

**HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DERIDDER, LOUISIANA**

FINANCIAL REPORT

OCTOBER 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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Board of Commissioners
Hospital Service District No. 2 of Beauregard Parish
DeRidder, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Hospital Service District No. 2 of Beauregard Parish (Hospital), a component unit of Beauregard Parish Police Jury, as of and for the year ended October 31, 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 financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Hospital, as of October 31, 2022, and the changes in financial position and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities 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 opinion. 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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.

Prior Period Financial Statements

The financial statements of the Hospital, as of October 31, 2021, were audited by other auditors whose report dated March 14, 2022, expressed an unmodified opinion on those statements.

Required Supplementary Information

Management has omitted the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary information on pages 23-25 and 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 of Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 expenditures of federal awards and the supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
February 28, 2023

HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana

Statements of Net Position
October 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,029,197	\$ 9,685,215
Assets whose use is limited		
Cash equivalents, by bond indenture for sinking fund	708,010	793,451
Patient accounts receivable, net	6,012,331	3,525,695
Other receivables	3,382,651	1,289,588
Inventories	2,159,729	1,954,172
Interest receivable	5,496	8,486
Prepaid expense	1,447,316	954,271
Estimated third-party payor settlements - medicare/medicaid	7,108,813	5,277,436
Current portion of notes receivable	262,464	80,303
Total current assets	22,116,007	23,568,617
NONCURRENT ASSETS		
Assets whose use is limited		
Cash equivalents, by board for funded depreciation	21,591	148,005
Investments, by board for funded depreciation	7,124,901	8,966,922
Capital assets, net	20,536,851	20,670,577
Investments - LLC	21,292	44,235
Other assets	600,000	600,000
Notes receivable, net of current portion	279,782	537,237
Total noncurrent assets	28,584,417	30,966,976
Total assets	50,700,424	54,535,593
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt - to be paid from assets whose used is limited	656,000	898,000
Accrued interest payable	9,050	11,096
Unearned revenues	267,196	12,000
Advance payments - medicare	1,049,250	3,392,080
Unearned COVID-19 grants	533,610	400,000
Due (from) to West Louisiana Health Services and Affiliate	(164,422)	72,209
Current portion of capital lease payable	-	10,916
Total current liabilities	2,350,684	4,796,301
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	2,764,000	3,420,000
Total liabilities	5,114,684	8,216,301
NET POSITION		
Invested in capital assets, net of related debt	17,116,851	16,341,661
Unrestricted	28,468,889	29,977,631
Total net position	\$ 45,585,740	\$ 46,319,292

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

HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana

Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended October 31, 2022 and 2021

	2022	2021
Operating revenues:		
Gross patient service revenue	\$ 189,505,039	\$ 176,727,243
Less: contractual allowances and discounts	<u>(143,345,317)</u>	<u>(136,566,524)</u>
	46,159,722	40,160,719
Less: provision for uncollectable accounts	<u>(2,436,115)</u>	<u>(3,142,816)</u>
Net patient service revenue	43,723,607	37,017,903
Other revenue	<u>13,276,821</u>	<u>11,246,836</u>
Total operating revenues	<u>57,000,428</u>	<u>48,264,739</u>
Operating expenses:		
Salaries and benefits	27,254,503	25,318,112
Supplies and other	17,129,008	13,736,943
Professional and contractual services	17,312,760	10,973,963
Depreciation	<u>2,879,759</u>	<u>2,581,423</u>
Total operating expenses	<u>64,576,030</u>	<u>52,610,441</u>
(Loss) income from operations	<u>(7,575,602)</u>	<u>(4,345,702)</u>
Non-operating revenues (expenses)		
Interest income	33,318	196,110
Interest expense	(120,174)	(146,292)
Grants and donations	4,227,957	4,240,299
Other non-operating revenues - provider relief funds	2,576,838	3,926,729
Gain (loss) on disposal of plant and equipment	(35,217)	2,500
Gain on BV and HHA LLC investments	125,043	154,511
Realized losses on investments	3,365	(13)
Unrealized (loss) gain on investments	<u>30,920</u>	<u>(87,380)</u>
Total non-operating revenues (expenses)	<u>6,842,050</u>	<u>8,286,464</u>
Change in net position	(733,552)	3,940,762
Net position, beginning	<u>46,319,292</u>	<u>42,378,530</u>
Net position, ending	<u>\$ 45,585,740</u>	<u>\$ 46,319,292</u>

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

HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana

Statements of Cash Flows
For the Years Ended October 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt from patients and users	\$ 35,044,995	\$ 35,806,627
Payments to vendors for goods, services, and other	(35,140,370)	(24,711,377)
Payments to employees for wages	(27,254,503)	(25,318,112)
Other operating receipts, net	<u>13,665,627</u>	<u>11,611,732</u>
Net cash used in operating activities	<u>(13,684,251)</u>	<u>(2,611,130)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Unrestricted gifts received	<u>-</u>	<u>109,832</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(2,791,020)	(3,916,664)
Payments on capital leases	(10,916)	(151,602)
Interest paid on capital debt	(122,220)	(146,292)
Principal paid on capital debt	<u>(898,000)</u>	<u>(925,000)</u>
Net cash used in capital and related financing activities	<u>(3,822,156)</u>	<u>(5,139,558)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of annuity contract	-	(600,000)
Purchase of investments	(1,024,080)	(2,015,308)
Proceeds from sale and maturity of investments	2,946,464	738,881
Proceeds from restricted contributions - provider relief funds	2,576,838	-
Proceeds from restricted contribution - covid 19 grants	4,227,957	(91,276)
Distributions received from LLC investments	147,986	124,517
Beauregard physicians group reimbursements and other	<u>(236,631)</u>	<u>2,049,868</u>
Net cash provided by investing activities	<u>8,638,534</u>	<u>206,682</u>
Net change in cash and cash equivalents	(8,867,873)	(7,434,174)
Cash and cash equivalents, beginning of year	<u>10,626,671</u>	<u>18,060,845</u>
Cash and cash equivalents, end of year	<u>\$ 1,758,798</u>	<u>\$ 10,626,671</u>
Cash and cash equivalents:		
Current assets: cash and cash equivalents	\$ 1,029,197	\$ 9,685,215
Current assets: assets who use is limited, cash equivalents	708,010	793,451
Noncurrent assets: assets who use is limited, cash equivalents	<u>21,591</u>	<u>148,005</u>
	<u>\$ 1,758,798</u>	<u>\$ 10,626,671</u>

(Continued)

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

HOSPITAL SERVICE DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana

Statements of Cash Flows (continued)
For the Years Ended October 31, 2022 and 2021

	2022	2021
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Operating (loss) income	\$ (7,575,602)	\$ (4,345,702)
Adjustments to reconcile operating (loss) income to net cash flows (used in) provided by operating activities:		
Depreciation and amortization	2,879,759	2,581,423
Provision of uncollectable accounts	2,436,115	3,142,816
Recoupment of advanced payments - Medicare	(2,342,830)	(282,544)
Increase in account receivables	(4,922,751)	(3,527,890)
Decrease (increase) in other receivables	(2,017,769)	410,041
Increase in estimated third-party payor settlements	(1,831,377)	(988,803)
Decrease (increase) in prepaids	(493,045)	40,913
Increase in inventory	(205,557)	(36,758)
Increase in payables and other operating liabilities	388,806	395,374
Net cash (used in) provided by operating activities	\$ (13,684,251)	\$ (2,611,130)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 122,220	\$ 150,918

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

HOSPITAL SERVICES DISTRICT NO. 2 OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Financial Statements

(1) Organization and Summary of Significant Accounting Policies

The accompanying basic financial statements of the Hospital have been prepared in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Beauregard Memorial Hospital (the Hospital) facilities are owned by the Hospital Service District No. 2 of Beauregard Parish (the District). It is owned as a nonprofit corporation organized by the Beauregard Parish Police Jury under the provisions of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950 and Act No. 506 of the Louisiana Legislature for the year 1976. The governing authority of the District is a Board of Commissioners appointed to office by the Beauregard Parish Police Jury. Also, included in the financials are four rural health clinics (RHCs): Beauregard Internal Medicine Center RHC, Beauregard Family Medical Center RHC, Beauregard Women's Health Center RHC, and Beauregard Medical and Surgical Center RHC. The four RHCs are reported as departments in the accompanying financial statements.

On June 6, 1979, the Board of Commissioners of the District entered into an agreement with the Board of Trustees of Beauregard Memorial Hospital to manage and operate the hospital facilities. Under the terms of this agreement, which will expire in 99 years from the date executed if all the renewal period options are exercised, the Board of Trustees of Beauregard Memorial Hospital would collect all revenues and deposit to the account of the District and pay all necessary expenses incurred during the normal operations of the hospital. The District would then reimburse Beauregard Memorial Hospital for these expenses. These reimbursements are recorded on the District's financial statements in a programmatic manner in accordance with the services provided.

During the year ended October 31, 1984, the Board of Trustees of Beauregard Memorial Hospital elected to change its name to the Board of Trustees of West Louisiana Health Services, Inc. The nonprofit corporation's name was changed to West Louisiana Health Services, Inc.

During the year ended October 31, 2010, the Board of Commissioners of Hospital Service District No. 2 of Beauregard Parish approved the reimbursement of expenses of the Beauregard Physician Group, an affiliate of West Louisiana Health Services, Inc., as necessary costs related to the operation of the Hospital. Beauregard Physician Group is comprised of Beauregard Urology Center, LLC, Beauregard Surgery Center, LLC, Family Healthcare of Beauregard, LLC, and Beauregard Foot and Ankle.

A. Reporting Entity

As more fully described, the Hospital Service District No. 2 of Beauregard Parish is governed by a board appointed by the Beauregard Parish Police Jury. Therefore, the District is a component unit of the Beauregard Parish Police Jury. The District does not have any component units, agencies, or organizations for which it is financially accountable under the criteria set forth by the GASB.

HOSPITAL SERVICES DISTRICT NO. 2 OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Financial Statements

B. Accounting Estimates

The preparation of financial statements in conformity with U. S. 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in estimates and assumptions in the near-term would be material to the financial statements. Estimates that are particularly susceptible to significant changes in the near-term and which require significant judgments by management include the allowances for doubtful accounts and contractual adjustments, third-party payor settlements, liabilities for self-insurance, and the depreciable lives of property and equipment.

C. Net Position

In accordance with GAAP, net position is classified into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- (1) Net investment in capital assets - This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- (2) Restricted – This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation
- (3) Unrestricted– All other net position is reported in this category.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, than unrestricted resources as they are needed.

D. Operating Revenues and Expenses

The District's Statements of Revenues, Expenses and Changes in Net Position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating

HOSPITAL SERVICES DISTRICT NO. 2 OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Financial Statements

expenses are all expenses incurred to provide health care services, together with financing costs.

E. Net Patient Service Revenue and Related Accounts Receivable

Net patient service revenue and the related accounts receivable are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. The District provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the District is exposed to certain credit risk. The District manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances.

F. Patient Receivables

Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third-party payors, less an estimated allowance for doubtful accounts.

Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the original charge for the service provided less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Hospital does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Provision for bad debts was \$2,436,115 and \$3,142,816 for the years ended October 31, 2022 and 2021, respectively.

G. Third-Party Payor Arrangements

The District participates in the Medicare and Medicaid programs as a provider of medical service to program beneficiaries.

Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services before settlement amounts become final. Revenue derived from the Medicaid program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the Department of Health and Hospitals of the State of Louisiana before those settlement amounts become final. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through October 31, 2019. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through October 31, 2014.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Retroactive cost settlements based upon annual cost reports are estimated for those programs subject to retroactive settlement and recorded in the financial statements. Final determination of retroactive cost settlements to be received under the Medicare and Medicaid regulations is subject to review by program representatives. Retroactive adjustments are accrued on an estimated basis in the period the related services are

HOSPITAL SERVICES DISTRICT NO. 2 OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Financial Statements

rendered and adjusted in a future period as final settlements are determined or determinable. The Hospital also has 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, and prospectively determined daily rates.

a. Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital.

b. Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per patient day. 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.

Effective January 1, 2019, the Hospital entered in an agreement with the Louisiana Quality Network (LQN) to facilitate payments to these entities under the State of Louisiana's Medicaid Managed Care Quality Incentive Program (Program). The Louisiana Department of Health (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 (MCIP). For each measurement year, LDH will evaluate the performance relative to the specific quality measures. In the event LDH finds a deficiency in the accomplishment of those performance measures, there is the potential for recoupment of the MCIPs. Under the terms of the agreement with the LQN, the Hospital revenue under this program as a component of other operating revenues and receivables are reported as a component of other receivables.

H. 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.

HOSPITAL SERVICES DISTRICT NO. 2 OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Financial Statements

I. Inventories

Inventories, excluding pharmaceuticals, are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Pharmaceutical inventories are stated at current cost.

J. Property, Plant, and Equipment

The property, plant, and equipment of the Hospital is recorded at cost and is depreciated using the straight-line method over the estimated useful lives of the various assets shown below:

<u>Assets</u>	<u>Estimated Useful Life in Years</u>
Buildings	5-40 Years
Equipment	3-20 Years
Land Improvements	5-15 Years

The costs of maintenance and repairs of property and equipment are charged to expense as incurred. Expenditures of \$5,000 or more for additions, improvements, and replacements are capitalized. The cost and related accumulated depreciation of property and equipment retired are removed from the accounts and any resulting gain or loss is recognized.

K. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all checking accounts, savings accounts, money market funds, certificates of deposit, and certain investments in highly liquid debt instruments with original maturities of three months or less. Certificates of deposit with original maturities of more than three months are presented within Noncurrent assets as a component of Investments, by Board for Funded Depreciation. The demand deposits and certificates of deposits are stated at cost, which approximates market. Other investments securities are reported at fair value, except as disclosed in Note 8.

L. Investment Income

Interest, dividends, and gains and losses, both realized and unrealized, on investments in securities are included in nonreporting income when earned, except as disclosed in Note 8.

M. 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 claims; and judgments. Commercial insurance coverage is purchased for claims arising from such matters. There have been no significant reductions in the insurance coverage during the year, nor have settlements exceeded coverage for the past three years.

HOSPITAL SERVICES DISTRICT NO. 2 OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Financial Statements

N. Coronavirus, Aid, Relief, and Economic Security (CARES) Act:

In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance provisions for businesses and individuals. The Hospital suspended non-emergent or noncritical surgeries, procedures, and appointments beginning in mid-March through early-May in 2020 due to COVID-19. Under certain provisions in the CARES Act, the Hospital received advanced Provider Relief Funding. The Hospital recognized grant revenue related to the Provider Relief Funding utilizing the guidance for reporting the use of those funds as provided in the Consolidated Appropriations Act, 2021.

Unearned COVID-19 grants of \$533,610 and \$400,000 on the statements of net position, at October 31, 2022 and 2021, respectively, represent the portion of the receipts deferred into a future period for recognition when earned.

Under the CARES Act, the Hospital received advances under the Medicare Accelerated and Advance Payments Program (AAPP) during the year ended October 31, 2020. Through the Continuing Appropriations Act, 2021 and Other Extensions Act (the CA Act) that was enacted October 1, 2020, the Hospital will not be subject to recoupment of its Medicare payments for a period of one year from the date it received its AAPP payments. Starting on the date that is one year from its receipt of the AAPP payments, repayment will be made out of the Hospital's future Medicare payments. The schedule for such repayments will be as follows:

- (1) Twenty five percent (25%) of the Hospital's Medicare payments will first offset against the outstanding AAPP balance for next eleven (11) months
- (2) Fifty percent (50%) of the Hospital's Medicare payments will first offset against the outstanding AAPP balance for the next six (6) months.
- (3) The Hospital will receive a letter setting forth its remaining balance and will have thirty (30) days to pay the balance in full.
- (4) Any unpaid balance and the 30 days will accrue interest at a rate of four percent (4.00%).

The Hospital has classified these advances as advance payments on its statement of position.

O. Reclassifications

Certain changes have been made to the presentation of the October 31, 2021 financial statements to conform to the current period presentations.

HOSPITAL SERVICES DISTRICT NO. 2 OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Financial Statements

(2) Assets Whose Use is Limited

The amounts reported as assets whose use is limited by bond indenture for sinking fund are comprised of cash held by the District for debt service related to its required long-term debt described in Note 3. Funded depreciation is so designated by the Board of Commissioners to replace and repair buildings and equipment.

(3) Long-Term Debt

On October 16, 2012, Certificates of Indebtedness, Series 2012, of Hospital Service District No. 2 of the Parish of Beauregard, State of Louisiana, in the amount of \$2,000,000 were issued for the purpose of constructing, acquiring, and equipping a new intensive care unit addition. These Certificates of Indebtedness bear interest at a rate of 2.11% and are to be retired over a period of approximately 10 years by making annual principal payments on April 1st of each year and semi-annual interest payments on April 1st and October 1st of each year. Annual principal and interest payments approximate \$268,000. The Certificates of Indebtedness mature on April 1, 2022. The outstanding principal balance was \$0- and \$265,000 at October 31, 2022 and 2021, respectively. The Certificates of Indebtedness are secured by the excess of annual revenues above statutory, necessary, and usual charges derived from the operation of the Hospital.

On August 17, 2018, Certificates of Indebtedness, Series 2018, of Hospital Service District No. 2 of the Parish of Beauregard, State of Louisiana, in the amount of \$1,204,450 were issued for the purpose of providing funds for acquiring, constructing, and installing improvements and replacements to the hospital facilities, including acquiring equipment and fixtures therefor. Certificate R-1 shall be in the denomination of \$903,338 and Certificate R-2 shall be in the denomination of \$301,112. Both certificates are payable in five annual installments on April 1. They will bear interest on April 1 and October 1 of each year, beginning October 1, 2018. Certificate R-1 will bear interest at an annual rate of 3.1% while Certificate R-2 will bear interest at an annual rate of 1.55%. Annual principal and interest payments approximate \$259,000. The outstanding principal balance was \$256,000 and \$504,000 at October 31, 2022 and 2021, respectively. The Certificates of Indebtedness mature on April 1, 2023 and are secured by excess revenues in parity with the 2012, 2016, and 2020 Certificates of Indebtedness. There are no significant default provisions related to this Certificate of Indebtedness.

On January 22, 2020, Excess Revenue Bonds, Series 2020, of Hospital Service District No. 2 of the Parish of Beauregard, State of Louisiana, in the amount of \$3,732,000 were issued for the purpose of providing funds for acquiring, constructing, and installing improvements and replacements to the hospital facilities, including acquiring equipment and fixtures therefor. The bonds bear interest at a rate of 3.25% and are to be retired over a period of 9 years by making annual principal payments on April 1 of each year and semi-annual interest payments on April 1 and October 1 of each year. The bonds mature on April 1, 2029. Annual principal and interest payments approximate \$494,000. The outstanding principal balance was \$3,164,000 and \$3,549,000 at October 31, 2022 and 2021, respectively. The bonds are secured by excess revenues in parity with the 2012, 2016, and 2018 Certificates of Indebtedness. There are no significant default provisions related to this bonds.

HOSPITAL SERVICES DISTRICT NO. 2 OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Financial Statements

The following is a summary of debt activity for the years ended:

October 31, 2022					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct borrowings					
Series 2012	\$ 265,000	\$ -	\$ 265,000	\$ -	\$ -
Series 2018	504,000	-	248,000	256,000	256,000
Series 2020	<u>3,549,000</u>	<u>-</u>	<u>385,000</u>	<u>3,164,000</u>	<u>400,000</u>
Total	<u>\$ 4,318,000</u>	<u>\$ -</u>	<u>\$ 898,000</u>	<u>\$ 3,420,000</u>	<u>\$ 656,000</u>

October 31, 2021					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct borrowings					
Series 2012	\$ 525,000	\$ -	\$ 260,000	\$ 265,000	\$ 265,000
Series 2016	241,000	-	241,000	-	-
Series 2018	745,000	-	241,000	504,000	248,000
Series 2020	<u>3,732,000</u>	<u>-</u>	<u>183,000</u>	<u>3,549,000</u>	<u>385,000</u>
Total	<u>\$ 5,243,000</u>	<u>\$ -</u>	<u>\$ 925,000</u>	<u>\$ 4,318,000</u>	<u>\$ 898,000</u>

Scheduled principal and interest payments of all the Certificates of Indebtedness payable are as follows:

October 31	Principal	Interest	Total
2023	\$ 656,000	\$ 103,306	759,306
2024	419,000	83,021	502,021
2025	435,000	69,143	504,143
2026	450,000	54,762	504,762
2027	470,000	39,812	509,812
2028-2029	<u>990,000</u>	<u>32,499</u>	<u>1,022,499</u>
	<u>\$ 3,420,000</u>	<u>\$ 382,543</u>	<u>\$ 3,802,543</u>

HOSPITAL SERVICES DISTRICT NO. 2 OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Financial Statements

(4) Capital Assets

Capital asset activity for the year ended October 31, 2022 was as follows:

October 31, 2022				
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,738,145	\$ -	\$ -	\$ 1,738,145
Construction in progress	1,216,241	936,126	1,021,198	1,131,169
Other capital assets:				
Buildings	24,610,436	1,603,810	-	26,214,246
Land improvements	1,331,953	-	628,081	703,872
Equipment	26,984,387	1,900,364	1,518,713	27,366,038
Total	55,881,162	4,440,300	3,167,992	57,153,470
Less accumulated depreciation:	35,210,585	2,879,760	1,473,726	36,616,619
Capital assets, net	\$ 20,670,577	\$ 1,560,540	\$ 1,694,266	\$ 20,536,851

October 31, 2021				
	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,738,145	\$ -	\$ -	\$ 1,738,145
Construction in progress	3,783,123	1,938,822	4,505,704	1,216,241
Capital assets being depreciated:				
Buildings	24,154,939	455,497	-	24,610,436
Land improvements	1,331,953	-	-	1,331,953
Equipment	20,956,787	6,030,373	2,773	26,984,387
Total	51,964,947	8,424,692	4,508,477	55,881,162
Less accumulated depreciation	32,632,111	2,581,423	2,949	35,210,585
Capital assets, net	\$ 19,332,836	\$ 5,843,269	\$ 4,505,528	\$ 20,670,577

Depreciation amounted to \$2,879,759 and \$2,581,423 for the years ended October 31, 2022 and 2021, respectively.

(5) Due to/from West Louisiana Health Services, Inc.

At October 31, 2022 and 2021, the District had a receivable of \$164,422 and a payable of \$72,209 to West Louisiana Health Services, Inc. and Affiliates, respectively. These balances arise principally from the timing difference of recording accounts payable and accrued liabilities on the books of West Louisiana Health Services, Inc. and Affiliates and the actual payment by the District.

HOSPITAL SERVICES DISTRICT NO. 2 OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Financial Statements

(6) Cash and Cash Equivalents

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may also deposit funds in time certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. The District does not have a formal policy for custodial credit risk; however, under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) are secured as follows:

	2022	2021
Bank balances	<u>\$ 7,220,999</u>	<u>\$ 19,160,694</u>
Federal deposit insurance	\$ 756,293	\$ 1,160,602
Pledged securities	<u>6,464,706</u>	<u>18,000,092</u>
Total federal deposit insurance and pledged securities	<u>\$ 7,220,999</u>	<u>\$ 19,160,694</u>

(7) Investments

Under state law, the District may invest in direct United States Treasury obligations fully guaranteed by the government of the United States, bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by federal agencies, provided such obligations are backed by the full faith and credit of the United States of America or issued or guaranteed by United States government instrumentalities which are federally sponsored. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are observable inputs such as quoted prices in active markets for identical assets; level 2 inputs are inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; level 3 inputs are unobservable inputs where there is little or no market data, which require the District to develop its own assumptions.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

HOSPITAL SERVICES DISTRICT NO. 2 OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Financial Statements

Credit risk is managed by restricting investments to those authorized by Louisiana State Law.

The District's policy for concentration of credit risk is to maintain either a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity or invest solely in U.S. government securities.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have custodial credit risk policies for investments.

The District's investments consist of the following:

October 31, 2022

Asset Class	Level 1	Level 2	Level 3	Total Fair Value
Equity securities	\$ -	\$ 236,295	\$ -	\$ 236,295
U.S. Government Obligations	-	211,344	-	211,344
Certificates of deposit	-	6,677,262	-	6,677,262
Total	<u>\$ -</u>	<u>\$ 7,124,901</u>	<u>\$ -</u>	<u>\$ 7,124,901</u>

October 31, 2021

Asset Class	Level 1	Level 2	Level 3	Total Fair Value
Equity securities	\$ -	\$ -	\$ -	\$ -
U.S. Government Obligations	-	293,369	-	293,369
Certificates of deposit	-	8,673,553	-	8,673,553
Total	<u>\$ -</u>	<u>\$ 8,966,922</u>	<u>\$ -</u>	<u>\$ 8,966,922</u>

Certain investments held by the District generally mature based on the following table; however, actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations without early payment penalties.

HOSPITAL SERVICES DISTRICT NO. 2 OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Financial Statements

October 31, 2022				
Asset Class	Investment Maturities (in Years)			
	Less than 1	1-5	6-10	More than 10
US Government Obligations	\$ -	\$ -	\$ -	\$ 211,344
October 31, 2021				
Asset Class	Investment Maturities (in Years)			
	Less than 1	1-5	6-10	More than 10
US Government Obligations	\$ -	\$ -	\$ -	\$ 293,369

(8) Investment – LLC

The Hospital owns 33% of Beauregard Memorial Hospital Home Care, LLC (the LLC). The LLC was formed to provide home health services to the residents of the community. The investment is accounted for using the equity method. Financial statements are available upon request. Summarized financial information of the LLC for the year ended October 31, is as follows:

	2022	2021
Total Assets	\$ 2,459,622	\$ 2,651,410
Total Liabilities	\$ 95,246	\$ 318,404
Results of Operations	\$ 267,333	\$ 264,501

(9) Board of Commissioners

The Board of Commissioners received no compensation for the fiscal years ended October 31, 2022 and 2021.

(10) Hospital Insurance

The Hospital is a member of the Louisiana Patient's Compensation Fund for the purpose of malpractice insurance. Under current Louisiana law, its liability is limited to the statutory maximum of \$500,000 which is covered by a primary \$100,000 with the Louisiana Hospital Association Malpractice and General Liability Trust, and an additional \$400,000 through the State of Louisiana Patients' Compensation Fund. All participating hospitals share proportionately in the expense of the fund.

HOSPITAL SERVICES DISTRICT NO. 2 OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Financial Statements

(11) Allowance for Doubtful Accounts

Accounts and notes receivable are stated at cost less an allowance for doubtful accounts. The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situation that might affect the user's ability to repay, and current economic conditions. Amounts charged-off that are subsequently recovered are recorded as income.

(12) Charity Care

The Hospital provides care to patients who qualify under federal guidelines and other policies of the Hospital at fees less than its established rates. The amount of charity care is reduced from the amount of fees for services presented in the statements of revenues and expenses and changes in net position. The amount of charity care for disclosure purposes should be measured by costs, including direct and indirect costs. Management has calculated the costs associated with providing charity care utilizing the cost to charge ratio obtained from the Medicare cost report data.

(13) Patient Accounts Receivable

Patient accounts receivable were comprised of the following for the years ended October 31:

	2022	2021
Medicare	\$ 5,996,774	\$ 840,752
Medicaid	2,900,392	464,080
Other	13,461,454	10,371,903
	22,358,620	11,676,735
Less: Allowance for doubtful accounts	(16,346,289)	(8,151,040)
Total	\$ 6,012,331	\$ 3,525,695

(14) Concentrations of Credit Risk

The Hospital is located in DeRidder, Louisiana. The Hospital grants credit without collateral to its patients; most of them are local residents and are insured under third-party payor agreements. Individual patient account do not constitute a concentration risk; however, a significant amount of these patient accounts are covered by the Medicare and Medicaid programs.

HOSPITAL SERVICES DISTRICT NO. 2 OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Financial Statements

(15) Contingencies

Certain claims, suits, and complaints arising in the ordinary course of operations are pending against the Hospital. In the opinion of management, all such matters would involve such amounts which would not have a significant effect on the financial position or results of operations of the Hospital if disposed of unfavorably.

(16) Related-Party Transactions

During the fiscal-year ended October 31, 2017, the Hospital rented equipment and billing software to the Beauregard Physician Group, an affiliate of West Louisiana Health Services, Inc. These arrangements have no formal rental agreements and are considered month-to-month with a fixed monthly payment. During the fiscal year ended October 31, 2018, the Hospital rented multiple clinical buildings and equipment to the Beauregard Physician Group. The rental arrangements, except one building which has no formal rental agreement, had a one-year term and a fixed monthly payment on the building usage. For 2022 and 2021, the rent received is equal to depreciation expense on such equipment and software. Payments from the Beauregard Physician Group are immaterial for disclosure.

(17) Physicians' Upper Payment Limit/Full Medicaid Pricing Program (UPL)

The Hospital entered into an agreement with the Louisiana Department of Health (LDH), which was approved by The Centers for Medicare and Medicaid Services. Under the agreement, LDH makes payments under the Physician's Supplemental Payment Program for non-state-owned public hospitals (HSDs). The purpose of this program is to enhance payments to physicians employed or contracted by the public hospitals. The Hospital agreed to transfer funds to LDH to be used as Medicaid matching funds for the purpose of making physician supplemental payments and providing the State with additional resources to assist in the medical costs to the State.

These matching funds are comprised of (1) an amount to be utilized as the "non-federal share" of the supplemental payments for services provided by the identified physician, and other healthcare professionals and (2) the "state retention amount" which is fifteen percent of the "non-federal share", for LDH to utilize in delivering healthcare services. In turn, LDH agrees to make supplemental Medicaid payments to the Hospital. The supplemental payments include the "non-federal share" and the "federal funds" generated by the "nonfederal share" payments. The total amount of the supplemental payments is intended to represent the difference between the Medicaid payments otherwise made to these qualifying providers at the Average Community Rate for these services.

The Hospital recognizes its transfers and the funds received within income from operations. Any amounts related to that year that are not received as of fiscal year-end are recorded as a component of other receivables in the accompanying statements of net position. These receivables can be subject to adjustments that are reflected in the period they become known.

SUPPLEMENTARY INFORMATION

HOSPITAL SERVICES DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana

Schedule of Gross Patient Service Revenues
For the Years Ended October 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Inpatient:		
Nursing revenue from daily patient services	\$ 9,270,921	\$ 9,271,944
Nursing revenue from labor, delivery, and nursery	394,357	650,249
Nursing revenue from surgery	6,971,032	8,086,452
Nursing revenue from recovery	5,244,990	5,702,091
Anesthesia	76	113,875
Central supply	2,787,499	3,088,786
Laboratory	5,815,148	6,144,818
Blood bank	179,193	222,787
Electrodiagnosis	571,438	558,483
EEG	13,300	11,305
Radiology	3,479,282	3,813,519
Nuclear medicine	106,138	193,291
Pharmacy	6,322,010	8,428,784
IV	2,077,300	2,711,944
Physical therapy	246,550	228,416
Respiratory therapy	2,492,122	3,215,381
Ultrasound	167,779	176,687
Cath lab	46,569	735
Total inpatient	<u>46,185,704</u>	<u>52,619,547</u>
Outpatient:		
Nursing revenue	4,456,257	3,848,917
Emergency rooms	18,573,050	19,355,438
Anesthesia	2,116	564,730
Central supply	8,908,396	7,462,973
Laboratory	29,893,338	26,319,470
Blood bank	203,970	191,683
Electrodiagnosis	2,298,910	1,664,292
EEG	16,625	34,580
Radiology	36,884,587	30,255,514
Nuclear medicine	1,356,927	1,346,793
Pharmacy	20,056,268	13,860,029
IV	2,484,197	2,379,816
Infusion	138,375	-
Physical therapy	4,982,145	4,708,562
Respiratory therapy	1,630,929	1,564,633
Ultrasound	1,901,198	1,816,314
Wound care	2,002,637	1,047,246
Cardiac rehab	154,856	83,756
Sleep center	844,909	516,398
Cath lab	138,480	5,836
Rural health clinics	10,456,721	12,330,156
Total outpatient	<u>147,384,891</u>	<u>129,357,136</u>
Charity care	<u>(4,065,556)</u>	<u>(5,249,440)</u>
Total gross patient service revenues	<u>\$ 189,505,039</u>	<u>\$ 176,727,243</u>

HOSPITAL SERVICES DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana

Schedule of Other Revenues
For the Years Ended October 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cafeteria	\$ 225,174	\$ 203,075
UPL/FMP grant revenues	5,136,691	4,767,659
Uncompensated care costs	3,337,074	4,953,794
Managed care incentive payments (MCIP)	2,169,904	763,268
Vending machine	17,708	9,953
Rental income	72,689	525,281
Miscellaneous	2,257,486	19,368
Wellness income	<u>60,095</u>	<u>4,438</u>
Total other revenues	<u>\$ 13,276,821</u>	<u>\$ 11,246,836</u>

HOSPITAL SERVICES DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana

Schedules of Compensation, Benefits and Other Payments
to Agency Head
For the Year Ended October 31, 2022

Agency Head: Traci Thibodeaux, CEO

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 404,557
Benefits - Insurance	\$ 12,362
Benefits - Retirement	\$ 181,843
Car Allowance	\$ 7,700

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Hospital Services District No. 2 of Beauregard Parish
DeRidder, Louisiana

We have audited, in accordance with the 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 the Hospital Services District No. 2 of the Parish of Beauregard (Hospital), a component unit of the Beauregard Parish Police Jury, as of and for the year ended October 31, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated February 28, 2023.

Report on 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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.

Report on 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 financial statements. 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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
February 28, 2023

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Hospital Service District No.2 of Beauregard Parish
DeRidder, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Hospital Service District No.2 of Beauregard Parish (Hospital), a component unit of the Beauregard Parish Police Jury, compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal program for the year ended October 31, 2022. The Hospital's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended October 31, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
February 28, 2023

HOSPITAL SERVICES DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana

Schedule of Expenditures of Federal Awards
Year Ended October 31, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Federal Assistance I.D. Number</u>	<u>Federal Expenditures</u>
Direct Programs:			
U.S. Department of Homeland Security - Public Assistance Grants	97.036	N/A	<u>\$ 827,471</u>
U. S. Department of Health and Human Services - COVID 19 - Provider Relief Fund	93.498	N/A	<u>2,576,838</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 3,404,309</u></u>

HOSPITAL SERVICES DISTRICT NO. 2
OF BEAUREGARD PARISH
DeRidder, Louisiana

Notes to Schedule of Expenditures of Federal Awards
Year Ended October 31, 2022

(1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Hospital Service District No.2 of Beauregard Parish (Hospital), a component unit of the Beauregard Parish. The Hospital's reporting entity is defined in Note 1 to the financial statements for the year ended October, 31 2022. All federal financial assistance received directly from federal agencies is included in the schedule as well as federal financial assistance passed through other government agencies.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 1 to the Hospital's financial statements for the year ended October 31, 2022.

(3) Indirect Cost Rate

The Hospital has elected not to use the 10% de minimis indirect cost rate.

HOSPITAL SERVICE DISTRICT OF BEAUREGARD PARISH
DeRidder, Louisiana

Schedule of Findings and Questioned Costs
Year Ended October 31, 2022

Part I. Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting		
Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiencies identified?	_____ yes	<u> X </u> none reported
Noncompliance material to financial statements noted?		
	_____ yes	<u> X </u> no

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified	
Internal control over major programs		
Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiencies identified?	_____ yes	<u> X </u> none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?		
	_____ yes	<u> X </u> no

Major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Public Assistance Grants
93.498	Provider Relief Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

HOSPITAL SERVICE DISTRICT OF BEAUREGARD PARISH
DeRidder, Louisiana

Schedule of Findings and Questioned Costs (Continued)
Year Ended October 31, 2022

Part II. Findings – Financial Statements Audit:

Internal Control Findings –

There were no findings reported under this section.

Compliance Findings –

There were no findings reported under this section.

Part III. Findings – Findings and questioned costs – Major Federal Programs Audit:

Internal Control Findings -

There are no findings to report under this section.

Compliance Findings -

There are no findings to report under this section.

Hospital Service District No. 2 of Beauregard Parish

DeRidder, Louisiana

Statewide Agreed-Upon Procedures

Fiscal period November 1, 2021 through October 31, 2022

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Hospital Service District No. 2 of Beauregard Parish
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period November 1, 2021 through October 31, 2022. Hospital Service District No. 2 of Beauregard Parish's (the District) management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period November 1, 2021 through October 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.

Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties,

- d) reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employees(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Board or Finance Committee

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

Bank Reconciliations

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

Collections (excluding EFTs)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies and procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]
- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported]

- b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

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

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates 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.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:
 - a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Findings:

No exceptions were found as a result of performing the applicable procedures list above with the exception of:

Written Policies and Procedures:

The District does not have written policies and procedures pertaining to how vendors are added to the vendor list.

The District does not have written policies and procedures pertaining to documentation required to be maintained for all bids and price quotes.

The District does not have written policies and procedures including dollar threshold by category of expenses for travel and expense reimbursement.

The District does not have written policies and procedures pertaining to the timely application of all available system and software patches/updates and processes and tools needed to recover operations after a critical event.

Bank Reconciliation:

The District did not include evidence of management review of monthly bank reconciliations.

Management's Response:

Management of the District concurs with the exceptions noted and is working to address the deficiencies identified.

We were engaged by the District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
February 28, 2023