Financial Statements
September 30, 2019 and 2018

Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center

EideBailly

Independent Auditor's Report

Board of Commissioners
Concordia Parish Hospital Service District Number One
of the Parish of Concordia, State of Louisiana
d/b/a Riverland Medical Center
Ferriday, Louisiana

Report on the Financial Statements

We have audited the accompanying statements of net position of Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center (Medical Center), and its component unit, Concordia Hospital Foundation, as of September 30, 2019, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Medical Center's financial statements.

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 the 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 Medical Center'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 Medical Center'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 2019 financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center as of September 30, 2019, and the results of its operations, changes in financial position, and its cash flows for the year 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 Management's Discussion and Analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the 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.

Predecessor Auditor

The financial statements of Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center as of September 30, 2018, were audited by other auditors, whose report dated March 15, 2019 expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 16, 2020, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

Eide Bailly LLP

Dubuque, Iowa
March 16, 2020

This section of the Medical Center's annual financial report presents background information and management's analysis of the Medical Center's financial performance during the fiscal years ended on September 30, 2019, 2018, and 2017. Please read it in conjunction with the financial statements beginning on page 8 and notes to the financial statements beginning on page 13 in this report.

Financial Highlights

- During fiscal year 2019 and 2018, the Medical Center's total assets increased by approximately $40,166,000 and $1,156,000, respectively. These changes were due in large part to changes in construction in progress and assets in connection with the New Markets Tax Credits Program.
- Total operating revenues decreased by approximately $373,000 during fiscal year 2019 and increased by approximately $57,000 during fiscal year 2018. The Medical Center also had operating gains of $475,000 and $191,000 in fiscal years 2019 and 2018, respectively. The operating gains were a result of increased patient volumes.
- Net patient service revenue decreased by approximately $503,000 in fiscal year 2019 and increased by approximately $108,000 in fiscal year 2018. However, operating expenses decreased by approximately $657,000 in fiscal year 2019 and increased by approximately $121,000 in fiscal year 2018. The Medical Center had a net position of approximately $5,154,000 as of September 30, 2019.

Required Financial Statements

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

Financial Analysis of the Medical Center

The statements of net position and the statements of revenue, expenses and changes in net position report information about the Medical Center's activities. These two statements report the net assets of the Medical Center and changes in them. Increases or decreases in the Medical Center's net position are one indicator or whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations and changes in managed care contracting should also be considered.

Net Assets

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

TABLE 1
Condensed Statements of Net Position

	2019	2018	2017
Assets			
Current Assets	$ 8,463,225	$ 5,613,769	$ 6,123,446
Noncurrent Cash and Investments	12,133,600	-	-
Capital Assets, Net	10,117,145	4,725,159	3,053,328
Other Assets	19,943,530	152,258	158,636
Total assets	$ 50,657,500	$ 10,491,186	$ 9,335,410
Liabilities and Net Position			
Current Liabilities	$ 12,514,655	$ 2,089,707	$ 2,720,307
Noncurrent Liabilities	32,988,627	2,112,726	483,449
Total liabilities	45,503,282	4,202,433	3,203,756
Net Position			
Net investment in capital assets	2,513,212	4,472,655	2,335,099
Unrestricted	2,641,006	1,816,098	3,796,555
Total net position	5,154,218	6,288,753	6,131,654
Total liabilities and net position	$ 50,657,500	$ 10,491,186	$ 9,335,410

As can be seen in Table 1, total assets increased by approximately $40,166,000 during fiscal year 2019 and increased by approximately $1,156,000 during fiscal year 2018. These changes were due in large part to changes in construction in progress and assets in connection with the New Markets Tax Credits Program.

Summary of Revenues, Expenses and Changes in Net Position

The following table presents a summary of the Medical Center's historical revenues and expenses for each of the fiscal years ended September 30, 2019, 2018, and 2017.

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

	2019	2018	2017
Operating Revenues	$ 18,237,449	$ 18,610,018	$ 18,553,403
Operating Expenses	17,762,254	18,419,138	18,297,823
Operating Income	475,195	190,880	255,580
Nonoperating Expenses	(1,609,730)	(33,781)	(12,994)
Revenues in Excess of (Less Than) Expenses	(1,134,535)	157,099	242,586
Capital Contributions and Grants	-	-	22,470
Change in Net Position	(1,134,535)	157,099	265,056
Net Position, Beginning of Year	6,288,753	6,131,654	5,866,598
Net Position, End of Year	$ 5,154,218	$ 6,288,753	$ 6,131,654

Sources of Revenue

Operating Revenue

During fiscal year 2019 the Medical Center derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payers, who receive care in the Medical Center's facilities.

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

Capital Assets

During fiscal year 2019, total net capital assets increased by approximately $5,392,000. This increase was related to increase in construction in progress. Construction in progress increased due to incurring expenses related to the planned building of a new hospital.

Long-term Debt

The Medical Center's noncurrent portion of long-term debt was $32,989,000 and $2,113,000 at end of fiscal years 2019 and 2018, respectively. The current portion of long-term debt was $8,869,000 and $182,000 for fiscal years 2019 and 2018. At year end the Medical Center owed $112,000 and $5,207,000 on Certificate of Indebtedness 2012 Series and Series 2019A Revenue Bonds, respectively. The additional debt was incurred through draws on the Series 2019A Revenue Bonds to pay expenditures related to the construction of the new hospital. The Medical Center and Concordia Hospital Foundation owed $8,763,000 and $27,670,000, respectively, on debt transactions to access additional funds through the New Market Tax Credits Program. Current portion of long-term debt outstanding represents 17.5% of the Medical Center's total assets at September 30, 2019, as compared to 1.7% in 2018.

Contacting the Medical Center's Financial Department

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

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 1,908,442	$ 1,561,511
Restricted for debt service	2,329,190	-
Receivables		
Patient, net of estimated uncollectibles of $9,658,000 in 2019 and $8,801,000 in 2018	3,071,304	2,432,139
Other receivables	33,284	155,586
Estimated third-party payor settlements	566,026	817,304
Supplies	380,541	443,927
Prepaid expenses	174,438	203,302
Total current assets	8,463,225	5,613,769
Noncurrent Cash and Investments		
Restricted for project	11,935,881	-
Restricted for debt related costs	197,719	-
Total noncurrent cash and investments	12,133,600	-
Capital Assets		
Capital assets not being depreciated	8,644,106	3,088,673
Depreciable capital assets, net of accumulated depreciation	1,473,039	1,636,486
Total capital assets, net	10,117,145	4,725,159
Other Assets		
LHA Trust Fund	152,258	152,258
Note receivable	19,791,272	-
Total other assets	19,943,530	152,258
Total assets	$ 50,657,500	$ 10,491,186

	2019	2018
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 8,869,368	$ 181,617
Accounts payable		
Trade	560,279	739,647
Construction	2,158,872	-
Estimated third-party payor settlements	-	6,349
Accrued expenses		
Salaries and wages	301,095	275,645
Compensated absences	458,468	495,959
Estimated health claims payable	130,610	353,293
Payroll taxes and other	35,963	37,197
Total current liabilities	12,514,655	2,089,707
Noncurrent Liabilities		
Long-term debt, less current maturities	32,988,627	2,112,726
Total liabilities	45,503,282	4,202,433
Net Position		
Net investment in capital assets	2,513,212	4,472,655
Unrestricted	2,641,006	1,816,098
Total net position	5,154,218	6,288,753
Total liabilities and net position	$ 50,657,500	$ 10,491,186

	2019	2018
Operating Revenues		
Net patient service revenue (net of provision for bad debts of $3,020,000 in 2019 and $2,975,000 in 2018)	$ 15,770,274	$ 16,273,158
Sales tax revenue	682,607	642,487
Grant revenue	24,932	3,608
Intergovernmental transfer grant	1,639,355	1,624,476
Other operating revenues	120,281	66,289
Total operating revenues	18,237,449	18,610,018
Operating Expenses		
Salaries and benefits	8,816,485	9,446,616
Supplies and other expenses	8,614,388	8,620,160
Depreciation and amortization	331,381	352,362
Total operating expenses	17,762,254	18,419,138
Operating Income	475,195	190,880
Nonoperating Revenues (Expenses)		
Interest expense	(62,291)	(36,475)
Debt issuance costs	(1,663,329)	-
Investment income	115,190	2,694
Gain on disposal of capital assets	700	-
Nonoperating expenses, net	(1,609,730)	(33,781)
Change in Net Position	(1,134,535)	157,099
Net Position, Beginning of Year	6,288,753	6,131,654
Net Position, End of Year	$ 5,154,218	$ 6,288,753

	2019	2018
Operating Activities		
Receipts from and on behalf of patients	$ 15,376,038	$ 15,664,208
Payments to and on behalf of employees	(9,052,443)	(9,297,244)
Payments to suppliers and contractors	(8,701,506)	(8,604,539)
Other receipts	2,589,477	2,210,596
Net Cash from (used for) Operating Activities	211,566	(26,979)
Capital and Related Financing Activities		
Purchase of capital assets and payment of capital payables	(3,564,495)	(2,024,193)
Proceeds from sale of capital assets	700	-
Proceeds from issuance of long-term debt	50,664,722	1,818,737
Principal paid on debt	(11,101,070)	(242,623)
Interest paid on debt	(62,291)	(36,475)
Payment of finance costs	(1,663,329)	-
Note receivable	(19,791,272)	-
Interest income on note receivable	107,203	-
Net Cash from (used for) Capital and Related Financing Activities	14,590,168	(484,554)
Investing Activities		
Investment income	7,987	2,694
Investment in clinic	-	6,378
Net Cash from Investing Activities	7,987	9,072
Net Change in Cash and Cash Equivalents	14,809,721	(502,461)
Cash and Cash Equivalents, Beginning of Year	1,561,511	2,063,972
Cash and Cash Equivalents, End of Year	$ 16,371,232	$ 1,561,511
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	$ 1,908,442	$ 1,561,511
Restricted for debt service	2,329,190	-
Restricted for project	11,935,881	-
Restricted for debt related costs	197,719	-
Total cash and cash equivalents	$ 16,371,232	$ 1,561,511

	2019	2018
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	$ 475,195	$ 190,880
Adjustments to reconcile operating income to net cash from (used for) operating activities		
Depreciation and amortization	331,381	352,362
Provision for bad debts	3,019,924	2,975,001
Changes in assets and liabilities		
Receivables	(3,659,089)	(2,605,069)
Estimated third-party payor settlements	244,929	(978,880)
Other receivables	122,302	(126,266)
Supplies	63,386	24,246
Prepaid expense	28,864	(104,543)
Accounts payable	(179,368)	95,918
Accrued expenses	(235,958)	149,372
Net Cash from (used for) Operating Activities	$ 211,566	$ (26,979)
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities		
Accounts payable for construction	$ 2,158,872	$ -
Equipment acquired under capital lease	$ -	$ 106,194
Supplemental Disclosure of Cash Flow Information		
Amounts paid for capitalized interest	$ 753,611	$ -

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center (Medical Center) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Medical Center are described below.

Reporting Entity

The Medical Center was created by an ordinance of the Concordia Parish Policy Jury on April 26, 1961 and was referred to as the Concordia Parish Hospital until January 13, 1986, when the name was changed to Riverland Medical Center. The Medical Center is a 25-bed critical access hospital that provides inpatient, outpatient, emergency, private physician clinic, rural health clinic, and behavioral health services to patients in Ferriday, Louisiana, and the surrounding area.

The Medical Center is a political subdivision of the Concordia Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Concordia Parish Policy Jury. As the governing authority of the Parish, for reporting purposes, the Concordia Parish Policy Jury is the financial reporting entity for the Medical Center. Accordingly, the Medical Center was determined to be a component unity of the Concordia Parish Policy Jury based on GASB Statement No. 14.

For financial reporting purposes, the Medical Center has included all funds, organizations, agencies, boards, commissions, and authorities. The Medical Center has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Medical Center are such that exclusion would cause the Medical Center's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability.

Blended Component Unit

Concordia Hospital Foundation (Foundation) is included as a blended component unit of the Medical Center. The financial statements include only the financial activity of the Medical Center and the Foundation, collectively referred to as the Medical Center.

Tax Exempt Status

The Foundation is organized as a Louisiana non-profit corporation and has been recognized by the Internal Revenue Service as exempt from Federal income tax under Internal Revenue Code Section 501(c)(3). The Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose, as applicable.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Medical Center is treated as an enterprise fund for accounting purposes. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The statement of net position displays the Medical Center's assets and liabilities, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of debt obligations.

Restricted net position:

<u>Expendable</u> – Expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

<u>Nonexpendable</u> – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Medical Center.

Unrestricted net position consists of net position which does not meet the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Medical Center's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. For purposes of the statement of cash flows, the Medical Center considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations. Unpaid patient receivables are not charged interest on amounts owed. Payments of patient receivables are allocated to the specific claim identified on the remittance advice or, if unspecified, are applied to the earliest claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write-off and recovery information in determining the estimated bad debt provision.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

Noncurrent Cash and Investments

Noncurrent cash and investments include project funds received by the Foundation to fund project related expenses and amounts restricted for future debt service and debt related costs.

Restricted funds are used to differentiate resources, the use of which is restricted by donors or grantors, from resources of general funds on which donors or grantors place no restriction or which arise as a result of the operations of the Medical Center for its stated purposes.

Investment Income

Interest on cash and deposits is included in nonoperating revenues when earned.

Capital Assets

Capital assets acquisitions in excess of $5,000 are capitalized and recorded at cost. Capital assets donated for the Medical Center's operations are recorded as additions to net position at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. Interest expense related to construction projects is capitalized. The estimated useful lives of capital assets are as follows:

Land improvements	5-15 years
Buildings and improvements	5-40 years
Equipment	3-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from revenues in excess of (less than) expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

LHA Trust Fund

The Medical Center participates in the Louisiana Hospital Association (LHA) Self-Insurance Workers' Compensation Trust Fund, which requires the Medical Center to maintain certain deposit levels based on actual historical experience. The purpose of this agreement is to provide a means for participating members of the LHA a means of sharing the cost and administration of workers' compensation and employers' liability insurance by pooling such risk; jointly purchasing such insurance; reducing risk of loss through safety engineering and other loss prevention and control techniques; by providing for the processing and defense of claims brought against such members; and, to create a fund to pay specified losses or expenses incurred by such participating members under the Louisiana Workers' Compensation Law or employers' liability statutes; to purchase reinsurance or excess insurance contracts for the benefit of the Fund from domestic or foreign insurers; to provide essential protection to members; and to affect and return to Participants cost savings in the administration of such a fund, thereby reducing the cost of healthcare to the patient-consumer.

Notes Receivable

The Medical Center issued a note receivable to an unrelated third-party in connection with the New Market Tax Credits. The note is repayable over a 25-year period and was issued at an interest rate of 1.00%.

Debt Issuance Costs

Debt issuance costs are expensed as incurred and included as a nonoperating activity, similar to interest expense, on the statements of revenues, expenses, and changes in net position.

Compensated Absences

The Medical Center's employees earn paid time-off days at varying rates depending on years of service. Employees may accumulate paid time-off up to a specified maximum. Employees are paid for accumulated paid time-off upon termination. The liability for compensated absences is included on the statements of changes in net position. The compensated absences liability has been computed based on rates of pay in effect at September 30, 2019 and 2018.

Estimated Health Claims Payable

The Medical Center provides for self-insurance reserves for estimated incurred but not reported claims for its employee health plan. These reserves, which are included in current liabilities on the statement of net position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

Pension

The Medical Center contributes to a qualified defined contribution plan, Riverland Medical Center Money Purchase Pension Plan as authorized under Internal Revenue Code of 1986, Sections 401(a), 402(g), and other Code sections. The plan is intended to be a social security replacement plan. An employee is 100% vested upon entry to the plan with retirement age being 59 ½.

Operating Revenues and Expenses

The Medical Center's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses result from exchange transactions associated with providing health care services – the Medical Center's principal activity, and the costs of providing those services, including depreciation, excluding interest costs. All other revenues and expenses are reported as nonoperating.

Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Medical Center provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts at less than established rates. Since the Medical Center does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was $0 for the years ended September 30, 2019 and 2018 as the Medical Center was unable to identify any patients that qualified for charity care during the years ended September 30, 2019 and 2018. See Note 9 for funds received through grants, which pay part of the cost of charity and uninsured care. Charges for services and supplies furnished to patient who may qualify for charity care but are not documented according to the Medical Center's policy are included in the provision for bad debts.

Grants and Contributions

The Medical Center may receive grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Note 2 - Net Patient Service Revenue

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

Medicare

The Medical Center is licensed as a Critical Access Hospital (CAH). The Medical Center is reimbursed for most acute care services under a cost methodology with final settlement determined after submission of annual cost reports by the Medical Center and are subject to audits thereof by the Medicare intermediary. The Medical Center's Medicare cost reports have been audited by the Medicare Administrative Contractor through the year ended September 30, 2015. Clinic services are paid on a cost basis or fixed fee schedule.

Medicaid

Inpatient acute services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The Medical Center is reimbursed at a tentative rate for cost-based services with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary.

Other Payors

The Medical Center has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Medical Center under these agreements may include prospectively determined rates and discounts from established charges.

Concentration of gross revenues by major payor accounted for the following percentages of the Medical Center's patient service revenues for the years ended September 30, 2019 and 2018:

	2019	2018
Medicare	39%	38%
Medicaid	30%	31%
Blue Cross	7%	7%
Other commercial	19%	19%
Private pay	5%	5%
Total	100%	100%

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue for the year ended September 30, 2019 decreased by approximately $118,000 due to the removal of allowances previously estimated that are no longer necessary as a result of final settlements, adjustments to amounts previously estimated and year that are no longer subject to audits, reviews, and investigations.

Note 3 - Deposits and Investments

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

At September 30, 2019 and 2018 the Medical Center's carrying amounts of deposits and investments are as follows:

	2019	2018
Carrying Amount		
Checking and savings accounts	$ 16,269,956	$ 1,461,188
Certificates of deposit	101,276	100,323
Total deposits	$ 16,371,232	$ 1,561,511

Deposits and investments are reported in the following statements of financial position captions:

	2019	2018
Cash and cash equivalents	$ 1,908,442	$ 1,561,511
Restricted for debt service	2,329,190	-
Restricted for project	11,935,881	-
Restricted for debt related costs	197,719	-
Total deposits	$ 16,371,232	$ 1,561,511

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Medical Center's deposits may not be returned to it. Louisiana state statutes require that all deposits of the Medical Center be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Medical Center's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Medical Center's name at September 30, 2019 and 2018.

Interest Rate Risk

Interest rate risk is the exposure to fair value losses resulting from rising interest rates. The primary objectives, in order of priority, of all investment activities involving the financial assets of the Medical Center are:

1. Safety. Safety and preservation of principal in the overall portfolio.
2. Liquidity. Maintaining the necessary liquidity to match expected liabilities.
3. Return. Obtaining a reasonable return.

The Medical Center attempts to limit its interest rate risk while investing within the guidelines of its investment policy.

Investment Income

Investment income, primarily interest income, for the years ended September 30, 2019 and 0218 was $115,190 and $2,694.

Note 4 - Notes Receivable

In connection with the New Market Tax Credit Program (NMTCP) financing, the Medical Center, acting as leverage lender, entered into a leverage loan note receivable arrangement with an unrelated organization totaling $19,791,272. The note bears interest at 1.00% over a 25-year term. The repayment term and the collateral on the note approximate the terms and the collateral of the NMTCP notes payable. Interest income earned on the note receivable is included as a non-operating activity in the statements of revenues, expenses, and changes in net position and as an investing activity in the statements of cash flows as the Medical Center considers this part of its NMTCP financing arrangement.

Note 5 - Capital Assets

Capital assets activity for the years ended September 30, 2019 and 2018 was as follows:

	September 30, 2018 Balance	Additions	Retirements	Transfers	September 30, 2019 Balance
Capital Assets Not Being Depreciated					
Land	$ 655,017	$ -	$ -	$ -	$ 655,017
Construction in progress	2,433,656	5,555,433	-	-	7,989,089
Total capital assets not being depreciated	3,088,673	$ 5,555,433	$ -	$ -	8,644,106
Capital Assets Being Depreciated					
Land improvements	143,910	$ -	$ -	$ -	143,910
Buildings and fixed equipment	5,860,311	-	-	-	5,860,311
Equipment	5,776,658	167,934	-	-	5,944,592
Total capital assets being depreciated	11,780,879	$ 167,934	$ -	$ -	11,948,813
Less Accumulated Depreciation for					
Land improvements	142,675	$ 988	$ -	$ -	143,663
Buildings and fixed equipment	4,762,925	73,689	-	-	4,836,614
Equipment	5,238,793	256,704	-	-	5,495,497
Total accumulated depreciation	10,144,393	$ 331,381	$ -	$ -	10,475,774
Total Capital Assets Being Depreciated, Net	1,636,486				1,473,039
Total Capital Assets, Net	$ 4,725,159				$ 10,117,145

	September 30, 2017 Balance	Additions	Retirements	Transfers	September 30, 2018 Balance
Capital Assets Not Being Depreciated					
Land	$ 121,996	$ 533,021	$ -	$ -	$ 655,017
Construction in progress	1,178,314	1,255,342	-	-	2,433,656
Total capital assets not being depreciated	1,300,310	$ 1,788,363	$ -	$ -	3,088,673
Capital Assets Being Depreciated					
Land improvements	143,910	$ -	$ -	$ -	143,910
Buildings and fixed equipment	5,860,311	-	-	-	5,860,311
Equipment	5,610,618	235,830	69,790	-	5,776,658
Total capital assets being depreciated	11,614,839	$ 235,830	$ 69,790	$ -	11,780,879
Less Accumulated Depreciation for					
Land improvements	141,688	$ 987	$ -	$ -	142,675
Buildings and fixed equipment	4,688,307	74,618	-	-	4,762,925
Equipment	5,031,826	276,757	69,790	-	5,238,793
Total accumulated depreciation	9,861,821	$ 352,362	$ 69,790	$ -	10,144,393
Total Capital Assets Being Depreciated, Net	1,753,018				1,636,486
Total Capital Assets, Net	$ 3,053,328				$ 4,725,159

Construction in progress at September 30, 2019, represents costs incurred for a replacement hospital. The estimated cost to complete the replacement hospital is approximately $36,434,000, with construction commitments of $25,350,121 as of September 30, 2019, which will be financed with a USDA Direct Loan of $30,000,000, and a combination of a USDA Guaranteed Loan, New Market Tax Credit proceeds, capital outlay grants, and operating funds of the Medical Center.

Note 6 - Lease Obligations

The Medical Center leases certain equipment under noncancelable long-term lease agreements. Certain leases have been recorded as capital leases and others as operating leases. Total lease expense for the years ended September 30, 2019 and 2018 for all operating leases was $68,486 and $39,302. The capitalized leased assets consist of:

	2019	2018
Equipment	$ 603,337	$ 760,311
Accumulated depreciation	(503,250)	(514,949)
Total	$ 100,087	$ 245,362

Minimum future lease payments for capital leases are as follows:

Years Ending September 30,	Amount
2020	$ 84,996
2021	34,327
2022	2,929
Total minimum lease payments	122,252
Less interest	(16,364)
Present value of minimum lease payments - Note 7	$ 105,888

Note 7 - Long-Term Debt

The following is a summary of long-term debt, including capital lease obligations, at September 30, 2019 and 2018:

	September 30, 2018	Additions	Payments	September 30, 2019	Due Within One Year
Series 2012 bonds	$ 147,000	$ -	$ (35,000)	$ 112,000	$ 36,000
Series 2017 certificates of indebtedness	1,894,839	24,615	(1,919,454)	-	-
Series 2019A Bonds	-	5,206,795	-	5,206,795	-
Bridge Loans	-	17,763,313	(9,000,000)	8,763,313	8,763,313
Hope Loan A	-	7,006,704	-	7,006,704	-
Hope Loan B	-	2,693,295	-	2,693,295	-
The Reinvestment Fund A	-	10,742,556	-	10,742,556	-
The Reinvestment Fund B	-	4,257,444	-	4,257,444	-
USB Loan A	-	2,042,012	-	2,042,012	-
USB Loan B	-	927,988	-	927,988	-
Capital lease obligations - Note 6	252,504	-	(146,616)	105,888	70,055
	$ 2,294,343	$ 50,664,722	$ (11,101,070)	$ 41,857,995	$ 8,869,368

	September 30, 2017	Additions	Payments	September 30, 2018	Due Within One Year
Series 2012 bonds	$ 180,000	$ -	$ (33,000)	$ 147,000	$ 35,000
Series 2017 certificates of indebtedness	182,296	1,712,543	-	1,894,839	-
Capital Lease obligations	355,933	106,194	(209,623)	252,504	146,617
	$ 718,229	$ 1,818,737	$ (242,623)	$ 2,294,343	$ 181,617

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

	Long-Term Debt		Capital Leases	
Year Ending September 30,	Principal	Interest	Principal	Interest
2020	$ 8,799,313	$ 306,651	$ 70,055	$ 14,941
2021	37,000	456,911	32,933	1,393
2022	39,000	506,261	2,900	30
2023	40,611	487,840	-	-
2024	62,915	502,427	-	-
2025-2029	4,128,421	2,406,102	-	-
2030-2034	6,078,802	2,044,782	-	-
2035-2039	6,488,298	1,635,287	-	-
2040-2044	6,935,237	1,188,348	-	-
2045-2049	6,742,499	699,728	-	-
2050-2054	930,730	379,245	-	-
2055-2059	1,129,360	180,614	-	-
2060-2061	339,921	9,404	-	-
Total	$ 41,752,107	$ 10,803,600	$ 105,888	$ 16,364

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

- Series 2012 Bonds, at an average interest rate of 2.70%, due in variable semi-annual installments with full repayment at August 22, 2022, collateralized by a pledge and dedication of the Medical Center's excess annual revenues over expenses. The Medical Center had borrowed the full amount of the maximum $300,000 debt at September 30, 2012. Series 2012 Certificates of Indebtedness were issued to provide funds to pay costs of acquiring a building to provide health services and make improvements to existing facilities and to acquire equipment, furnishings and fixtures for said buildings and facilities.

- Series 2017 Certificates of Indebtedness, at an average interest rate of 3.35%, due in variable annual installments due June 1 of each year with full repayment at June 1, 2027, collateralized by a pledge and dedication of the Medical Center's excess annual revenues over expenses, subject to the payment of principal and interest falling due on the Issuer's outstanding Certificates of Indebtedness, Series 2012. The full amount available for the Medical Center's use is $2,500,000. The Medical Center had borrowed $1,894,839 at September 30, 2018. Series 2017 Certificates of Indebtedness were issued to provide funds to pay various architectural and other professional fees pertaining to the construction of a new hospital for the Medical Center, purchasing the land upon which the hospital is to be constructed and paying costs of issuance of the Certificates. This debt was paid off during 2019 in connection with the issuance of the Series 2019A Bonds.

- The Series 2019A Revenue Bonds were approved up to $36,000,000, with the Medical Center using $30,000,000 of interim funding bonds for new construction, which were originated at the start of construction and will be paid in full when the USDA Direct Loan/Bonds are originated post-construction. There is also $1,000,000 of private funding bonds available to fund construction and serve as permanent financing for the project (to be guaranteed by USDA post-construction). These bonds will be issued towards the end of construction or post-construction in a separate bond issuance from the interim funding bonds. The remaining $5,000,000 of funds needed for construction will either come from UMB during construction or be replaced by the New Market Tax Credit Funds or grant funds available for the construction fund.

  The $30,000,000 draw down bonds will be advanced as needed throughout the construction project. These bonds will have a variable interest rate that resets monthly and will require monthly interest only payments (to be made from advances from the bond proceeds). The bonds will have a maturity of 24 months to allow for completion of the project and the USDA permanent financing closing. As of September 30, 2019, the Medical Center had drawn down $5,206,795 of the eligible bond proceeds, and the interest rate is currently 3.75%.

- Bridge Loans of $8,881,656.50 were entered into by the Medical Center with Reinvestment Fund, Inc. and Self-Help Federal Credit Union in March 2019. The proceeds of the Bridge Loans and funds of the Medical Center were used to make a leverage loan by the Medical Center to Twain Investment Fund 333, LLC. The Bridge Loans have a term of 12 months, an interest rate of 7.10%, and are paid on a monthly basis.

On March 18, 2019, the Concordia Hospital Foundation entered into a debt transaction to access additional funds through the New Market Tax Credit (NMTC) Program. These funds are being used toward the construction of a new hospital building located in Ferriday, Louisiana. The NMTC Program permits taxpayers to claim federal tax credits for making Qualified Equity Investments (QEI) in a designated Community Development Entity (CDE). The CDE must use substantially all of the proceeds to make Qualified Low-Income Community Investments (QLICI). The tax credits are claimed over a seven-year period and equate to 39% of the QLICI's. The Foundation has partnered with investors, US Bancorp Community Development Corporation; Twain Investment Fund 333, LLC; Hope New Markets 12, LLC (Sub-CDE); The Reinvestment Fund NMTC Fund XLVII, LP (Sub-CDE); and USB Sub-CDE 184, LLC (Sub-CDE) to utilize the NMTC Program.

- Note payable to Hope New Markets 12, LLC (Hope Loan A), bears interest at a fixed rate of 1.0963%, quarterly interest only payments of $19,204 through March 2026, principal and interest payments due quarterly beginning June 2026 through the maturity date of March 2049. The note is secured by a Master Lease Agreement between the Medical Center and the Foundation and carries an interest and principal payment and project completion guaranty by the Foundation.

- Note payable to Hope New Markets 12, LLC (Hope Loan B), bears interest at a fixed rate of 1.0963%, quarterly interest only payments of $7,382 through March 2026, principal and interest payments due quarterly beginning June 2026 through the maturity date of March 2049. The note is secured by a Master Lease Agreement between the Medical Center and the Foundation and carries an interest and principal payment and project completion guaranty by the Foundation.

- Note payable to The Reinvestment Fund New Market Tax Credit Fund XLVII, LP, (The Reinvestment Fund A), bears interest at a fixed rate of 1.0963%, quarterly interest only payments of $29,443 through March 2026, principal and interest payments due quarterly beginning June 2026 through the maturity date of March 2049. The note is secured by a Master Lease Agreement between the Medical Center and the Foundation and carries an interest and principal payment and project completion guaranty by the Foundation.

- Note payable to The Reinvestment Fund New Market Tax Credit Fund XLVII, LP, (The Reinvestment Fund B), bears interest at a fixed rate of 1.0963%, quarterly interest only payments of $11,669 through March 2026, principal and interest payments due quarterly beginning June 2026 through the maturity date of March 2049. The note is secured by a Master Lease Agreement between the Medical Center and the Foundation and carries an interest and principal payment and project completion guaranty by the Foundation.

- Note payable to USBCDE Sub-CDE 184, LLC, (USB Loan A), bears interest at a fixed rate of 1.0963%, quarterly interest only payments of $5,597 through March 2026, principal and interest payments due quarterly beginning June 2026 through the maturity date of March 2049. The note is secured by a Master Lease Agreement between the Medical Center and the Foundation and carries an interest and principal payment and project completion guaranty by the Foundation.

- Note payable to T USBCDE Sub-CDE 184, LLC, (USB Loan B), bears interest at a fixed rate of 1.0963%, quarterly interest only payments of $2,543 through March 2026, principal and interest payments due quarterly beginning June 2026 through the maturity date of March 2049. The note is secured by a Master Lease Agreement between the Medical Center and the Foundation and carries an interest and principal payment and project completion guaranty by the Foundation.

The seven-year compliance period for the NMTCs will end in March 2026, at which time the Foundation anticipates forgiveness of a portion of the outstanding principal balance, which would net approximately $4,000,000 for the Foundation, after fees. Expenses related directly to long-term debt, including interest and other fees that have not been capitalized as part of the replacement facility project are recorded as non-operating interest and financing expense for the years ended September 30, 2019.

The future maturities noted above are presented based on the full amortization periods described above, although the NMTC QLICI notes are subject to an early termination in 2026. The note agreements limit additional borrowings, impose certain financial performance covenants, and require the Medical Center and Foundation to maintain certain deposits.

- Capital leases at varying rates of imputed interest of 1.2% to 6.57%, with total monthly payments ranging from $443 to $10,555 until 2022, collateralized by leased equipment.

Note 8 - Pension Plan

The Medical Center contributes to a qualified defined contribution plan, Riverland Medical Center Money Purchase Pension Plan as authorized under Internal Revenue Code of 1986, Section 401(a), 402(g) and other Code sections. The Plan is intended to be a Social Security replacement plan. The Plan was restated July 1, 2015, to comply with the requirements of IRS Pre-approved Plan (PPA), pursuant to Revenue Procedure 2011-49. The Plan is administered by an unrelated third-party, Lincoln Financial Group.

An employee is 100% invested upon entry to the Plan with retirement age being age 59½. Plan benefits include death and disability provisions and choice of four payment options upon retirement. Plan provisions may be amended by the Plan trustee. The Medical Center contributes 5% of salaries to the Plan. Employee mandatory contributions are 6% and employee voluntary contributions are up to 14%. Pension expense charged to operations was $388,490, $377,549, and $411,929 in 2019, 2018, and 2017, respectively.

The Medical Center restated the Riverland Medical Center Employee 403(b) Plan as of September 1, 2019 to comply with IRS PPA, pursuant to Revenue Procedure 2011-49. The Medical Center does not contribute to this Plan. It is a salary only deferral plan. The Plan is administered by an unrelated third-party, Lincoln Financial Group.

Note 9 - Intergovernmental Transfer Grant

The Medical Center entered into a cooperative endeavor agreement with a regional hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Medical Center's service population subject to the availability of such grant funds. The aggregate IGT grant income is $1,639,355 and $1,624,476 for the fiscal years ended 2019 and 2018, respectively.

Note 10 - Sales Tax Revenue

During the year ended September 30, 1985, the voters of the Medical Center passed a one-fourth cent sales tax for the operation and maintenance of the Medical Center, which was renewed for an additional ten years in 1995 and 2005. An additional ten-year renewal was approved by voters in November 2014. The sales tax is collected by the Concordia Parish School Board for a five percent collection fee. Sales tax revenue is approximately 4.0% of the total revenues in fiscal years 2019 and 2018.

Note 11 - Concentration of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at September 30, 2019 and 2018 was as follows:

	2019	2018
Medicare	25%	23%
Medicaid	18%	17%
Commercial and other third-party payors	23%	22%
Self-pay	34%	38%
	100%	100%

Note 12 - Contingencies

Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, or damage of, assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; 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.

Malpractice Insurance

The Medical Center participates in the Louisiana Patient's Compensation Fund (PCF) established by the State of Louisiana to provide Medical professional liability coverage to healthcare providers. The fund provides for $400,000 in coverage per occurrence above the first $100,000 per occurrence for which the Medical Center is at risk. The fund places no limitations on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability of $100,000 per occurrence and limited the PCF's exposure to $400,000 per occurrence.

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

The Medical Center is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Litigation, Claims, and Disputes

The Medical Center is subject to the usual contingencies in the normal course of operations relating to the performance of its task under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Medical Center.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations, specifically those relating to Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

Workers' Compensation Risk

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

Self–Funded Employee Health Insurance Plan

The Medical Center is self-insured to provide group medical and drug coverage for its employees. The Medical Center entered into an agreement with IMA to be the third-party administrator to administer the Plan. The Plan year runs from November 1 through October 31. The Medical Center funds its losses based on actual claims. The stop-loss insurance contract was executed with an insurance carrier that provides for payment of 100% of claims in excess of $75,000 per year up to specific individual maximums of $1,063,000. A liability is accrued for self-insured employee health claims, including both claims report and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the Medical Center's estimate will change by a material amount in the near term. The following is a summary of changes in the Medical Center's claims liability for the years ended September 30, 2019 and 2018:

Years Ended June 30,	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2019	$ 353,293	$ 640,674	$ (863,357)	$ 130,610
2018	215,926	1,494,638	(1,357,271)	353,293

Note 13 - Condensed Combining Information

Concordia Hospital Foundation (Foundation) was established in 2017 with the general intent to solicit and manage gifts of money and/or property primarily for the benefit of the Medical Center. The following summarizes the combined information for the Medical Center and Foundation, which has been presented as a blended component unit, as of and for the years ended September 30, 2019 and 2018:

Statements of Net Position as of September 30, 2019:

Assets	Riverland Medical Center	Concordia Hospital Foundation	Eliminations	Consolidated
Current assets	$ 8,443,706	$ 19,519	$ -	$ 8,463,225
Noncurrent cash and investments	-	12,133,600	-	12,133,600
Capital assets	9,788,109	329,036	-	10,117,145
Other assets	19,943,530	14,097,727	(14,097,727)	19,943,530
Total assets	$ 38,175,345	$ 26,579,882	$ (14,097,727)	$ 50,657,500

Liabilities and Net Position	Riverland Medical Center	Concordia Hospital Foundation	Eliminations	Consolidated
Current liabilities	$ 12,489,376	$ 25,279	$ -	$ 12,514,655
Noncurrent liabilities	19,416,354	27,670,000	(14,097,727)	32,988,627
Total liabilities	31,905,730	27,695,279	(14,097,727)	45,503,282
Net position	6,269,615	(1,115,397)	-	5,154,218
Total liabilities and net position	$ 38,175,345	$ 26,579,882	$ (14,097,727)	$ 50,657,500

Statements of Revenue, Expenses, and Changes in Net Position for the year ended September 30, 2019:

	Riverland Medical Center	Concordia Hospital Foundation	Eliminations	Consolidated
Operating revenues	$ 18,237,449	$ -	$ -	$ 18,237,449
Operating expenses	17,761,681	573	-	17,762,254
Operating income (loss)	475,768	(573)	-	475,195
Nonoperating revenues (expenses)	(494,906)	(1,114,824)	-	(1,609,730)
Change in net position	(19,138)	(1,115,397)	-	(1,134,535)
Net position, beginning of year	6,288,753	-	-	6,288,753
Net position, end of year	$ 6,269,615	$ (1,115,397)	$ -	$ 5,154,218

Statements of Cash Flows for the year ended September 30, 2019:

	Riverland Medical Center	Concordia Hospital Foundation	Eliminations	Consolidated
Net cash from (used for) operating activities	$ 212,139	$ (573)	$ -	$ 211,566
Net cash from capital and related financing activities	2,436,584	12,153,584	-	14,590,168
Net cash from investing activities	7,879	108	-	7,987
Net change in cash and cash equivalents	2,656,602	12,153,119	-	14,809,721
Cash and cash equivalents, beginning of year	1,561,511	-	-	1,561,511
Cash and cash equivalents, end of year	$ 4,218,113	$ 12,153,119	$ -	$ 16,371,232

Statements of Net Position as of September 30, 2018:

	Riverland Medical Center	Concordia Hospital Foundation	Eliminations	Consolidated
Assets				
Current assets	$ 5,613,769	$ -	$ -	$ 5,613,769
Capital assets	4,725,159	-	-	4,725,159
Other assets	152,258	-	-	152,258
Total assets	$ 10,491,186	$ -	$ -	$ 10,491,186

	Riverland Medical Center	Concordia Hospital Foundation	Eliminations	Consolidated
Liabilities and Net Position				
Current liabilities	$ 2,089,707	$ -	$ -	$ 2,089,707
Noncurrent liabilities	2,112,726	-	-	2,112,726
Total liabilities	4,202,433	-	-	4,202,433
Net position	6,288,753	-	-	6,288,753
Total liabilities and net position	$ 10,491,186	$ -	$ -	$ 10,491,186

Statements of Revenue, Expenses, and Changes in Net Position for the year ended September 30, 2018:

	Riverland Medical Center	Concordia Hospital Foundation	Eliminations	Consolidated
Operating revenues	$ 18,610,018	$ -	$ -	$ 18,610,018
Operating expenses	18,419,138	-	-	18,419,138
Operating income	190,880	-	-	190,880
Nonoperating revenues (expenses)	(33,781)	-	-	(33,781)
Change in net position	157,099	-	-	157,099
Net position, beginning of year	6,131,654	-	-	6,131,654
Net position, end of year	$ 6,288,753	$ -	$ -	$ 6,288,753

Statements of Cash Flows for the year ended September 30, 2018:

	Riverland Medical Center	Concordia Hospital Foundation	Eliminations	Consolidated
Net cash from operating activities	$ (26,979)	$ -	$ -	$ (26,979)
Net cash used for capital and related financing activities	(484,554)	-	-	(484,554)
Net cash from investing activities	9,072	-	-	9,072
Net change in cash and cash equivalents	(502,461)	-	-	(502,461)
Cash and cash equivalents, beginning of year	2,063,972	-	-	2,063,972
Cash and cash equivalents, end of year	$ 1,561,511	$ -	$ -	$ 1,561,511

Note 14 - Subsequent Events

Subsequent to year end, the Medical Center borrowed an additional $7,816,426 on the Series 2019A Bonds to fund construction costs for the replacement hospital. The Medical Center also received notice of award from the Facility Planning and Control of the State of Louisiana for a capital outlay grant of $3,470,000 to help offset the medical equipment purchases for the replacement hospital.

Federal Awards Reports in Accordance with Uniform Guidance and Supplementary Information
September 30, 2019

Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center

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Independent Auditor's Report on Supplementary Information

Board of Commissioners
Concordia Parish Hospital Service District Number One
of the Parish of Concordia, State of Louisiana
d/b/a Riverland Medical Center
Ferriday, Louisiana

We have audited the financial statements of Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center (Medical Center), as of and for the year ended September 30, 2019, and our report thereon dated March 16, 2020, which contained an unmodified opinion on those financial statements, appears on pages 2 through 4. Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of net patient service revenue, other operating revenues, and operating expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards for the year ended September 30, 2019 on page 46 is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. The supplementary information identified above are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 identified above is fairly stated in all material respects in relation to the basic financial statements as a whole. The schedule of per diem and other compensation paid to board members and schedule of compensation, benefits, and other payments to the Chief Executive Officer, which are the responsibility of management, have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Eide Bailly LLP

Dubuque, Iowa
March 16, 2020

Riverland Medical Center

Schedules of Net Patient Service Revenue

Years Ended September 30, 2019 and 2018

	2019	2018
Patient Service Revenue		
Adults and pediatrics	$ 5,112,153	$ 4,070,876
Swing bed	1,040,400	1,007,550
Intensive care	128,700	231,000
Operating room	731,218	2,319,857
Recovery room	134,419	165,176
Anesthesia	121,540	195,486
Radiology	14,508,436	13,604,357
Laboratory	9,667,142	9,032,964
Blood bank	302,430	311,909
Respiratory therapy	4,833,665	4,561,645
Physical therapy	805,460	488,363
Occupational therapy	668,972	532,056
Speech therapy	263,317	352,746
EKG and EEG	697,817	689,758
Medical supplies	1,739,971	1,755,232
Pharmacy	3,459,581	3,958,809
Wound care	6,688	-
Emergency room	10,782,172	9,919,925
Behavioral health	1,248,516	1,221,850
Ferriday Clinic	1,265,966	1,274,838
Living Well Clinic	615,231	566,710
Total patient service revenue*	$ 58,133,794	$ 56,261,107
*Total Patient Service Revenue - Reclassified		
Inpatient revenue	$ 15,283,464	$ 15,027,541
Outpatient revenue	42,850,330	41,233,566
Total patient service revenue	58,133,794	56,261,107
Contractual Adjustments		
Medicare	(14,919,068)	(12,980,164)
Medicaid	(12,560,782)	(12,136,877)
Other	(11,863,746)	(11,895,907)
Total contractual adjustments	(39,343,596)	(37,012,948)
Net Patient Service Revenue	18,790,198	19,248,159
Provision for Bad Debts	(3,019,924)	(2,975,001)
Net Patient Service Revenue (Net of Provision for Bad Debts)	$ 15,770,274	$ 16,273,158

	2019	2018
Other Operating Revenues		
Clinic access payment	$ 62,274	$ 949
Clinic incentives	17,268	22,114
Hospital incentive	16,659	14,050
Medical records	14,239	14,666
Vending machine commissions	3,164	2,367
Other	6,677	12,143
Total Other Operating Revenues	$ 120,281	$ 66,289

Riverland Medical Center

Schedules of Operating Expenses

Years Ended September 30, 2019 and 2018

	2019	2018
Routine Services		
Salaries and wages	$ 1,729,849	$ 1,600,098
Supplies and other expenses	215,414	175,399
	1,945,263	1,775,497
Intensive Care Unit		
Salaries and wages	231,052	288,401
Supplies and other expenses	28,407	40,627
	259,459	329,028
Operating Room		
Salaries and wages	301,382	412,701
Supplies and other expenses	238,922	318,567
	540,304	731,268
Anesthesia		
Salaries and wages	169,421	262,168
	169,421	262,168
Radiology		
Salaries and wages	553,023	528,772
Supplies and other expenses	628,019	624,136
	1,181,042	1,152,908
Laboratory		
Salaries and wages	464,345	473,051
Supplies and other expenses	664,757	561,570
	1,129,102	1,034,621
Blood Bank		
Supplies and other expenses	69,470	91,227
Respiratory Therapy		
Salaries and wages	384,478	373,062
Supplies and other expenses	99,363	100,529
	483,841	473,591
Physical Therapy		
Salaries and wages	-	1,976
Supplies and other expenses	523,432	395,306
	523,432	397,282
Medical Supplies		
Salaries and wages	118,463	111,942
Supplies and other expenses	11,822	14,141
	130,285	126,083

	2019	2018
Pharmacy		
Salaries and wages	$ 313,537	$ 210,937
Supplies and other expenses	473,913	731,857
	787,450	942,794
Wound Care		
Supplies and other expenses	1,247	-
Emergency Room		
Salaries and wages	859,487	827,810
Supplies and other expenses	1,517,940	1,776,738
	2,377,427	2,604,548
Behavioral Health		
Salaries and wages	345,425	328,064
Supplies and other expenses	272,759	275,450
	618,184	603,514
Ferriday Clinic		
Salaries and wages	476,012	423,304
Supplies and other expenses	272,174	281,883
	748,186	705,187
Living Well Clinic		
Salaries and wages	278,301	253,912
Supplies and other expenses	142,708	142,781
	421,009	396,693
Medical Records		
Salaries and wages	194,747	265,756
Supplies and other expenses	67,436	58,208
	262,183	323,964
Dietary		
Supplies and other expenses	329,775	324,374
	329,775	324,374
Plant Operation and Maintenance		
Salaries and wages	97,930	93,280
Supplies and other expenses	522,023	500,019
	619,953	593,299
Housekeeping		
Supplies and other expenses	208,588	204,418
Laundry		
Supplies and other expenses	61,025	60,725

	2019	2018
Administrative Services		
Salaries and wages	$ 1,162,050	$ 1,013,528
Supplies and other expenses	2,265,194	1,942,205
	3,427,244	2,955,733
Unassigned Expenses		
Depreciation and amortization	331,381	352,362
Employee benefits	1,136,983	1,977,854
	1,468,364	2,330,216
Total Operating Expenses	$ 17,762,254	$ 18,419,138

	2019	2018
Board Members:		
Mr. Jim Graves	$ 1,200	$ 1,000
Mr. Fred Burtcher	800	600
Mr. Fred Marsalis	1,100	1,000
Mr. James King	1,200	900
Dr. Kevin Ingram	1,100	1,000
Ms. Cherie Lipsey	1,000	900
Mr. Randy Hoggatt	900	900
Totals	$ 7,300	$ 6,300

Agency Head Name:	William Rucker
Position:	CEO
Time Period:	October 1, 2018 to October 31, 2018

Purpose	Amount
Salary	$ 15,372
Health insurance	-
Retirement (FICA replacement plan)	769
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	615
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	113
Total	$ 16,869

Agency Head Name:	Sam Ellard
Position:	CEO
Time Period:	November 1, 2018 to September 30, 2019

Purpose	Amount
Salary	$ 169,758
Health insurance	-
Retirement (FICA replacement plan)	8,488
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	11,988
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	234
Total	$ 190,468

Information Provided to Comply with Federal Awards Reports
in Accordance with Uniform Guidance
September 30, 2019

Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Concordia Parish Hospital Service District Number One
of the Parish of Concordia, State of Louisiana
d/b/a Riverland Medical Center
Ferriday, 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 Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center (Medical Center), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Medical Center's financial statements, and have issued our report thereon dated March 16, 2020.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Medical Center'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 Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Medical Center's Responses to Findings

The Medical Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Medical Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Eide Bailly LLP

Dubuque, Iowa
March 16, 2020

Independent Auditor's Report on Compliance for Its Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance

Board of Commissioners
Concordia Parish Hospital Service District Number One
of the Parish of Concordia, State of Louisiana
d/b/a Riverland Medical Center
Ferriday, Louisiana

Report on Compliance for Its Major Federal Program

We have audited Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center's (Medical Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Medical Center's major federal program for the year ended September 30, 2019. The Medical Center'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, and the terms and conditions of each federal award applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the Medical Center'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 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 non-compliance with the 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 Medical Center'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 its major federal program. However, our audit does not provide a legal determination of the Medical Center's compliance.

Opinion on Its Major Federal Program

In our opinion, the Medical Center 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 Medical Center is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Medical Center'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 Medical Center'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 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.

Eide Bailly LLP

Dubuque, Iowa
March 16, 2020

Federal Grantor/ Pass-through Grantor/Program Title	CFDA Number	Agency Pass-through Number	Program Expenditures
U.S. Department of Agriculture			
Community Facilities Loans and Grants Cluster			
Community Facilities Loans and Grants	10.766	Not Applicable	$ 5,206,795

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center (Medical Center), under programs of the federal government for the year ended September 30, 2019. The information is presented in accordance with 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 Medical Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Medical Center.

Note 2 – Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 – Indirect Cost Rate

The Medical Center does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

Note 4 – Community Facilities Loans and Grants Program (CFDA #10.766)

Total expenditures as reported on the schedule of expenditures of federal awards under the Community Facilities Loans and Grants Program represents the loan advances incurred during the year ended September 30, 2019 of $5,206,795, which is equal to the outstanding loan balance.

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiency identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiency identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	CFDA Number
Community Facilities Loans and Grants Cluster	
Community Facilities Loans and Grants	10.766

Dollar threshold used to distinguish between Type A and Type B Programs	$750,000
Auditee qualified as low-risk auditee?	No

Section I - Summary of Auditor's Results

2019-001 Preparation of Financial Statements
Material Weakness

Criteria: A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements, by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Condition: The Medical Center does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by GAAP. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. Management also does not have an internal control process in place to estimate third-party payor settlements. As a result, interim and year-end financial statements could be materially misstated. Material adjusting journal entries were proposed and made to the financial statements as part of the audit.

Cause: The outsourcing of these services is not unusual in an organization of your size. We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with GAAP, can be considered costly and ineffective.

Effect: The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Medical Center. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. As a result, adjustments or reclassifications of interim financial statement amounts may be necessary. Furthermore, the preparation of the financial statements as part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by Medical Center personnel. It is the responsibility of the Medical Center's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation: We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally. Management should also incorporate a process for estimating the current year estimated settlements and analyzing settlements for open cost report years.

Views of Responsive Individuals: Management agrees with the finding.

Section I - Summary of Auditor's Results

2019-002 Segregation of Duties
Significant Deficiency

Criteria: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Condition: An effective system of internal control will be designed such that duties are performed by different employees, so that no one individual handles transactions from its inception to its completion.

Cause: The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure optimal internal control. This is not an unusual condition in organizations of your size.

Effect: Inadequate segregation of duties could adversely affect the Medical Center's ability to detect and correct unintentional and intentional misstatements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that with a limited number of office employees, complete segregation of duties is difficult. We also recognize that in some instances it may not be cost effective to employ additional personnel for the purpose of segregating duties. However, the Medical Center should continually review its internal control procedures, other compensating controls and monitoring procedures to obtain the maximum internal control possible under the circumstances.

Views of Responsive Individuals: Management agrees with the finding.

Section II - Financial Statement Findings

There were no findings or questioned costs relating to the major federal program which were required to be reported in accordance with 2 CFR 200.516.

Independent Auditors' Report on Applying Agreed Upon Procedures
September 30, 2019

Concordia Parish Hospital Service District Number One of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center

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Independent Auditor's Report on Applying Agreed-Upon Procedures

Board of Commissioners
Riverland Medical Center
Concordia Parish Hospital Service District Number One
Ferriday, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Concordia Parish Hospital Service District Number One and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019. The Medical Center's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

Exceptions: No exceptions noted in applying the above procedures.

<u>Board or Finance Committee</u>

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

Exceptions: No exceptions noted in applying the above procedures.

Bank Reconciliations

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

Exceptions: No exceptions noted in applying the above procedures.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
    a. Employees that are responsible for cash collections do not share cash drawers/registers
    b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. prenumbered receipts) to the deposit
    c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit
    d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

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

Exceptions: No exceptions noted in applying the above procedures.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

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

Exceptions: No exceptions noted in applying the above procedures.

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

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

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
    a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality): these instances should not be reported.]
    b. Observe that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Exceptions: No exceptions noted in applying the above procedures.

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

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

Exceptions: No exceptions noted in applying the above procedures.

Contracts

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

Exceptions: No exceptions noted in applying the above procedures.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

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

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Exceptions: No exceptions noted in applying the above procedures.

Ethics

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

Exceptions: No exceptions noted in applying the above procedures.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Exceptions: No exceptions noted in applying the above procedures.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exceptions: No exceptions noted in applying the above procedures.

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

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

Eide Bailly LLP

Dubuque, Iowa
March 16, 2020