

**HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA,
STATE OF LOUISIANA**
Amite, Louisiana

Financial Statements
As of and for the Years Ended
September 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Hospital Service District No. 2
of the Parish of Tangipahoa,
State of Louisiana
d/b/a Hood Memorial Hospital
Amite, Louisiana

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Hospital Service District No. 2 of the Parish of Tangipahoa, State of Louisiana (d/b/a Hood Memorial Hospital) (the "Hospital"), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hospital as of September 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in Government Auditing Standards ("GAS"), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

The Schedule of Compensation, Benefits and Other Payments to Agency Head on page 22 is presented for the purpose of additional analysis, as required by Louisiana Revised Statute 24:513A(3) and is not a required part of the financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of net patient service revenues is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report On Other Reporting Required by Government Auditing Standards

In accordance with GAS, we have also issued our report dated March 26, 2024, 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 GAS in considering the Hospital's internal control over financial reporting and compliance.

HORNE LLP

Ridgeland, Mississippi
March 26, 2024

**HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA**

Statements of Net Position
September 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 14,644,633	\$ 18,258,670
Short-term investments	13,494,575	-
Patient receivables, net of allowance for doubtful accounts of \$1,153,577 and \$1,679,783, respectively	1,698,345	1,572,919
Estimated third-party payor settlements	1,356,872	400,695
Other receivables	15,586	13,900
Inventories	345,436	344,415
Other current assets	1,422,392	8,722,407
Total current assets	32,977,839	29,313,006
Capital assets, net	4,067,636	3,778,812
Total assets	\$ 37,045,475	\$ 33,091,818
LIABILITIES		
Current liabilities		
Accounts payable	\$ 1,216,244	\$ 953,373
Accrued salaries and wages	971,314	743,668
Accrued health benefits	144,490	125,586
Estimated third-party payor settlements	-	171,890
Lease liability, current	-	15,337
American Rescue Plan Act deferred revenue	-	100,000
Total current liabilities	2,332,048	2,109,854
NET POSITION		
Net investment in capital assets	4,067,636	3,763,475
Unrestricted	30,645,791	27,218,489
Total net position	\$ 34,713,427	\$ 30,981,964

See accompanying notes.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2023 and 2022

	2023	2022
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Operating revenues		
Net patient service revenue, net of provision for bad debts of \$535,138 and \$1,239,989, respectively	\$ 19,494,698	\$ 17,579,699
Other operating revenue	3,818,152	16,647,589
Total operating revenues	23,312,850	34,227,288
Operating expenses		
Salaries and wages	10,339,643	9,248,195
Employee benefits	2,054,635	1,696,819
Physician fees	1,611,361	1,795,090
Professional fees	657,032	1,287,114
Purchased services	3,469,606	2,762,326
Supplies and maintenance	2,163,037	1,903,205
Other operating expenses	907,166	880,936
Depreciation	529,327	592,897
Total operating expenses	21,731,807	20,166,582
Income from operations	1,581,043	14,060,706
Nonoperating revenues (expenses)		
Property taxes	799,081	215,570
Investment income	1,158,190	114,843
Provider Relief Fund revenue	-	953,341
Insurance proceeds	521	294,299
Grants and donations	194,149	483,694
Interest expense	(1,521)	(6,888)
Total nonoperating revenues	2,150,420	2,054,859
Increase in net position	3,731,463	16,115,565
Net position, beginning of year	30,981,964	14,866,399
Net position, end of year	\$ 34,713,427	\$ 30,981,964

See accompanying notes.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
 Statements of Cash Flows
 Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Receipts from and on behalf of patients and third party payors	\$ 30,049,166	\$ 26,252,527
Payments to suppliers and contractors	(8,895,832)	(8,903,661)
Payments to employees	(12,147,728)	(10,831,543)
Net cash provided by operating activities	9,005,606	6,517,323
Cash flows from noncapital financing activities		
Property taxes	457,081	215,570
Noncapital grants and contributions	94,149	483,694
Medicare Accelerated and Advance Payment recoupments	-	(1,213,572)
Insurance proceeds	521	294,299
Proceeds from Provider Relief Fund	-	953,341
Net cash provided by noncapital financing activities	551,751	733,332
Cash flows from capital and related financing activities		
Principal paid on long-term debt	-	(90,000)
Principal paid on capital lease liability	(15,337)	(137,284)
Interest paid on long-term debt	(1,521)	(6,888)
Purchases of capital assets	(818,151)	(674,387)
Net cash used in capital and related financing activities	(835,009)	(908,559)
Cash flows from investing activities		
Purchases of investments	(13,494,575)	-
Gain from sale of assets limited as to use	-	28,311
Interest on investments	1,158,190	114,843
Net cash provided by (used in) investing activities	(12,336,385)	143,154
Net increase (decrease) in cash and cash equivalents	(3,614,037)	6,485,250
Cash and cash equivalents, beginning of year	18,258,670	11,773,420
Cash and cash equivalents, end of year	\$ 14,644,633	\$ 18,258,670

See accompanying notes.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
 Statements of Cash Flows
 Years Ended September 30, 2023 and 2022

	2023	2022
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Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	\$ 1,581,043	\$ 14,060,706
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation	529,327	592,897
Provision for bad debts	535,138	1,239,989
Changes in assets and liabilities		
Patient receivables and third-party settlements	(1,788,631)	(1,224,942)
Inventories	(1,021)	16,948
Other current assets	7,640,329	(8,115,284)
Accounts payable	262,871	(166,462)
Accrued salaries and compensated absences	246,550	113,471
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Net cash provided by operating activities	<u>\$ 9,005,606</u>	<u>\$ 6,517,323</u>

See accompanying notes.

**HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA**
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Hospital Service District No. 2 of the Parish of Tangipahoa, State of Louisiana, d/b/a Hood Memorial Hospital (the "Hospital"), is an acute care hospital established in 1964.

Effective April 1, 2003, the Hospital met the Medicare participation requirements to be classified as a critical access hospital. The governing authority of the Hospital is the Tangipahoa Parish Council and accordingly, appoints members to the Hospital Board. The Hospital is considered a component unit of the Tangipahoa Parish Council.

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 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. The most sensitive estimates included in these financial statements relate to contractual discounts under third-party contracts and the allowance for uncollectible accounts.

Basis of Presentation

The Hospital reports in accordance with accounting principles generally accepted in the United States of America in accordance with accounting principles promulgated by the Governmental Accounting Standards Board ("GASB"). The accompanying financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and highly liquid investments with maturities of three months or less when purchased, excluding amounts whose use is limited by the Board of Commissioners' designation or under trust agreements.

Investments

The Hospital's investments consist of cash and fixed income securities and are carried at fair value. Interest, dividends and gains and losses on investments, both realized and unrealized, are included in nonoperating income when earned.

Patient Receivables

Patient accounts receivable are reported at net realizable value. Interest income is not accrued on any unpaid balances.

Accounts are considered past due at the time that the balance is 30 days delinquent. Accounts are sent to collections when no payment has been received on the account for 120 days and written off when all collection efforts have been exhausted.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for doubtful accounts charged to earnings. Losses are charged against the allowance when management believes the collectability of an account is confirmed. Subsequent recoveries, if any, are recognized as income.

The allowance for doubtful accounts is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the accounts in light of historical experience, the nature and volume of the accounts and the agreements with the respective third-party payors.

Inventories

Inventories, consisting primarily of pharmaceuticals and medical supplies, are valued at the lower of cost or market method.

Capital Assets, Net

Capital asset additions are recorded at cost. Depreciation is computed using the straight-line method with useful lives of the property ranging from five to 40 years. Maintenance, repairs, replacement and improvements of minor importance are expensed. Major replacements and improvements are capitalized. Equipment under capital lease liabilities is amortized on a straight-line method over the shorter period of the lease term or the estimated useful life of the equipment.

Property Taxes

The Hospital receives a five mills property tax, which is levied in August each year, payable by December 31 of that year. The Hospital records the expected revenues to be received based on factors such as previous years' collections to assessments and the estimated taxable assessed value for the current year. Adjustments are made upon final receipts. The millage was reassessed and approved in December 2021 and is effective for 10 years until the next parish reassessment scheduled for 2031.

In 2023, management determined that a change in accounting estimate regarding revenue recognition of property taxes was necessary. Management determined that the Hospital should be recognizing revenue in the same period that the millage is assessed. Management deemed it not practicable to apply the change to any prior period given the timing of the parish assessment. Accordingly, the Hospital applied the change on a prospective basis, recognizing a receivable as of September 30, 2023 for approximately \$342,000 related to property tax millage assessed in calendar year 2023.

Compensated Absences

The Hospital's employees earn paid time off and extended illness hours at varying rates depending on years of service. Employees may accumulate paid time off and be paid if they leave before they exhaust this accumulation. Employees may accumulate extended illness hours but, upon termination, are not paid for any accumulated extended illness hours.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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

Income Taxes

The Hospital is exempt from federal income taxation as a political subdivision of the State of Louisiana and, accordingly, the accompanying basic financial statements do not include any provision for income taxes.

Net Position

The net position of the Hospital is classified into three components which are defined as follows:

- *Net Investment in Capital Assets* – This component reports capital assets net of accumulated depreciation and the outstanding balances of any borrowings used to finance the purchase, improvements or construction of those assets.
- *Unrestricted Net Position* – This component reports the remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

Patient Service Revenue

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.

Patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are considered in the recognition and accrual of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such reviews may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Management believes it has complied with the requirements of these programs.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Records of charges foregone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided.

Operating Revenue and Expenses

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, which is the Hospital's principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition and interest income are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Grants and Contributions

From time to time, the Hospital receives grants from other governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. In accordance with GASB Technical Bulletin No. 2020-1, the Hospital classified Coronavirus Aid, Relief, and Economic Security ("CARES") Act funds and American Rescue Plan ("ARP") Act funds as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position (discussed further in Note 11).

New Accounting Standards Adopted

Governmental Accounting Standards Board Statement No. 96 ("GASB 96")

The Hospital adopted GASB 96, *Subscription-Based Information Technology Arrangements ("SBITA")*, in fiscal year 2023. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The adoption of GASB 96 did not have significant impact on the Hospital's financial position or results of operations.

Accounting Pronouncements Issued Not Yet Adopted

Governmental Accounting Standards Board Statement No. 101 ("GASB 101")

The Hospital will adopt GASB 101, *Compensated Absences*, in fiscal year 2024. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The Hospital is currently assessing the impact of adopting of this GASB statement and its effect on the Hospital's financial position or results of operations.

Note 2. Cash Deposits and Investments

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law, which are to be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Hospital.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to them. As of September 30, 2023, \$14,554,627 of the Hospital's bank balance totaling \$14,809,142 was exposed to custodial credit risk. At each institution, \$250,000 of deposits was secured by federal deposit insurance coverage, which was not exposed to custodial credit risk. The remaining deposits, which were exposed to custodial credit risk, were secured by the pledge of securities owned by the fiscal agent bank.

The Hospital's investments generally are reported at fair value, as discussed in Note 1. The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Interest Rate Risk

The Hospital's investment policy does not limit investment maturities, excluding short-term investments, as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk

The Hospital's investment policy, in compliance with Louisiana Revised Statute 33:2955, allows the Hospital to invest in United States Treasuries, United States Agency securities, certificates of deposit and mutual or trust fund institutions registered with the Securities and Exchange Commission. As of September 30, 2023 and 2022, the Hospital had no investments requiring credit risk disclosures.

Concentration of Credit Risk

As of September 30, 2023 and 2022, the Hospital had no investments requiring concentration of credit risk disclosures.

**HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA**
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 2. Continued

State statutes authorize the Parish to invest in collateralized certificates of deposits, government-backed securities, commercial paper, and mutual funds consisting solely of government-backed securities. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. ("LAMP"), a nonprofit organization formed by an initiative of the State Treasury and organized under the laws of the State of Louisiana, which operates a local government investment pool. The investments in LAMP are stated at fair value based on quoted market rates and are considered Level 2 investments. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares. As of September 30, 2023 and 2022, the investments were valued at \$13,494,575 and \$-0-, respectively.

Note 3. Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors as of September 30 was as follows:

	2023	2022
Medicare	28%	26%
Medicaid	21	19
Self-Pay	9	-
Commercial	42	55
Total	100%	100%

The relative percentages of gross charges billed for patients by payor was as follows:

	2023	2022
Medicaid	33%	33%
Medicare	25	26
Medicare Adv	24	24
Commercial	15	14
Self-Pay	3	3
Total	100%	100%

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 4. Patient Accounts Receivable

Patient accounts receivable consist of the following:

	2023	2022
Total patient accounts receivable	\$ 4,288,119	\$ 4,446,871
Less: third-party contractual adjustments	(1,436,197)	(1,194,169)
Less: allowance for doubtful accounts	(1,153,577)	(1,679,783)
Patient accounts receivable, net	<u>\$ 1,698,345</u>	<u>\$ 1,572,919</u>

Note 5. Capital Assets

Capital assets and depreciation activity for the year ended September 30, 2023 are as follows:

	September 30, 2022	Additions	Disposals	September 30, 2023
Capital assets not being depreciated:				
Land	\$ 87,893	\$ 520,380	\$ -	\$ 608,273
Construction in progress	60,555	508,538	(566,030)	3,063
Total capital assets not being depreciated	148,448	1,028,918	(566,030)	611,336
Capital assets being depreciated:				
Buildings and improvements	4,404,258	31,038	-	4,435,296
Equipment	5,849,624	343,714	(481,795)	5,711,543
Total capital assets being depreciated	10,253,882	374,752	(481,795)	10,146,839
Less: total accumulated depreciation	(6,623,518)	(529,327)	462,306	(6,690,539)
Total capital assets being depreciated, net	3,630,364	(154,575)	(19,489)	3,456,300
Capital assets, net	<u>\$ 3,778,812</u>	<u>\$ 874,343</u>	<u>\$ (585,519)</u>	<u>\$ 4,067,636</u>

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

Capital assets and depreciation activity for the year ended September 30, 2022 follows:

	September 30, 2021	Additions	Disposals	September 30, 2022
Capital assets not being depreciated:				
Land	\$ 87,893	\$ -	\$ -	\$ 87,893
Construction in progress	149,154	631,239	(719,838)	60,555
Total capital assets not being depreciated	237,047	631,239	(719,838)	148,448
Capital assets being depreciated:				
Buildings and improvements	4,382,126	22,132	-	4,404,258
Equipment	5,108,770	740,854	-	5,849,624
Total capital assets being depreciated	9,490,896	762,986	-	10,253,882
Less: total accumulated depreciation	(6,030,621)	(592,897)	-	(6,623,518)
Total capital assets being depreciated, net	3,460,275	170,089	-	3,630,364
Capital assets, net	\$ 3,697,322	\$ 801,328	\$ (719,838)	\$ 3,778,812

For the years ended September 30, 2023 and 2022, depreciation expense was \$529,327 and \$592,897, respectively.

At September 30, 2023, the Hospital did not have any outstanding construction commitments.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Leases

Lease Liability

A schedule of changes in the Hospital's capital lease liability for the year ended September 30, 2023 follows:

	Balance September 30, 2022	Additions	Retirements	Balance September 30, 2023	Due Within One Year
Systemex Analyzers	\$ 9,903	\$ -	\$ (9,903)	\$ -	\$ -
Fuji D-EVO Detectors	5,434	-	(5,434)	-	-
Total debt	<u>\$ 15,337</u>	<u>\$ -</u>	<u>\$ (15,337)</u>	<u>\$ -</u>	<u>\$ -</u>

A schedule of changes in the Hospital's capital lease liability for the year ended September 30, 2022 follows:

	Balance September 30, 2021	Additions	Retirements	Balance September 30, 2022	Due Within One Year
Systemex Analyzers	\$ 25,863	\$ -	\$ (15,960)	\$ 9,903	\$ 9,903
Fuji D-EVO Detectors	26,420	-	(20,986)	5,434	5,434
CT Scan	100,338	-	(100,338)	-	-
Total debt	<u>\$ 152,621</u>	<u>\$ -</u>	<u>\$ (137,284)</u>	<u>\$ 15,337</u>	<u>\$ 15,337</u>

The Hospital leased medical equipment through capital leases with maturity dates ranging from 2022 through 2023.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 7. Commitments and Contingencies

Cooperative Endeavor Agreement with North Oaks Health System

On November 30, 2018, the Hospital entered into a Cooperative Endeavor Agreement ("CEA") with Tangipahoa Parish Hospital Service District No. 1, d/b/a North Oaks Health System ("North Oaks"). The CEA was entered into in order for the Hospital to utilize North Oaks' personnel to assist in the assessment and oversight of operational, financial, regulatory, clinical, facility and technological needs of the Hospital in exchange for a monthly consulting fee of \$50,000 to be paid by the Hospital. The CEA expired on December 31, 2022, and the Hospital entered into a Joint Collaboration Agreement for services effective January 1, 2023. The Hospital will pay a monthly fee of \$20,000 in exchange for availability and assistance services.

Note 8. Employee Retirement Plan

The Hospital sponsors a deferred compensation plan 457(b). These plans are tax-advantaged retirement plans offered by state and local governments. Eligible employees will be able to make salary deferral contributions up to an applicable dollar limit set by the Internal Revenue Service ("IRS") each year. The Hospital also maintains a 401(a) pension plan for employer contributions. Through the 401(a) plan, if the employee contributes a minimum of three percent, the Hospital contributes a match of 5 percent of the employee's base salary (excluding overtime salary). Employer contributions are vested by a percentage determined by the employee's years of service. Total expenses for the years ended September 30, 2023 and 2022 were approximately \$259,000 and \$123,000, respectively.

Note 9. Patient Service Revenue

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

Medicare

Since obtaining critical access designation, inpatient and outpatient services rendered to Medicare program beneficiaries are reimbursed under cost reimbursement methodologies. The Hospital is reimbursed by the Medicare fiscal intermediary at a tentative interim rate with final settlement determined with the submission of annual cost reports and audits. The Hospital's Medicare cost reports have been filed with the Medicare fiscal intermediary through September 30, 2023. Desk reviews have been performed on reports issued through September 30, 2018.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been filed with the fiscal intermediary through September 30, 2023. A desk review has been performed on Medicaid reports issued through September 30, 2018.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 9. Continued

Other

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

A summary of patient service revenue as of September 30 follows:

	<u>2023</u>	<u>2022</u>
Gross patient service revenue	\$ 35,224,660	\$ 33,256,138
Less provisions for		
Contractual adjustments under third-party reimbursement programs and managed care contracts	(15,194,824)	(14,436,450)
Uncollectible accounts	<u>(535,138)</u>	<u>(1,239,989)</u>
Net patient service revenue	<u>\$ 19,494,698</u>	<u>\$ 17,579,699</u>

Note 10. Charity Care

The number of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated \$45,949 and \$14,303 for the years ended September 30, 2023 and 2022, respectively. The estimated cost of charity care, estimated using a ratio of cost-to-gross charges, totaled approximately \$31,000 and \$10,000 for the years ended September 30, 2023 and 2022, respectively.

Note 11. COVID-19 Pandemic and Related Congressional Acts

On March 11, 2020, the Governor of the State of Louisiana declared a state of emergency in the State of Louisiana related to the Coronavirus ("COVID-19") pandemic and subsequently issued numerous executive orders in an effort to reduce community spread of the virus and protect Louisiana's most vulnerable citizens. As a result of the executive orders and generally in response to the concern for community spread, elective procedures and other nonemergency visits to the Hospital's facilities were significantly curtailed beginning March 2020.

Provider Relief Fund

In response to the COVID-19 pandemic, Congress passed multiple bills that included funding and operational relief for affected hospitals. The U.S. Department of Health and Human Services ("HHS"), the Centers for Medicare and Medicaid Services and the Health Resources and Services Administration all issued various waivers of regulations governing coverage of specific services and conditions of program participation. The Public Health and Social Services Emergency Fund (the "Provider Relief Fund") was among the provisions of the CARES Act, which was signed into law on March 27, 2020. On April 22, 2020, HHS announced a distribution methodology for the \$100 billion Provider Relief Fund appropriated as part of the CARES Act. Additionally, HHS provided \$75 billion in addition to the \$100 billion provided under the CARES Act. As a condition to receiving distributions,

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 11. Continued

providers agreed to certain terms and conditions, including, among other things, that the funds would be used for lost operating revenues and COVID-19 related costs. During the years ended September 30, 2023 and 2022, the Hospital received approximately \$-0- and \$953,000, respectively, from the Provider Relief Fund and recognized approximately \$-0- and \$953,000, respectively, in nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The Hospital recognizes the Provider Relief Fund payments as income when there is reasonable assurance of compliance with the conditions associated with the grant.

American Rescue Plan Act

On March 11, 2021 Congress passed the American Rescue Plan ("ARP") Act of 2021. This \$1.9 trillion economic stimulus bill was meant to speed up the country's recovery from the economic and health effects of the COVID-19 pandemic and the ongoing recession. The federal government allocated the first ARP payments to be distributed through the Rural Health Clinic COVID-19 Testing and Mitigation ("RHCCTM") Program. This distribution provided \$100,000 to all eligible Rural Health Clinics ("RHC"), which is a special designation given to health care practices in underserved rural areas by the Centers for Medicare and Medicaid Services ("CMS") that helps ensure access to care for rural residents. As a condition to receiving the distribution, providers agreed to certain terms and conditions, including, among other things, that the funds would be used for lost revenues and COVID-19 related costs.

During the year ended September 2021, the Hospital received \$100,000 from the ARP Act and recorded the total amount as deferred revenue in the accompanying statement of net position. The Hospital recognized the ARP Act funds as income for the year ended September 30, 2023, once there was a reasonable assurance of compliance with the conditions associated with the grant.

Note 12. Insurance Programs

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self-insurance of (1) hospital professional liability and comprehensive general liability and (2) statutory workers' compensation. The Hospital carries commercial insurance for all other risk of loss.

The trust funds for professional liability/comprehensive general liability and statutory workers' compensation are pooling arrangements whereby there is a sharing of risk among the participants of the trust funds. The Hospital reports its premiums as insurance expenditures and expenses these premiums over the pro rata periods involved.

Note 13. Louisiana Medicaid Supplemental Payment Program

The Hospital has entered into a series of collaborative agreements and cooperative endeavors designed to provide additional Medicaid funds to help improve or expand allowable healthcare services for Medicaid beneficiaries or low-income, uninsured patients in the community.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 13. Continued

Louisiana State Directed Payment Program

Effective July 1, 2022, Louisiana Medicaid implemented a new State Directed Payment Program ("SDPP") model for in-state hospitals licensed and enrolled in Medicaid. The program utilizes a uniform percentage increase directed fee schedule in accordance with 42 CFR Section 438.6(c)(1)(iii)(c). Qualifying hospitals receive interim lump-sum quarterly directed payments from Managed Care Organizations (MCO), as directed by Louisiana Department of Health ("LDH"). Within 12 months after the end of the MCO contract rating period, LDH will conduct a reconciliation process based on actual utilization during the MCO contract rating period and the MCOs will make payment adjustments, as directed by LDH.

The Hospital recognized total revenue under SDPP of approximately \$2,200,000 in 2023. The revenue is included as a component of other operating revenue in the accompanying Statements of Revenue, Expenses and Changes in Net Position. Future reconciliation differences will be reported prospectively.

In response to SDPP, the Hospital entered into a cooperative endeavor agreement with the Rural Hospital Coalition ("RHC"). In collaboration with other rural hospitals, the RHC sought to offer a grant program that would ensure adequate funding for all rural hospitals across the state. The term of this agreement begins July 1, 2022 and ends on June 30, 2023. Thereafter, this agreement will automatically renew for successive one-year terms until terminated.

Cooperative Endeavor Agreement

In 2020, the Hospital entered into a cooperative endeavor agreement with another provider who delivers supplemental payments to participating hospitals to be used solely to provide adequate and essential medically necessary and available healthcare services to the participant's rural service populations. The term of this agreement is one year with automatic renewals for additional terms of one year each unless previously terminated. The agreement may be terminated by either party with thirty days' written notice.

The Hospital recognized total revenue of approximately \$28,000 and \$14,958,000 as other operating revenue during the years ended September 30, 2023 and 2022, respectively. Due to the timing of receipt of payments, the Hospital recognized approximately \$8,000,000 in other receivables in the accompanying statement of net position at September 30, 2022. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenues, expenses and changes in net position. This program was terminated and replaced by the SDPP.

Physician Rate Enhancement Agreement

Effective January 2020, the Hospital Service Districts (the "HSDs") and the Hospital entered into a Physician Rate Enhancement Funds ("PREFs") Assignment Agreement with LDH. Under the program, LDH increased the Per Member Per Month rate for reimbursement of physician services to include the Full Medical Pricing for safety-net physicians to receive enhanced rates. The PREFs can only be paid to an HSD that elects to provide the State match for the federal funding associated with the PREFs payments.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2023 and 2022

NOTES TO FINANCIAL STATEMENTS

Note 13. Continued

For this agreement, the Hospital recognized net revenue of approximately \$755,000 and \$884,000 during the years ended September 30, 2023 and 2022, respectively. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenues, expenses and changes in net position.

Managed Care Quality Incentive Program

The LDH amended its agreements with its contracted Managed Care Organizations ("MCOs") to include quality-based performance measures and quality-based outcomes. With the expected achievement of the defined quality measures, LDH will fund the MCOs, who in turn will fund the network that the hospitals contract with for this Managed Care Incentive Payment. Effective January 2019, the Hospital began participating in this program.

The Hospital recognized total revenue of approximately \$450,000 and \$535,000 during the years ended September 30, 2023 and 2022, respectively. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenues, expenses and changes in net position.

Note 14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 26, 2024, and determined that no events occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
 Schedule of Compensation, Benefits and Other Payments to Agency Head
 For the Year Ended September 30, 2023

Agency Head

Michael Whittington, Chief Executive Officer

Purpose	Amount	
Salary	\$	206,250
Benefits - Insurance	\$	6,461
Benefits - Retirement	\$	40,192
Total Contracted Amount (Not paid directly to CEO)	\$	80,679
Reimbursements	\$	1,793
Conference Fees and Travel (Not paid directly to CEO)	\$	2,559

The Agency Head was contracted through a third-party provider during the year but is now directly employed by Hood Memorial Hospital. The amounts reported above represent the total amount paid to the third-party provider for services and to the Hospital's Agency Head.



**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***

To the Board of Commissioners
Hospital Service District No. 2
of the Parish of Tangipahoa,
State of Louisiana
d/b/a Hood Memorial Hospital
Amite, 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 business-type activities of Hospital Service District No. 2 of the Parish of Tangipahoa, State of Louisiana (d/b/a Hood Memorial Hospital) (the "Hospital"), as of September 30, 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated March 26, 2024.

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") as a basis for designing 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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the 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.

HORNE LLP

Ridgeland, Mississippi
March 26, 2024

**HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA,
STATE OF LOUISIANA**
Amite, Louisiana

**Independent Accountant's Report on
Applying Agreed-Upon Procedures**
For the Reporting Period
October 1, 2022 through
September 30, 2023



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
Hospital Service District No. 2
of the Parish of Tangipahoa,
State of Louisiana
d/b/a Hood Memorial Hospital
Amite, Louisiana

We have performed the procedures enumerated below, which were agreed to by Hospital Service District No. 2 of the Parish of Tangipahoa, State of Louisiana, d/b/a Hood Memorial Hospital (the "Hospital") and the Louisiana Legislative Auditor ("LLA") on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures ("SAUPs") for the reporting period October 1, 2022 through September 30, 2023. The Hospital's management is responsible for those control and compliance areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Determine whether the Hospital's written policies and procedures address each of the following financial/business functions: budgeting, purchasing, disbursements, receipts/collections, payroll/personnel, contracting, credit cards, travel and expense reimbursement, ethics, debt service, information technology disaster recovery/business continuity and sexual harassment.

We obtained and examined the Hospital's policies and procedures documentation for each of the financial/business functions listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.

Board/Committee Meetings

2. Determine whether the managing Board met (with quorum) at least monthly, or on a frequency in accordance with the Board of Commissioners' (the "Board") enabling legislation, charter, bylaws or other equivalent document.
3. Observe that the minutes referenced or included financial activity.
4. Obtain the prior year audit report and observe the unrestricted fund balance. If the unrestricted fund balance in the prior year had a negative ending balance, observe that the minutes for at least one meeting during the reporting period referenced or included a formal plan to eliminate the negative unrestricted balance.

We obtained and examined the Hospital's Board minutes and related documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.

Bank Reconciliations

5. Obtain from management a listing of all bank accounts held by the Hospital.
6. Select the Hospital's main operating account and a sample of four other bank accounts provided in the listing obtained from management in SAUP #5. For each sample randomly select one month from the reporting period, obtain bank statements and corresponding reconciliations for month selected, and determine whether:
 - a. Bank reconciliations have been prepared within two months of the related statement closing date;
 - b. Bank reconciliations were properly reviewed by management;
 - c. Management has researched reconciling items that have been outstanding for more than twelve months from the statement closing date and documented such research accordingly, if applicable.

We obtained and examined the Hospital's bank reconciliations and related documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.

Collections

7. Obtained from management a listing of all deposit sites maintained by the Hospital and select a sample of five deposit sites. For each deposit site, obtained from management a listing of all cash collection locations maintained by the Hospital.
8. Select a sample of one collection location for each deposit site provided in the listing obtained from management in SAUP #7. For each sample, obtain and inspect written policies and procedures related to employee job duties. Observe that job duties are properly segregated at each collection location such that:
 - d. Employees that are responsible for cash collections do not share cash drawers/registers.
 - e. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - f. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - g. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers by revenue source and/or agency fund additions are not responsible for collecting cash unless another employee verifies the reconciliation.
9. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
10. Select two deposit dates for each of the five bank accounts selected for SAUP #6 and obtain supporting documentation such that:
 - h. Observe that receipts are sequentially pre-numbered.
 - i. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - j. Trace the deposit slip total to the actual deposit per the bank statement.

k. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles or the deposit is less than \$100).

l. Trace the actual deposit per the bank statement to the general ledger.

We obtained and examined the Hospital's collections documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.

Nonpayroll Disbursements

11. Obtain from management a listing of all Hospital disbursements for the reporting period and a listing of all employees involved with nonpayroll purchasing and payment functions.

12. Obtain written policies and procedures related to employee job duties and observe job duties are properly segregated such that:

m. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

n. At least two employees are involved in processing and approving payments to vendors.

o. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

p. Either the employee/official responsible for signing checks, mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

13. Select a sample of five disbursements, excluding credit cards and travel reimbursements, provided in the listing obtained from management in SAUP #11. Obtain supporting documentation for each transaction and:

q. Observe that the disbursement matched the related original invoice/billing statement.

r. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under SAUP #12, as applicable.

We obtained and examined the Hospital's disbursements documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.

Credit Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards maintained by the Hospital.

15. Select a sample of five cards used from the listing obtained from management in SAUP #14 during the reporting period. For each sample, obtain one monthly statement and reconciliation during the reporting period and:

s. Observe that there is evidence that the monthly statement and supporting documentation (e.g., original receipts for purchases, exception reports, etc.) were reviewed and approved in writing/electronically by someone other than the authorized card holder.

We reviewed monthly statements and supporting documentation related to credit card activity selected and noted all items were approved in accordance with written policy.

t. Observe that finance charges and/or late fees were not assessed on the selected statements.

We reviewed statements related to all credit card activity selected and noted no late fees.

16. Using the monthly statements obtained from management in SAUP #15, select 10 transactions from each statement and obtain supporting documentation including:
 - u. An itemized receipt that identifies precisely what was purchased;
 - v. Written documentation of the business/public purpose; and
 - w. Documentation of individuals participating in meals, if applicable.

We reviewed supporting documentation related to credit card activity selected and noted all items were properly documented as defined by LLA's SAUPs.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements for the reporting period.
18. Select a sample of five reimbursements from the listing obtained from management in SAUP #17. For each sample, obtain the related expense reimbursement forms or prepaid expense documentation, as well as supporting documentation, and determine:
 - x. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

We reviewed management's travel and expense reimbursement policy and noted that mileage is reimbursed per the IRS standard mileage rates. We noted that lodging is not set with a specific threshold, but an economical room is recommended.

- y. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

We performed inquiries and reviewed supporting documentation related to the reimbursement sample and noted all expenses reimbursed (or prepaid) had original receipts identifying what was purchased.

- z. Observe that each reimbursement is supported by documentation for the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy.

We performed inquiries and reviewed supporting documentation related to the reimbursement sample and noted all expenses reimbursed (or prepaid) had documentation regarding the business/public purpose of the travel as defined by LLA's SAUPs.

- aa. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We reviewed supporting documentation related to each reimbursement and noted all were approved in accordance with written policy.

Contracts

19. Obtain from management a listing of all contracts in effect during the reporting period.
20. Select a sample of five contracts during the reporting period, excluding payments to practitioners, provided in the listing obtained from management in SAUP #19. Obtain the related contracts, paid invoices and:
 - bb. Observe whether each contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

- cc. Observe whether each contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
- dd. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.
- ee. Select one payment from the reporting period for each of the five contracts selected, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

We obtained and examined the Hospital's contracts documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.

Payroll and Personnel

- 21. Obtain from management a listing of all employees employed during the reporting period. Select a sample of five employees, obtain their paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates within their personnel files.
- 22. Select one pay period during the reporting period and for the five employees selected above in SAUP #21, obtain attendance leave records and leave documentation, and:
 - ff. Observe that all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - gg. Observe that supervisors approved the attendance and leave of the selected employees.
 - hh. Observe that any leave accrued or taken for those selected employees is reflected in the Hospital's cumulative leave records.
 - ii. Observe the rate paid to the employees agrees to the authorized salary/pay rate found within the personnel file.
- 23. Obtain from management a listing of all employees that received termination payments during the reporting period. Select a sample of the two employees and obtain related documentation of the hours and pay rates used in termination payment calculations. Agree hours to the employees' cumulative leave records and agree pay rates to the employees' authorized pay rates per their personnel files.
- 24. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid and associated forms were submitted to the applicable agencies by the required deadlines.

We obtained and examined the Hospital's payroll and personnel documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA'S SAUPs.

Ethics

- 25. Using the sample of five employees from the listing provided in SAUP #21, obtain ethics compliance documentation from management and determine whether the Hospital maintained documentation to demonstrate:
 - jj. Each employee completed one hour of required ethics training during the reporting period.
 - kk. Each employee attested through signature verification that they have read the Hospital's ethics policy during the reporting period.

We obtained and examined the Hospital's ethics documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.

Debt Service

26. If debt was issued during the reporting period, obtain supporting documentation from the Hospital, and determine whether approval was obtained from the State Bond Commission.
27. If the Hospital had outstanding debt during the reporting period, obtain from management a listing of all bonds/notes outstanding. Select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

We obtained and examined the Hospital's debt service documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.

Fraud Notice

28. Inquire of management whether the Hospital had any misappropriations of public funds or assets during the reporting period. If applicable, review supporting documentation and determine whether the Hospital reported the misappropriation to the legislative auditor and the Hospital attorney of the parish in which the Hospital is domiciled.
29. Observe whether the Hospital has posted on its premises and website the notice required by R.S 24:523.1 related to the reporting of misappropriation, fraud, waste or abuse of public funds.

We obtained and examined the Hospital's fraud notice documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.

Information Technology Disaster Recovery/Business Continuity

30. Obtain and inspect the Hospital's most recent documentation that it has backed up its critical data. If stored on a physical medium, confirm encryption on backups prior to transportation.
31. Obtain and inspect the Hospital's most recent documentation that it has tested/verified that its backups can be restored. Confirm that the test/verification was successfully performed within the past three months.
32. Obtain a listing of the Hospital's computers currently in use. Select a sample of five computers and observe that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We obtained and examined the Hospital's information technology disaster recovery/business continuity documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs

Sexual Harassment

33. Using the five employees selected above in SAUP #21, obtain sexual harassment training documentation demonstrating at least one hour of training during the calendar year.
34. Observe the Hospital has posted its sexual harassment policy and complaint procedure on its website.
35. Obtain the Hospital's annual sexual harassment report for the current fiscal period, confirm that it was dated on or before February 1, and observe it includes the following:
 - II. Number and percentage of public servants in the Hospital who have completed the training requirements;

- mm. Number of sexual harassment complaints received by the Hospital;
- nn. Number of complaints which resulted in a finding that sexual harassment occurred;
- oo. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- pp. Amount of time it took to resolve each complaint.

We obtained and examined the Hospital's sexual harassment documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.

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

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

HORNE LLP
Ridgeland, Mississippi
March 26, 2024