

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

Amite, Louisiana

Financial Statements

As of and for the Years Ended
September 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Hospital Service District No. 2 of the Parish of Tangipahoa, State of Louisiana (d/b/a Hood Memorial Hospital) (the "Hospital"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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 September 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Predecessor Auditor

The financial statements of the Hospital, as of and for the year ended September 30, 2020, were audited by other auditors whose report dated March 8, 2021 expressed an unmodified opinion on those statements.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

The Schedule of Compensation, Benefits and Other Payments to Agency Head on page 23 is presented for the purpose of additional analysis, as required by Louisiana Revised Statute 24:513A(3) and is not a required part of the financial statements.

The Schedule of Compensation, Benefits and Other Payments to Agency Head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of net patient service revenues is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2022, 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.



Ridgeland, Mississippi
March 22, 2022

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Statements of Net Position
September 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,773,420	\$ 11,054,015
Patient receivables, net of allowance for doubtful accounts of \$1,751,771 and \$1,276,924, respectively	1,965,777	1,496,823
Estimated third-party payor settlements	(7,240)	715,734
Other receivables	9,573	46,877
Inventories	361,363	295,404
Other current assets	611,450	382,854
Total current assets	14,714,343	13,991,707
Restricted and internally designated assets		
Internally designated by Board	28,311	29,970
Total restricted and internally designated assets	28,311	29,970
Capital assets, net	3,697,322	1,823,312
Total assets	\$ 18,439,976	\$ 15,844,989
LIABILITIES		
Current liabilities		
Current maturities of long-term debt	\$ 90,000	\$ 85,000
Accounts payable	1,119,835	795,541
Accrued salaries and wages	614,905	488,121
Accrued health benefits	140,878	121,949
Estimated third-party payor settlements	141,766	1,125,097
Lease liability, current	137,286	145,455
Provider Relief Fund deferred revenue	-	3,947,669
Paycheck Protection Program Loan	-	1,838,072
Medicare Accelerated and Advance Payment contractual liability	1,213,572	1,637,886
American Rescue Plan Act deferred revenue	100,000	-
Total current liabilities	3,558,242	10,184,790
Lease liability, noncurrent	15,335	152,621
Long-term debt, less current maturities	-	90,000
Total liabilities	3,573,577	10,427,411
NET POSITION		
Net investment in capital assets	3,454,701	1,350,236
Restricted by Board	28,311	29,970
Unrestricted	11,383,387	4,037,372
Total net position	\$ 14,866,399	\$ 5,417,578

See accompanying notes.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$1,790,933 and \$1,600,257, respectively	\$ 18,790,288	\$ 15,129,720
Other operating revenue	2,461,626	2,364,051
Total operating revenues	21,251,914	17,493,771
Operating expenses		
Salaries and wages	8,516,653	7,755,920
Employee benefits	1,698,848	1,694,317
Physician fees	1,947,205	1,863,074
Professional fees	1,307,203	1,215,979
Purchased services	2,395,888	2,018,391
Supplies and maintenance	2,341,298	1,485,526
Other operating expenses	800,901	579,786
Depreciation	442,414	389,667
Total operating expenses	19,450,410	17,002,660
Income from operations	1,801,504	491,111
Nonoperating revenues (expenses)		
Property taxes	200,479	199,405
Investment income	77,411	15,552
Provider Relief Fund revenue	3,947,669	-
Coronavirus Relief Fund revenue	1,566,489	1,256,052
Gain on Paycheck Protection Program Loan forgiveness	1,838,072	-
Grants and donations	34,950	162,018
Interest expense	(17,753)	(23,428)
Total nonoperating revenues	7,647,317	1,609,599
Increase in net position	9,448,821	2,100,710
Net position, beginning of year	5,417,578	3,316,868
Net position, end of year	\$ 14,866,399	\$ 5,417,578

See accompanying notes.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
 Statements of Cash Flows
 Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 20,522,603	\$ 18,260,247
Payments to suppliers and contractors	(8,725,452)	(7,602,094)
Payments to employees	(10,069,788)	(9,396,937)
Net cash provided by operating activities	1,727,363	1,261,216
Cash flows from noncapital financing activities		
Property taxes	200,479	199,405
Noncapital grants and contributions	34,950	162,018
Medicare Accelerated and Advance Payment receipts (recoupments)	(424,314)	1,637,886
Proceeds from Provider Relief Fund	-	3,947,669
Proceeds from Coronavirus Relief Fund	1,566,489	1,256,052
Proceeds from American Rescue Plan Act	100,000	-
Net cash provided by noncapital financing activities	1,477,604	7,203,030
Cash flows from capital and related financing activities		
Proceeds from issuance of Paycheck Protection Program loan	-	1,838,072
Principal paid on long-term debt	(85,000)	(85,000)
Principal paid on capital lease liability	(145,455)	(142,099)
Interest paid on long-term debt	(17,753)	(22,918)
Purchases of capital assets	(2,316,424)	(64,646)
Net cash provided by (used in) capital and related financing activities	(2,564,632)	1,523,409
Cash flows from investing activities		
Gain (loss) from sale of assets limited as to use	1,659	(994)
Interest on investments	77,411	16,457
Net cash provided by investing activities	79,070	15,463
Net increase in cash and cash equivalents	719,405	10,003,118
Cash and cash equivalents, beginning of year	11,054,015	1,050,897
Cash and cash equivalents, end of year	\$ 11,773,420	\$ 11,054,015
Supplemental disclosure of noncash financing activity		
Debt forgiveness of Paycheck Protection Program Loan	\$ 1,838,072	\$ -

See accompanying notes.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA
 Statements of Cash Flows
 Years Ended September 30, 2021 and 2020

	2021	2020
<hr/>		
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	\$ 1,801,504	\$ 491,111
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation	442,414	389,667
Provision for bad debts	1,790,933	1,600,257
Changes in assets and liabilities		
Patient receivables and third-party settlements	(2,520,244)	(833,781)
Inventories	(65,959)	(61,194)
Other current assets	(191,292)	(409,203)
Accounts payable	324,294	31,571
Accrued salaries and compensated absences	145,713	52,788
	<hr/>	<hr/>
Net cash provided by operating activities	<u>\$ 1,727,363</u>	<u>\$ 1,261,216</u>

See accompanying notes.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

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

Nature of Operations and Reporting Entity

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most sensitive estimates included in these financial statements relate to contractual discounts under third-party contracts and the allowance for uncollectible accounts.

Basis of Presentation

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

Cash and Cash Equivalents

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

Patient Receivables

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

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

Allowance for Doubtful Accounts

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

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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

Inventories

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

Restricted and Internally Designated Assets

Noncurrent restricted and internally designated assets include investments set aside by the Board of Commissioners for use by Board approval. The Board retains control of the funds set aside and may use them at its discretion.

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

Capital Assets, Net

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

Property Taxes

The Hospital receives a five mills property tax, which is levied in August each year, payable by December 31 of that year. The Hospital records the expected revenues to be received based on factors such as previous years' collections to assessments and the estimated taxable assessed value for the current year. Adjustments are made upon final receipts. The millage is in effect through the next parish reassessment scheduled for 2024.

Compensated Absences

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

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Risk Management

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

Income Taxes

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

Net Position

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

- *Net Investment in Capital Assets* – This component reports capital assets net of accumulated depreciation and the outstanding balances of any borrowings used to finance the purchase, improvements or construction of those assets.
- *Restricted Net Position* – This component reflects limitations imposed on the assets use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted funds may also be designated by the Board in order to comply with bond covenants, contracts, or other specific purposes. The Board of Commissioners must authorize use of such Board restricted funds.
- *Unrestricted Net Position* – This component reports the remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

Patient Service Revenue

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

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

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

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Records of charges foregone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided.

Operating Revenue and Expenses

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

Grants and Contributions

From time to time, the Hospital receives grants from other governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. In accordance with GASB Technical Bulletin No. 2020-1, the Hospital classified Coronavirus Aid, Relief, and Economic Security ("CARES") Act funds and American Rescue Plan ("ARP") Act funds as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position (discussed further in Note 13).

Reclassification

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 financial statement presentation. The reclassifications had no effect on the net position or changes in net position.

New Accounting Standards Adopted

Governmental Accounting Standards Board Statement No. 84 ("GASB 84")

The Hospital adopted GASB 84, *Fiduciary Activities*. This statement is meant to provide guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. Fiduciary activities meeting certain criteria (i.e., pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds) will now be reported in a fiduciary fund as part of the basic financial statements. The adoption of GASB 84 did not have a significant impact on the Hospital's financial position or results of operations.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Accounting Pronouncements Issued Not Yet Adopted

Governmental Accounting Standards Board Statement No. 87 ("GASB 87")

The Hospital will adopt GASB 87, *Leases*. This statement will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. Under this statement, all leases are required to be recognized as assets and liabilities with associated deferred inflows and outflows of resources on the financial statements. Furthermore, the statement defines a lease and details the considerations for determining the lease term. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

Governmental Accounting Standards Board Statement No. 89 ("GASB 89")

The Hospital will adopt GASB 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement will improve financial reporting by (1) enhancing the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplifying accounting for interest cost incurred before the end of a construction period. This statement will supersede GASB 62, requiring that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost was incurred. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

Governmental Accounting Standards Board Statement No. 95 ("GASB 95")

The Hospital will adopt GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement postpones by one year the effective dates of certain GASB pronouncements, including GASB 89 for fiscal year 2022. This statement also postpones the effective date for GASB 87 by 18 months to fiscal year 2023.

Note 2. Cash Deposits and Investments

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to them. As of September 30, 2021, \$11,585,804 of the Hospital's bank balance totaling \$11,842,324 was exposed to custodial credit risk. At each institution, \$250,000 of deposits was secured by federal deposit insurance coverage, which was not exposed to custodial credit risk. The remaining deposits, which were exposed to custodial credit risk, were secured by the pledge of securities owned by the fiscal agent bank.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 2. Continued

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

Interest Rate Risk

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

Credit Risk

The Hospital's investment policy, in compliance with Louisiana Revised Statute 33:2955, allows the Hospital to invest in United States Treasuries, United States Agency securities, certificates of deposit and mutual or trust fund institutions registered with the Security and Exchange Commission. As of September 20, 2021, the Hospital had no investments requiring credit risk disclosures.

Concentration of Credit Risk

As of September 20, 2021, the Hospital had no investments requiring concentration of credit risk disclosures.

Note 3. Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors as of September 30, 2021 was as follows:

	2021	2020
Medicare	19%	22%
Medicaid	15	16
Self-Pay	32	31
Commercial	34	31
Total	100%	100%

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

	2021	2020
Medicare	26%	35%
Medicaid	58	49
Self-Pay	13	12
Commercial	3	4
Total	100%	100%

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 4. Patient Accounts Receivable

Patient accounts receivable consist of the following:

	2021	2020
Total patient accounts receivable	\$ 5,149,460	\$ 4,115,041
Less: third-party contractual adjustments	(1,431,912)	(1,341,294)
Less: allowance for doubtful accounts	(1,751,771)	(1,276,924)
Patient accounts receivable, net	<u>\$ 1,965,777</u>	<u>\$ 1,496,823</u>

Note 5. Capital Assets

Capital assets and depreciation activity for the year ended September 30, 2021 are as follows:

	September 30, 2020	Additions	Disposals	September 30, 2021
Capital assets not being depreciated:				
Land	\$ 87,893	\$ -	\$ -	\$ 87,893
Construction in progress	33,304	1,643,898	(1,528,048)	149,154
Total capital assets not being depreciated	121,197	1,643,898	(1,528,048)	237,047
Capital assets being depreciated:				
Buildings and improvements	4,201,400	180,726	-	4,382,126
Equipment	3,226,973	2,154,083	(272,286)	5,108,770
Total capital assets being depreciated	7,428,373	2,334,809	(272,286)	9,490,896
Less: total accumulated depreciation	(5,726,258)	(442,414)	138,051	(6,030,621)
Total capital assets being depreciated, net	1,702,115	1,892,395	(134,235)	3,460,275
Capital assets, net	<u>\$ 1,823,312</u>	<u>\$ 3,536,293</u>	<u>\$ (1,662,283)</u>	<u>\$ 3,697,322</u>

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

Capital assets and depreciation activity for the year ended September 30, 2020 follows:

	September 30, 2019	Additions	Disposals	September 30, 2020
Capital assets not being depreciated:				
Land	\$ 87,893	\$ -	\$ -	\$ 87,893
Construction in progress	-	33,304	-	33,304
Total capital assets not being depreciated	87,893	33,304	-	121,197
Capital assets being depreciated:				
Buildings and improvements	4,177,058	24,342	-	4,201,400
Equipment	3,286,631	7,000	(66,658)	3,226,973
Total capital assets being depreciated	7,463,689	31,342	(66,658)	7,428,373
Less: total accumulated depreciation	(5,403,249)	(389,667)	66,658	(5,726,258)
Total capital assets being depreciated, net	2,060,440	(358,325)	-	1,702,115
Capital assets, net	\$ 2,148,333	\$ (325,021)	\$ -	\$ 1,823,312

For the years ended September 30, 2021 and 2020, depreciation expense was \$442,414 and \$389,667, respectively.

At September 30, 2021, the Hospital had various commitments totaling approximately \$258,748. These commitments related to various capital equipment purchases.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt

A schedule of changes in the Hospital's long-term debt for the year ended September 30, 2021 follows:

	Balance September 30, 2020	Additions	Retirements	Balance September 30, 2021	Due Within One Year
Limited Tax Bonds					
Series 2013	\$ 175,000	\$ -	\$ (85,000)	\$ 90,000	\$ 90,000
Total debt	<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ 90,000</u>	<u>\$ 90,000</u>

A schedule of changes in the Hospital's long-term debt for the year ended September 30, 2020 follows:

	Balance September 30, 2019	Additions	Retirements	Balance September 30, 2020	Due Within One Year
Limited Tax Bonds					
Series 2013	\$ 260,000	\$ -	\$ (85,000)	\$ 175,000	\$ 85,000
Total debt	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ 175,000</u>	<u>\$ 85,000</u>

On April 22, 2013, the Hospital Board approved a resolution to issue \$700,000 of Limited Tax Bonds. The Hospital issued these bonds on July 3, 2013, for the purpose of constructing, acquiring, and improving the Hospital's facilities and paying the cost of issuance of the bonds. The bonds are collateralized by an irrevocable pledge and dedication of the funds to be derived from the levy and collection of the 5 mils ad valorem tax to be levied each year. The bonds mature annually beginning on March 1, 2014 and ending on March 1, 2022. The bonds maturing on and after March 1, 2020 are callable for redemption at the option of the issuer in full or in part at any time on or after March 1, 2019, at the principal amount, plus accrued interest to the date of redemption. The bonds bear an interest rate of 3.50 percent and interest payments are due semi-annually on March 1st and September 1st of each year.

Scheduled interest and principal payments on long-term debt at September 30, 2021 are as follows:

Year Ending September 30,	Principal	Interest
2022	\$ 90,000	\$ 1,575

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Lease Liability

A schedule of changes in the Hospital's capital lease liability for the year ended September 30, 2021 follows:

	Balance September 30, 2020	Additions	Retirements	Balance September 30, 2021	Due Within One Year
Systemx Analyzers	\$ 40,623	\$ -	\$ (14,760)	\$ 25,863	\$ 15,960
Fuji D-EVO Detectors	46,253	-	(19,833)	26,420	20,988
CT Scan	197,346	-	(97,008)	100,338	100,338
Telemetry	13,854	-	(13,854)	-	-
Total debt	<u>\$ 298,076</u>	<u>\$ -</u>	<u>\$ (145,455)</u>	<u>\$ 152,621</u>	<u>\$ 137,286</u>

A schedule of changes in the Hospital's capital lease liability for the year ended September 30, 2020 follows:

	Balance September 30, 2019	Additions	Retirements	Balance September 30, 2020	Due Within One Year
Systemx Analyzers	\$ 54,274	\$ -	\$ (13,651)	\$ 40,623	\$ 14,760
Fuji D-EVO Detectors	64,994	-	(18,741)	46,253	19,833
CT Scan	291,135	-	(93,789)	197,346	97,008
Telemetry	29,772	-	(15,918)	13,854	13,854
Total debt	<u>\$ 440,175</u>	<u>\$ -</u>	<u>\$ (142,099)</u>	<u>\$ 298,076</u>	<u>\$ 145,455</u>

The Hospital leases medical equipment through capital leases with maturity dates ranging from 2021 through 2023.

Scheduled interest and principal payments on capital leases at September 30, 2021 are as follows:

Year Ending September 30,	Principal	Interest
2022	\$ 137,286	\$ 4,268
2023	15,335	315
Total	<u>\$ 152,621</u>	<u>\$ 4,583</u>

Note 8. Commitments and Contingencies

Operating Leases

The Hospital leases various equipment under operating leases expiring at various dates through 2025. Total rental expense for the years ended September 30, 2021 and 2020 for all operating leases was approximately \$63,000 and \$71,000, respectively.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

The following is a schedule by year of future minimum lease payments under noncancelable operating leases as of September 30, 2021, that have initial or remaining lease terms in excess of one year:

Year Ending September 30,	Amount
2022	\$ 43,876
2023	27,130
2024	25,974
2025	10,979
Total	\$ 107,959

Cooperative Endeavor Agreement with North Oaks Health System

On November 30, 2018, the Hospital entered into a Cooperative Endeavor Agreement ("CEA") with Tangipahoa Parish Hospital Service District No. 1, d/b/a North Oaks Health System ("North Oaks"). The CEA was entered into in order for the Hospital to utilize North Oaks' personnel to assist in the assessment and oversight of operational, financial, regulatory, clinical, facility and technological needs of the Hospital in exchange for a monthly consulting fee of \$46,027 to be paid by the Hospital. The CEA was renewed in November 2019 and extended through December 31, 2022.

Note 9. Employee Retirement Plan

The Hospital sponsors a deferred compensation plan 457(b). These plans are tax-advantaged retirement plans offered by state and local governments. Eligible employees will be able to make salary deferral contributions up to an applicable dollar limit set by the Internal Revenue Service ("IRS") each year. The Hospital also maintains a 401(a) pension plan for employer contributions. Through the 401(a) plan, if the employee contributes a minimum of 3 percent, the Hospital contributes a match of 5 percent of the employee's gross salary (excluding overtime salary). Employer contributions are vested by a percentage determined by the employee's years of service. Total expenses for the years ended September 30, 2021 and 2020 were approximately \$159,000 and \$116,000, respectively.

Note 10. Paycheck Protection Program

On March 27, 2020, the CARES Act was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the COVID-19 pandemic. The Hospital applied under the Paycheck Protection Program ("PPP") within the CARES Act and, in May 2020, received approximately \$1,838,072 under the PPP Loan. The PPP Loan is subject to a 1 percent interest rate which will only be applied if the loan is not forgiven. Accrued interest associated with the PPP Loan has not been recorded as management has determined it to be immaterial to the financial statements.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 10. Continued

Current rules stipulate that some or all of the PPP Loan will be forgiven if the sum of payments made during the covered period (either the eight-week or 24-week period after the distribution date) for payroll, building rents and utilities, and state taxes, equal or exceed the PPP Loan amount. The Hospital received confirmation of forgiveness on November 4, 2020. For the year ended September 30, 2021, the total PPP Loan is included in nonoperating revenues as gain on debt extinguishment on the accompanying statements of revenues, expenses, and changes in net position.

Note 11. Patient Service Revenue

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

Medicare

Since obtaining critical access designation, inpatient and outpatient services rendered to Medicare program beneficiaries are reimbursed under cost reimbursement methodologies. The Hospital is reimbursed by the Medicare fiscal intermediary at a tentative interim rate with final settlement determined with the submission of annual cost reports and audits. The Hospital's Medicare cost reports have been filed with the Medicare fiscal intermediary through September 30, 2021. Desk reviews have been performed on reports issued through September 30, 2015.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been filed with the fiscal intermediary through September 30, 2021. A desk review has been performed on Medicaid reports issued through September 30, 2015.

Other

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

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 11. Continued

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

	2021	2020
Gross patient service revenue	\$ 34,510,409	\$ 28,111,303
Less provisions for		
Contractual adjustments under third-party reimbursement programs and managed care contracts	(13,929,188)	(11,381,326)
Uncollectible accounts	(1,790,933)	(1,600,257)
Net patient service revenue	<u>\$ 18,790,288</u>	<u>\$ 15,129,720</u>

Note 12. Charity Care

The number of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated \$9,550 and \$9,183 for the years ended September 30, 2021 and 2020, respectively. The estimated cost of charity care, estimated using a ratio of cost-to-gross charges, totaled approximately \$7,000 for the years ended September 30, 2021 and 2020, respectively.

Note 13. COVID-19 Pandemic and related Congressional Acts

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

The Hospital experienced significantly lower inpatient and outpatient volumes while also dealing with increased costs associated with personal protective equipment and managing the pandemic, causing the significant decline in operating income from the prior year.

Provider Relief Fund

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

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 13. Continued

September 30, 2021 and 2020, the Hospital received approximately \$-0- and \$3,948,000, respectively, from the Provider Relief Fund and recognized approximately \$3,948,000 and \$-0-, respectively, in nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The Hospital recognizes the Provider Relief Fund payments as income when there is reasonable assurance of compliance with the conditions associated with the grant. The unrecognized amount from the funds received are recorded as deferred revenue in the accompanying statements of net position of which the balances are approximately \$-0- and \$3,948,000 as of September 30, 2021 and 2020, respectively.

Coronavirus Relief Fund

Coronavirus Relief Fund was another provision of the CARES Act managed by the U.S. Department of Treasury ("DOT"). The CARES Act appropriated \$150 billion for payments by DOT to states, tribal governments, and certain local governments for specified uses related to the COVID-19 pandemic. In accordance with the State of Louisiana, the Hospital applied for and received reimbursement for allowable expenses of approximately \$1,566,000 and \$1,256,000 during the years ended September 30, 2021 and 2020, respectively, and recognized those amounts in nonoperating revenues in the accompanying statements of revenue, expenses and changes in net position.

Medicare Accelerated and Advance Payment Program

The Hospital also applied for and was paid approximately \$1,638,000 as an advance on six months of its Medicare payments through the Medicare Accelerated and Advanced Payment Program which was expanded to increase cash flow to providers of services impacted by the COVID-19 pandemic.

Recoupment of the advance payments began one year after the advance payments were received. After the first year, Medicare automatically began recouping 25 percent of the Medicare payments otherwise owed to the provider for 11 months. At the end of the 11-month period, recoupment will increase to 50 percent for another six months. If there is an outstanding balance after the 29-month period, Medicare will issue letters requiring repayment, subject to an interest rate of 4 percent. The Hospital has accounted for these funds as a liability of approximately \$1,214,000 and \$1,638,000 at September 30, 2021 and 2020, respectively.

American Rescue Plan Act

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

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 13. Continued

During the year ended September 2021, the Hospital received \$100,000 from the APR Act and recorded the total amount as deferred revenue in the accompanying statement of net position. The Hospital will recognize the ARP Act funds as income when there is a reasonable assurance of compliance with the conditions associated with the grant.

Note 14. Insurance Programs

Risk Management

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

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

Note 15. Louisiana Medicaid Supplemental Payment Program

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

Cooperative Endeavor Agreement

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

The Hospital recognized total revenue of approximately \$1,182,000 and \$1,000,000 during the years ended September 30, 2021 and 2020, respectively. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenues, expenses and changes in net position.

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Years Ended September 30, 2021 and 2020

NOTES TO FINANCIAL STATEMENTS

Note 15. Continued

Physician Rate Enhancement Agreement

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

For this agreement, the Hospital recognized total revenue of approximately \$556,000 and \$369,000 during the years ended September 30, 2021 and 2020, respectively. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenues, expenses and changes in net position.

Managed Care Quality Incentive Program

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

The Hospital recognized total revenue of approximately \$387,000 and \$514,000 during the years ended September 30, 2021 and 2020, respectively. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenues, expenses and changes in net position.

Note 16. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 22, 2022, and determined that no events occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended September 30, 2021

Agency Head

Michael Whittington, Chief Executive Officer

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 292,007
Travel Expenses	\$ 1,661

The Agency Head is contracted through a third-party provider and not directly employed by Hood Memorial Hospital. The amounts reported above represent the total amount paid to the third-party provider for services for the Hospital's Agency Head.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Hospital Service District No. 2 of the Parish of Tangipahoa, State of Louisiana (d/b/a Hood Memorial Hospital) (the "Hospital"), as of September 30, 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated March 22, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

HORNE LLP
Ridgeland, Mississippi
March 22, 2022