

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

Independent Auditor's Reports and Financial Statements

September 30, 2020 and 2019

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
September 30, 2020 and 2019**

Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis.....	4
Financial Statements	
Statements of Net Position.....	11
Statements of Revenues, Expenses and Changes in Net Position.....	12
Statements of Cash Flows	13
Notes to Financial Statements.....	15
Supplementary Information	
Schedule of Expenditures of Federal Awards.....	31
Notes to Schedule of Expenditures of Federal Awards	32
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	33
Other Information	
Combining Statement of Net Position	34
Combining Statement of Revenues, Expenses and Changes in Net Position	36
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> - Independent Auditor’s Report	37
Report on Compliance for the Major Federal Program and on Internal Control Over Compliance - Independent Auditor’s Report.....	39
Schedule of Findings and Questioned Costs.....	41
Summary Schedule of Prior Year Audit Findings	44

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the District), a component unit of Richland Parish Police Jury, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital as of September 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
October 28, 2021

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Management's Discussion and Analysis
September 30, 2020 and 2019**

Introduction

This management's discussion and analysis of the financial performance of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the District) provides an overview of the District's financial activities for the years ended September 30, 2020 and 2019. It should be read in conjunction with the accompanying financial statements of the District.

Financial Highlights

- Cash and investments increased in 2020 by \$5,725,238, or 31.8% and increased in 2019 by \$3,556,345, or 24.6%.
- The District's net position increased in each of the past two years with a \$3,736,580, or 13.8% increase in 2020, and a \$3,145,217, or 13.1% increase in 2019.
- The District reported operating income of \$401,530 in 2020, due to an increase in other income related to 340B pharmacy sales and HHC joint venture income. In 2019, the District reported an operating income of \$986,745.
- Net nonoperating revenues, including noncapital grants and gifts, increased by \$765,860, or 39.6% in 2020, compared to 2019, and increased by \$155,998, or 8.8% in 2019, compared to 2018.

Using This Annual Report

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

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

One of the most important questions asked about any hospital's finances is "Is the hospital as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the District's resources and its

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Management's Discussion and Analysis
September 30, 2020 and 2019**

activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The Statement of Cash Flows

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

The District's Net Position

The District's net position is the difference between its assets and liabilities reported in the statements of net position. The District's net position increased by \$3,736,580, or 13.8% in 2020 over 2019, and by \$3,145,217, or 13.1% in 2019 over 2018, as shown in Table 1.

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Management's Discussion and Analysis
September 30, 2020 and 2019**

Table 1: Assets, Liabilities, and Net Position

	2020	2019	2018
Assets			
Patient accounts receivable, net	\$ 2,209,190	\$ 2,467,472	\$ 1,974,447
Other current assets	29,103,247	20,779,965	18,818,720
Capital assets, net	8,887,949	5,518,970	4,586,781
Other assets	236,088	236,088	236,088
Total assets	<u>\$ 40,436,474</u>	<u>\$ 29,002,495</u>	<u>\$ 25,616,036</u>
Liabilities			
Long-term debt	\$ 2,416,341	\$ -	\$ 15,607
Current liabilities	7,132,670	1,851,612	1,594,763
Total liabilities	<u>9,549,011</u>	<u>1,851,612</u>	<u>1,610,370</u>
Net Position			
Net investment in capital assets	8,096,284	4,961,627	4,514,786
Unrestricted	22,791,179	22,189,256	19,490,880
Total net position	<u>30,887,463</u>	<u>27,150,883</u>	<u>24,005,666</u>
Total liabilities and net position	<u>\$ 40,436,474</u>	<u>\$ 29,002,495</u>	<u>\$ 25,616,036</u>

The most significant change in the District's financial position in 2020 was the increase in current liabilities from 2019 to 2020 of \$5,555,093. This increase of 300.0% was attributable to an increase in revenue received in advance, related to approximately \$4,793,000 of Coronavirus Aid, Relief, and Economic Security (CARES) Act monies received in response to the COVID-19 pandemic and current portion of Paycheck Protection Program (PPP) loan.

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

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Management's Discussion and Analysis
September 30, 2020 and 2019**

Operating Results and Changes in the District's Net Position

In 2020, the District's net position increased by \$3,462,545 as shown in Table 2. This increase is made up of several different components and represents an increase of 12.8%, compared with the increase in net position for 2019 of \$3,145,217, or 13.1%.

Table 2: Operating Results and Changes in Net Position

	2020	2019	2018
Operating Revenues			
Net patient service revenue	\$ 22,676,581	\$ 22,579,766	\$ 23,209,679
Grant revenue	2,345,724	2,464,577	2,164,299
Other	2,956,857	1,946,622	1,537,529
Total operating revenues	<u>27,979,162</u>	<u>26,990,965</u>	<u>26,911,507</u>
Operating Expenses			
Salaries and wages	14,264,190	13,227,940	12,790,038
Employee benefits	2,969,474	2,854,220	3,310,920
Purchased services and professional fees	4,018,986	3,863,756	3,365,296
Supplies and other	5,761,859	5,441,021	5,171,763
Depreciation and amortization	563,123	617,283	667,687
Total operating expenses	<u>27,577,632</u>	<u>26,004,220</u>	<u>25,305,704</u>
Operating Income	<u>401,530</u>	<u>986,745</u>	<u>1,605,803</u>
Nonoperating Revenues (Expenses)			
Property taxes	809,867	790,435	795,361
Investment income	296,981	193,285	106,482
Interest expense	-	(4,007)	(3,314)
Noncapital grants and gifts	1,591,672	952,947	882,076
Gain on sale of capital assets	-	-	(3,943)
Total nonoperating revenues	<u>2,698,520</u>	<u>1,932,660</u>	<u>1,776,662</u>
Excess of Revenues Over Expenses	<u>3,100,050</u>	<u>2,919,405</u>	<u>3,382,465</u>
Capital Grants and Gifts	<u>636,530</u>	<u>225,812</u>	<u>-</u>
Increase in Net Position	<u>\$ 3,736,580</u>	<u>\$ 3,145,217</u>	<u>\$ 3,382,465</u>

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Management's Discussion and Analysis
September 30, 2020 and 2019**

Operating Results

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

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

The District reported operating revenue of \$27,979,162 for 2020, which increased by \$988,197, compared to 2019. This increase is primarily related to increased revenue from 340B outpatient drug discount program of approximately \$1,000,000.

The District reported operating income of \$401,530 for 2020, which decreased by \$585,215, compared to 2019. The primary components of the change in operating results were:

- Increases in supplies and other of approximately \$321,000 or 5.9%.
- Increase in salaries and wages of approximately \$1,036,000 or 7.8%, due to overtime for COVID-19 and retention incentives.

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

- Decreases in net patient service revenue of approximately \$630,000 or 2.7%.
- Increase in grant revenue and other operating revenue of \$1,010,000, primarily related to increased revenue from 340B outpatient drug discount program.

Nonoperating Revenues and Expenses

Nonoperating revenues (expenses) consist primarily of property taxes levied by the District and noncapital grants and gifts. In 2020, the District recognized an increase in property taxes of \$19,432, or 2.5%, compared to 2019. Noncapital grants and gifts increased by \$638,725, or 67.0% in 2020, compared to 2019.

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Management's Discussion and Analysis
September 30, 2020 and 2019**

Capital Grants and Gifts

The District receives both capital and operating grants from various state and federal agencies for specific programs. The District received capital grants and gifts of \$636,530 and \$225,812 in 2020 and 2019, respectively.

Grant Expenses

The District actively applies for available state and federal grants. A majority of the grants are reimbursement grants requiring the District to spend the money for an approved purchase and then request reimbursement from the grantor. The revenues and expenses associated with these grants generally offset each other. The District recorded \$1,591,672 and \$952,947 of noncapital grants and gifts in 2020 and 2019, respectively; however, the expenses associated with these grant receipts have been recorded in operating expenses for each year.

The District's Cash Flows

Changes in the District's cash flows are consistent with changes in operating income and nonoperating revenues and expenses for 2020 and 2019, as discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At the end of 2020 and 2019, the District had \$8,887,949 and \$5,158,970 of net capital assets, as detailed in *Note 5* to the financial statements. Approximately \$3,932,000 and \$1,552,000 was spent to construct the new community health center building and new equipment in 2020 and 2019, respectively.

Debt

At September 30, 2020, the District received a PPP loan in the amount of \$3,065,210 (see *Notes 9* and *18*). At September 30, 2020 and 2019, the District had approximately \$0 and \$11,000, respectively, of capital lease obligation outstanding. The capital lease is for a mammography machine. The District's formal debt issuances and revenue bonds are subject to limitations imposed by state law.

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Management's Discussion and Analysis
September 30, 2020 and 2019**

Contacting the District's Financial Management

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

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

**Statements of Net Position
September 30, 2020 and 2019**

Assets

	2020	2019
Current Assets		
Cash and cash equivalents	\$ 18,439,513	\$ 9,834,301
Short-term investments - certificates of deposit	4,423,330	7,323,617
Board designated - short-term investments	872,238	851,925
Patient accounts receivable, net of allowance; 2020 - \$1,582,000; 2019 - \$1,671,000	2,209,190	2,467,472
Estimated amounts due from third-party payers	3,000,220	1,433,339
Grant and other receivables	1,234,443	546,723
Supplies	736,282	534,759
Prepaid expenses and other	397,221	255,301
Total current assets	31,312,437	23,247,437
Capital Assets, Net	8,887,949	5,518,970
Other Assets	236,088	236,088
Total assets	\$ 40,436,474	\$ 29,002,495

Liabilities and Net Position

	<u>2020</u>	<u>2019</u>
Current Liabilities		
Current maturities of long-term debt	\$ 648,869	\$ -
Current maturities of capital lease	-	10,525
Accounts payable	922,402	906,647
Accrued expenses	897,762	791,560
Revenue received in advance	4,531,956	-
Estimated self-insured health insurance costs	131,681	142,880
	<u>7,132,670</u>	<u>1,851,612</u>
Total current liabilities		
	2,416,341	-
Long-term Debt		
	<u>9,549,011</u>	<u>1,851,612</u>
Total liabilities		
Net Position		
Net investment in capital assets	8,096,284	4,961,627
Unrestricted	22,791,179	22,189,256
	<u>30,887,463</u>	<u>27,150,883</u>
Total net position		
	<u>\$ 40,436,474</u>	<u>\$ 29,002,495</u>
Total liabilities and net position		

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019**

	2020	2019
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2020 - \$1,337,000; 2019 - \$1,729,000	\$ 22,676,581	\$ 22,579,766
Grant revenue	2,345,724	2,464,577
Other	2,956,857	1,946,622
Total operating revenues	27,979,162	26,990,965
Operating Expenses		
Salaries and wages	14,264,190	13,227,940
Employee benefits	2,969,474	2,854,220
Purchased services and professional fees	4,018,986	3,863,756
Supplies and other	5,761,859	5,441,021
Depreciation and amortization	563,123	617,283
Total operating expenses	27,577,632	26,004,220
Operating Income	401,530	986,745
Nonoperating Revenues (Expenses)		
Property taxes	809,867	790,435
Investment income	296,981	193,285
Interest expense	-	(4,007)
Noncapital grants and gifts	1,591,672	952,947
Total nonoperating revenues	2,698,520	1,932,660
Excess of Revenues Over Expenses	3,100,050	2,919,405
Capital Grants and Gifts	636,530	225,812
Increase in Net Position	3,736,580	3,145,217
Net Position, Beginning of Year	27,150,883	24,005,666
Net Position, End of Year	\$ 30,887,463	\$ 27,150,883

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

**Statements of Cash Flows
Years Ended September 30, 2020 and 2019**

	2020	2019
Operating Activities		
Receipts from and on behalf of patients	\$ 21,314,421	\$ 23,153,932
Payments to suppliers and contractors	(10,108,724)	(9,522,672)
Payments to employees	(17,166,842)	(16,091,183)
Other receipts, net	5,323,913	4,922,220
Net cash provided by (used in) operating activities	(637,232)	2,462,297
Noncapital Financing Activities		
Property taxes supporting operations	809,867	790,435
Paycheck Protection Program loan	3,065,210	-
CARES Act funding	4,792,877	-
Noncapital grants and gifts	584,099	952,947
Other financing payments	2,165	-
Net cash provided by noncapital financing activities	9,254,218	1,743,382
Capital and Related Financing Activities		
Capital grants and gifts	682,348	225,812
Principal paid on long-term capital lease	(10,707)	(61,470)
Interest paid on long-term capital lease	-	(4,007)
Purchase of capital assets	(3,858,205)	(1,002,654)
Net cash used in capital and related financing activities	(3,186,564)	(842,319)
Investing Activities		
Interest and dividends on investments	294,816	193,285
Purchase of investments	(1,128,556)	(5,831,104)
Proceeds from disposition of investments	4,008,530	-
Net cash provided by (used in) investing activities	3,174,790	(5,637,819)
Increase (Decrease) in Cash and Cash Equivalents	8,605,212	(2,274,459)
Cash and Cash Equivalents, Beginning of Year	9,834,301	12,108,760
Cash and Cash Equivalents, End of Year	\$ 18,439,513	\$ 9,834,301

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Statements of Cash Flows (Continued)
Years Ended September 30, 2020 and 2019**

	2020	2019
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 401,530	\$ 986,745
Depreciation and amortization	563,123	617,283
Provision for uncollectible accounts	1,336,529	1,729,201
Changes in operating assets and liabilities		
Patient accounts receivable	(1,078,247)	(2,222,226)
Estimated amounts due from (to) third-party payers	(1,566,881)	1,030,566
Accounts payable and accrued expenses	49,975	(244,106)
Other assets and liabilities	(343,261)	564,834
Net cash provided by (used in) operating activities	\$ (637,232)	\$ 2,462,297
Supplemental Cash Flows Information		
Capital asset acquisitions included in accounts payable and accrued expenses	\$ 472,920	\$ 546,818

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

**Notes to Financial Statements
September 30, 2020 and 2019**

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

Nature of Operations and Reporting Entity

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

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

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

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

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

The Delhi Health Care Foundation (the Foundation) is a 501(c)3 nonprofit health organization, established in order to promote and support the Hospital in the provision of health care. The Foundation is a separate legal entity but is financially integrated with the District and is reported as a blended component unit of the District and does not issue separate financial statements. The Foundation had no activity during the year.

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

**Notes to Financial Statements
September 30, 2020 and 2019**

Basis of Accounting and Presentation

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, property taxes, investment income and interest on capital assets - related debt are included in nonoperating revenues (expenses). The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

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

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2020 and 2019, cash equivalents consisted primarily of money market accounts with brokers.

Patient Accounts Receivable

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

Supplies

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

Investments and Investment Income

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

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

**Notes to Financial Statements
September 30, 2020 and 2019**

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

Capital Assets

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

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

Capital Asset Impairment

The District evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the years ended September 30, 2020 or 2019.

Compensated Absences

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

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

**Notes to Financial Statements
September 30, 2020 and 2019**

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

Net Position

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

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

Net Patient Service Revenue

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

Charity Care

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Property Taxes

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

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

Notes to Financial Statements September 30, 2020 and 2019

District. Subsequent to year-end, the millage rate of the District was renewed for a period of 10 years, beginning with the year 2021 and ending in the year 2030 at a rate of 7.90.

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

The District received approximately 3.0% of its financial support from property taxes in both 2020 and 2019. These funds were used to support building, maintenance and repairs.

Income Taxes

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

Foundation

Delhi Health Care Foundation (the Foundation) is a foundation established to support health care in Richland Parish. There was no activity in the Foundation for the years ended September 30, 2020 or 2019.

Note 2: Net Patient Service Revenue

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

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

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

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

**Notes to Financial Statements
September 30, 2020 and 2019**

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

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

Approximately 77% and 83% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2020 and 2019, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The District entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor), whereby the Grantor awards an intergovernmental transfer (IGT) grant to be used solely to provide adequate and essential medically necessary and available health care services to the District's service population subject to the availability of such grant funds. The aggregate IGT grant income was approximately \$1,080,000 and \$1,164,000 for the years ended September 30, 2020 and 2019, respectively, and is included in net patient service revenue.

Note 3: Deposits, Investments and Investment Income

Deposits

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

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

	2020	2019
Insured by Federal Deposit Insurance Corporation	\$ 4,615,891	\$ 4,379,891
Collateralized by securities held by the pledging financial institution's Trust Department in the District's name	19,265,499	14,736,025
Total depository balance	\$ 23,881,390	\$ 19,115,916

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

**Notes to Financial Statements
September 30, 2020 and 2019**

Summary of Carrying Values

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

	2020	2019
Carrying value		
Deposits	\$ 23,735,081	\$ 18,009,843
Included in the following statements of net position captions		
Cash and cash equivalents	\$ 18,439,513	\$ 9,834,301
Short-term investments - certificates of deposit	4,423,330	7,323,617
Board designated - short-term investments	872,238	851,925
	\$ 23,735,081	\$ 18,009,843

Note 4: Patient Accounts Receivable

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

	2020	2019
Medicare	\$ 1,017,920	\$ 1,247,291
Medicaid	465,139	339,411
Other third-party payers	363,275	558,348
Patients	1,944,742	1,993,268
	3,791,076	4,138,318
Less allowance for uncollectible accounts	(1,581,886)	(1,670,846)
	\$ 2,209,190	\$ 2,467,472

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

**Notes to Financial Statements
September 30, 2020 and 2019**

Note 5: Capital Assets

Capital assets activity for the years ended September 30 was:

	2020				
	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Land	\$ 1,708,256	\$ -	\$ -	\$ -	\$ 1,708,256
Land improvements	241,720	-	-	-	241,720
Buildings and improvements	6,768,371	21,000	-	-	6,789,371
Equipment	7,656,140	227,349	(275,226)	-	7,608,263
Vehicles	808,267	-	(77,979)	-	730,288
Furniture	76,557	-	-	-	76,557
Construction in progress	1,084,651	3,683,753	-	-	4,768,404
	<u>18,343,962</u>	<u>3,932,102</u>	<u>(353,205)</u>	<u>-</u>	<u>21,922,859</u>
Less accumulated depreciation					
Land improvements	138,322	12,727	-	-	151,049
Buildings and improvements	5,388,714	153,082	-	-	5,541,796
Equipment	6,449,587	310,753	(275,226)	(319)	6,484,795
Vehicles	678,811	86,880	(77,979)	-	687,712
Furniture	169,558	-	-	-	169,558
	<u>12,824,992</u>	<u>563,442</u>	<u>(353,205)</u>	<u>(319)</u>	<u>13,034,910</u>
Capital assets, net	<u>\$ 5,518,970</u>	<u>\$ 3,368,660</u>	<u>\$ -</u>	<u>\$ 319</u>	<u>\$ 8,887,949</u>
	2019				
	Beginning Balance	Additions	Disposals	Transfers/ Adjustments	Ending Balance
Land	\$ 1,708,256	\$ -	\$ -	\$ -	\$ 1,708,256
Land improvements	241,720	-	-	-	241,720
Buildings and improvements	6,763,627	6,900	-	(2,156)	6,768,371
Equipment	7,532,306	521,067	(397,233)	-	7,656,140
Vehicles	760,985	47,282	-	-	808,267
Furniture	76,557	-	-	-	76,557
Construction in progress	108,272	977,244	-	(865)	1,084,651
	<u>17,191,723</u>	<u>1,552,493</u>	<u>(397,233)</u>	<u>(3,021)</u>	<u>18,343,962</u>
Less accumulated depreciation					
Land improvements	125,116	13,206	-	-	138,322
Buildings and improvements	5,253,108	135,606	-	-	5,388,714
Equipment	6,795,670	51,150	(397,233)	-	6,449,587
Vehicles	329,996	348,815	-	-	678,811
Furniture	101,052	68,506	-	-	169,558
	<u>12,604,942</u>	<u>617,283</u>	<u>(397,233)</u>	<u>-</u>	<u>12,824,992</u>
Capital assets, net	<u>\$ 4,586,781</u>	<u>\$ 935,210</u>	<u>\$ -</u>	<u>\$ (3,021)</u>	<u>\$ 5,518,970</u>

At September 30, 2020, construction in progress primarily represents costs incurred in connection with the construction of a new Delhi Community Health Clinic building. The total project cost of construction, fees and equipment is expected to total approximately \$5,755,000. The District was

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

**Notes to Financial Statements
September 30, 2020 and 2019**

awarded a capital development health center grant from the U.S. Department of Health and Human Services in the amount of \$1,000,000 that will be used to fund the construction. As of September 30, 2020, the District had fully expended the grant funds. All other costs will be funded through the cash reserves of the District. As of September 30, 2020, the District had incurred costs of approximately \$4,768,000 in construction in progress.

Note 6: Medical Malpractice Claims

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

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

Note 7: Employee Health Claims

Substantially all of the District's employees and their dependents are eligible to participate in the District's employee health insurance plan. The District is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$45,000. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the District's estimate will change by a material amount in the near term.

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

**Notes to Financial Statements
September 30, 2020 and 2019**

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

	2020	2019
Balance, beginning of year	\$ 142,880	\$ 315,000
Current year claims incurred and changes in estimates for claims incurred in prior years	1,113,705	1,041,658
Claims and expenses paid	(1,124,904)	(1,213,778)
Balance, end of year	\$ 131,681	\$ 142,880

Note 8: Accounts Payable and Accrued Expenses

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

	2020	2019
Payable to suppliers and contractors	\$ 866,622	\$ 840,889
Payable to employees (including payroll tax benefits)	896,965	786,327
Payable to patients	56,577	70,991
	\$ 1,820,164	\$ 1,698,207

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

**Notes to Financial Statements
September 30, 2020 and 2019**

Note 9: Long-term Obligations

The following is a summary of long-term obligation transactions for the District for the years ended September 30, 2020 and 2019.

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2020					
Long-term debt					
PPP loan	\$ -	\$3,065,210	\$ -	\$ 3,065,210	\$ 648,869
Capital lease obligations	10,525	-	(10,525)	-	-
Total long-term debt	<u>\$ 10,525</u>	<u>\$3,065,210</u>	<u>\$ (10,525)</u>	<u>\$ 3,065,210</u>	<u>\$ 648,869</u>
2019					
Capital lease obligations	<u>\$ 71,995</u>	<u>\$ -</u>	<u>\$ (61,470)</u>	<u>\$ 10,525</u>	<u>\$ 10,525</u>

Capital Lease Obligations

The Hospital is obligated under a lease for equipment that is accounted for as a capital lease. Assets under capital leases at September 30, 2019 totaled \$14,901, net of accumulated amortization of \$283,119 and were fully amortized during 2020.

Long-term Debt

The District received a PPP loan of \$3,065,210 in April 2020, from the Small Business Administration (SBA), designed to provide direct incentive for small businesses to keep their workers on the payroll. The loan has an interest rate of 1%, due in installments of \$346,356, beginning August 2021, with the balance due in April 2022. On September 29, 2021, the Hospital was approved for forgiveness of the full amount of the loan.

Note 10: Charity Care

The costs of charity care provided under the District's charity care policy were approximately \$125,000 and \$165,000 for 2020 and 2019, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

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

**Notes to Financial Statements
September 30, 2020 and 2019**

Note 11: Pension Plan

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

Employees are eligible to participate upon date of employment and are immediately vested in the employer's matching contribution. Contributions to the plans by the District are determined by the Board at a minimum of 6.2% of the participant's compensation. Contribution rates for plan members and the District, expressed as a percentage of covered payroll, were 6.2% for both 2020 and 2019. Contributions actually made by plan members and the District aggregated approximately \$883,000 during 2020 and \$810,000 during 2019.

Note 12: Joint Venture

On October 1, 2003, the District entered into an agreement with Delhi Homecare, LLC (DHLLC). Under the terms of the agreement, the District received a 33% equity interest in DHLLC. At September 30, 2020 and 2019, the investment was \$71,667 for both years, with \$22,707 and (\$5,753), respectively, being current amounts (payable) receivable from DHLLC. For the years ended September 30, 2020 and 2019, the District recorded gains on the investment of \$100,038 and \$18,199, respectively.

Note 13: Affiliated Organizations

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

Note 14: 340B Outpatient Drug Discount Program

The District participates in the 340B outpatient drug discount program administered by the Office of Pharmacy Affairs of the Health Resources and Services Administration (HRSA). The District also contracts with certain local pharmacies to assist them in providing outpatient drugs to the District's patients. The District purchases outpatient drugs at 340B outpatient drug discount prices to replenish those dispensed to patients on the District's behalf. The District recognized revenue from these contracts of approximately \$862,000 and \$1,532,000, with associated costs of goods sold of approximately \$641,000 and \$628,000 in 2020 and 2019, respectively.

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

**Notes to Financial Statements
September 30, 2020 and 2019**

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

Note 15: Contingencies

Litigation

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District’s self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Workers’ Compensation

The District participates in the Louisiana District Association’s Self-Insurance Workmen’s Compensation Trust Fund (the Fund). Should the Fund’s assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of assessments, if any, under this program. The portion of the Fund that is refundable to the District is included in other assets.

Note 16: Board Members

The Board members of the District for 2020 and 2019 are as follows:

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

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

**Notes to Financial Statements
September 30, 2020 and 2019**

Note 17: Future Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) recently issued its Statement No. 84 *Fiduciary Activities* (GASB 84). This statement establishes criteria for identifying fiduciary activities of all state and local governments, including pension and employee benefit trusts. The focus of the criteria generally is on (1) whether a government controls the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. GASB 84 is applicable during the year ending September 30, 2021. The impact of applying this statement has not yet been determined.

GASB recently issued its Statement No. 87 *Leases* (GASB 87). The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The District expects to first apply GASB 87 during the year ending September 30, 2022. The impact of applying the statement has not been determined.

Note 18: COVID-19 Pandemic and Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding

Patient volumes and the related revenues for most of the District's services were significantly impacted by COVID-19, as various policies were implemented by federal, state and local governments in response to the pandemic that have caused many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective surgical procedures by healthcare facilities.

While some of these restrictions have been eased and states have lifted moratoriums on nonemergent procedures, some restrictions remain in place, and some state and local governments are reimposing certain restrictions due to increasing rates of COVID-19 cases. While patient volumes and revenues experienced gradual improvement, the District is unable to predict the future impact of the pandemic on the District's operations.

The District's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The District has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to the District's business, including the following:

- Implemented certain cost reduction initiatives;
- Reduced or delayed certain planned projects and capital expenditures;

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

Notes to Financial Statements September 30, 2020 and 2019

- During the year ended September 30, 2020, the District received approximately \$4,793,000 in general Provider Relief Funds distributions, as provided for under the CARES Act.

The extent of the COVID-19 pandemic's adverse impact on the District's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the District's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure. Because of these and other uncertainties, the District cannot estimate the length or severity of the impact of the pandemic on the District's business. Decreases in cash flows and results of operations may have an impact on the inputs and assumptions used in significant accounting estimates, including contractual allowances related to uninsured patient accounts and professional and general liability reserves.

Provider Relief Funds

During the year ended September 30, 2020, the District received approximately \$4,793,000 in distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19.

The District is accounting for such payments as conditional contributions. These payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the impact of the pandemic on the District's operating results through September 30, 2020, the District recognized approximately \$274,000 related to these general distribution funds. The unrecognized amount of general distributions are recorded as part of restricted investments and revenues received in advance in the accompanying statements of net position.

The District will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the impact of the pandemic on the District's revenues and expenses. If the District is unable to attest to or comply with current or future terms and conditions due to clarification of regulations or through determination of reporting process defined by the Department of Health and Human Services, the District's ability to retain some or all of the distributions received may be impacted.

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

**Notes to Financial Statements
September 30, 2020 and 2019**

Paycheck Protection Program (PPP) Loan

The CARES Act and other subsequent legislation also provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The PPP loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The District received a PPP loan of approximately \$3,065,000 in April 2020. The loan has an interest rate of 1%.

The District has accounted for the PPP loan in accordance with GASB 62. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. The PPP loan is included on the accompanying statements of net position as long-term debt in accordance with the terms of the PPP loan agreement. See *Note 9* for additional information.

Supplementary Information

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Identifying Number	Total Federal Expenditures
U.S. Department of Health and Human Services			
Health Center Program Cluster			
Grants for New and Expanded Services under the Health Center Program	93.527		\$ 1,932,682
Health Center Program	93.224		117,187
Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding	93.224		<u>183,927</u>
Total Health Center Program Cluster			2,233,796
Grants for Capital Development in Health Centers	93.526		636,530
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912		978,388
Small Hospital Improvement Program - CARES	93.301		84,317
Small Hospital Improvement Program	93.301		<u>6,200</u>
			90,517
National Bioterrorism Hospital Preparedness Program	93.889		4,059
COVID-19 Testing for the Uninsured	93.461		<u>43,268</u> *
			<u>\$ 3,986,558</u>

*Amounts are reported in net patient revenue on the accompanying statements of revenues, expenses and changes in net position.

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020**

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended September 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
3. The District did not provide any federal awards to subrecipients.

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Schedule of Compensation, Benefits and Other Payments
to Agency Head or Chief Executive Officer
Year Ended September 30, 2020**

Agency Head Name: Michael W. Carroll, CEO

Purpose	Amount
Salary	\$ 246,551
Benefits - insurance	648
Benefits - retirement	15,286
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	1,250
Travel	40
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

Other Information

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Combining Statement of Net Position
September 30, 2020**

	Hospital and Clinics	Delhi Community Health Center	Eliminations	Combined
Assets				
Current Assets				
Cash and cash equivalents	\$ 14,694,806	\$ 3,744,707	\$ -	\$ 18,439,513
Short-term investments - certificates of deposit	4,423,330	-	-	4,423,330
Board designated - short-term investments	872,238	-	-	872,238
Patient accounts receivable, net of allowance	1,916,684	292,506	-	2,209,190
Due from affiliate	1,631,167	-	(1,631,167)	-
Estimated amounts due from third-party payers	2,967,008	33,212	-	3,000,220
Grant and other receivables	205,905	1,028,538	-	1,234,443
Supplies	736,282	-	-	736,282
Prepaid expenses and other	371,020	26,201	-	397,221
	<u>27,818,440</u>	<u>5,125,164</u>	<u>(1,631,167)</u>	<u>31,312,437</u>
Total current assets				
Capital Assets, Net	<u>3,734,074</u>	<u>5,153,875</u>	<u>-</u>	<u>8,887,949</u>
Other Assets	<u>236,088</u>	<u>-</u>	<u>-</u>	<u>236,088</u>
Total assets	<u>\$ 31,788,602</u>	<u>\$ 10,279,039</u>	<u>\$ (1,631,167)</u>	<u>\$ 40,436,474</u>

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Combining Statement of Net Position (Continued)
September 30, 2020**

	Hospital and Clinics	Deini Community Health Center	Eliminations	Combined
Liabilities and Net Position				
Current Liabilities				
Current maturities of long-term debt	\$ 511,511	\$ 137,358	\$ -	\$ 648,869
Accounts payable	382,120	540,282	-	922,402
Accrued expenses	714,923	182,839	-	897,762
Revenue received in advance	3,752,013	779,943	-	4,531,956
Estimated self-insured health insurance costs	131,681	-	-	131,681
Due to affiliate	-	1,631,167	(1,631,167)	-
Total current liabilities	5,492,248	3,271,589	(1,631,167)	7,132,670
Long-term Debt	2,097,596	318,745	-	2,416,341
Total liabilities	7,589,844	3,590,334	(1,631,167)	9,549,011
Net Position				
Net investment in capital assets	3,734,074	4,362,210	-	8,096,284
Unrestricted	20,464,684	2,326,495	-	22,791,179
Total net position	24,198,758	6,688,705	-	30,887,463
Total liabilities and net position	<u>\$ 31,788,602</u>	<u>\$ 10,279,039</u>	<u>\$ (1,631,167)</u>	<u>\$ 40,436,474</u>

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Combining Statement of Revenues, Expenses
and Changes in Net Position
Year Ended September 30, 2020**

	Hospital and Clinics	Delhi Community Health Center	Eliminations	Combined
Operating Revenues				
Net patient service revenue, net	\$ 19,909,842	\$ 2,766,739	\$ -	\$ 22,676,581
Grant revenue	-	2,345,724	-	2,345,724
Other	1,409,583	1,727,274	(180,000)	2,956,857
Total operating revenues	<u>21,319,425</u>	<u>6,839,737</u>	<u>(180,000)</u>	<u>27,979,162</u>
Operating Expenses				
Salaries and wages	10,839,393	3,424,797	-	14,264,190
Employee benefits	2,351,296	618,178	-	2,969,474
Purchased services and professional fees	3,628,172	390,814	-	4,018,986
Supplies and other	4,389,882	1,551,977	(180,000)	5,761,859
Depreciation and amortization	448,698	114,425	-	563,123
Total operating expenses	<u>21,657,441</u>	<u>6,100,191</u>	<u>(180,000)</u>	<u>27,577,632</u>
Operating Income (Loss)	<u>(338,016)</u>	<u>739,546</u>	<u>-</u>	<u>401,530</u>
Nonoperating Revenues				
Property taxes	809,867	-	-	809,867
Investment income	258,703	38,278	-	296,981
Noncapital grants and gifts	1,411,862	179,810	-	1,591,672
Total nonoperating revenues	<u>2,480,432</u>	<u>218,088</u>	<u>-</u>	<u>2,698,520</u>
Excess of Revenues Over Expenses	<u>2,142,416</u>	<u>957,634</u>	<u>-</u>	<u>3,100,050</u>
Capital Grants and Gifts	<u>-</u>	<u>636,530</u>	<u>-</u>	<u>636,530</u>
Increase in Net Position	<u>2,142,416</u>	<u>1,594,164</u>	<u>-</u>	<u>3,736,580</u>
Net Position, Beginning of Year	<u>22,056,342</u>	<u>5,094,541</u>	<u>-</u>	<u>27,150,883</u>
Net Position, End of Year	<u>\$ 24,198,758</u>	<u>\$ 6,688,705</u>	<u>\$ -</u>	<u>\$ 30,887,463</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the District), a component unit of Richland Parish Police Jury, which comprise the statement of net position as of September 30, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

The District's Response to Finding

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

Purpose of this Report

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

BKD, LLP

Jackson, Mississippi
October 28, 2021

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

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

We have audited the Hospital Service District No. 1A of the Parish of Richland's d.b.a. Richland Parish Hospital (the District), a component unit of Richland Parish Police Jury, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2020. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

BKD, LLP

Jackson, Mississippi
October 28, 2021

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2020**

7. The District's major program was:

Cluster/Program	CFDA Number
Health Center Program Cluster	93.224 and 93.527

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

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

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2020**

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2020-001	<p><i>Criteria or Specific Requirement</i> - Management is responsible for establishing and maintaining effective internal controls over financial reporting to appropriately estimate the net collections of patient accounts receivables as of year-end.</p> <p><i>Condition</i> - Estimates of net collections of patients accounts receivable were significantly understated. Adjustments were proposed and recorded to allowance for contractual adjustments and allowance for uncollectible accounts to properly state net patient accounts receivable based on available information.</p> <p><i>Effect</i> - Valuation of net patient accounts receivable was understated. Journal entries were required to adjust the expected net collections of net patient accounts receivable at year-end.</p> <p><i>Cause</i> - The District’s subsequent collections activities were different than reserves recorded at year-end. Revisions to the inputs and valuation methodology may be necessary to appropriately estimate expected collections of net patient accounts receivable at year-end.</p> <p><i>Recommendation</i> - Management should review and revise as necessary valuation methodology utilized to estimate net collections of net patient accounts receivable.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> - Management understands the importance of reliable and accurate estimations of net collections from patient accounts receivable in order to appropriately represent the year-end financial position of the District. Management will review its methodology for calculating estimates of net collections from patient accounts receivable and make any additional revisions.</p>

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

**Hospital Service District No. 1A of the Parish of Richland
d.b.a. Richland Parish Hospital
A Component Unit of Richland Parish Police Jury
Summary Schedule of Prior Year Auditing Findings
Year Ended September 30, 2020**

Reference Number	Fiscal Year Finding Initially Occurred	Summary of Finding	Status
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No matters are reportable.