

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER

DECEMBER 31, 2019 AND 2018

FRANKLINTON, LOUISIANA

FINANCIAL STATEMENTS
WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
DECEMBER 31, 2019 AND 2018
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Washington Parish Hospital Service District No.1
d/b/a Riverside Medical Center
Franklinton, Louisiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center (Hospital), a component unit of the Washington Parish Council, State of Louisiana, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center as of December 31, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

The Hospital has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. We have applied certain limited procedures to the other supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2020 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Langlinais Broussard & Kohlenberg

LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, LA
August 24, 2020

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

STATEMENT OF NET POSITION

DECEMBER 31,

<u>ASSETS</u>	2019	2018
Current Assets		
Cash and Cash Equivalents	\$ 1,318,757	\$ 1,157,899
Patient Accounts Receivable, less Allowance for Doubtful Accounts of \$3,169,610 and \$3,154,462, respectively	5,023,369	3,564,134
Estimated Third-Party Payor Settlements	1,572,993	648,465
Inventory	712,657	713,497
Prepaid Expenses	98,593	110,777
Ad Valorem Tax Receivable	1,079,125	996,672
Other Receivables	1,920,362	2,363,051
Total Current Assets	11,725,856	9,554,495
ASSETS WHOSE USE IS LIMITED:		
By Bond Indenture	96,700	70,460
Total Assets Whose Use is Limited	96,700	70,460
Capital Assets		
Land	42,921	42,921
Construction in Progress	23,725	68,558
Depreciable Capital Assets, Net of Accumulated Depreciation	5,746,251	5,905,614
Total Capital Assets, Net of Accumulated Depreciation	5,812,897	6,017,093
Total Assets	\$ 17,635,453	\$ 15,642,048

The accompanying notes are an integral part of these financial statements.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

STATEMENT OF NET POSITION

DECEMBER 31,

LIABILITIES AND NET POSITION

	2019	2018
Current Liabilities		
Accounts Payable	\$ 2,956,778	\$ 2,151,740
Current Maturities of Capital Lease	247,388	644,967
Current Maturities of Notes Payable	513,690	732,547
Current Maturities of 2017 Series of Indebtedness	75,000	72,000
Current Maturities of 2019 Series of Indebtedness	15,000	-
Estimated Third-Party Payor Settlements	692,183	586,326
Patient Accounts - Credit Balances	195,544	285,381
Accrued Salaries	382,084	353,020
Accrued Compensated Absences	871,495	819,335
Accrued Payroll Liabilities and Health Insurance Reserve	333,466	203,973
Accrued Interest Payable	21,701	8,767
Total Current Liabilities	6,304,329	5,858,056
Long-Term Debt		
Capital Leases Payable	264,303	443,516
Note Payable - Pharmacy Inventory	-	7,055
Cost Report Extended Repayment Plan, 2016	34,966	18,656
Cost Report Extended Repayment Plan, 2017	8,412	379,530
Cost Report Extended Repayment Plan, 2018	32,962	158,835
Cost Report Extended Repayment Plan, 2019	18,500	-
2017 Series of Indebtedness	604,000	679,000
2019 Series of Indebtedness	885,000	-
Total Long-Term Debt	1,848,143	1,686,592
Total Liabilities	8,152,472	7,544,648
Net Position		
Invested in Capital Assets, Net of Related Debt	5,301,206	4,928,610
Restricted	96,700	70,460
Unrestricted	4,085,075	3,098,330
Total Net Position	9,482,981	8,097,400
Total Liabilities and Net Position	\$ 17,635,453	\$ 15,642,048

The accompanying notes are an integral part of these financial statements.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

DECEMBER 31,

	2019	2018
Operating Revenues		
Net Patient Service Revenue before Provision for Doubtful Accounts	\$ 29,464,758	\$ 26,041,266
Less: Provisions for Doubtful Accounts	(2,178,412)	(1,897,202)
Net Patient Service Revenue after Provision for Doubtful Accounts	27,286,346	24,144,064
Ad Valorem Taxes	1,485,230	1,408,668
Intergovernmental Transfers - Operating	3,694,508	5,704,875
Other Operating Revenue	307,976	331,486
Total Operating Revenues	32,774,060	31,589,093
Operating Expenses		
Salaries	12,336,411	12,211,521
Employee Benefits	4,080,427	4,325,269
Outside Services and Professional Fees	6,517,016	6,291,628
Depreciation and Amortization	1,320,241	1,437,861
Supplies and Other Expenses	7,034,835	6,760,928
Total Operating Expenses	31,288,930	31,027,207
Gain (Loss) from Operations	1,485,130	561,886
Non-Operating Revenues (Expenses)		
Non-Operating Grants	47,965	5,714
Rental Income	33,556	40,124
Interest Income	16,969	17,175
Interest Expense	(198,239)	(178,549)
Gain (Loss) on the Sale of Assets	200	413
Total Non-Operating Revenues (Expenses)	(99,549)	(115,123)
Change in Net Position	1,385,581	446,763
Beginning Net Position	8,097,400	7,650,637
Ending Net Position	\$ 9,482,981	\$ 8,097,400

The accompanying notes are an integral part of these financial statements.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

STATEMENT OF CASH FLOWS

DECEMBER 31, .

	2019	2018
Cash Flows from Operating Activities		
Receipts from Patients and Third-Party Payors	\$ 28,371,547	\$ 19,387,134
Receipts from Ad Valorem Taxes	1,402,777	1,498,497
Receipts from Intergovernmental Transfers	3,641,689	7,217,988
Payments to Suppliers	(14,357,729)	(11,205,233)
Payments to Employees for Salaries and Benefits	(17,231,641)	(15,729,246)
	1,826,643	1,169,140
Cash Flows from Non-Capital Financing Activities		
Proceeds From Notes Payable	1,422,563	1,120,322
Payments on Notes Payable	(1,210,923)	(535,204)
	211,640	585,118
Cash Flows from Investing Activities		
Interest and Rental Income	50,525	57,299
Gain (Loss) on the Sale of Assets	(200)	(413)
	50,325	56,886
Cash Flows from Capital and Related Financing Activities		
Purchases of Capital Assets	(1,067,680)	(272,084)
Interest Paid on Debt Obligations	(185,305)	(169,782)
Payment of Capital Lease Obligations	(648,525)	(702,457)
	(1,901,510)	(1,144,323)
Net Increase (Decrease) in Cash and Cash Equivalents	187,098	666,821
Cash and Cash Equivalents at Beginning of the Year	1,228,359	561,538
Cash and Cash Equivalents at Ending of the Year	\$ 1,415,457	\$ 1,228,359

The accompanying notes are an integral part of these financial statements.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

STATEMENT OF CASH FLOWS

DECEMBER 31,

	2019	2018
Reconciliation of Income from Operations to Net Cash Flows		
Provided by (Used In) Operating Activities		
Net Income (Loss) from Operations	\$ 1,485,130	\$ 561,886
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	1,320,241	1,437,861
Provision for Doubtful Accounts	2,178,412	1,897,202
Increase in Patient Accounts Receivable	(3,727,484)	(1,231,039)
Decrease in Ad Valorem Taxes Receivable	(82,453)	89,829
Increase in Inventory	840	(6,202)
(Increase) Decrease in Prepaid Expenses	12,184	(18,509)
Decrease (Increase) in Other Receivables	442,689	931,128
(Increase) in Estimated Third-Party Payor Settlements Receivable	(924,528)	(14,847)
(Decrease) Increase in Estimated Third-Party Payor Settlements Payable	105,857	(476,661)
Decrease in Accounts Payable	805,038	(1,841,121)
Increase in Accrued Salaries	29,064	49,363
Increase in Accrued Compensated Absences	52,160	6,477
(Decrease) Increase in Accrued Payroll Liabilities and Health Insurance Reser	129,493	(216,227)
Net Cash Flows Provided By (Used In) Operating Activities	\$ 1,826,643	\$ 1,169,140
Non-Cash Financing Activity:		
Acquisition of Assets by Capital Lease	\$ 71,734	\$ 138,045

The accompanying notes are an integral part of these financial statements.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center (the Hospital) is an acute care facility created pursuant to Louisiana Revised Statutes of 1950, Title 46, Chapter 10. It is the Hospital's mission to provide its community with high quality care and education in a friendly, caring and professional manner. The administration of the Hospital is governed by a Board of Commissioners consisting of members appointed by the Washington Parish Council.

The financial reporting entity consists of (a) the primary government (councilman), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Codification Section 2100 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the council to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the council.
2. Organizations for which the council does not appoint a voting majority but are fiscally dependent on the council.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Council appoints all of the members of the Hospital's governing board and has the ability to impose its will on the Hospital, the Hospital is a component unit of Washington Parish. The basic financial statements present information only on the funds maintained by the Hospital and do not present information on the Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Use of Estimates

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

Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The basic financial statements include Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, money market accounts and certificates of deposit with an original maturity of three months or less, excluding amounts restricted as to use by Board designation, other arrangements under trust agreements, or with third-party payors.

Restricted Assets

Assets whose use is limited include funds set aside by the Board of Commissioners to satisfy deposit requirements of the Hospital's debt agreements.

Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of contribution, which is then treated as cost. Equipment under capital lease is stated at the lower of the present value of minimum lease payments at the beginning of the lease term or fair value at the inception of the lease. Maintenance, repairs and minor replacements, and improvements are expensed as incurred. Major replacements and improvements are capitalized at cost.

Description of property, plant and equipment is calculated on the straight-line method using the following estimated asset lives:

Land Improvements	15-20 years
Buildings and Building Improvements	20-40 years
Computers and Furniture	3- 7 years

Equipment held under capital lease is amortized on the straight-line method over the shorter of the lease term or estimated useful lives of the assets.

Inventory

Inventory is valued at the lower of cost or market, using the first-in, first-out method.

Cost of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these same borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

Restricted Resources

The Hospital first applies restricted resources when expenditures are incurred for purposes for which both restricted and unrestricted net assets are available.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Position

GASB 63 and GASB Codification Section P80, states that net position is equal to assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net position classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position invested in capital assets, net of related debt, excludes unspent debt proceeds.

Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets may be restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of net position that does not meet the definition of the two preceding categories.

Operating Revenue and Expenses

The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services-the Hospital's principal activity and from ad valorem taxes elected to be used for operations. Non-exchange revenues, including taxes designated for debt service, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Compensated Absences

Full-time employees are granted vacation in varying amounts as established by Hospital policy. Unused vacation days earned, up to a maximum range of 288-448 hours per year, depending on tenure, may be carried forward and accumulated. Effective January 1, 2018, the Hospital adopted a new policy that applies to employees hired after the effective date that limits the maximum range to 160-280 hours per year, depending on tenure. In the event of termination, an employee is reimbursed for accumulated vacation days. In addition, full and part-time employees are also granted sick pay at a rate of 0.02313 hours per paid hour as established by Hospital policy. Unused sick pay, up to a maximum of 480 hours, may be accumulated. Unused sick pay is not payable upon termination, unless the employee has a balance in the Reserve EIT bank, which was created to "grandfather in" eligible employees at the time the extended sick policy was revised. These employees are paid at the rate of one-half their current hourly rate, for each accrued hour of sick time, not to exceed 480 hours.

Accrued compensated absences on the Hospital's Statement of Net Position were \$871,495 and \$819,335 for years ended December 31, 2019 and 2018, respectively.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investment in Debt and Equity Securities

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized costs. Interest, dividends, gains, and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating revenue when earned.

Net Patient Service Revenue

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

Medicare - Effective July 1, 2004, the Hospital was approved for "critical access" status under the Medicare Rural Hospital Flexibility Program. The program allows States to designate rural facilities as "critical access hospitals" if they are located a sufficient distance from other hospitals, make available 24-hour emergency care, maintain no more than 25 inpatient beds, and keep inpatients no longer than 96 hours (except where weather or emergency conditions dictate, or a Peer Review Organization waives the limit). Payments for inpatient/outpatient services under critical access are on the basis of reasonable costs.

Prior to July 1, 2004, the Hospital was paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The prospectively determined classification of patients and the appropriateness of the patients' admissions are subject to a validation review by a Medicare peer review organization, which is under contract with the Hospital to perform such reviews.

Cost reimbursed services are paid at tentative rates, with final settlement determined after submission of annual cost reports and the completion of audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through December 31, 2016.

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology subject to an outpatient adjustment determined by the Department of Health and Hospitals.

The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and the completion of audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid Traditional fiscal intermediary through December 31, 2013.

The Louisiana Legislature, through the Healthcare Reform Act of 2007 and Act 1 of 2010, tasked the Department of Health and Hospitals (DHH) to create a new system of care. In response, DHH reformed its reimbursement methodology for Medicaid patients from a fee-for-service system to the use of a Coordinated Care Network (CCN). During 2011, DHH enabled certain third-party payor companies to contract with providers under the CCN methodology. The Hospital is currently contracted and enrolled with payors participating in the Coordinated Care Network. The Hospital has filed annual cost reports with these payors, which are subject to audit and final settlement.

Laws and regulations governing the Medicare and Medicaid 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. These adjustments will be recorded in the year they are realized.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, 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. 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.

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Ad valorem Taxes

Property taxes were levied on January 1, on property values assessed on that date. Notices of tax liability are mailed on or about November 1, of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1, of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered available in that period. Available includes those property tax receivables expected to be collected within sixty days after year end. However, the receivable for property taxes is recorded at January 1, the lien date.

A special election was held on Saturday, April 21, 2012 where the taxpayers approved a 10-year, 18 mills tax for "acquiring, constructing, improving, maintaining and operating the hospital and medical buildings and facilities, including equipment and fixtures, of the District". For the fiscal years ended 2019 and 2018, this was the only millage assessed by the Hospital.

Ad valorem taxes make up approximately 4.6% and 4.4% of the hospital's financial support for the years ended December 31, 2019 and 2018, respectively.

Income Taxes

The Hospital is a political subdivision and exempt from taxes.

Advertising

The Hospital expenses advertising costs as incurred. Advertising expenses incurred during the years ended December 31, 2019 and 2018, totaled \$16,720 and \$9,671, respectively.

Environmental Matters

Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at the time, management is not aware of any environmental matters which need to be considered.

Reclassifications

To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net position.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 2: CASH AND CASH EQUIVALENTS

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital's bylaws require that all bank balances be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Hospital.

The carrying amounts of deposits are included in the Hospital's Statement of Net Position as follows:

	2019	2018
Insured by the FDIC	\$ 250,000	\$ 250,000
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	3,715,435	3,507,194
Total Collateral Held for Bank Balances	\$ 3,965,435	\$ 3,757,194
Total Carrying Value per Bank	\$ 1,537,045	\$ 2,079,148

For the purposes of cash flows, cash and cash equivalents for the years ended December 31, are as follows:

	2019	2018
Total Cash and Cash Equivalents	\$ 1,415,457	\$ 1,228,359

NOTE 3: ACCOUNTS RECEIVABLE - PATIENTS

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with Medicaid, Commercial and Self-pay patients, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience and on the age of the receivable balance. The aged balance indicates that third-party claims have reached an age where the probability of payment is low and the self-pay patients are unable or unlikely to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Patients Accounts Receivable consists of the following:

	2019	2018
Total Patient Accounts Receivable	\$ 11,781,256	\$ 10,098,260
Less: Allowances for Doubtful Accounts and Contractual Allowances	6,757,887	6,534,126
Total Patient Accounts Receivable	\$ 5,023,369	\$ 3,564,134

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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FRANKLINTON, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 4: ACCOUNTS RECEIVABLE - OTHER

Other accounts receivable consists of the following:

	2019	2018
Grant Receivable	\$ 1,657,348	\$ 1,604,529
Other Receivables	263,014	758,522
Total Other Accounts Receivable	\$ 1,920,362	\$ 2,363,051

NOTE 5: RELATED PARTY RECEIVABLE

During the year ended December 31, 2015, the Hospital elected to make health care coverage available for members of the Hospital Board that are not otherwise eligible for Medicare or an employer sponsored health plan.

Included in the other receivables balance described in Note 4, the Hospital has accrued \$246 and \$-0- in 2019 and 2018, respectively, in relation to amounts receivable by board members enrolled in the Hospital's health plan for their portion of the Healthcare premium.

NOTE 6: MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 77% and 77% of its gross patient service revenue in 2019 and 2018, respectively, from patients covered by the Medicare and Medicaid programs. The Hospital received Intergovernmental Revenue of \$3,694,508 and \$5,704,875, which accounted for 12% and 18% of total revenues for the years ended December 31, 2019 and 2018, respectively.

NOTE 7: NET PATIENT SERVICE REVENUE

Patient service revenue, net of contractual allowances and discounts, recognized in the period from major payor sources, is as follows.

Net Patient Service Revenue by Payor before Provision for Doubtful Accounts:

	2019	2018
Medicare	\$ 4,866,805	\$ 5,160,183
Medicaid	6,910,808	6,110,489
All other payors	17,687,145	14,858,124
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	\$ 29,464,758	\$ 26,041,266

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 7: NET PATIENT SERVICE REVENUE, CONTINUED

The following schedule represents total Net Patient Service Revenue:

	2019	2018
Gross Patient Service Revenue	\$77,597,352	\$74,698,379
Less: Contractual Adjustments	(48,132,594)	(48,657,113)
Net Patient Service Revenue Before Provision for Doubtful Accounts	29,464,758	26,041,266
Provision for Doubtful Accounts	(2,178,412)	(1,897,202)
Net Patient Service Revenue after Provision For Doubtful Accounts	\$27,286,346	\$24,144,064

NOTE 8: CHARITY CARE

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Hospital maintains records to identify and monitor the level of charity care it provides. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. The Hospital did not have charity care patients for the years ended December 31, 2019 and 2018, respectively

NOTE 9: CAPITAL ASSETS

Capital assets by major category are as follows:

	December 31, 2019			
	12/31/2018	ADDITIONS	DEDUCTIONS	12/31/2019
Land Improvements	\$ 900,225	\$ -	\$ -	\$ 900,225
Buildings	14,409,925	894,418	1,864	15,302,479
Equipment	9,704,194	266,460	97,459	9,873,195
Gross Capital Assets	25,014,344	1,160,878	99,323	26,075,899
Less: Accumulated Depreciation	(19,108,730)	(1,320,241)	99,323	(20,329,648)
Depreciable Capital Assets, Net	5,905,614	(159,363)	-	5,746,251
Land	42,921	-	-	42,921
Construction in Progress	68,558	23,725	68,558	23,725
Net Capital Assets	\$ 6,017,093	\$ (135,638)	\$ 68,558	\$ 5,812,897

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 9: CAPITAL ASSETS, CONTINUED

	<u>December 31, 2018</u>			
	<u>12/31/2017</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>12/31/2018</u>
Land Improvements	\$ 889,758	\$ 10,467	\$ -	\$ 900,225
Buildings	14,428,671	115,471	134,217	14,409,925
Equipment	9,853,100	261,255	410,161	9,704,194
Gross Capital Assets	<u>25,171,529</u>	<u>387,193</u>	<u>544,378</u>	<u>25,014,344</u>
Less: Accumulated Depreciation	<u>(18,215,247)</u>	<u>(1,437,861)</u>	<u>544,378</u>	<u>(19,108,730)</u>
Depreciable Capital Assets, Net	6,956,282	(1,050,668)	-	5,905,614
Land	42,921	-	-	42,921
Construction in Progress	45,623	68,558	45,623	68,558
Net Capital Assets	<u>\$ 7,044,826</u>	<u>\$ (982,110)</u>	<u>\$ 45,623</u>	<u>\$ 6,017,093</u>

Depreciation expense for the years ended December 31, 2019 and 2018 amounted to \$1,320,241 and \$1,437,861, respectively.

Equipment in the amount of \$4,728,812 and \$4,657,079 was under capital lease for the periods ended December 31, 2019 and 2018, respectively. The related amortization/depreciation expense recognized for these periods was \$829,797 and \$880,186, respectively.

NOTE 10: LONG-TERM DEBT

Long-term debt at December 31, consisted of the following:

	<u>2019</u>	<u>2018</u>
Capital Lease Obligation, for the acquisition of Fluoroscopic X-Ray Equipment, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, maturity in 2019	\$ 4,183	\$ 40,690
Capital Lease Obligation, for the acquisition of Physical Therapy Monitoring System, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, maturity in 2019	-	45,209
Capital Lease Obligation, for the acquisition of Mammography, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, maturity in 2019	-	29,326
Capital Lease Obligation, for acquisition of Cath Lab Building, collateralized by the building, payable in 60 monthly installments at a 3.70% interest rate, maturity in 2019	-	37,182
Capital Lease Obligation, for the acquisition of the Cerner Patient Accounting Software System in progress, collateralized by the system, payable in 60 monthly installments at a 3.531% interest rate, maturity in 2020	72,149	283,700
Capital Lease Obligation, for the acquisition of the Toshiba Aquilion Prime 80 CT, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, maturity in 2019	-	112,419

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 10: LONG-TERM DEBT, CONTINUED

Capital Lease Obligation, for the acquisition of the IVUS s5i Imaging System, collateralized by the equipment, payable in 48 monthly installments at a 3.25% interest rate, maturity in 2019	-	11,436
Capital Lease Obligation, for the acquisition of the AutoCAT 2 WAVE Intra-Aortic Balloon Pump System, collateralized by the equipment, payable in 60 monthly installments at a 7.25% interest rate, maturity in 2019	-	10,322
Capital Lease Obligation, for the acquisition of the Olympus Videoscope, collateralized by the equipment, payable in 60 monthly installments at a 4.13% interest rate, maturity in 2021	41,999	68,590
Capital Lease Obligation, for the acquisition of the GE Nuclear Medicine System, collateralized by the equipment, payable in 60 monthly installments at a 3.82% interest rate, maturity in 2021	50,182	74,166
Note Payable, for the acquisition of the pharmacy inventory from Fuller Selle, LLC dba PharmaCare, payable in 48 monthly installments with no interest rate, maturity in 2020	7,055	49,055
Capital Lease Obligation, for the acquisition of Fresenius Kabi IV Pumps, collateralized by the equipment, payable in 66 monthly installments at a 6.80% interest rate, maturity in 2022	42,024	56,415
Capital Lease Obligation, for the acquisition of an Infinitt Workstation, collateralized by the equipment, payable in 60 monthly installments at a 7.00% interest rate, maturity in 2022	5,825	8,045
Capital Lease Obligation, for the acquisition of an Infinitt PACS System, collateralized by the equipment, payable in 60 monthly installments at a 7.36% interest rate, maturity in 2022	92,812	127,976
Capital Lease Obligation, for the acquisition of a GE Ultrasound Logic S8 XD Clear, collateralized by the equipment, payable in 60 monthly installments at a .14% interest rate, maturity in 2022	42,574	60,304
Cost Report Extended Payment Plan, FY 12/31/16, payable in 30 monthly installments at a 10% interest rate, maturity in 2020	-	230,860
Cost Report Extended Payment Plan, FY 12/31/17-Interim payment data, payable in 34 monthly installments at a 10% interest rate, maturity in 2020	-	93,872
2017 Series of Indebtedness, payable in semi-annual installments at a 3.51% interest rate, maturity in 2027	679,000	751,000

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 10: LONG-TERM DEBT, CONTINUED

Capital Lease Obligation, for the acquisition of a GE Ultrasound Vivid E90, collateralized by the equipment, payable in monthly installments at a 2.19% interest rate, maturing in 2023	95,950	122,703
Capital Lease Obligation, for the acquisition of Olympus Gastrosopes and Colonoscopes, payable in monthly installments at a 2.19% interest rate, maturing in 2022	63,994	-
2019 Series of Indebtedness dated February 12, 2019 with final maturity annual interest of 5.25%, maturing March 1, 2033, with interest payable semi-annually	900,000	-
Cost Report Extended Payment Plans, FY 12/31/17 and FY 12/31/18-Interim Rate Review, payable in 33 monthly installments at 10.125% and 10.25% interest rates, maturity in 2021.	276,306	922,836
Cost Report Extended Payment Plan, FY 12/31/16-NPR, payable in 33 monthly installments at a 10.125% interest rate, maturity in 2021	72,150	-
Cost Report Extended Payment Plan, FY 12/31/18-Interim rate review, payable in 33 monthly installments at a 10.125% interest rate, maturity in 2021	63,651	-
Cost Report Extended Payment Plan, FY 12/31/19-Interim rate review, payable in 18 monthly installments at a 10.625% interest rate, maturity in 2021	87,796	-
Cost Report Extended Payment Plan, FY 12/31/19-Interim rate review, payable in 18 monthly installments at a 10.375% interest rate, maturity in 2020	101,571	-
	2,699,221	3,136,106
Gross Long-Term Debt		
Less: Current Portion	851,078	1,449,514
Long-Term Portion	\$ 1,848,143	\$ 1,686,592

A summary of long-term debt activity for the year ended is as follows:

	<u>December 31, 2019</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Lease Obligations	\$ 1,088,484	\$ 71,734	\$ 648,525	\$ 511,693
Note payable - Pharmacy and Cost Report Repayment Plans	1,296,622	450,831	1,138,925	608,528
2017 Series of Indebtedness	751,000	-	72,000	679,000
2019 Series of Indebtedness	-	900,000	-	900,000
Total Long-Term Debt	\$ 3,136,106	\$1,422,565	\$1,859,450	\$ 2,699,221

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 10: LONG-TERM DEBT, CONTINUED

	<u>December 31, 2018</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Lease Obligations	\$ 1,652,896	\$ 138,045	\$ 702,457	\$ 1,088,484
Note payable - Pharmacy and Cost Report Repayment Plan	711,504	1,120,322	535,204	1,296,622
2017 Series of Indebtedness	<u>751,000</u>	<u>-</u>	<u>-</u>	<u>751,000</u>
Total Long-Term Debt	<u>\$ 3,115,400</u>	<u>\$1,258,367</u>	<u>\$1,237,661</u>	<u>\$ 3,136,106</u>

Balance due within one year:

	<u>2019</u>	<u>2018</u>
Capital Lease Obligations	\$ 247,388	\$ 644,967
Note Payable - Pharmacy and Cost Report Repayment Plans	513,690	732,547
2017 Series of Indebtedness	75,000	72,000
2019 Series of Indebtedness	<u>15,000</u>	<u>-</u>
Total Current Portion of Long-Term Debt	<u>\$ 851,078</u>	<u>\$ 1,449,514</u>

Scheduled repayments on long-term debt are as follows:

	<u>December 31, 2019</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	851,078	113,854	964,932
2021	353,316	72,932	426,248
2022	181,738	60,217	241,955
2023	110,089	55,640	165,729
2024	101,000	52,220	153,220
2025-2028	437,000	174,783	611,783
2029-2033	665,000	107,063	772,063
Total	<u>\$2,699,221</u>	<u>\$636,709</u>	<u>\$ 3,335,930</u>

	<u>December 31, 2018</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	1,449,514	151,906	1,601,420
2020	730,931	70,877	801,808
2021	349,212	29,313	378,525
2022	148,360	18,311	166,671
2023	95,089	14,296	109,385
2024-2027	363,000	26,190	389,190
Total	<u>\$3,136,106</u>	<u>\$310,893</u>	<u>\$ 3,446,999</u>

Interest expense incurred on long-term debt was \$198,239 and \$178,549 for the years ended December 31, 2019 and 2018, respectively.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 11: LEASES

The Hospital is obligated under certain operating leases for various equipment, terms, and lengths of time. Amounts paid under these leases totaled \$448,677 and \$418,946 for the years ended December 31, 2019 and 2018, respectively.

The Hospital leases office space to various tenants, including physicians. Rental income received under these arrangements totaled \$33,556 and \$40,124 for the years ended December 31, 2019 and 2018, respectively.

NOTE 12: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit to patients, substantially all of whom are local residents. The Hospital generally does not require collateral or other security extending credit to patients; however, it routinely obtains assignments of (or is otherwise entitled to receive) patients' benefits payable under health insurance programs, plans or policies (e.g., Medicare, Medicaid, Blue Cross and commercial insurance policies).

The mix of gross receivables from patients and third-party payors at December 31, are as follows:

	2019	2018
Medicare	35.31%	39.45%
Medicaid	17.62%	11.36%
Commercial, Private, and Other Third Party Payors	47.07%	49.19%
Total	100.0%	100.0%

NOTE 13: DEFINED CONTRIBUTION PLAN

The Hospital offers to its employees a single employer defined contribution plan, the Riverside Medical Center Retirement Plan, in accordance with Internal Revenue Code Section 457. Substantially all employees who have completed one year of service are eligible to participate. Under the plan, the maximum deferral offered to the employees is \$19,000 and \$18,500 for December 31, 2019 and 2018, respectively, as defined in the plan agreement. The Hospital is required to match 100% of the employees' deferral, not to exceed 3% of the employees' salary or maximum deferral. Participants become fully vested after five years, with no graduated vesting occurring between years one through four. Employer contributions were \$192,802 and \$176,888 for the years ended December 31, 2019 and 2018, respectively. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, and the benefits may not be diverted to any other use. Forfeitures may be used to reduce future Hospital contributions. Forfeitures reflected in pension expense as a reduction of employer contributions were \$-0- and \$1,074 for the years ended December 31, 2019 and 2018, respectively.

The Hospital has no liability for losses under the plan. An independent administrator serves as trustee of the employees' deferrals and the Hospital's matching contributions. Each employee chooses from an array of investment options offered by the administrator.

NOTE 14: CONTINGENCIES

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

The principal contingencies are described below.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 14: CONTINGENCIES, CONTINUED

Third Party Cost-Based Charges

The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as a result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Service (CMS) to implement a Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment. The Hospital will deduct from revenue, amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amount due can be reasonably estimated. RAC assessments are anticipated; however, the outcomes of such assessments are unknown and cannot be reasonably estimated.

Professional Liability Risk

The Hospital is contingently liable for losses from professional liability not underwritten by the Hospital's insurance carrier.

Workman's Compensation Risk

The Hospital participated in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund in 2019 and 2018. Should the fund's assets not be adequate to cover claims made against it, the Hospital 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 Hospital is contingently liable for assessments for the Louisiana Hospital Association Trust Fund. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals.

Self-Insurance for Health Insurance

The Hospital has elected to self-insure employees, board members, and eligible dependents health claims. The self-insured claims are processed through a plan administrator. The Hospital's self-insured plan has stop-loss insurance coverage for claims in excess of \$50,000 per individual per plan year, unless the individual is specifically identified by the plan to have a different stop-loss coverage.

Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in exclusion from government healthcare program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes the

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 14: CONTINGENCIES, CONTINUED

outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position.

NOTE 15: NET POSITION

Net position for the years ended December 31, are as follows:

	2019	2018
Invested in Capital Assets, net of related debt	\$ 5,301,206	\$ 4,928,610
Restricted for:		
Bond Indenture	96,700	70,460
Unrestricted	4,085,075	3,098,330
Total Net Position	\$ 9,482,981	\$ 8,097,400

NOTE 16: GRANT REVENUE

The Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The aggregate IGT grant income recognized is \$3,694,508 and \$5,704,875 for the years ended December 31, 2019 and 2018, respectively.

NOTE 17: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB's new lease accounting standard, GASB Statement No. 87, was issued in June 2017. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

NOTE 18: SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 24, 2020.

In January 2020, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has characterized COVID-19 as a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of COVID-19 on our operations and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our resources, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

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SCHEDULE OF REVENUE

DECEMBER 31,

	2019			2018
	INPATIENT	OUTPATIENT	TOTAL	TOTAL
Daily Patient Services				
Medical and Surgical	\$ 732,799	\$ 882,623	\$ 1,615,422	\$ 1,516,802
Intensive Care	80,891	3,595	84,486	55,526
Swing Bed	132,516	-	132,516	211,675
Total Daily Patient Services	<u>946,206</u>	<u>886,218</u>	<u>1,832,424</u>	<u>1,784,003</u>
Other Nursing Services				
Emergency Services	104,577	8,405,450	8,510,027	8,175,714
Operating and Recovery Rooms	334,701	6,311,264	6,645,965	5,889,369
Total Other Nursing Services	<u>439,278</u>	<u>14,716,714</u>	<u>15,155,992</u>	<u>14,065,083</u>
Other Professional Services				
Anesthesiology	105,101	1,356,510	1,461,611	1,284,009
Cardiac Rehab	-	316,523	316,523	255,752
Cardiopulmonary	800,652	871,533	1,672,185	1,648,834
CT Scan	200,418	6,908,431	7,108,849	6,578,048
Cath Lab	70,026	4,590,919	4,660,945	7,145,423
Dialysis	7,578	14,314	21,892	10,829
Dietary	12,802	7,703	20,505	16,250
Echo and Doppler	147,382	1,874,267	2,021,649	1,913,765
Electrocardiology/Electroencephalography	59,673	1,245,211	1,304,884	1,602,175
Family Care Clinic	-	1,675,241	1,675,241	1,157,728
Hospice	22,155	-	22,155	43,365
Hospitalist	248,009	208,261	456,270	445,132
Infusion Therapy	56,069	974,954	1,031,023	927,929
Internal Medicine	-	1,201,979	1,201,979	637,345
Laboratory	595,891	16,156,247	16,752,138	14,656,918
Mammography	-	513,016	513,016	522,491
MRI	10,048	750,127	760,175	804,127
Nuclear Medicine	98,747	1,566,755	1,665,502	1,873,254
Pediatric Internal Medicine Clinic	-	1,510,551	1,510,551	841,091
Pharmacy	1,576,982	6,128,237	7,705,219	8,303,404
Physician Offices	-	35,944	35,944	40,297
Radiology	58,221	2,245,142	2,303,363	2,160,734
Speech/Occupational/Physical Therapy	85,261	2,226,459	2,311,720	1,877,046
Thomas Clinic	-	1,547,297	1,547,297	1,616,982
Riverside Medical Center Surgery Center	-	108,390	108,390	64,034
Ultrasound	52,811	1,262,936	1,315,747	1,271,581
Wound Care	-	1,104,163	1,104,163	1,150,750
Total Other Professional Services	<u>4,207,826</u>	<u>56,401,110</u>	<u>60,608,936</u>	<u>58,849,293</u>
Gross Patient Service Revenue	<u>\$ 5,593,310</u>	<u>\$ 72,004,042</u>	77,597,352	74,698,379
Less: Contractual Adjustments			(48,132,594)	(48,657,113)
Net Patient Service Revenue before Provision for Doubtful Accounts			<u>\$ 29,464,758</u>	<u>\$ 26,041,266</u>

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SCHEDULE OF OTHER REVENUE

DECEMBER 31,

	<u>2019</u>	<u>2018</u>
Other Operating Revenue		
Cafeteria	\$ 71,782	\$ 68,776
Vending	23,100	25,325
Other	<u>213,094</u>	<u>237,385</u>
 Total Other Operating Revenue	 <u>\$ 307,976</u>	 <u>\$ 331,486</u>

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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SCHEDULE OF EXPENSES

DECEMBER 31,

	<u>2019</u>	<u>2018</u>
Salaries		
Administrative	\$ 1,500,610	\$ 1,449,612
Anesthesiology	351,454	311,816
Cardiac Rehab	76,820	84,860
Cardiopulmonary	531,978	531,691
Cath Lab	209,123	206,991
Central Services and Supply	88,701	86,598
CT Scan	65,487	61,724
Dietary	142,101	139,424
Echo and Doppler	70,467	70,481
Electrocardiology	40,891	41,556
Emergency Services	1,533,726	1,431,654
Franklinton Clinic	665,345	620,552
Housekeeping	186,863	204,433
Infusion Therapy	139,747	142,233
Intensive Care	93,394	144,010
Laboratory	871,307	833,414
Mammography	48,666	48,890
Medical and Surgical	844,364	891,366
Nuclear Medicine	68,409	67,379
Nursing Administration	658,183	653,948
Operating and Recovery Rooms	229,532	244,668
Pediatric Internal Medicine Clinic	575,008	562,770
Physician Office	793,506	728,193
Plant Operations	210,870	197,764
Radiology	368,157	446,392
Social Services	135,031	134,663
Speech/Occupational/Physical Therapy	566,648	528,612
Surgery Center	405,096	444,866
Thomas Clinic	717,439	752,451
Ultrasound	147,488	148,510
	<u>\$ 12,336,411</u>	<u>\$ 12,211,521</u>
Total Salaries	<u>\$ 12,336,411</u>	<u>\$ 12,211,521</u>

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

SCHEDULE OF EXPENSES

DECEMBER 31,

	2019	2018
Outside Services and Professional Fees		
Administrative	1,653,573	1,565,686
Cardiology	878,310	1,082,560
Cath Lab	11,838	3,353
CT Scan	500	400
Dialysis	30,825	30,350
Dietary	45,605	44,232
Electrocardiology/Electroencephalography	96,888	160,318
Emergency Services	1,385,608	1,110,232
Franklinton Clinic	2,124	1,665
Hospitalist	254,258	175,000
Housekeeping	70,566	64,326
Information Technology	383,932	354,039
Laboratory	646,223	613,755
Mammography	1,500	3,650
Med/Surge	60	(41,880)
MRI	227,300	237,650
Nuclear Medicine	6,949	5,918
Pediatric Internal Medicine Clinic	-	-
Pharmacy	426,723	465,678
Physician Office	1,505	1,242
Plant Operations	43,611	45,655
Radiology	10,281	10,276
Social Services	4,563	4,394
Speech/Occupational/Physical Therapy	9,478	17,981
Surgery Center	1,608	1,741
Swingbed	2,400	2,400
Thomas Clinic	78,538	71,957
Wound Care	242,250	259,050
	<u> </u>	<u> </u>
Total Outside Services and Professional Fees	<u>\$ 6,517,016</u>	<u>\$ 6,291,628</u>

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

SCHEDULE OF EXPENSES

DECEMBER 31,

	2019	2018
Supplies and Other Expenses		
Administrative	\$ 1,324,613	\$ 1,114,650
Anesthesiology	16,211	14,607
Cardiac Rehab	5,202	7,954
Cardiopulmonary	109,069	113,482
Cath Lab	619,191	740,763
Central Services and Supply	(169)	54,017
CT Scan	120,713	112,195
Dietary	142,492	125,081
Echo and Doppler	18,021	14,086
Electrocardiology/Electroencephalography	6,615	7,918
Emergency Services	157,278	141,040
Franklinton Clinic	91,106	72,692
Housekeeping	73,525	70,808
Hospitalist	255	-
Information Technology	124,351	163,161
Infusion Therapy	47,885	47,602
Intensive Care	9,709	5,279
Laboratory	997,870	909,566
Mammography	73,889	43,058
Medical and Surgical	84,476	75,560
MRI	24,341	27,064
Nuclear Medicine	73,302	80,484
Nursing Administration	32,780	19,319
Operating and Recovery Rooms	373,408	324,895
Pediatric Internal Medicine Clinic	122,680	104,949
Pharmacy	1,223,490	1,191,025
Physician Office - Access Clinic	-	-
Physician Office	117,799	83,871
Plant Operations	706,084	770,430
Radiology	179,475	181,766
Social Services	26,562	17,433
Speech/Occupational/Physical Therapy	31,256	41,203
Surgery Center	9,019	15,463
Swing Bed	50	200
Thomas Clinic	84,892	63,776
Ultrasound	5,085	3,118
Wound Care	2,310	2,413
Total Supplies and Other Expenses	\$ 7,034,835	\$ 6,760,928

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

SCHEDULE OF GOVERNING BOARD EXPENSES

DECEMBER 31,

	2019	2018
Jerry Thomas	\$ 825	\$ -
Donna Steele	900	-
JT Thomas	675	600
Pam Breland	825	825
John Nichols	750	900
Lori Schilling	825	825
Richard Watts	825	825
Eric Payne	-	675
Tammy Magruder	900	825
Cynthia August	825	750
William Ferrante	825	900
Total Governing Board Expenses	\$ 8,175	\$ 7,125

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER DECEMBER 31,

	2019	2018
Peter Sullivan		
Our Lady of the Angels - Contract Labor	\$ 250,000	\$ 250,000
Conference Travel	710	600
Reimbursements	164	970
	\$ 250,874	\$ 251,570



Glen P. Langlinais, CPA
Gayla F. Russo, CPA

Michael P. Broussard, CPA
Elizabeth L. Whitford, CPA
John W. O'Bryan, CPA
Barrett B. Perry, CPA
Elizabeth N. DeBaillon, CPA

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
Washington Parish Hospital Service District No. 1
d/b/a Riverside Medical Center
Franklinton, Louisiana

We have audited, in accordance with generally accepted auditing standards of the United States 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 Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center (the Hospital), a component unit of the Washington Parish Council, State of Louisiana, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated August 24, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan", we did identify certain deficiencies in internal control that we consider to be material weaknesses.

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 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 deficiencies described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" as items 2019-1 and 2019-2 to be material weaknesses.

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.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not identify findings of noncompliance.

THE HOSPITAL'S RESPONSE TO FINDINGS

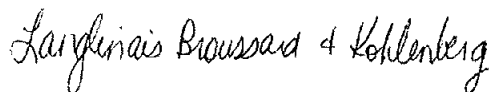
The Hospital's response to the findings identified in our audit is described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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

This report is intended for the information and use of the Board of Commissioners and management of the Hospital, others within the organization, federal awarding agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, LA
August 24, 2020

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
 d/b/a RIVERSIDE MEDICAL CENTER
 FRANKLINTON, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

We have audited the financial statements of Washington Parish Hospital Service District No. 1, d/b/a Riverside Medical Center (the Hospital), a component unit of the Washington Parish Council, State of Louisiana, as of and for the years ended December 31, 2019 and 2018 and have issued our report thereon dated August 24, 2020.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audit of the financial statements as of December 31, 2019 and 2018 resulted in unmodified opinions.

Section I: Summary of Auditor's Reports

Report on Internal Control and Compliance Material to the Financial Statements:

Compliance:

Compliance Material to Financial Statements No

Internal Control:

Material Weaknesses: Yes
 Significant Deficiencies: No

Section II: Financial Statement Findings

Material Weaknesses

Finding 2019-1 Proposed Audit Adjustments

Criteria: The proposed audit adjustments had a material effect on the financial statements.

Condition and Cause: The proposed audit adjustments primarily included adjustments to cost report settlements.

Effect: Hospital management has reviewed and approved these proposed audit adjustments.

Recommendation: Hospital management should continue to monitor interim financial statements in order to identify adjustments that need to be booked.

Management Response: Management agrees with this finding, and continues to monitor interim financial statements in order to identify adjustments that need to be booked.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

Finding 2019-2 Preparation of Full Disclosure Financial Statements

Criteria: Management is responsible for the preparation and presentation of financial statements according to Generally Accepted Accounting Principles (GAAP). These principles include disclosure requirements.

Condition and Cause: The Hospital does not prepare full-disclosure GAAP Financial Statements.

Effect: The Hospital relied on its outside auditors to assist in the preparation of external financial statements and related disclosures.

Recommendation: Hospital's management and accounting personnel should review the draft financial statements and note disclosures prior to approving them and accepting responsibility for their contents and presentation.

Management Response: Management agrees with this finding.

Section III: Management Letter Items

There were no management letter items for the fiscal years ended December 31, 2019 and 2018.

WASHINGTON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a RIVERSIDE MEDICAL CENTER
FRANKLINTON, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2018

Finding 2018-1 Employee Gifts

Hospital issued bonuses to two employees as a retirement gift.

Status: Resolved

Finding 2018-2 Proposed Audit Adjustments

The proposed audit adjustments had a material effect on the financial statements.

Status: Unresolved; See Finding 2019-1

Finding 2018-3 Preparation of Full Disclosure Financial Statements

Management is responsible for the preparation and presentation of financial statements according to Generally Accepted Accounting Principles (GAAP). These principles include disclosure requirements.

Status: Unresolved; See Finding 2019-2