestation engagements and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other monitoring.
- (m) The summary schedule of prior audit findings correctly states the status of all audit findings of the prior audit's schedule of findings and questioned costs and any uncorrected open findings included in the prior audit's summary schedule of prior audit findings as of the date of this letter.
- (n) The reporting package does not contain any personally identifiable information.



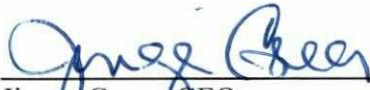
28. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
29. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
30. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
31. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
32. Billings to third-party payers comply in all material respects with applicable coding guidelines, laws and regulations. Billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.
33. We are not aware of any issues related to meaningful use as defined under the EHR Incentive Program that would make the District not eligible to receive the incentive payments, including payments already received, except as noted for the accrued payable to Medicare.
34. With regard to cost reports filed with Medicare, Medicaid or other third parties:
  - (a) All required reports have been properly filed.
  - (b) Management is responsible for the accuracy and propriety of those reports.

- (c) All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.
- (d) The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
- (e) All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
- (f) Recorded allowances for third-party settlements are necessary and are based on historical experience or new or ambiguous regulations that may be subject to differing interpretations.

35. With regard to supplementary information:

- (a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
- (b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
- (c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
- (d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
- (e) If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.

  
Michael Carroll, CEO

  
Jinger Greer, CFO

  
Barbara Hutchinson, CEO FQHC

  
Linda Goode, COO