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REPORT REVISION NOTICE

Louisiana Legislative Auditor
Baton Rouge, Louisiana

RE: Lafourche Parish Hospital Service District No. 1
d/b/a Lady of the Sea General Hospital
Entity ID# 1569
Reporting Period: 06/30/2023

To whom it may concern:

This letter is to formally notify the Louisiana Legislative Auditor that Langlinois, Broussard & Kohlenberg is reissuing the Independent Auditor's report on the financial statements of Lafourche Parish Hospital Service District No. 1 d/b/a Lady of the Sea General Hospital a component unit of the Lafourche Parish Council (Hospital) for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, originally submitted on December 27, 2023.

We are taking this action because it is necessary to amend the Uniform Guidance Single Audit report that was included in the original audit report submission. This component did not properly report on the Federal Emergency Management Agency funds received by the Hospital and requires amendment. The amended report will be separately issued immediately upon completion of the revision.

Langlinois Broussard & Kohlenberg

LANGLINAIS BROUSSARD & KOHLENBERG
(A corporation of Certified Public Accountants)
Abbeville, Louisiana

August 11, 2026

FINANCIAL STATEMENTS

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1

d/b/a LADY OF THE SEA GENERAL HOSPITAL

JUNE 30, 2023 AND 2022

FINANCIAL STATEMENTS

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a LADY OF THE SEA GENERAL HOSPITAL

JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Chairman and Board of Commissioners
Lafourche Parish Hospital Service District No. 1
d/b/a Lady of the Sea General Hospital
Galliano, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lafourche Parish Hospital Service District No. 1, State of Louisiana, Parish of Lafourche, d/b/a Lady of the Sea General Hospital a component unit of the Lafourche Parish Council (Hospital), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise 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 Hospital, as of June 30, 2023, and the respective changes in financial position and its cash flows thereof for the year then 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.

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and is 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 information 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 December 21, 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.

Langlinais Broussard & Kohlenberg

LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

December 21, 2023

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

STATEMENT OF NET POSITION

JUNE 30,

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 3,128,966	\$ 3,095,703
Investments	26,577,813	33,183,531
Accounts Receivable, Net of Allowance for doubtful accounts of \$1,927,909 in 2023 and \$2,499,904 in 2022, respectively	1,335,158	1,060,758
Due from Third Party Payors	4,036,156	4,465,382
Inventories	954,438	802,738
Prepaid Expenses	<u>748,227</u>	<u>386,887</u>
Total Current Assets	<u>36,780,758</u>	<u>42,994,999</u>
ASSETS WHOSE USE IS LIMITED:		
By Board	22,477,249	-
By Bond for Indenture Reserves - Debt Service Funds	<u>350,293</u>	<u>127,963</u>
Total Assets Whose Use is Limited	<u>22,827,542</u>	<u>127,963</u>
PROPERTY, PLANT, AND EQUIPMENT:		
Property, Plant, and Equipment, Net of Accumulated Depreciation	<u>20,696,978</u>	<u>7,705,295</u>
OTHER ASSETS:		
Other Receivables, Net of Estimated Uncollectibles of \$25,000 in 2023 and 2022, respectively	3,976,627	6,512,526
Other Assets	<u>214,659</u>	<u>214,659</u>
Total Other Assets	<u>4,191,286</u>	<u>6,727,185</u>
TOTAL ASSETS	<u>\$ 84,496,564</u>	<u>\$ 57,555,442</u>

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

STATEMENT OF NET POSITION

JUNE 30,

LIABILITIES AND NET POSITION

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	274,542	304,156
Credit Balances	84,336	182,934
Accounts Payable	1,775,539	810,143
Accrued Salaries, Benefits and Related Withholdings	832,339	765,867
Due to Third Party Payors	111,364	1,860,067
Interest Payable	171,854	15,956
Accrued Self-Insurance	<u>72,104</u>	<u>75,259</u>
 Total Current Liabilities	 <u>3,322,078</u>	 <u>4,014,382</u>
 LONG-TERM LIABILITIES:		
Capital Lease Obligations	74,671	129,213
Certificate of Indebtedness	-	520,000
General Obligation Bonds - Series 2013	955,000	1,175,000
General Obligation Bonds - Series 2022	<u>15,000,000</u>	<u>-</u>
 Total Long-Term Liabilities	 <u>16,029,671</u>	 <u>1,824,213</u>
 OTHER LIABILITIES:		
Deferred Inflows of Resources	<u>14,172,912</u>	<u>11,637,320</u>
 TOTAL LIABILITIES	 <u>33,524,661</u>	 <u>17,475,915</u>
 NET POSITION		
Invested in Capital Assets, Net of Related Debt	4,392,765	5,576,926
Restricted Net Position (Expendable)	350,293	127,963
Unrestricted Net Position	<u>46,228,845</u>	<u>34,374,638</u>
TOTAL NET POSITION	<u>50,971,903</u>	<u>40,079,527</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 84,496,564</u>	 <u>\$ 57,555,442</u>

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES:		
Net Patient Service Revenues Before Provision for Doubtful Accounts	\$ 19,658,803	\$ 20,579,658
Provision for Doubtful Accounts	(632,900)	(1,573,737)
Net Patient Service Revenues After Provision for Doubtful Accounts	19,025,903	19,005,921
340B Outside Pharmacy Revenue	1,072,153	551,411
Net Community Pharmacy Revenue	8,065,115	6,176,438
Intergovernmental Revenue-Operating	2,681,360	2,027,185
Other Operating Revenue	104,108	97,154
Total Operating Revenues	<u>30,948,639</u>	<u>27,858,109</u>
OPERATING EXPENSES:		
Salaries	13,341,524	12,962,367
Employee Benefits	3,263,921	3,200,015
Purchased Services	2,853,314	3,143,585
Supplies and Other	11,569,773	9,752,680
Depreciation and Amortization	958,061	883,278
Total Operating Expenses	<u>31,986,593</u>	<u>29,941,925</u>
LOSS FROM OPERATIONS	<u>(1,037,954)</u>	<u>(2,083,816)</u>
NON-OPERATING REVENUES (EXPENSES):		
Income on Investments Whose Use is Limited:		
Indenture Agreement and Board for Indenture Reserves	2,786	431
Grant Income	521,509	2,059,048
Interest Income	1,455,767	74,143
Interest Expense	(522,188)	(101,839)
Taxes:		
Bond - Restricted to Bond Retirement Fund	315,826	135,977
Maintenance	1,427,618	1,160,477
Insurance/FEMA Proceeds, net of disposed assets	8,996,744	8,148,654
Hurricane Ida expense	(267,732)	(4,027,411)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>11,930,330</u>	<u>7,449,480</u>
CHANGE IN NET POSITION	10,892,376	5,365,664
TOTAL NET POSITION, BEGINNING	<u>40,079,527</u>	<u>34,713,863</u>
TOTAL NET POSITION, ENDING	<u>\$ 50,971,903</u>	<u>\$ 40,079,527</u>

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from and on behalf of patients	\$ 19,495,820	\$ 18,373,980
Receipts from 340B Program - Outside Pharmacy	696,303	494,166
Receipts from Intergovernmental Grant Agreement	2,666,516	3,448,876
Receipts from Community Pharmacies	7,969,647	6,122,889
Receipts from Other Operating Sources	104,108	97,154
Payments to Suppliers	(13,457,692)	(12,892,359)
Payments to Employees for Salaries, Benefits and Related Costs	(16,426,725)	(16,343,014)
Net Cash Flow Provided by (Used in) Operating Activities	<u>1,047,977</u>	<u>(643,189)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Ad Valorem Taxes - Debt Service	315,826	135,977
Ad Valorem Taxes - Maintenance	1,427,618	1,160,477
Proceeds from Provider Relief Funds	-	1,491,678
Insurance Proceeds, Net of related Hurricane expenses	9,817,615	14,891,463
Net Cash Provided by Non-Capital Financing Activities	<u>11,561,059</u>	<u>17,679,595</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Grant Revenue	521,509	567,369
Interest Paid on Long-Term Debt	(366,290)	(101,013)
Proceeds from the Issuance of Long-Term Debt	15,274,543	143,780
Repayment of Long-Term Debt	(824,156)	(1,065,679)
Net Cash (Used in) Capital and Related Financing Activities	<u>14,605,606</u>	<u>(455,543)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Capital Assets	(13,949,743)	(1,651,534)
Proceeds from Sale of Investments	965,772	1,512,837
Purchase of Investments	(8,322,751)	(15,750,725)
Interest Income	1,458,553	74,574
Net Cash (Used in) Investing Activities	<u>(19,848,169)</u>	<u>(15,814,848)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,366,473	766,015
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, INCLUDING \$127,963		
AND \$121,015, LIMITED TO USE FOR 2023 AND 2022, RESPECTIVELY	<u>3,223,666</u>	<u>2,457,651</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING \$350,293		
AND \$127,963, LIMITED TO USE FOR 2023 AND 2022, RESPECTIVELY	<u>\$ 10,590,139</u>	<u>\$ 3,223,666</u>

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a LADY OF THE SEA GENERAL HOSPITAL

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

CASH FLOWS FROM OPERATING ACTIVITIES:

	<u>2023</u>	<u>2022</u>
Operating Loss	\$ (1,037,954)	\$ (2,083,816)
Adjustments to Reconcile Operating (Loss) to Net Cash		
Used in Operating Activities		
Depreciation and Amortization	958,061	883,278
Provision for Doubtful Accounts	632,900	1,573,737
Increase in Accounts Receivable	(1,005,898)	(153,790)
Increase in Due to/from Third Party Payors	(1,319,477)	(1,495,458)
Increase in Other Receivables	2,304,673	242,622
Decrease (Increase) in Inventories and Prepaids	(513,040)	815,950
(Increase) Decrease in Accounts Payable and Accrued Expenses	1,031,867	(162,168)
Increase (Decrease) in Other Current Liabilities	<u>(3,155)</u>	<u>(263,544)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,047,977</u>	<u>\$ (643,189)</u>

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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

Reporting Entity. Lafourche Parish Hospital Service District No. 1, State of Louisiana, d/b/a Lady of the Sea General Hospital, a component unit of the Lafourche Parish Council (Hospital) is an acute care facility created pursuant to Louisiana Revised Statutes of 1950, Title 46, Chapter 10, and Ordinance No. 863 of Lafourche Parish Council adopted January 27, 1953. It is the Hospital's mission to provide its community with high quality care and education in a friendly, caring and professional manner.

The administration of the Hospital is governed by a Board of Commissioners consisting of five members appointed by the Lafourche Parish Council in accordance with the terms of office set forth in Louisiana Revised Statute 46:1053 and in Section 24:300 (C) of Sub-Chapter "G" of the Code of Ordinance of the Lafourche Parish Council.

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

GASB Codification Sections 2100, 2600, and J50 (formerly GASB 14) established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

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

Because the Council appoints all the members of the Hospital's governing board and can impose its will on the Hospital, the Hospital was determined to be a component unit of the Lafourche Parish Council. The accompanying financial statements present information only on the funds maintained by the Hospital and do not present information on the council, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

Accounting Standards. The financial statements of the Hospital have been prepared in conformity with Generally Accepted Accounting Principles (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.

Proprietary Fund Accounting. The Hospital utilizes the proprietary fund method of accounting and follows guidance in GASB Codification Section P80. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Substantially all revenues and expenses are subject to accrual. The basic financial statements include Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT

Cash and Cash Equivalents. Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by board designation, other arrangements under trust agreements, or with third-party payors.

Assets Whose Use is Limited. Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements and future indenture agreements, over which the Board retains control and may at its discretion subsequently use for other purposes; assets set aside in accordance with agreements with third-party payors; and assets held by trustees under indenture agreements and self-insurance trust agreements.

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

Capital Assets. Capital assets are carried at cost or, if donated, at fair value at date of donation. Capital Assets are defined by the Hospital as assets with an initial individual cost of more than \$5,000 and an initial useful life of three years or greater. Depreciation is computed by the straight-line method over the assets' estimated useful lives generally ranging from 3 to 40 years. Equipment under lease is stated at the sum of the initial measurement of the lease liability plus any payments made to the lessor at or before the commencement of the lease term plus initial direct cost necessary to place the lease asset in service. Leased equipment is amortized on the straight-line method over the shorter of the lease term or estimated useful lives of the assets. Subscription-based information technology arrangement is stated at the sum of the initial measurement of the subscription liability plus any payments made to the lessor at or before the commencement of the subscription term plus initial direct cost necessary to place the subscription asset in service. Subscription-based information technology arrangements are amortized on the straight-line method over the shorter of the subscription term or estimated useful lives of the assets.

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

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

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

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

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Costs of Borrowing. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

Investments. Investments, including assets limited as to use, are recorded at fair value in accordance with GASB Codification Section I50.105, *Accounting and Financial Reporting for Investments*. Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT

measured at fair value in the Statement of Net Position. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment income, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in non-operating income. Investments in associated companies are accounted for by the equity method of accounting under which the Hospital's

share of the net income of the associated companies is recognized as income in the Hospital's statement of activities and added to the investment account. Dividends and distributions received from the associated companies are treated as a reduction of the investment account.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. See the disclosure regarding Net Patient Service Revenue below for further discussion of significant estimates involving the revenue recognition methods of the Hospital.

Net Patient Service Revenue and Related Receivables. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The Hospital 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 Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances.

Patient receivables are carried at original charge amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a timely basis. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Patient receivables are written off when deemed uncollectible. Recoveries of patient receivables previously written off are recorded when received.

Non-Direct Response Advertising. The Hospital expenses advertising costs as incurred.

Compensated Absences. Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences included as a component of accrued salaries, benefits and related withholdings on the Hospital's Statement of Net Position for June 30, 2023 and 2022, was \$395,834 and \$407,811, respectively.

Grants and Contributions. From time to time, the Hospital receives grants and contributions from individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all the eligibility requirements, including time 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 non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Operating Revenues and Expenses. The Hospital's Statement of Revenues, Expenses, and Changes in Net Position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT

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

Property taxes are collected through the local sheriff and remitted, net of collection fees, to the Hospital. The sheriff's office is responsible for collection, including establishing lien, levy and due dates of property taxes.

Income Taxes. The Hospital is a political subdivision and exempt from taxes. The hospital is required to file Form 990-T for the retail pharmacies.

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

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

NOTE 2 - MAJOR SOURCE OF REVENUE

The Hospital participated in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 44% and 45% of its gross patient service revenue for June 30, 2023 and 2022, respectively, from patients covered by the Medicare and Medicaid programs.

NOTE 3 - ACCOUNTS RECEIVABLE - PATIENTS

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

Patients Accounts Receivable consists of the following:

	<u>2023</u>	<u>2022</u>
Total Patients Accounts Receivable	\$ 4,995,649	\$ 4,843,706
Less: Allowances for Doubtful Accounts and Contractual Allowances	<u>3,660,491</u>	<u>3,782,948</u>
Net Patient Accounts Receivable	<u>\$ 1,335,158</u>	<u>\$ 1,060,758</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 4 - NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. Payment arrangements include prospectively determined rates-per-discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period 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 review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

A summary of the payment arrangements with major third-party payors follows:

Medicare. The Hospital is paid for inpatient and outpatient services rendered to Medicare program beneficiaries under cost-based reimbursement methodology. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The retrospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization, which is under contract with the Hospital to perform such reviews. The Hospital files a year end cost report with Medicare to determine final settlement. This cost report is subject to audit by the Medicare fiscal intermediary.

The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2020.

Medicaid. Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain 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 settled by the Medicaid fiscal intermediary through June 30, 2016. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as settlements are determined.

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

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 4 - NET PATIENT SERVICE REVENUE, CONT

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue based on its standard rates for services provided. Based on historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts, recognized in the period from these major sources, is as follows.

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

	<u>2023</u>	<u>2022</u>
Medicare	\$ 1,334,494	\$ 1,904,819
Medicaid	8,104,252	8,627,436
All Other Payors	10,220,057	10,047,403
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	<u>\$ 19,658,803</u>	<u>\$ 20,579,658</u>

The following schedule represents total Net Patient Service Revenue:

	<u>2023</u>	<u>2022</u>
Gross Patient Service Revenue	\$ 36,749,685	\$ 36,209,158
Less: Contractual Adjustments	<u>17,090,882</u>	<u>15,629,500</u>
Net Patient Service Revenue Before Provision for Doubtful Accounts	19,658,803	20,579,658
Provision for Doubtful Accounts	<u>632,900</u>	<u>1,573,737</u>
Net Patient Service Revenue After Provision for Doubtful Accounts	<u>\$ 19,025,903</u>	<u>\$ 19,005,921</u>

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment, by major category, is as follows:

<u>June 30, 2023</u>					
	Asset Life in Years	Beginning Balance	Additions	Deletions	Ending Balance
Land Improvements	10 - 20	\$ 226,650	\$ -	\$ -	\$ 226,650
Building	10 - 20	14,751,578	2,068,841	-	16,820,419
Major Movable Equipment	5 - 20	2,407,972	656,728	84,551	2,980,149
Right of Use Assets		448,804	-	-	448,804
Software Subscriptions		92,566	-	-	92,566
Intangible Assets		1,444,683	15,750	-	1,460,433
Total Cost		19,372,253	2,741,319	84,551	22,029,021
Less: Accumulated Depreciation		12,550,647	828,629	50,110	13,329,166
Less: Accumulated Depreciation-ROU Asset		145,357	89,761	-	235,118
Less: Accumulated Amortization-Subscription Software		52,895	39,671	-	92,566
Gross Accumulated Depreciation		12,748,899	958,061	50,110	13,656,850
Depreciable Capital Assets, Net		<u>6,623,354</u>	<u>1,783,258</u>	<u>34,441</u>	<u>8,372,171</u>
Land		566,374	-	-	566,374
Construction in Progress		515,567	13,063,775	1,820,909	11,758,433
Net Property, Plant, and Equipment		<u>\$ 7,705,295</u>	<u>\$ 14,847,033</u>	<u>\$ 1,855,350</u>	<u>\$ 20,696,978</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT, CONT

June 30, 2022

	Asset Life in Years	Beginning Balance	Additions	Deletions	Ending Balance
Land Improvements	10 - 20	\$ 238,781	\$ -	\$ 12,131	\$ 226,650
Building	10 - 20	19,039,004	-	4,287,426	14,751,578
Fixed Equipment	15 - 20	547,432	-	547,432	-
Major Movable Equipment	5 - 20	16,484,676	877,892	14,954,596	2,407,972
Right of Use Assets	5 - 20	448,804	-	-	448,804
Software Subscriptions		-	92,566	-	92,566
Intangible Assets		1,428,933	15,750	-	1,444,683
Total Cost		38,187,630	986,208	19,801,585	19,372,253
Less: Accumulated Depreciation		28,017,785	739,634	16,206,772	12,550,647
Less: Accumulated Depreciation-ROU Asset		54,608	90,749	-	145,357
Less: Accumulated Amortization-Subscription Software		-	52,895	-	52,895
Gross Accumulated Depreciation		28,072,393	883,278	16,206,772	12,748,899
Depreciable Capital Assets, Net		10,115,237	102,930	3,594,813	6,623,354
Land		551,374	15,000	-	566,374
Construction in Progress		90,502	510,807	85,742	515,567
Net Property, Plant, and Equipment		\$ 10,757,113	\$ 628,737	\$ 3,680,555	\$ 7,705,295

Depreciation expense for the fiscal years ended June 30, 2023 and 2022 was \$958,061 and \$883,278, respectively.

On August 29, 2021, Hurricane Ida made landfall on the Louisiana Gulf Coast. The storm severely impacted the southeast Louisiana region, and the Hospital suffered significant damage from the storm. At the present time, the total loss to the Service District and the amount of reimbursement is unknown.

As of the balance sheet date, the building is idle until a decision is finalized on whether the building will be renovated or demolished. The value of the idle building is \$6,048,345.

The Hospital has recognized \$9,098,486 and \$11,748,659 in FEMA and insurance proceeds for the years ending June 30, 2023 and 2022, respectively. Deferred revenue was \$14,172,912 and \$11,637,320 for the years ended June 30, 2023 and 2022, respectively.

NOTE 6 - LONG-TERM DEBT

Long-term debt at June 30, 2023 and 2022 consisted of the following:

	2023	2022
General Obligation Bonds dated October 3, 2013, original amount of \$3,000,000 bearing interest of 3.38%, maturing serially on March 1, of each year beginning in 2014, with interest payable March 1, and September 1, of each year beginning in 2014, with the final maturity on March 1, 2028. The bonds are collateralized by the Hospital's ad valorem tax revenues.	\$ 1,175,000	\$ 1,385,000

Certificate of Indebtedness, Series 2015, dated August 4, 2015, bearing a variable interest rate of no more than 5.00%, maturing July 1, 2025, with interest payable semi-annually, collateralized by excess of annual revenues.

- 520,000

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 6 - LONG-TERM DEBT, CONT

Hurricane Recovery Revenue Bond, Series 2022, Dated October 27, 2022, Interest Rate 4.30% per annum, Interest Payable each April and October, Maturing October 1, 2032	15,000,000	-
Right of Use Obligation, Konica Minolta Bizhub 4752, payable in 60 monthly installments at a 1.58% interest rate, maturity in 2025	124,225	174,257
Right of Use Obligation, Pitney Bowes, payable in 60 monthly installments at a 1.47% interest rate, maturity in 2024	4,988	8,542
Subscription Liability, DocReponse, payable in 24 monthly installments at a 1.51% interest rate, maturity in 2023	-	40,570
Total Debt	16,304,213	2,128,369
Less: Current Portion	274,542	304,156
Long-Term Debt	<u>\$ 16,029,671</u>	<u>\$ 1,824,213</u>

Scheduled repayments on long-term debt are as follows:

June 30, 2023

	Principal	Interest	Total
2024	\$ 274,542	\$ 683,978	\$ 958,520
2025	1,677,914	630,393	2,308,307
2026	1,716,757	559,827	2,276,585
2027	1,770,000	486,810	2,256,810
2028	1,840,000	410,800	2,250,800
2029 - 2033	9,025,000	905,849	9,930,849
Total	<u>\$ 16,304,213</u>	<u>\$ 3,677,657</u>	<u>\$ 19,981,871</u>

June 30, 2022

	Principal	Interest	Total
2023	304,156	\$ 69,583	\$373,739
2024	439,543	52,353	491,896
2025	452,913	35,043	487,956
2026	436,757	22,112	458,869
2027	245,000	13,971	258,971
2028 - 2032	250,000	5,633	255,633
Total	<u>\$ 2,128,369</u>	<u>\$ 198,695</u>	<u>\$ 2,327,064</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 6 - LONG-TERM DEBT, CONT

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

<u>June 30, 2023</u>					Due Within
	Beginning	Additions	Reductions	Ending	One Year
General Obligation Bonds, Series 2013	\$ 1,385,000	\$ -	\$ 210,000	\$ 1,175,000	\$ 220,000
Hurricane Recovery Bond Series 2022	-	\$ 15,000,000	\$ -	15,000,000	\$ -
Certificate of Indebtedness	520,000	-	520,000	-	-
Subscription Liability	40,570	-	40,570	-	-
Lease Obligations	182,799	-	53,586	129,213	54,542
Total	<u>2,128,369</u>	<u>15,000,000</u>	<u>824,156</u>	<u>16,304,213</u>	<u>274,542</u>

<u>June 30, 2022</u>					Due Within
	Beginning	Additions	Reductions	Ending	One Year
General Obligation Bonds, Series 2013	\$ 1,590,000	\$ -	\$ 205,000	\$ 1,385,000	\$ 210,000
Certificate of Indebtedness	680,000	-	160,000	520,000	-
Subscription Liability	92,566	-	51,996	40,570	40,570
Lease Obligations	687,701	143,780	648,682	182,799	53,586
COVID-19 Related Debt	-	1,491,679	1,491,679	-	-
Total	<u>3,050,267</u>	<u>1,635,459</u>	<u>2,557,357</u>	<u>2,128,369</u>	<u>304,156</u>

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are locals and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Medicare	7%	9%
Medicaid	22%	22%
Commercial and other third-party payors	41%	25%
All others	30%	44%
Total	<u>100%</u>	<u>100%</u>

NOTE 8 - CASH FLOWS SUPPLEMENTAL INFORMATION

Cash and cash equivalents as of June 30, 2023 and 2022, respectively, consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 3,128,966	\$ 3,095,703
Assets Limited to Use by Board	7,110,880	-
Assets Limited to Use By Bond	350,293	127,963
Total	<u>\$ 10,590,139</u>	<u>\$ 3,223,666</u>

Total interest paid by the Hospital was \$366,290 and \$101,013 for the years ended June 30, 2023 and 2022, respectively.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 9 - COMMITMENTS

Employment Contracts. The Hospital has employment contracts with multiple physicians, which expire at varying times. These agreements generally provide for a base salary or hourly rate in return for services provided, and incentive compensation based on practice income as defined in the individual agreements. The agreements stipulate the circumstances under which termination may occur. The terms of some of the agreements, however, stipulate that in the case of termination without cause, the Hospital is obligated to provide reduced base salary payments for varying monthly periods as is defined in the agreements.

NOTE 10 - DEFERRED COMPENSATION PLAN AND PENSION PLAN

The Hospital has a 403 (b) plan where qualifying employees may defer certain amounts of their salary.

Effective November 1, 1995, all full-time employees who had one year of continuous service are eligible to participate in the Hospital's retirement plan. The plan is a defined contribution, money purchase plan. The plan is voluntary and there is no requirement for employees to contribute to the plan. The employee contribution has a maximum set at 20% of base pay, or other guidelines as required by tax code. Part-time employees can participate in the plan but are limited to only employee contributions. Employees are 100% vested at the time of their enrollment so there are no forfeitures.

The Hospital funds the plan based on a percentage of eligible employees' annual salary. This percentage is determined by the Board annually and is currently 3.25%. There is no prior funding required. The Hospital's contribution to the plan for June 30, 2023 and 2022 was \$333,260 and \$354,518, respectively. At June 30, 2023 and 2022, the amount due to the plan was \$6,182 and \$3,835, respectively.

The hospital also has the Lady of the Sea General Hospital 457(b) plan which was enacted on October 1, 2008. The Hospital incurs no cost under this plan. The plan allows for pre-tax deferrals of income for chief officers, nurse practitioners, physicians, physician assistants, and directors. The plan is voluntary and there is no requirement for employees to contribute to the plan. These employees are eligible to participate in the plan on their first day of employment and are 100% vested at the time of their enrollment.

NOTE 11 - CONTINGENCIES AND RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to tort; 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 encompass self-insurance of (1) Hospital professional liability and comprehensive general liability and (2) Statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss.

The Hospital participates in the State of Louisiana patient compensation fund (the fund). The fund provides malpractice coverage to the Hospital for claims in excess of \$100,000 up to \$500,000. According to current state law, medical malpractice liability (exclusive of future medical care awards) is limited to \$500,000 per occurrence. The management of the Hospital has no reason to believe that the Hospital will be prevented from continuing its participation in the fund.

Professional Liability. The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital. The trust fund presumes to be a "grantor trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations and equity amounts assigned to the Hospital by the trust fund in its financial statements.

LAFORCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 11 - CONTINGENCIES AND RISK MANAGEMENT, CONT

Workers' Compensation. The Hospital also participates in the Louisiana Hospital Association Self Insurance Workmen's Compensation Trust fund. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not practical to estimate the amount of additional assessments, if any, and the costs

associated with any such assessments are treated as period expenses at the time they are assessed. The trust fund presumes to be a "grantor trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations and equity amounts assigned to the Hospital by the trust fund in its financial statements.

Self-Insurance for Health Insurance. The Hospital elected to self-insure employee and eligible dependent health claims. The self-insured claims are processed through a plan administrator. The Hospital's self-insured plan has stop-loss insurance coverage for claims in excess of \$100,000 per individual per plan year and \$35,000 in the aggregate for claims in excess of the individual stop-loss. Prior to this election, the Hospital maintained commercial insurance coverage for health claims.

Laws and Regulations. The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position.

NOTE 12 - BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The hospital must follow Louisiana state statutes regarding collateralization. Per Louisiana Revised Statute 39:1225, the amount of the security shall at all times be equal to one hundred percent of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

At June 30, 2023 and 2022, the Hospital had bank balances as follows:

	<u>2023</u>	<u>2022</u>
Insured (FDIC)	\$ 568,883	\$ 283,892
Collateralized by securities held by the pledging financial Institutions' trust department in the hospital's name	<u>11,207,926</u>	<u>3,765,717</u>
	<u>11,776,809</u>	<u>4,049,609</u>
Carrying Value	<u>\$ 11,663,761</u>	<u>\$ 3,975,771</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 12 - BANK DEPOSITS AND INVESTMENTS, CONT

For June 30, 2023 and 2022, respectively, investment income and gains on assets limited as to use, cash equivalents, and other investments are comprised of the following:

	<u>2023</u>	<u>2022</u>
Interest Income	<u>\$ 2,786</u>	<u>\$ 431</u>

Investments consists of assets held in The Louisiana Asset Management Pool (LAMP) which is an investment pool established as a cooperative endeavor to enable public entities of the State of Louisiana to aggregate funds for investment. It is administered by Louisiana Asset Management Pool, Incorporated, a nonprofit corporation, which is subject to the regulatory oversight of the Treasurer of the State of Louisiana. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA R.S. 33:2955. LAMP is designed to be highly liquid and prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. Investments are reported at fair value on the Statement of Net Position. The fair value for these investments is not materially different from its reported amounts.

At year end, the Hospital's investment balances were as follows:

	<u>2023</u>	<u>2022</u>
	<u>\$49,055,062</u>	<u>\$ 33,183,531</u>

Fair Value of Financial Instruments.

FASB Accounting Standards Codification Topic 820, "Fair Value Measurements (Topic 820)". Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements.

These levels are:

Level 1 - inputs are based upon adjusted quoted prices for identical instruments traded in active markets.

Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.

Level 3 - inputs are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

All investments are based on Level 1 inputs. The hospital relies on the valuation procedures and methodologies of the external managers hired specifically to invest in such securities or in strategies which employ such securities.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 13 - ASSETS LIMITED AS TO USE

On October 3, 2013, the Hospital issued General Obligation Bonds in the amount of \$3,000,000, which required restricted cash to be held in the form of a sinking fund. Section 9.1 of the Series 2013 bond document requires the following cash reservation:

Sinking Fund (a) For the payment of the principal of and the interest on the Bonds, the issuer will maintain a special fund, to be held by the regularly designated fiscal agent of the issuer (the "sinking" fund), into which the issuer will deposit the proceeds of the aforesaid tax...and no other moneys whatsoever...funds fully sufficient to pay promptly the principal and interest falling due on such date.

On October 20, 2022, the Hospital issued General Obligation Bonds in the amount of \$15,000,000, which required restricted cash to be held in the form of a sinking fund. Section 9 of the Series 2022 bond document requires the following cash reservation:

Sinking Fund. For the payment of the principal of and the interest on the Bonds, there is hereby created a special fund known as "Hurricane Recovery Revenue Bonds (2022) Sinking Fund," said Sinking Fund to be established and maintained with the regularly designated fiscal agent bank of the Issuer. The Issuer shall deposit in the Sinking Fund on or before the 20th day of each month of each year, (i) commencing November 20, 2022, a sum equal to one sixth (1/6) of the interest falling due on the next Interest Payment Date, and (ii) commencing October 20, 2023, one-twelfth (1/12) of the principal falling due on the next principal payment date.

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at June 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Under Indenture Agreement:		
Debt Service Funds	<u>\$ 350,293</u>	<u>\$ 127,963</u>

NOTE 14 - CHARITY CARE

The Hospital provides services without charge or at amounts less than its rates to patients who meet the criteria of its charity care policy. The criterion for charity care considers items such as family income, net worth, extent of financial obligations for healthcare services, etc. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported in revenue.

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges forgone, based on established rates, were approximately \$96,762 and \$78,329 for the years ended June 30, 2023 and 2022, respectively.

Management estimates that approximately \$62,895 and \$50,131 of costs were related to charity care for the years ended June 30, 2023 and 2022, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 15 - NET POSITION

Net position for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Invested in capital assets, net of related debt	\$ 4,392,765	\$ 5,576,926
Restricted for:		
Bond Indenture (expendable)	350,293	127,963
Unrestricted	<u>46,228,845</u>	<u>34,374,638</u>
Total Net Position	<u>\$ 50,971,903</u>	<u>\$ 40,079,527</u>

NOTE 16 - GRANT REVENUE

The Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$2,681,360 and \$2,027,185 for the years ended June 30, 2023 and 2022, respectively. The Hospital recognized non-operating grant income of \$281,283 and \$284,680 from Medicare and Medicaid for the years ended June 30, 2023 and 2022, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use" which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in in three stages, with each progressive stage incorporating more stringent measures. The Hospital's policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. To receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate.

The payments can be retained, and additional payments can be earned for each stage if the Hospital meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

Various other grants were received during the year for other uses.

NOTE 17 - 340B DRUG PROGRAM

The Hospital participates in the 340B Drug Pricing Program through the Health Resources and Services Administration (HRSA). Eligible patients receiving care from the Hospital may receive reduced pricing on certain prescriptions if filled with an outside retail pharmacy which is contracted with the Hospital. Gross revenue recognized from 340B outside pharmacies for the years ended June 30, 2023 and 2022 were \$1,072,153 and \$551,411, respectively.

NOTE 18 - RETAIL PHARMACY REVENUE

On January 8, 2015, the Hospital opened Lady of the Sea Community Pharmacy in Larose, Louisiana. On July 1, 2015, the Hospital opened Lady of the Sea Community Pharmacy in Cut Off, Louisiana. Net revenues for the pharmacies are shown on the face of the Statement of Revenues, Expenses, and Changes in Net Position. Net revenues are as follows:

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 18 - RETAIL PHARMACY REVENUE, CONT

	<u>2023</u>	<u>2022</u>
Gross Pharmacy Revenue	\$ 19,108,872	\$ 16,103,411
Less: Contractual Adjustments	<u>11,043,757</u>	<u>9,926,973</u>
Net Community Pharmacy Revenue	<u>\$ 8,065,115</u>	<u>\$ 6,176,438</u>

The Lady of the Sea Community Pharmacy participates in the 340B drug pricing program for eligible patients of the Hospital.

NOTE 19 - GOVERNMENTAL REGULATIONS

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Hospital. It is not possible currently to determine the impact on the Hospital of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Hospital in future years.

NOTE 20 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

As of the date of this report, there were no new pronouncements that affect the Hospital.

NOTE 21 - CARES ACT FUNDING

In response to the COVID-19 pandemic, Congress passed H.R. 748, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which was signed into law by the President on March 27, 2020. This Act established several different tranches of funds meant to ensure businesses would be able to continue paying their employees and other bills despite the reduction in revenue. Lady of the Sea received funds from three of the different portions of funds: The Small Business Administration's Paycheck Protection Program, the Medicare Accelerated Program, and Provider Relief Funds.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 21 - CARES ACT FUNDING, CONT

Medicare Accelerated Program

The hospital received \$2,343,504 in Medicare Accelerated Payments on April 13, 2020. This program has been in existence but was amended and expanded by the Act for the purposes of getting more funding to Medicare Part A providers and Part B suppliers. If these funds are not repaid within one year from the date they were received, CMS will recover the funds by way of recoupment of twenty-five (25) percent of Medicare payments owed to the Hospital for the first eleven (11) months, then recouped at fifty (50) percent for the next six (6) months. The total recoupment will take place over a maximum of twenty-nine (29) months. After that time, a demand letter will be issued for any remaining balance due subject to an interest rate of four (4) percent. The Hospital received a demand letter dated September 26, 2022 and established an extended repayment plan.

Provider Relief Funds

The Hospital received \$0 and \$1,491,679 for the years ending June 30, 2023 and 2022, respectively under this section of the CARES Act. The terms and conditions require that recipients be able to demonstrate that lost revenues and increased expenses attributable to COVID 19, excluding expenses and losses that have been reimbursed from other sources, exceed the total amount of Provider Relief funding received. The Hospital has recognized \$1,491,679 of the available funds as part of grant revenue in the 2022 fiscal year. The Hospital recognized this as non-operating revenue per the guidance laid out in GASB Technical Bulletin 2020-1.

NOTE 22 - SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through December 21, 2023, the date the financial statements were available to be issued.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

PATIENT SERVICE REVENUES

FOR THE YEARS ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>
Anesthesia	\$ -	\$ 42,674
Cardiopulmonary	104,767	468,088
Central Supply	125,742	208,637
Clinics	6,368,295	6,427,930
Dialysis	1,918,680	820,248
EKG	272,462	261,043
Emergency Room	7,684,564	6,990,410
Home Health	924,291	1,078,688
ICU	-	247,400
Laboratory	9,418,511	8,991,082
Med/Surg	2,915	1,204,362
Observation	(2,688)	170,744
Operating Room	(2,041)	202,244
Pharmacy	1,265,042	2,449,086
Radiology	6,013,378	4,739,125
Therapy	<u>2,655,767</u>	<u>1,907,397</u>
 GROSS PATIENT SERVICE REVENUE	 36,749,685	 36,209,158
 Contractual Adjustments	 <u>(17,090,882)</u>	 <u>(15,629,500)</u>
 NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	 <u>\$ 19,658,803</u>	 <u>\$ 20,579,658</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

OTHER OPERATING REVENUES

FOR THE YEARS ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>
Medical Records Revenue	\$ 47,575	\$ 46,942
Miscellaneous	44,069	19,872
Rebate Income	12,465	26,324
Rental Income - Clinics	<u>(1)</u>	<u>4,016</u>
Total Other Operating Revenue	<u>\$ 104,108</u>	<u>\$ 97,154</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SALARIES BY DEPARTMENT

FOR THE YEARS ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>
Administration	\$ 661,256	\$ 557,545
Business Office	312,338	292,989
Cardiopulmonary	317,357	315,103
Clinic Administration	278,960	293,073
Education - Infection Control	59,997	73,553
Emergency Room	1,399,962	1,394,040
ER Doctors	1,458,671	1,330,412
Flex Pool - Emergency Room	-	3,829
General Accounting	156,657	164,367
Home Health	366,555	369,485
Home Health Nursing Services	(1,892)	-
Housekeeping	101,636	144,073
Human Resource and Risk Management	146,944	139,061
ICU	-	79,049
Information Technology	378,311	274,185
Laboratory	616,134	548,115
Laundry	-	2,797
Learning Center	-	13,558
Maintenance	283,412	294,626
Medical Records	150,200	172,893
Medical/Surgical	-	250,693
Nursing Administration	-	1,989
Operating Room	-	71,568
Other	21,080	26,384
Pharmacy	339,832	360,881
Pharmacy Cut Off	997,537	893,902
Pharmacy Larose	507,778	523,425
Public Relations	76,989	101,194
Purchasing	145,172	114,247
Radiology	544,644	536,826
Renal Dialysis	282,041	108,745
Rural Health Clinics	3,739,492	3,468,372
Social Services	-	6,489
Ultrasound	461	15,349
Utilization Review	-	19,550
	<u> </u>	<u> </u>
Total Salaries	<u>\$ 13,341,524</u>	<u>\$ 12,962,367</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

EMPLOYEE BENEFITS

FOR THE YEARS ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>
Disability Insurance	\$ 81,912	\$ 89,502
Hospitalization	1,837,716	1,570,529
Life Insurance	14,152	16,382
Pension Expense	333,260	354,518
Scholarships	26,000	24,000
Social Security	897,424	899,900
Workers' Compensation	71,564	81,978
Other	<u>1,893</u>	<u>163,206</u>
Total Employee Benefits	<u>\$ 3,263,921</u>	<u>\$ 3,200,015</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

PURCHASED SERVICES BY DEPARTMENT

FOR THE YEARS ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>
Administration	\$ 593,568	\$ 535,390
Anesthesia	-	41,160
Business Office	59,378	51,814
Cardiopulmonary	21,794	21,935
Clinic Pharmacy	23,905	17,481
Dialysis	48,947	75,617
Emergency Room	183,860	292,765
Freestanding Health Clinics	2,335	11,948
Home Health	133,423	137,940
Information Technology	6,483	2,414
Laboratory	156,887	251,278
Maintenance	6,054	53,494
Materials Management	(1,514)	15,331
Medical Records	1,820	6,756
Medical/Surgical	(2,840)	26,881
Nutritional Services	-	39,676
Operating Room	-	18,000
Outpatient Rehab	738,462	594,645
Pharmacy	28,800	30,990
Pharmacy - LaRose	18,560	15,118
Radiology	154,137	222,737
Rural Health Clinics	482,374	520,054
340B - Outside Pharmacy	<u>196,881</u>	<u>160,161</u>
Total Purchased Services	<u>\$ 2,853,314</u>	<u>\$ 3,143,585</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SUPPLIES AND OTHER EXPENSES BY DEPARTMENT

FOR THE YEARS ENDED JUNE 30,

	<u>2023</u>	<u>2022</u>
Administration	\$ 1,301,824	\$ 860,382
Anesthesia	(1,024)	(24,149)
Business Office	32,215	18,653
Cardiopulmonary	33,471	52,212
Dialysis	453,464	109,029
Dietary	-	31,412
Education	18,575	4,344
Emergency Room	379,034	312,827
Freestanding Health Clinics	1,857	1,643
General Accounting	100,957	83,878
Home Health	104,059	50,248
Housekeeping	33,176	29,206
Human Resources	8,238	2,778
ICU	(191)	1,478
Information Technology	70,250	56,771
Laboratory	506,647	515,266
Laundry	894	6,683
Maintenance	96,726	255,109
Medical Clinic	10,257	139,090
Medical Records	29,106	34,562
Medical/Surgical	14,160	9,316
Operating Room	(4,563)	(86,078)
Outpatient Rehab	35,560	30,393
Pharmacy	233,190	983,304
Pharmacy - Larose	2,157,654	1,401,601
Pharmacy - Cutoff	3,836,149	3,117,159
Public Relations	88,089	90,973
Purchasing	56,520	588,675
Radiology	388,640	220,029
Rural Health Clinics	1,171,400	700,577
Surgery	-	1,109
Social Services	-	319
Utilization Management	2,584	2,050
340B Outside Pharmacy	410,855	151,831
Total Supplies and Other	<u>\$ 11,569,773</u>	<u>\$ 9,752,680</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

GOVERNING BOARD EXPENSES

FOR THE YEARS ENDED JUNE 30,

The Board of Commissioners receive no compensation for serving on the Board.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

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

JUNE 30,

	<u>2023</u>	<u>2022</u>
KAREN COLLINS		
Salary	\$ 183,101	\$ 174,271
Benefits-Insurance	4,929	4,441
Benefits-Retirement	5,336	5,666
Benefits-Disability/Life	1,024	1,117
Travel	465	591
	<u>\$ 194,855</u>	<u>\$ 186,086</u>
	<u>2023</u>	<u>2022</u>
LLOYD GUIDRY		
Salary	\$ 16,254	\$ -
Benefits-Insurance	648	-
Benefits-Retirement	518	-
Benefits-Disability/Life	99	-
Travel	-	-
	<u>\$ 17,519</u>	<u>\$ -</u>

**Glen P. Langlinais, CPA
Gayla L. Falcon, CPA**

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Elizabeth N. DeBaillon, CPA
Chadwick V. Fortier, CPA
John W. O'Bryan, CPA (Retired)**

**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**

Chairman and Board of Commissioners
Lafourche Parish Hospital Service District No. 1
d/b/a Lady of the Sea General Hospital
Galliano, 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 Lafourche Parish Hospital Service District No. 1, State of Louisiana, Parish of Lafourche, d/b/a Lady of the Sea General Hospital, a component unit of the Lafourche Parish Council (Hospital), as of and for the years ended June 30, 2023 and 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 December 21, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL STATEMENTS

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 and therefore material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan", as items (Findings 2023-1 through 2023-3) that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

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

Sincerely,



LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

December 21, 2023

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

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

For the year ended June 30, 2023

We have audited the financial statements of Lafourche Parish Hospital Service District No. 1, State of Louisiana, Parish of Lafourche, d/b/a Lady of the Sea General Hospital, a component unit of the Lafourche Parish Council (Hospital), as of and for the years ended June 30, 2023, and 2022, respectively, and have issued our report thereon dated December 21, 2023.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audit of the financial statements as of June 30, 2023, and 2022, respectively, resulted in an unmodified opinion.

Section I: Summary of Auditor's Reports

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

Internal Control

Material Weaknesses:	Yes
Significant Deficiencies:	No

Compliance:	
Compliance Material to Financial Statements	No

Section II: Financial Statement Findings

Material Weaknesses

Finding 2023-1 Segregation of Duties

Condition and Criteria: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated in the general accounting function.

Cause: Employees responsible for those duties perform multiple tasks related to the function. Accounting supervisor can add vendors as well as issue checks. In addition, the comptroller, accounting supervisor, and accounts payable clerk can print checks with electronic signatures.

Effect: Failure to adequately segregate accounting and financial functions increases the risk that errors and irregularities, including fraud, may occur and not be prevented.

Recommendation: The authorization of transactions and decisions, recording of those transactions, reconciliation of those transactions, and custody of assets related to those transactions should be separate functions performed by different individuals. For the accounting function, the CFO should review work papers related to journal entries depending on the nature and amount of the journal entries.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

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

For the year ended June 30, 2023

Management Response: Controls are now in place for separate job functions to be performed by separate personnel with getting our accounting department fully staffed. The CFO reviews all work papers, check registers, and reconciliations monthly. Only the controller and accountant, other than AP, have the ability to print checks with electronic signatures, and only as a backup if/when AP is out. Controller also monitors check numbers using a spreadsheet control document.

Finding 2023-2 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal years ended June 30, 2023 and 2022 had material effects on the financial statements.

Cause: Cost report settlements were not available for recording as of the date of the hospital financial close period.

Effect: The accounting department has a limited amount of time to review the year end closing adjustments.

Recommendation: The hospital should consider extending its closing date for the year end to allow time for a comprehensive review to be performed by the CFO so that all non-cost report related adjustments can be made in a timely manner. The proposed audit adjustments should be reviewed by knowledgeable hospital personnel and approved before posting.

Management Response: Management acknowledges there are proposed audit entries for the fiscal year end. June financials are kept open for additional months beyond year end. End of year financials are presented as preliminary until final audit entries, including cost report entries, are posted. After cost report preparation, the end of year financials are presented as final. We do not prepare the cost report in-house.

Finding 2023-3 Bank Reconciliations

Condition and Criteria: Year-end bank reconciliations were not completed in a timely manner.

Cause: Operating transactions were not recorded timely in the general ledger.

Effect: Hospital made a significant number of manual journal entries to record all transactions.

Recommendation: Hospital should review general ledger detail for completeness monthly and reconcile bank accounts in a timely manner.

Management Response: Now that we are fully staffed, we are reconciling the operating account in a timely manner. It is reviewed and signed off on by the CFO.

Section III: Management Letter Items

There are no management letter items at June 30, 2023.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2023

Section I - Internal Control and Compliance Material to the Financial Statements

Finding 2022-1 Segregation of Duties

The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated in the purchasing and receiving cycles and general accounting function.

Status: Unresolved. See Finding 2023-1.

Finding 2022-2 Proposed Audit Adjustments

The proposed audit adjustments for the fiscal years ended June 30, 2023 and 2022 had material effects on the financial statements.

Status: Unresolved. See Finding 2023-2.

Finding 2022-3 Bank Reconciliations

Year-end bank reconciliations were not completed in a timely manner.

Status: Unresolved. See Finding 2023-3.

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Chairman and Board of Commissioners
Lafourche Parish Hospital Service District No. 1
d/b/a Lady of the Sea General Hospital
Galliano, Louisiana

We have performed the procedures described in Schedule A – Procedures and Results, which were agreed to by Lafourche Parish Hospital Service District No.1, d/b/a Lady of the Sea General Hospital (Hospital), a component unit of Lafourche Parish Council, State of Louisiana, and 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 July 1, 2022 through June 30, 2023. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

The Hospital 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 July 1, 2022 through June 30, 2023. 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 described in Schedule A – Procedures and Results.

We were engaged by the Hospital 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 Hospital 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.

Langlinais Broussard & Kohlenberg

LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana
December 21, 2023

Schedule A – Procedures and Results

1) 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.
Result: Policy provided included all of the above functions.
 - 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.
Result: Policy provided included all of the above functions.
 - c) **Disbursements**, including processing, reviewing, and approving.
Result: Policy provided included all of the above functions.
 - d) **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, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
Result: Policy provided included all of the above functions.
 - e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
Result: Policy provided included all of the above functions.
 - 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.
Result: Policy provided included all of the above functions.
 - g) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
Result: Policy provided included all of the above functions.
 - h) **Credit Cards (and debit cards, fuel cards, purchase 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).
Result: Policy provided included all of the above functions.
 - 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

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Result: Policy provided included all of the above functions

- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Result: Policy provided included all of the above functions

- 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.

Result: Policy provided included all of the above functions

- l) ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Result: Policy provided included all of the above functions

2) 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

- i. 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.

Result: Procedure performed; no exceptions noted.

- ii. For those entities reporting on the governmental accounting model, observe whether 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.

Result: Procedure performed; no exceptions noted.

- iii. 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.

Result: Procedure Not Applicable – No exception noted in prior year.

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Result: Procedure performed; no exceptions noted.

3) *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:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
Result: Bank reconciliations include such evidence with the exception of the Operating account.
 - ii. Bank reconciliations include written evidence that a member of management or a 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
Result: Procedure performed; no exceptions noted.
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
Result: Procedure performed; no exceptions noted.

4) *Collections (excluding electronic funds transfers)*

- A. 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).
Result: Document provided; no exceptions noted.
- B. 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 (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then 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
- i. Employees responsible for cash collections do not share cash drawers/registers;
Result: Procedure performed; no exceptions noted.
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
Result: Procedure performed; no exceptions noted.
 - iii. Each employee responsible for collecting cash is not also 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; and
Result: Procedure performed; no exceptions noted.

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.

Result: Procedure performed; no exceptions noted.

- C. 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 in force during the fiscal period.

Result: Procedure performed; no exceptions noted.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (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). Obtain supporting documentation for each of the 10 deposits and:

- i. Observe that receipts are sequentially pre-numbered.

Result: Procedure performed; no exceptions noted.

- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Result: Procedure performed; no exceptions noted.

- iii. Trace the deposit slip total to the actual deposit per the bank statement.

Result: Procedure performed; no exceptions noted.

- iv. 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).

Result: Procedure performed; no exceptions noted.

- v. Trace the actual deposit per the bank statement to the general ledger.

Result: Procedure performed; no exceptions noted.

5) *Non-Payroll Disbursements (excluding card purchases, 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).

Result: Document provided; no exceptions noted.

9. For each location selected under procedure #5A 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, then 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 or making the purchase;

Result: Procedure performed; no exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors;
Result: Procedure performed; no exceptions noted.
 - 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;
Result: Procedure performed; no exceptions noted.
 - 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; and
Result: Procedure performed; noted that the employee responsible processing payments mails the checks.
 - e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
Result: Procedure performed; no exceptions noted.
10. For each location selected under procedure #5A 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
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
Result: Procedure performed; no exceptions noted.
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
Result: Procedure performed; no exceptions noted.
11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.
Result: Procedure performed; no exceptions noted.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.
Result: Document provided; no exceptions noted.

- B. 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 whether 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) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
Result: Procedure performed; no exceptions noted.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
Result: Procedure performed; no exceptions noted.
- C. Using the monthly statements or combined statements selected under procedure #7B 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 (e.g., each card should have 10 transactions subject to inspection). 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 observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.
Result: Procedure performed; no exceptions noted.

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

- A. 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 and 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
- i. 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);
Result: Procedure performed; no exceptions noted.
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
Result: Procedure performed; no exceptions noted.
 - iii. 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 Policies and Procedures procedure #1A(vii); and
Result: Procedure performed; no exceptions noted.

- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
Result: Procedure performed; no exceptions noted.

8) Contracts

- A. 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. *Alternatively, 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
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
Result: Procedure N/A – The selected contracts were not subject to Louisiana Public Bid Law.
- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
Result: Procedure N/A – The selected contracts were not required by policy or law.
- iii. 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, the documented approval); and
Result: Procedure performed; no exceptions noted.
- iv. 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.
Result: Procedure performed; no exceptions noted.

9) Payroll and Personnel

- A. 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.
Result: Document provided; no exceptions noted.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
Result: Procedure performed; no exceptions noted.
- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
Result: Procedure performed; no exceptions noted.

- iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
Result: Procedure performed; no exceptions noted.
- iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
Result: Procedure performed; no exceptions noted.
- C. 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 and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
Result: Procedure performed; no exceptions noted.
- D. 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.
Result: Procedure performed; no exceptions noted.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
 - a. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
Result: Procedure performed; no exceptions noted.
 - b. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
Result: Procedure performed; no exceptions noted.
- 23. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.
Result: Procedure performed; no exceptions noted.

11) Debt Service

- A. 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 debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
Result: Document provided; no exceptions noted.

- B. 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).
Result: Procedure performed; no exceptions noted.

12) Fraud Notice

- A. 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 as required by R.S. 24:523.
Result: Procedure not applicable.
- B. 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.
Result: Procedure performed no exceptions noted.

13) Information Technology Disaster Recovery/Business Continuity

- A. 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 there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
Result: We performed the procedure and discussed the results with management. No exceptions noted
- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
Result: We performed the procedure and discussed the results with management. No exceptions noted
- 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.
Result: We performed the procedure and discussed the results with management. No exceptions noted
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Result: Procedure performed; no exceptions noted.

14) Prevention of Sexual Harassment

26. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, 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 as required by R.S. 42:343.

Result: Procedure performed; no exceptions noted.

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).

Result: Procedure performed; no exceptions noted.

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 the report includes the applicable requirements of R.S. 42:344:

- i. Number and percentage of public servants in the agency who have completed the training requirements;

Result: Procedure performed, 100% of employees have completed the training requirements.

- ii. Number of sexual harassment complaints received by the agency;

Result: Procedure performed; 0 complaints received.

- iii. Number of complaints which resulted in a finding that sexual harassment occurred;

Result: Procedure performed; 0 complaints received.

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Result: Procedure performed; 0 complaints received.

- v. Amount of time it took to resolve each complaint.

Result: Procedure performed; 0 complaints received.

Management Response: Now that we are fully staffed, we are reconciling the operating account in a timely manner. It is reviewed and signed off on by the CFO. We will revert back to having someone other than accounts payable clerk mailing out checks.