HOSPITAL SERVICE DISTRICT NO.2

OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Annual Component Unit Financial Statements with Independent Auditor's Report

and

Report on Internal Control Over Financial Reporting and Compliance and Other Matters

For the Year Ended December 31, 2025

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FINANCIAL INFORMATION SECTION

PITTS & MATTE

a corporation of
certified public accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Hospital Service District No. 2 of the Parish
of St. Mary, State of Louisiana
Morgan City, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and the major fund of Hospital Service District No. 2 (District) of the Parish of St. Mary, a component unit of the St. Mary Parish Council, as of and for the year ended December 31, 2025, and the related notes to the financial statements which collectively comprise the District'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 respective financial position and changes in financial position of the District, as of December 31, 2025, 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 District 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.

Responsibility of Management for the Financial Statements

Management is responsible for 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.

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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 District'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:

a. Exercise professional judgement and maintain professional skepticism throughout the audit.
b. 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.
c. 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 District's internal control. Accordingly, no such opinion is expressed.
d. 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.
e. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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 required 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.

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

Other Reporting Requirements by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with Government Auditing Standards in considering District's internal control over financial reporting and compliance.

Pitts + Matte

CERTIFIED PUBLIC ACCOUNTANTS

August 11, 2026
Morgan City, Louisiana

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO.2 PARISH OF ST. MARY

Statement of Net Position

December 31, 2025

ASSETS	Governmental Activities
CURRENT ASSETS	
Cash and interest-bearing deposits	$ 987,838
Investments	1,013,912
Interest receivable	6,784
Property tax receivable	2,329,181
Lease receivable	101,872
Total current assets	4,439,587
RESTRICTED ASSETS	
Cash and interest-bearing deposits	6,735,177
Investments	364,433
Total restricted assets	7,099,610
NONCURRENT ASSETS	
Lease receivable	871,832
Capital assets	
Capital assets not being depreciated	326,378
Other, net of accumulated depreciation	49,000
Total noncurrent assets	1,247,210
TOTAL ASSETS	$ 12,786,407
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	$ 83,146
Current portion of long-term debt	550,000
Total current liabilities	633,146
NONCURRENT LIABILITIES	
Noncurent portion of long-term debt	6,150,000
Total noncurrent liabilities	6,150,000
Total Liabilities	6,783,146
DEFERRED INFLOWS OF RESOURCES	
Related to lease receivable	973,704
Unearned rental income	112,917
Total deffered inflows of resources	1,086,621
Total liabilities and deferred inflows of resources	7,869,767
NET POSITION (DEFICIT)	
Net investment in capital assets	375,378
Restricted	
Plant replacement and other	395,836
Debt service	743,960
Capital projects	6,703,774
Unrestricted	(3,302,308)
Total net position (deficit)	4,916,640
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 12,786,407

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

HOSPITAL SERVICE DISTRICT NO. 2 PARISH OF ST. MARY

Statement of Activities

For the Year Ended December 31, 2025

		Governmental Activities
Expenses		
Current program:		
Advertising	$	6,024
Bank charges		47
Board per diem		3,240
Community outreach		76,272
Depreciation expense		3,500
Election cost		3,725
Insurance		2,055
Legal and professional		237,072
Office expense		2,125
Pension - ad valorem		110,293
Recruitment		29,479
Total program expenses		473,832
Program revenues		
Rental income		96,996
Total program revenues		96,996
Net program expenses		376,836
General revenues		
Taxes:		
Ad valorem taxes		2,914,586
Dividend income		3,646
Gain (loss) on investments		7,614
Interest income		97,724
Interest income from leasing agreements		53,536
Other income		211
Total general revenues		3,077,317
Increase (decrease) in net position		2,700,481
Net position - beginning of year		2,216,159
Net position - end of year	$	4,916,640

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

FUND FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 2 PARISH OF THE ST. MARY

Balance Sheet
Governmental Funds
December 31, 2025

	Governmental Fund Types			
	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 987,838	$ -	$ -	$ 987,838
Due from other funds		743,960	-	743,960
Investments	1,013,912	-	-	1,013,912
Interest receivable	6,784	-	-	6,784
Property tax receivable	2,329,180	-	-	2,329,180
Total current assets	4,337,714	743,960	-	5,081,674
Restricted assets:				
Restricted cash	31,403	-	6,703,774	6,735,177
Restricted investments	364,433	-	-	364,433
Total restricted assets	395,836	-	6,703,774	7,099,610
Total assets	$ 4,733,550	$ 743,960	$ 6,703,774	$ 12,181,284
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 12,711	$ -	$ 70,435	$ 83,146
Due to other funds	743,960	-	-	743,960
Total liabilities	756,671	-	70,435	827,106
Fund balances:				
Nonspendable				-
Restricted	395,836	-	6,703,774	7,099,610
Unassigned	3,581,043	743,960	(70,435)	4,254,568
Total fund balances (deficit)	3,976,879	743,960	6,633,339	11,354,178
Total liabilities and fund balances	$ 4,733,550	$ 743,960	$ 6,703,774	$ 12,181,284

Reconciliation of the total fund balance -- total governmental funds to the net position of governmental activities:

Total fund balance - Governmental Funds		$	11,354,178
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.			375,378
Lease receivable income for right-of-use leases in governmental activities is not current financial resources and, therefore, is not reported in the governmental funds balance sheet.			973,704
Noncurrent liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.			
Current portion of long-term debt	(550,000)		
Noncurrent portion of long-term debt	(6,150,000)		(6,700,000)
The deferred outflows and inflows of resources that do not affect the current period are not repoprted in the governemental fund balance sheet			
Deferred inflows related to lease receivable	(973,704)		
Deferred inflows related to unearned rental income	(112,916)		(1,086,620)
Net position of governmental activities		$	4,916,640

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

HOSPITAL SERVICE DISTRICT NO. 2 PARISH OF THE ST. MARY

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Ad valorem taxes	$ 2,914,586	$ -	$ -	$ 2,914,586
Dividend income	3,646	-	-	3,646
Gain (loss) on investment	7,614	-	-	7,614
Interest income	93,950	-	3,774	97,724
Other income	211	-	-	211
Rental income	150,532	-	-	150,532
Total revenues	3,170,539	-	3,774	3,174,313
Expenditures				
Advertising	6,024	-	-	6,024
Bank charges	47	-	-	47
Board per diem	3,240	-	-	3,240
Community outreach	76,272	-	-	76,272
Election cost	3,725	-	-	3,725
Insurance	2,055	-	-	2,055
Legal and professional	166,637	-	-	166,637
Office expense	7,419	-	-	7,419
Pension - ad valorem	110,293	-	-	110,293
Recruitment	29,479	-	-	29,479
Debt service:				
Debt issuance cost	-	-	70,435	70,435
Capital Outlay	260,668	-	-	260,668
Total expenditures	665,859	-	70,435	736,294
Excess of revenue over (under) expenditures	2,504,680	-	(66,661)	2,438,019
Other financing sources				
Proceeds from bonds	-	-	6,700,000	6,700,000
Operating transfers in	-	743,960	-	743,960
Operating transfers out	(743,960)	-	-	(743,960)
Total other financing sources (uses)	(743,960)	743,960	6,700,000	6,700,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,760,720	743,960	6,633,339	9,138,019
Fund balances, beginning of year	2,216,159	-	-	2,216,159
Fund balances, end of year	$ 3,976,879	$ 743,960	$ 6,633,339	$ 11,354,178

Reconciliation of the changes in fund balances - total governmental funds to the change in net position of governmental activities:

Excess of revenue over (under) expenditures	$	9,138,019
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation ($3,500) was exceeded by capital outlays which meet the District's capitalization policy ($260,668) in the current period.		257,168
Reclassification resulting from the conversion from an enterprise fund to a governmental fund		5,294
Issuance of debt including its associated premiums or discounts is reported as a source for spending in the governmental funds, but as a liability in the Statement of Activities		(6,700,000)
Change in net position of governmental activities	$	2,700,481

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

HOSPITAL SERVICE DISTRICT NO. 2 OF THE PARISH OF ST. MARY
State of Louisiana

Notes to the Financial Statements
December 31, 2025

Hospital Service District No. 2 (hereafter "'District'"), which is a component unit of the Parish of St. Mary, was created by Ordinance No. 420 of the Police Jury of St. Mary Parish (predecessor of the St. Mary Parish Council) passed in July of 1952 to operate, control, and manage matters concerning the health care of citizens in the eastern portion of St. Mary Parish.

The District is governed by a board of commissioners, not to exceed seven members, appointed by the St. Mary Parish Council.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The more significant of the District's accounting policies are described below.

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (b) organizations for which the primary government is financially accountable, and (c) other organizations for which 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.

Governmental Accounting Standards Board Statement (GASB) No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the St. Mary Parish Government 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. This criterion includes:

a. Appointing a voting majority of an organization's governing body, and the ability of the Parish Council to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Council.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Organizations for which the Parish Council does not appoint a voting majority but are fiscally dependent on the Parish Council.

c. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Parish Council appoints the governing body, the District is a component unit of the St. Mary Parish Government, the financial reporting entity. The accompanying component unit financial statements present information only on the funds maintained by the District and do not present information on the Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basic Financial Statements - Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities which report all activities of the District as a whole. The government-wide presentation focuses primarily on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. Governmental activities generally are financed through taxes and other nonexchange revenues.

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The following is a description of the funds utilized by the District.

Governmental Funds

General Fund
The General Fund is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in other funds.

Debt Service Fund
The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Project Fund
The Capital Project Fund is used for paying the cost of improving and equipping new and existing hospitals and other healthcare facilities in the area, as well as cost of issuance of the bonds.

D. Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Government-wide Statements
The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, all liabilities, and deferred inflows of resources (whether current or noncurrent) are included on the statement of net position, and the statement of activities presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Fund Financial Statements
Governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities, and current deferred inflows of resources, generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities (the District uses a sixty-day period after year end).

E. Revenues

The following is a summary of the District's recognition policies for its major revenue sources:

Ad valorem taxes (which are based on property and homesteads in the District) are recorded in the year the taxes are assessed.

Investment earnings are generally recorded when earned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Substantially all other revenues are recorded when received.

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

F. Deferred Outflows and Inflows of Resources

The District reports a separate section on the statement of net position for deferred inflows of resources related to its long-term lease with Ochsner Morgan City LLC. This separate financial statement element reflects an increase in net assets that applies to a future period. The District will not recognize the related inflows (revenues) until a future event occurs, i.e., payments on the lease.

G. Expenses/Expenditures

The government-wide financial statements recognize expenses under the accrual basis of accounting and record the related liability at the time the expense is incurred.

In the fund financial statements, expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except principal and interest on long-term debt which is not recognized until due.

H. Cash, Cash Equivalents, and Investments

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts and savings accounts of the District. Interest-bearing deposits are stated at cost. which approximates market.

Under state law, the District may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Investments are stated at fair value as determined by quoted market prices or other observable inputs. If quoted market prices are not available, fair value is estimated by determining the fair value of investments possessing similar yield, maturity, and repayment and risk characteristics. Gains or losses on sales of investments are recognized using the specific identification method. The calculation of realized gains and losses is independent of the calculation of the net change in fair value of

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

investments. Realized gains and losses on investments that were held in more than one calendar year and sold in the current year were included as a change in fair value of investments reported in the prior year and the current year. Investment earnings include interest and dividend income, realized gains and losses, and unrealized gains and losses. Realized gains and losses are determined using the specific identification method. Investment earnings are reported as a component of nonoperating income.

For financial statement purposes, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

I. Restricted Assets

The District has restricted assets for future facility and equipment repairs and replacements.

J. Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All purchased fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Fixed assets are reported at their historical cost or estimated fair market value less their accumulated depreciation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation is computed using the straight-line method based on the estimated useful life of the various assets. The following is a summary of estimated useful lives by classification of the fixed assets:

Category	Years
Buildings and building improvements	10-40
Equipment	3-15

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Long-term Debt

Government-wide Financial Statements

In the government-wide financial statements, all long-term debt is reported as a liability. The long-term debt of the District consists of bonds payable.

Fund Financial Statements

Long-term debt for governmental funds is not reported as liability in the fund financial statements. The debt proceeds and the repayment of existing debt, with new debt proceeds are reported as other financing sources and uses; and the payment of principal and interest with other funds are reported as expenditures.

L. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in the three components:

a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional, provisional, or enabling legislation.

c. Unrestricted - all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

Governmental fund equity is classified by five categories; nonspendable, restricted, committed, assigned, or unassigned. At present, the District only requires reporting of restricted and unassigned. Restricted represents those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Unassigned represents those portions of fund equity that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purpose within the General Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Leases

The District recognizes a lease receivable and a deferred inflow of resources in the financial statements in accordance with GASBS No. 87. *Leases.*

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The lease receivable is amortized on a straight-line basis over the lease term.

The District uses the interest rate implicit in the lease agreement, if determinable. When the implicit interest rate is not determinable, the District uses its estimated incremental borrowing rate as the discount rate for the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments through the noncancellable term of the lease, including any renewal or option periods regardless of the certainty the renewals or options being exercised.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease if certain changes occur that are expected to significantly affect the amount of the lease receivable as provided in GASBS 87.

NOTE 2 – CASH AND INTEREST-BEARING DEPOSITS

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. These deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

NOTE 2 – CASH AND INTEREST-BEARING DEPOSITS (continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered, or the District will not be able to recover collateral securities that are in the possession of an outside party. At December 31, 2025, the District has cash and interest-bearing deposits totaling $7,723,015 of which $1,019,241 was covered by federal depository insurance, the uninsured portion $6,703,774 is subject to custodial credit risk and was collaterized with securities held by the pledging financial institution.

NOTE 3 – INVESTMENTS

State law allows the investment in direct United States Treasury obligations; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies or U. S. Government instrumentalities, which are federally sponsored; direct security repurchase agreements of any federal book entry only securities guaranteed by the U.S. Government; time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana; savings account or shares of certain savings and loan associations and savings banks; certain accounts of federally or state chartered credit unions; certain mutual or trust fund institutions; certain guaranteed investment contracts; and investment grade commercial paper of domestic United States corporation.

As of December 31, 2025, the District had the following investments and maturities (in years):

Description	Fair Value	>5
U.S. Government and Government-Agency Securities	$1,378,345	$1,378,345

In accordance with GASB Statement No.31, the District recognizes the net increase (decrease) in the fair value of its investments. For the year ended December 31, 2025, the fair value of the District's investments decreased $541,441. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk for all public entity investments.

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment. The District's investment policy conforms to state law, as described above, which has no provision for custodial risk.

NOTE 3 – INVESTMENTS (continued)

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy conforms to state law, which does not include a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is defined as the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The types of investments allowed by state law ensure that the District is not exposed to credit risk

The District's investments are asset-backed securities (ABS), mortgage-backed securities (MBS). and collateralized mortgage obligations (CMOs) that are not rated.

Fair Value Measurements

To the extent available, the District's investments are recorded at fair value as of December 31, 2025. GASB Statement No. 72, *Fair Value Measurements and Application,* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The District measures its investments using fair value guidelines established by GASB *72,* which recognizes a three-tiered fair value hierarchy as follows:

a. Level 1 - quoted prices for identical investments in active markets
b. Level 2 - observable inputs other than quoted market prices
c. Level 3 - unobservable inputs

The District's investments are measured using quoted prices for identical investments in active markets (Level 1 inputs). The investments are valued using quoted market prices of the underlying investment on a recurring basis. The District's investments are redeemable on demand.

Concentration of credit risk relates to the amount of investments in any one entity. At December 31, 2025, the District had no investments in any entity which exceeded 5% of total investments, except obligations of federal and state agencies.

NOTE 4 - TAXES

The District's property tax is levied in October of each year on the assessed value of property within the District's taxing area. Taxes are due and payable by December 31 and taxes are considered delinquent January 1. Notices regarding seizures are sent out in April with the seizure date being May 1. The taxes are collected on behalf of the District by the Sheriff and then remitted to the District. The District actually receives most of the taxes in January.

NOTE 4 – TAXES (continued)

The District receives 9 mils of property tax for the year ended December 31, 2025. For the year ended December 31, 2025, each mil levied resulted in approximately $324,000 in ad valorem taxes received by the District for the purpose of improving and equipping new and existing hospitals and other health care facilities in the District and paying the cost of issuance of the bonds.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025 was as follows:

	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025
Capital assets not being depreciated				
Construction in process	$ -	$ 208,168	$ -	$ 208,168
Land	118,210	-	-	118,210
Total capital assets not being depreciated	118,210	208,168	-	326,378
Other capital assets				
Building and improvements	25,110,582	-	-	25,110,582
Equipment	-	52,500	-	52,500
Total other capital assets at historical cost	25,110,582	52,500	-	25,163,082
Less: accumulated depreciation				
Building and improvements	(25,110,582)	-	-	(25,110,582)
Equipment	-	(3,500)	-	(3,500)
Total accumulated depreciation	(25,110,582)	(3,500)	-	(25,114,082)
Other capital assets, net	-	49,000	-	49,000
Total capital assets, net	$ 118,210	$ 257,168	$ -	$ 375,378

Depreciation expense for the year totaled approximately $4,000.

NOTE 6 – COMPENSATION OF BOARD MEMBERS

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 46.1053(C)(2)(a) limits compensation paid to board members, with the approval of the parish governing authority, for attendance: at meetings of the District, in an amount of not less than twenty-five dollars nor more than forty dollars, not to exceed twenty-four meetings per year.

Thane Aucoin	$ 480
Angelena Brocato	440
William A. Cefalu, Jr.	560
Jackie Cheramie	480
Barry Dufrene	80
William McCarty	440
Clarence Robinson	280
Donald Stephens	160
Kendra Thomas	40
	$ 2,960

Act 706 of the 2014 Legislative Session amended R.S. 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. With the exception of per diem, no other payments which would require disclosure were made to the District's Chief Officer. For the year ended December 31, 2025, the District's Chief Officer, William A. Cefalu. Jr., received $560 in per diem payments.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts and errors and omissions. The District has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. There were no significant changes in coverage, retentions, or limits during the year ended December 31, 2025.

NOTE 8 – LEASE

Effective June 28, 2019, the District executed a lease agreement which leased, for the initial term of ten (10) years, substantially all of the assets of the District to Ochsner Morgan City LLC (Ochsner), a general acute care hospital operating as a not-for-profit organization. Commitments, contracts, leases and agreements relating to assets and all licenses and permits to the extent assignable were included in the lease. Ochsner also assumed certain District liabilities. Upon expiration of the initial term, the lease shall automatically renew for an additional five (5) year term unless notification of intent not to renew is provided at least 365 days prior to the expiration of the current term.

NOTE 8 – LEASE (continued)

Ochsner, at its own expense, shall repair and maintain the leased property at a combined cost not to exceed two hundred thousand dollars ($200,000) in each lease year. During the initial term, Ochsner will make annual lease payments of one hundred fifty thousand, five hundred fifty-seven dollars ($150,557). Rent is payable on the commencement date and on each anniversary of the commencement date thereafter. Rent for any successive terms shall continue as set forth in initial terms. All taxes and utilities shall be paid by Ochsner.

During the year ended December 31, 2025, the District recognized a lease receivable and a deferred inflow of resources in its financial statements. Future payments included in the measurement of the lease receivable are as follows:

Year Ending December 31,	Receivable	Interest	Total
2026	$ 101,872	$ 48,685	$ 150,557
2027	106,965	43,592	150,557
2028	112,314	38,243	150,557
2029	117,929	32,628	150,557
2030	123,826	26,731	150,557
2031-2033	410,798	40,873	451,671
	$ 973,704	$ 230,752	$ 1,204,456

NOTE 9 – LONG-TERM DEBT

Limited Tax Bonds

$6,700,000 of Limited Tax Bonds were issued on December 18, 2025, for the purpose of improving and equipping new and existing hospitals and other health care facilities in the District. The bonds bear interest at a rate of 4.37 percent and are payable through the year 2035.	$ 6,700,000
	$ 6,700,000

The following is an approximation of future debt requirements at December 31, 2025:

Year Ending	Principal	Interest	Total
2026	$ 550,000	$ 193,749	$ 743,749
2027	575,000	256,191	831,191
2028	595,000	230,627	825,627
2029	625,000	203,970	828,970
2030	650,000	176,111	826,111
2031-2033	3,705,000	418,318	4,123,318
	$ 6,700,000	$ 1,478,966	$ 8,178,966

NOTE 10 – ON-BEHALF PAYMENTS

Property tax revenues include amounts withheld by the Sheriff to make on-behalf payments which represents the District's pro-rata share of retirement plan contributions for other governmental units. Because the District is one of multiple governmental agencies receiving proceeds from a property tax assessment, it has to bear a pro-rata share of the pension expense relating to the public employees who participate in the Assessor's Retirement Fund, Clerk of Court Retirement Fund, District Attorney's Retirement System, Municipal Employees' Retirement System, Parochial Employees' Retirement System, Registrar of Voter Employees' Retirement System, Sheriffs' Pension & Relief Fund, and Teacher's Retirement System.

The pro-rata share of the required contribution ($110,293) that was withheld by the Sheriff from property tax collections to satisfy the District's obligation has been presented as "pension – ad valorem" in the expenditure of the Debt Service fund in these financial statements. The District has also increased its property tax revenues by the same amount of the expenditure.

REQUIRED SUPPLEMENTAL INFORMATION

HOSPITAL SERVICE DISTRICT NO. 2 PARISH OF THE ST. MARY

Budgetary Comparison Schedule
General Fund (Non GAAP Basis)
For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues			
Ad valorem taxes	$ 2,579,105	$ 2,914,586	$ 335,481
Dividend income	-	3,646	3,646
Gain (loss) on investments	107,100	7,614	(99,486)
Interest income	-	93,950	93,950
Other income		211	211
Rental income	150,532	150,532	-
Total revenues	2,836,737	3,170,539	333,802
Expenditures			
Advertising	4,970	6,024	(1,054)
Bank charges	-	47	(47)
Board per diem	2,800	3,240	(440)
Capital improvements	175,000	260,668	(85,668)
Community outreach	125,000	76,272	48,728
Election cost	3,725	3,725	-
Insurance	-	2,055	(2,055)
Legal and professional	219,180	166,637	52,543
Office expense	500	7,419	(6,919)
Recruitment	20,000	29,479	(9,479)
Total expenditures	551,175	555,566	(4,391)
Net change in fund balance	2,285,562	2,614,973	338,193
Other financing sources			
Operating transfers out	-	(743,960)	(743,960)
Total other financing sources (uses)	-	(743,960)	(743,960)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	2,285,562	1,871,013	(405,767)
Fund balance at beginning of year	2,216,159	2,216,159	-
Fund balance at end of year	$ 4,501,721	$ 4,087,172	$ (405,767)

The accompanying notes are an integral part of this supplemental information.

HOSPITAL SERVICE DISTRICT NO. 2 OF THE PARISH OF
ST. MARY, STATE OF LOUISIANA

Notes to Required Supplemental Information
(Unaudited)

December 31, 2025

NOTE 1 - BUDGET PROCESS

The District adopts a budget for the operations of its General Fund. The budget is adopted on a basis consistent with generally accepted accounting principles, except for and recognition of pension costs related to ad valorem which is recognized upon collection of ad valorem tax. All annual appropriations lapse at fiscal year-end. Budgets are amended when necessary, with Board approval. In the financial statement comparison of the budget to actual amounts, both the original and final amended amounts are shown.

NOTE 2 - BUDGET RECONCILIATION

The following is a reconciliation of the actual amounts as shown in the operating budget to the actual amounts as shown in the financial statements:

Excess (deficiency) of revenues and other financing sources over (under) expenditures	$ 1,871,013
Less:	
Pension – ad valorem	(110,293)
Excess (deficiency) of revenues and other financing sources over (under) expenditures per Statement of Revenues, Expenditures and Changes in Fund Balance	$1,760,720

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS SECTION

PITTS & MATTE

a corporation of
certified public accountants

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

Board of Commissioners
Hospital Service District No. 2, of the Parish
of St. Mary, State of Louisiana
Morgan City, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the budgetary comparisons for the General Fund of Hospital Service District No. 2 of the St. Mary Parish (District) as of the year ended December 31, 2025, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 11, 2026.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Legislative Auditor.

Pitts & Matte

CERTIFIED PUBLIC ACCOUNTANTS

August 11, 2026
Morgan City, Louisiana

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

Schedule of Findings
For the Year Ended December 31, 2025

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expressed an unmodified opinion on the financial statements of the Hospital Service District No. 2, of the Parish of St. Mary.

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

   <u>Internal Control Over Financial Reporting</u>
   No findings are required to be reported for the year ended December 31, 2025.

   <u>Compliance and Other Matters</u>
   There were no material instances of noncompliance or other matters noted during the audit of the financial statements.

3. Federal Awards

   This section is not applicable for the year ended December 31, 2025.

4. Management Letter

   No letter was issued.

B. FINDINGS FINANCIAL STATEMENT AUDIT

There are no findings to be reported for the year ended December 31, 2025.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS

This section is not applicable for the year ended December 31, 2025.

SUMMARY OF PRIOR YEAR FINDINGS AND RELATED CORRECTIVE ACTION PREPARED BY HOSPITAL SERVICE DISTRICT NO. 2 OF THE PARISH OF ST. MARY, STATE OF LOUISIANA

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Internal Control and Compliance

There were no findings in the prior year.

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

This section is not applicable.

HOSPITAL SERVICE DISTRICT NO. 2

OF THE PARISH OF ST. MARY

STATE OF LOUISIANA

SCHEDULE OF PROCEDURES PERFORMED AND
ASSOCIATED FINDINGS BASED UPON THE
STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED
December 31, 2025
WITH
AGREED UPON PROCEDURES REPORT
BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated in the attached Schedule of Procedures Performed and Associated Findings Based Upon the Statewide Agreed-Upon Procedures (Schedule), on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor (LLA)'s Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2025 through December 31, 2025. Hospital Service District No. 2 of the Parish of St. Mary (District)'s management is responsible for those C/C areas identified in the SAUPs presented in the attached Schedule.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2025 through December 31, 2025. 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 included in the attached Schedule.

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

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

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The purpose of this report is 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 may be distributed by the LLA as a public document.

Pitts + Matte

CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
August 11, 2026

HOSPITAL SERVICE DISTRICT NO. 2 OF THE PARISH OF ST. MARY

STATE OF LOUISIANA

Schedule of Procedures Performed and Associated Findings Based upon the Statewide Agreed-Upon Procedures
For the Year Ended December 31, 2025

Guide to Presentation Format

This report contains these items presented in this order:

Statewide Agreed-Upon Procedures (SAUPs) prescribed by the Louisiana Legislative Auditor (LLA),
Procedures performed by the Independent Certified Public Accountant,
Findings based upon the procedures performed, and
Management's Comments relative to the findings, if applicable.

In order to facilitate understanding this report - the procedures and findings are presented in the following format:

Order of Presentation	**Presentation Format**
Area or function	**Centered all CAPITALS IN BOLD TYPE**
Statewide Agreed-Upon Procedures Prescribed (SAUPs) by Louisiana Legislative Auditor (LLA)	Regular type highlighted with numbers or letters (if there are multiple parts)
Actual procedures performed by Independent Certified Public Accountant	Denoted as **Procedure Performed:** (in bold type) followed by procedure in regular type
Finding based upon procedure performed	Denoted as **Findings:** (in bold type) followed by findings in regular type
Management's response to findings	Denoted as ***Management's Response:*** (in bold type) followed by *managements response in italics*

1) Written Policies and Procedures

A. 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:

Budgeting

i. Budgeting, including preparing, adopting, monitoring, and amending the budget.

Procedure Performed: Inquired of management and obtained management's representation that the District does not have written policies and procedures for budgeting.

Findings: Found the District has policies and procedures in place for budgeting; however, the policies and procedures are not in writing.

Purchasing

ii. Purchasing, (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.

Procedure Performed: Inquired of management and obtained management's representation that the District does not have written policies and procedures for purchasing.

Findings: Found the District has policies and procedures in place for purchasing; however, the policies and procedures are not in writing.

Disbursements

iii. Disbursements, including processing, reviewing, and approving.

Procedure Performed: Inquired of management and obtained management's representation that the District does not have written policies and procedures for disbursements.

Findings: Found the District has policies and procedures in place for disbursements; however, the policies and procedures are not in writing.

Receipts/Collections

iv. 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).

Procedure Performed: Inquired of management and obtained management's representation that the District does not have written policies and procedures for receipts/collections.

Findings: Found the District does not have written policies and procedures for receipts/collections, as the District has a third-party contractor performing all collection functions for the entity. Therefore, this category is not applicable to the District.

Payroll/Personnel

v. 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.

Procedure Performed: Inquired of management and obtained management's representation that the District does not have written policies and procedures for payroll/personnel.

Findings: Found the District does not have written policies and procedures for Payroll/Personnel, as the District does not have any employees. Therefore, this category is not applicable to the District.

Contracting

vi. Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Procedure Performed: Inquired of management and obtained management's representation that the District does not have written policies and procedures for contracting.

Findings: Found the District has policies and procedures in place for contracting; however, the policies and procedures are not in writing.

Travel and Expense Reimbursement

vii. Travel and Expense Reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Procedure Performed: Inquired of management and obtained management's representation that the District does not have written policies and procedures for travel and expense reimbursement.

Findings: Found the District does not have written policies and procedures for travel and expense reimbursements, as the District does not have any employees. Therefore, this category is not applicable to the District.

Credit Cards

viii. 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).

Procedure Performed: Inquired of management and obtained management's representation that the District does not have written policies and procedures for credit cards.

Findings: Found the District does not have written policies and procedures for credit cards, as they do not have any credit cards, debit cards, fuel cards, or purchase cards. Therefore, this procedure is not applicable to the entity.

Ethics

ix. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Procedure Performed: Inquired of management and obtained management's representation that the District does not have written policies and procedures for Ethics.

Findings: Found the District has policies and procedures in place for ethics; however, the policies and procedures are not in writing.

Debt Service

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

Procedure Performed: Inquired of management and obtained management's representation that the District does not have written policies and procedures for debt service.

Findings: Found the District has policies and procedures in place for debt service; however, the policies and procedures are not in writing.

Information Technology Disaster Recovery/Business Continuity

xi. 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.

Procedure Performed: We performed the procedures.

Findings: Discussed the findings with management.

Prevention of Sexual Harassment

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

Procedure Performed: Inquired of management and obtained management's representation that the District does not have written policies and procedures for prevention of sexual harassment.

Findings: Found the District has policies and procedures in place for prevention of sexual harassment; however, the policies and procedures are not in writing.

Management's Response:

We plan to put policies and procedures in writing for Budgeting, Purchasing, Disbursements, Contracting, Ethics, Debt Service, and Prevention of Sexual Harassment.

We do not have policies and procedures for Travel and Expense Reimbursement, Credit Cards, Payroll/Personnel, and Receipts/Collections, as these categories are not applicable to the District.

2) Board or Finance Committee

A. 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.

Procedure Performed: Obtained and read the District's board minutes for the fiscal period, as well as Louisiana State Law as it relates to Hospital Districts and the Ordinance that created the District.

Findings: Found that the District met with a quorum at all 12 monthly meetings.

ii. For those entities reporting on the governmental accounting model, review the minutes from all regularly scheduled board/finance committee meetings held during the fiscal year and observe whether the minutes from at least one meeting each month referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Procedure Performed: Obtained and read the District's board minutes for the fiscal period.

Findings: Found that the minutes referenced budget-to-actual comparison on the general fund.

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.

This is not applicable, as the District operated as an enterprise fund during the previous fiscal 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.

Procedure Performed: Obtained and read the District's meeting minutes for the fiscal period.

Findings: Found the District did not have any audit findings in the prior year; therefore, this procedure is not applicable to the District in the current fiscal period.

Management's Response:
No comment.

3) Bank Reconciliations

A. 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);

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 within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and

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.

Procedures Performed: Obtained the listing of bank accounts from management and management's representation that the list is complete. The listing contained 5 bank accounts, which included a money market account and a savings account that are not part of the District's daily business operations; therefore, we excluded these accounts for the purposes of the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures. For the remaining three accounts, we randomly selected one month from the fiscal period, and obtained and inspected the corresponding bank statements and bank reconciliations.

Findings:

i. Found that the bank reconciliations did not included evidence that they were prepared within 2 months of the related statement closing date.

ii. Observed no written evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed any of the bank reconciliations within 1 month of the preparation date.

iii. Observed none of the accounts had reconciling items that have been outstanding for more than 12 months from the statement closing date.

Management's Response:

In the future, we will prepare bank reconciliations within 2 months of the related statement closing date and we will include evidence that a member of management or board member who does not handle cash, post ledgers, or issue checks has reviewed each reconciliation within 1 month of date the reconciliation was prepared.

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).

Procedure Performed: Inquired of management and obtained management's representation that all of the District's collection functions are performed by a third-party contractor.

Findings: Found that the District has a third-party contractor performing all collection functions.

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;

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;

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

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

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.

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). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and

i. Observe that receipts are sequentially pre-numbered.

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

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

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).

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

The District has as a third-party contractor performing all collection functions. LLA states, "The collection category is not required to be performed if the entity has a third-party contractor performing all collection functions." Therefore, we excluded procedure #4B, #4C, and #4D.

Management's Response:
No comment.

5) Non-Payroll Disbursement (excluding card purchases, travel reimbursements, and petty cash purchases)

A. 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).

Procedure Performed: Obtained a listing of locations that process payments from management and management's representation that the listing is complete.

Findings: Found the District has one location that processes payments.

B. 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

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

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

iii. 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;

iv. 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

v. 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.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

Procedure Performed: Obtained a listing of individuals involved with non-payroll purchasing and payment functions and inquired of management regarding duties.

Findings: Found that the District does not have employees; therefore, procedures are performed by a third-party contractor and at least one official.

i. Found that at least two individuals are involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase.

ii. Found that at least two individuals are involved in processing and approving payments to vendors.

iii. Found that the individual responsible for processing payments is not prohibited from adding/modifying vendor files; however, all vendors and payments must be approved by the board.

iv. Found that two board members sign each check and the signed checks are returned to the same individual who processes payments, for mailing.

v. Found that two board members, who are authorized to sign checks, also approve the electronic disbursement of funds.

C. 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

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.

Procedure Performed: Obtained the District's non-payroll disbursements transaction population (excluding cards and travel reimbursements) and management's representation that the population is complete. We randomly selected 5 disbursements from the listing and obtained supporting documentation for each transaction.

Findings:

i. Found all 5 selected disbursements matched the related original itemized invoice and none of the related invoices included deliverables.

ii. Found disbursement documentation did not include evidence of segregation of duties tested under 5B(i), 5B(ii), and 5B(iv). Procedure 5B(iii) and 5B(v) are not applicable for the selected disbursements because vendor files were not added or modified at the time of the disbursement and none of the disbursements were electronically disbursed.

D. 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.*

NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES, TRAVEL REIMBURSMENTS, AND PETTY CASH PURCHASES) (CONTINUED)

Procedure Performed: Inquired of management and obtained management's representation that the District did not have any non-payroll electronic disbursements during the fiscal period.

Findings:
Found that the District did not have any non-payroll electronic disbursements during the fiscal period.

Management's Response:
Due to the limited scope of our operations and having no employees, the third-party contractor for the District is responsible for processing payments and mailing the checks.

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.

Procedure Performed: Inquired of management and obtained management's representation that the District did not have any active credit cards, bank debit cards, fuel card, and purchase cards (cards) during the fiscal period.

Findings: Found that the District did not have any credit cards, debit bank cards, fuel cards, or purchase cards during the fiscal period.

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

i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., itemized 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

ii. Observe that finance charges and late fees were not assessed on the selected statements.

C. Using the monthly statements or combined statements selected under procedure #6B 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.

D. Using the list of terminated employees obtained in Payroll and Personnel procedure #9C identify those individuals who had access to cards and randomly select 5 terminated employees (or all terminated employees with card access if less than 5) from this population. Observe evidence that the cards have been deactivated for these terminated employees. In cases where a card is shared by multiple users, obtain evidence that the terminated employees' authorization has been removed.

Procedure #6B, #6C, and #6D are not applicable, as the District did not have any credit cards, bank debit cards, fuel cards, or purchase cards during the fiscal period.

Management's Response:
No comment.

TRAVEL AND TRAVEL-RELATED EXPENSE REIMBURSEMENTS (EXCLUDING CARD TRANSACTIONS)

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 (doa.la.gov/doa/ost/ppm-49-travel-guide/) or the U.S. General Services Administration (www.gsa.gov);

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

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

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

Procedure Performed: Inquired of management and obtained management's representation that the District did not have any travel or travel-related expense reimbursements during the fiscal period.

Findings: Found that there were no travel or travel-related expense reimbursements during the fiscal period.

Management's Response:
No comment.

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;

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);

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

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.

Procedure Performed: Obtained 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 and management's representation that the listing is complete. The listing contained 7 contracts/agreements. Randomly selected 5 contracts/agreements from the listing and randomly selected one payment from the fiscal period for each contract/agreement.

Findings:

i. Observed 2 contracts were bid in accordance with the Louisiana Public Bid Law and the remaining 3 contracts/agreements were not subject to the requirements of the Public Bid Law.

ii. Observed all contracts/agreements were approved by the District's governing board.

iii. Observed 1 contract included an addendum that was made in compliance with the contract terms.

iv. Found all 5 contracts/agreements had supporting invoices that agree to the contract terms, and the related payments agree to the terms and conditions of each contract/agreement.

Management's Response:
No comment.

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.

Procedure Performed: Obtained a listing of employees/officials employed during the fiscal period and obtained management's representation that the listing is complete. The listing contained 10 board members. Randomly selected 5 officials from the listing, all of whom are paid per diem at each board meeting.

Findings: Found that the District does not have any employees.

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);

ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

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.

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) have been paid, and any associated forms have been filed, by required deadlines.

Procedure #9B, #9C, and #9D are not applicable, as the District did not have any employees during the fiscal period.

Management's Response:
No comment.

10) Ethics

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and

i. 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

ii. 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.

Procedure Performed: Obtained from management and observed ethics documentation for the 5 selected officials from Payroll and Personnel procedure #9A. Obtained management's representation that there were no changes to the District's ethics policy during the fiscal year.

Findings:

i. Found that 1 of the 5 selected officials completed one hour of ethics training during the fiscal period.

ii. This procedure is not applicable. There were no changes to the District's ethics policy during the fiscal period.

B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Procedure Performed: Inquired of management and obtained management's representation that the District has appointed an ethics designee as required by R.S. 42:1170.

Findings: Found that the District has appointed an ethics designee.

Management's Response:
In the future, we will have all officials complete ethics training annually.

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.

Procedure Performed: Inquired of management and obtained a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation the listing is complete. We selected the one bond listed and obtained supporting documentation.

Findings: Observed that State Bond Commission approval was obtained for the debt issued.

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).

Procedure Performed: Inquired of management and obtained a listing of bonds/ notes outstanding at the end of the fiscal period. Obtained management's representation that the listing is complete. We selected the one bond, obtained supporting documentation, and inspected the debt covenants.

Findings: Found the reserve balance and payment agrees to the debt covenant requirements.

Management's Response:
No comment.

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.

Procedure Performed: Inquired of management and obtained management's representation that the District did not have any misappropriation of public funds and assets during the fiscal period.

Findings: Found the District did not have any misappropriation of public funds or assets during the fiscal period.

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.

Procedure Performed: Inquired of management regarding the posting of the fraud waste and abuse notice on the premises and obtained management's representation that the District does not have a website.

Findings: Found that the District does not have a website nor a physical location; therefore, posting of the notice is not applicable to the District.

***Management's Response*:**
No comment.

13) Information Technology Disaster Recovery/ Business Continuity

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.

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.

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.

D. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

E. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

- Hired before June 9, 2020 – completed the training; and
- Hired on or after June 9, 2020 – completed the training within 30 days of initial service or employment.

Procedure #13 is not applicable to the District.

14) Prevention of Sexual Harassment

A. 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.

Procedure Performed: Obtained and observed sexual harassment training documentation from management for the 5 officials selected in Payroll and Personnel procedure #9A.

Findings: Found that 1 of 5 selected officials completed at least one hour of sexual harassment training during the calendar year.

B. 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).

Procedure Performed: Inquired of management regarding the posting of the sexual harassment policy and complaint procedure on its premises and obtained management's representation that the District does not have a website.

Findings: Found that the District does not have a website nor a physical location; therefore, posting of the sexual harassment policy and complaint procedure is not applicable to the District.

C. 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;
ii. Number of sexual harassment complaints received by the agency;
iii. Number of complaints which resulted in a finding that sexual harassment occurred;
iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
v. Amount of time it took to resolve each complaint.

Procedure Performed: Inquired of management and obtained management's representation that the District did not complete an annual sexual harassment report for the current fiscal period.

Findings: Found that the District did not compile an annual sexual harassment report for the current fiscal period as required by R.S. 42:344.

Management's Response:

In the future, we will have all officials complete sexual harassment training annually and we will compile an annual sexual harassment report as required by R.S. 42:344.