

ABBEVILLE GENERAL HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF VERMILION, STATE OF LOUISIANA
d/b/a ABBEVILLE GENERAL HOSPITAL
HOSPITAL ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2023 AND 2022

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Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis

Our discussion and analysis of Abbeville General Hospital's (Hospital's) financial performance provides an overview of the Hospital's financial activities for the fiscal year ended December 31, 2023. Please read it in conjunction with the Hospital's financial statements, which begin on page 5.

Financial Highlights

- The Hospital's total assets increased by approximately \$5,189,000 or roughly 6.9%. The Hospital's total liabilities decreased by approximately \$1,388,000 or roughly 8.3%. The increase in the Hospital's total assets is attributable to increases in Medicaid supplemental payments. The decrease in the Hospital's total liabilities is due to paying down long-term liabilities.
- During the year, the Hospital's net operating income decreased by approximately \$1,362,000 due to increases in access to care payments, labor and benefits. Revenues were up 8.1% or approximately \$5,706,000. The Hospital had a net operating income of \$2,451,532. Total changes in net position for 2023 is \$6,577,146 which includes sales tax revenue of \$3,807,377 as well as other nonoperating revenue.

Using This Annual Report

The Hospital's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

Our analysis of the Hospital finances begins on page 5. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received and paid.

These two statements report the Hospital's net position and changes in them. You can think of the Hospital's net position – the difference between assets and liabilities – as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measure of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

The Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheet on page 5. The Hospital's net position increased in 2023 by \$6,577,146 (11.2%), while it increased by \$8,689,460 (17.3% in 2022) and increased by \$9,252,255 (22.6% in 2021), as indicated in **Table 1**.

Table 1: Assets, Liabilities and Net Position

		December 31		
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total Current Assets	\$31,219,295	\$31,159,177	\$28,206,710	\$34,304,935
Nondepreciable Capital Assets	1,487,759	4,303,466	6,708,062	1,552,486
Depreciable Capital Assets – Net	31,336,106	29,620,362	26,454,784	26,224,198
Right-of-use Capital Assets – Net	679,855	550,005	818,373	-0-
Subscription Assets – Net	4,661,259	5,458,484	-0-	-0-
Other Assets, Including Board - Designated Investments	<u>11,386,760</u>	<u>4,490,765</u>	<u>2,459,777</u>	<u>2,762,788</u>
Total Assets	<u>\$80,771,034</u>	<u>\$75,582,259</u>	<u>\$64,647,706</u>	<u>\$64,844,407</u>
Current Liabilities				
Other Current Liabilities	\$ 6,377,962	\$ 6,309,148	\$ 8,517,712	\$ 6,696,090
Medicare Advance Payments	-0-	-0-	-0-	3,257,227
Lease and Subscription Liabilities	1,414,230	1,173,599	260,940	-0-
Current Portion of Long-term Debt	<u>826,335</u>	<u>801,507</u>	<u>782,653</u>	<u>3,142,680</u>
Total Current liabilities	<u>8,618,527</u>	<u>8,284,254</u>	<u>9,561,305</u>	<u>13,095,997</u>
Long-term Liabilities				
Medicare Advance Payments	-0-	-0-	-0-	3,257,227
Lease and Subscription Liabilities	4,005,827	4,902,136	578,484	-0-
Long-term Debt	<u>2,642,841</u>	<u>3,469,176</u>	<u>4,270,684</u>	<u>7,506,205</u>
Total Long-term Liabilities	<u>6,648,668</u>	<u>8,371,312</u>	<u>4,849,168</u>	<u>10,763,432</u>
Total Liabilities	<u>15,267,195</u>	<u>16,655,566</u>	<u>14,410,473</u>	<u>23,859,429</u>
Net Position				
Net Investment in Capital Assets	29,315,564	29,624,613	28,088,458	17,127,799
Restricted	3,198,475	2,412,068	1,464,869	1,624,775
Unrestricted	<u>32,989,800</u>	<u>26,890,012</u>	<u>20,683,906</u>	<u>22,232,404</u>
Total Net Position	<u>65,503,839</u>	<u>58,926,693</u>	<u>50,237,233</u>	<u>40,984,978</u>
Total Liabilities and Net Position	<u>\$80,771,034</u>	<u>\$75,582,259</u>	<u>\$64,647,706</u>	<u>\$64,844,407</u>

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

The Hospital's Net Position (continued)

A significant component of the change in the Hospital's current assets is the increase in cash, accounts receivable and other receivables. In recent years, the Hospital has improved its collections of accounts receivable resulting in a decrease in accounts receivable of approximately \$1,394,000 and \$982,000 in fiscal year 2023 and 2020, respectively. The increase in accounts receivable of \$1,431,000 and \$1,534,000 in 2022 and 2021, respectively, is attributable to an increase in patient volume, and therefore net patient service revenue, in the wake of the COVID-19 pandemic. In fiscal year 2020, cash increased by \$14,833,000 due to the receipt of Medicare Advance Payments of \$4,894,000, Provider Relief Funds of \$6,318,000, and an SBA Loan of \$4,837,000. In Fiscal Year 2021, cash decreased by \$6,575,000 due to repayment of Medicare Advance Payments of \$4,894,000 in March of 2021 and funding of construction projects of approximately \$6,100,000. In fiscal year 2022, cash increased by \$3,293,000 due to an increase in Medicaid supplemental payments. Cash decreased by \$1,021,000 in 2023 due to the purchase of investments totaling approximately \$6,046,000.

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Revenues, Expenses and Changes in the Hospital's Net Position

The following table presents a summary of the Hospital's revenues, expenses and changes in net position for the fiscal years ended December 31, 2023, 2022, 2021 and 2020.

Table 2: Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues:				
Net Patient Svc Revenue	\$54,609,551	\$52,237,049	\$50,840,599	\$46,969,369
Other Revenue	21,307,893	17,974,453	9,693,958	6,896,486
Total Revenues	<u>75,917,444</u>	<u>70,211,502</u>	<u>60,534,557</u>	<u>53,865,855</u>
Expenses:				
Salaries & Benefits	39,515,851	36,761,726	35,019,024	32,817,028
Medical Supplies	8,910,182	8,338,709	8,443,827	6,192,015
Professional Fees	6,761,941	6,101,126	5,096,202	4,438,068
Other Operating Expense	12,897,232	10,366,681	9,988,063	9,618,504
Depr & Amort	5,380,706	4,829,731	3,244,419	3,012,335
Total Operating Expense	<u>73,465,912</u>	<u>66,397,973</u>	<u>61,791,535</u>	<u>56,077,950</u>
Net Operating Income (Loss)	<u>2,451,532</u>	<u>3,813,529</u>	<u>(1,256,978)</u>	<u>(2,212,095)</u>
Investment Income	631,859	31,943	88,155	64,237
Interest Expense	(331,627)	(314,472)	(261,991)	(173,872)
Gain (Loss) on Disposal of Assets	(9,445)	(265,060)	(1,606,945)	-0-
Sales Tax Revenue	3,807,377	3,759,741	3,466,288	3,139,386
COVID-19 Awards	-0-	983,281	3,443,081	2,900,171
PPP Loan Forgiveness	-0-	-0-	4,890,392	-0-
Capital Grants	<u>27,450</u>	<u>680,498</u>	<u>490,253</u>	<u>101,551</u>
Changes in Net Position	6,577,146	8,689,460	9,252,255	3,819,378
Net Position – Beginning of Year	<u>58,926,693</u>	<u>50,237,233</u>	<u>40,984,978</u>	<u>37,165,600</u>
Net Position – End of Year	<u><u>\$65,503,839</u></u>	<u><u>\$58,926,693</u></u>	<u><u>\$50,237,233</u></u>	<u><u>\$40,984,978</u></u>

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Operating Income

The first component of the overall change in the Hospital's net position is its operating income (loss) – generally, the difference between net patient service revenue and other revenue, and the expenses incurred to perform those services. Following the COVID-19 pandemic, the Hospital reported a negative operating income in 2020 and 2021 and a positive operating income in 2022 and 2023. In each of the past four years, operating revenues have increased in large part due to the net patient revenue, Medicaid supplemental revenue, and grant revenue increases. Operating revenue for 2023 increased by \$5,705,942 or 8.1% compared to an increase of \$9,676,945 or 16.0% in 2022, an increase of \$6,668,702 or 12.4% in 2021, and an increase of \$244,026 or 0.5% in 2020. Lost revenues attributable to COVID-19 for 2020 were estimated to be approximately \$2,128,000 and were reimbursed through the Provider Relief Funds.

Over the past several years the Hospital industry has experienced the trend of inpatient services shifting towards outpatient. This trend is attributed to advances in medicine and the changes in third-party payors requiring more stringent criteria for inpatient admissions and length of stay. Such increases have occurred in the operating room, radiology, laboratory, oncology, and rural health clinics. However, as a result of the COVID-19 pandemic, in 2021 and 2020, the Hospital experienced an increase in acute inpatient services and inpatient psychiatric services as seen in **Table 5**. In fiscal years 2023 and 2022, inpatient volumes have decreased slightly while outpatient volumes have increased.

Total salaries and benefits expense increased \$2,754,125 or 7.5% in 2023, \$1,742,702 or 5.0% in 2022, and \$2,201,996 or 6.7% in 2021. Total salaries and benefits have increased over the past four years. As a percentage of net patient service revenue, salary and benefit expense was approximately 72.4%, 70.4% and 68.9% for the fiscal years ended December 31, 2023, 2022 and 2021, respectively. In response to the nursing shortage caused by the COVID-19 pandemic, the Hospital has experienced higher staffing costs in the form of incentive payments as well as an initial increased reliance on agency nursing services. In the wake of the pandemic, the Hospital has continued to decrease their reliance on agency nursing services which further increases salaries and benefits. The Hospital employs various physicians. The total salaries of physicians are \$4,779,764, \$4,391,748 and \$3,878,958 for 2023, 2022 and 2021, respectively.

The rate of health care inflation has a direct effect on the cost of services provided by the Hospital. A component of the Hospital's costs is expenses for medical and professional services. In 2023, medical and professional services costs totaled \$6.8 million or 9.2% of total expenses and an increase of 10.8% over 2022. In 2022, they totaled \$6.1 million or 9.2% of total expenses and an increase of 19.7% over 2021.

In 2022, the Hospital entered into a cooperative endeavor agreement (CEA) in which hospitals pool resources across the state to support access to healthcare in rural Louisiana. Receipts under this program were less than the deposits made to the program resulting in Access to Care expense of \$2,236,959 and \$454,879 in 2023 and 2022, respectfully. More details regarding this CEA can be found in Note 24 to the financial statements.

Source of Revenue

During fiscal year 2023, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes operating grants, sales tax support, cafeteria sales, rental income and other miscellaneous services.

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Source of Revenue (continued)

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2023, 2022, 2021 and 2020. As more individuals chose Medicare Advantage HMO over Traditional Medicare, the Medicare payor mix has decreased while Medicare Advantage HMO has increased.

Table 3: Payor Mix by Percentage

	Year-end December 31			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Medicare	21.0%	26.8%	27.6%	32.6%
Medicaid	40.4%	38.4%	37.7%	36.6%
Medicare Managed Care	19.4%	16.2%	15.1%	10.0%
Blue Cross Blue Shield	10.5%	11.0%	10.9%	11.7%
Commercial Insurance	6.5%	5.5%	6.9%	6.1%
Self-Pay and Other	<u>2.2%</u>	<u>2.1%</u>	<u>1.8%</u>	<u>3.0%</u>
Total Patient Revenues	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Other Revenue

Other revenue includes Medicaid supplemental payments, operating grants, cafeteria sales, rental income and other miscellaneous services. Other revenue increased by \$3,333,440 or 18.5% in 2023.

Table 4: Other Revenue

	Year-end December 31			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Other Revenue:				
Cafeteria Sales	\$ 393,838	\$ 339,808	\$ 235,048	\$ 190,167
Vending Machine Commission	16,806	14,944	11,821	12,065
Grants	81,346	3,912,610	3,387,901	3,445,694
Physician Office Rentals	42,832	107,291	102,862	122,877
Medical Records Abstract Fees	6,505	7,899	9,538	7,113
Medicaid Supplemental Payments	19,923,860	12,952,764	5,197,410	2,496,084
340B Revenue	706,090	401,238	401,510	589,726
Other	<u>136,616</u>	<u>237,899</u>	<u>347,868</u>	<u>32,760</u>
Total Other Revenue	<u>\$21,307,893</u>	<u>\$17,974,453</u>	<u>\$ 9,693,958</u>	<u>\$ 6,896,486</u>

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of sales tax revenue, capital grants, and interest income. In fiscal year 2021, the Hospital was awarded a GOSHEP grant for the purpose of purchasing a new emergency generator of which, \$27,450, \$680,498 and \$490,253 was recognized in 2023, 2022 and 2021, respectively. The capital grant of \$101,551 in 2020 was attributable to a GOSHEP grant which was awarded for the purpose of constructing a dual-purpose safe room. The dual-purpose safe room is now the new inpatient psychiatric facility. However, during a hurricane it will be utilized as a safe shelter for essential Hospital personnel and emergency first responders. Investment income increased by \$599,916 to \$631,859 in fiscal year 2023 from \$31,943 in 2022 due to management renegotiating interest rates on select investments.

In 2021 and 2020, the Hospital received several grant awards to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. In 2020, approximately \$2,900,000 of COVID-19 grant awards were recognized as nonoperating revenue, of which, approximately \$2,128,000 was attributable to lost revenues. In 2022 and 2021, it was estimated that there were no lost revenues attributable to COVID-19, however, approximately \$983,000 and \$3,443,000 of COVID-19 grant awards were recognized as nonoperating revenue related to COVID-19 expenditures.

In 2008, voters of the District passed a half cent sales tax in perpetuity. Sales tax revenue increased 1.3% to \$3,807,377 in fiscal year 2023 from \$3,759,741 in 2022.

Operating and Financial Performance

Overall, activity at the Hospital, as measured by admissions of adults, pediatrics, and newborns, increased by 1.8% to 1,753 admissions in 2023 from 1,722 admissions in 2022. Patient days decreased 9.8% from 6,577 in fiscal year 2022 to 5,936 in fiscal year 2023, and decreased 4.5% from fiscal year 2021 to 2022. The average length of stay for acute care patients (excluding newborns) decreased 12.3% from 2022 to 2023. While admissions have remained at the same levels, the average length of stay decrease in 2023 is attributable to advances in medicine and technology as well as more stringent Medicare and Medicaid Managed Care admission standards.

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Operating and Financial Performance (continued)

Table 5: Patient and Hospital Statistical Data

	Year-end December 31			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Admissions:				
Adult and Pediatric	1,462	1,433	1,526	1,467
Newborn	291	289	277	238
BMC	601	513	539	553
Patient Days:				
Adult and Pediatric	5,521	6,170	6,500	5,469
BMC	4,013	4,363	4,479	4,371
Medicare (Included in Adult & Pediatric)	1,615	2,086	2,415	2,322
Medicare Managed Care	1,447	1,427	1,401	378
Medicaid (Included in Adult & Pediatric)	50	33	54	74
Medicaid Managed Care	1,808	1,787	1,911	1,888
Newborn	415	407	383	333
Operating Room Procedures	3,463	2,816	2,548	2,061
Emergency Room Visits	17,215	17,045	16,777	14,697
Average Daily Census (Excluding Newborn):				
Adult and Pediatric	15.13	16.90	17.81	14.94
BMC	10.99	11.95	12.27	11.94
Average Length of Stay (Excluding Newborn):				
All Acute Care Patients	3.78	4.31	4.26	3.73
Medicare Patients	4.71	5.15	5.32	4.78
Medicare Managed Care Patients	4.99	6.05	6.25	4.61
Medicaid and Managed Care Patients	2.47	2.47	2.58	3.58
Percentage of Acute-Care Patient Days:				
Medicare	29.25%	33.81%	37.15%	42.46%
Medicare Managed Care	26.21%	23.13%	21.55%	6.91%
Medicaid	33.65%	29.50%	30.23%	35.87%
Full-Time Equivalents (FTE's)	453	454	452	434

Abbeville General Hospital
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Management's Discussion and Analysis (continued)

Operating and Financial Performance (continued)

Allowances increased over prior year as described in the table below:

Table 6: Allowance Summary

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Allowances:				
Medicare Contractual Allowances	\$ 30,854,791	\$ 36,359,724	\$ 35,604,008	\$ 33,532,923
Medicaid Contractual Allowances	53,283,956	45,247,707	42,671,378	32,068,378
Medicare HMO Contractual Allowances	27,899,388	22,700,574	18,558,490	10,838,056
Blue Cross, Louisiana State Employees, and other Contractual Allowances	22,175,292	18,806,739	20,765,670	16,350,421
Provision for Bad Debt	4,574,994	4,028,830	3,573,752	4,675,422
Other Adjustments	1,330,274	1,597,738	1,160,856	1,827,429
Charity Care	<u>278,533</u>	<u>93,982</u>	<u>181,570</u>	<u>400,669</u>
Total Allowances	<u>\$ 140,397,228</u>	<u>\$ 128,835,294</u>	<u>\$ 122,515,724</u>	<u>\$ 99,693,298</u>

The Hospital experienced an increase in accounts receivable collection efforts as days of revenue in accounts receivable decreased from 54 days in 2022 to 42 days in 2023. The days of revenue in accounts receivable for 2021 was 45 days. Excluded from net patient service revenue are charges forgone for patient services falling under the Hospital's charity care policy. Based on established rates, gross charges of \$278,533 were forgone during 2023, compared to \$93,982 in 2022, and \$181,570 in 2021.

Capital Asset and Debt Administration

Capital Assets

At the end of 2023, the Hospital had \$38.2 million invested in capital assets, net of accumulated depreciation and amortization, as detailed in Notes 5 and 6 to the financial statements. In 2023, the Hospital purchased capital assets costing approximately \$3,623,000. Of this, \$1,096,000 (23.7%) was the acquisition of new buildings, equipment and building renovations as can be seen in **Table 8**.

Abbeville General Hospital
Abbeville, Louisiana

Management's Discussion and Analysis (continued)

Capital Asset and Debt Administration (continued)

Table 7: Capital Assets

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Nondepreciable Capital Assets				
Land	\$ 1,019,280	\$ 875,780	\$ 875,780	\$ 875,780
Construction in Progress	468,479	3,427,686	5,832,282	676,706
Total Nondepreciable Capital Assets	<u>\$ 1,487,759</u>	<u>\$ 4,303,466</u>	<u>\$ 6,708,062</u>	<u>\$ 1,552,486</u>
Depreciable Capital Assets				
Land Improvements	\$ 1,763,063	\$ 1,666,701	\$ 1,572,866	\$ 1,572,866
Building & Equipment	78,495,815	73,360,120	66,822,510	66,700,546
Intangibles	3,213,222	3,213,222	3,213,222	3,213,222
Subtotal	83,472,100	78,240,043	71,608,598	71,486,634
Less Accumulated Depr. & Amort.	52,135,994	48,619,681	45,153,814	45,262,436
Total Depreciable Capital Assets, net	<u>\$ 31,336,106</u>	<u>\$ 29,620,362</u>	<u>\$ 26,454,784</u>	<u>\$ 26,224,198</u>
Right-of-use Capital Assets				
Building	\$ 501,459	\$ 340,198	\$ 453,359	\$ -0-
Equipment	876,355	649,562	649,562	-0-
Subtotal	1,377,814	989,760	1,102,921	-0-
Less Accumulated Amortization	697,959	439,755	284,548	-0-
Total Right-of-use Capital Assets, net	<u>\$ 679,855</u>	<u>\$ 550,005</u>	<u>\$ 818,373</u>	<u>\$ -0-</u>
Subscription Assets	\$ 6,577,139	\$ 6,393,209	\$ -0-	\$ -0-
Less Accumulated Amortization	1,915,880	934,725	-0-	-0-
Total Subscription Assets, net	<u>\$ 4,661,259</u>	<u>\$ 5,458,484</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Table 8: Major Purchases Over \$100,000 During 2023

<u>Capital Investment</u>	<u>2023 Cost</u>
Medical Office Buildings	294,000
Fire pump	245,000
Bedside Monitors	170,000
MEP Project	167,000
Ultrasound Machine	112,000
IV Pumps Interface	108,000

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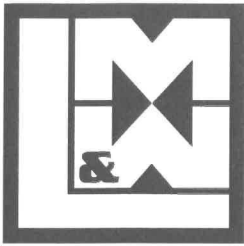
Management's Discussion and Analysis (continued)

Debt

At year-end, the Hospital had \$3,469,176 in short-term and long-term debt consisting of Revenue and Sales Tax Bonds. Long-term debt decreased by \$802,000 in 2023 compared to a decrease of \$783,000 in fiscal year 2022. Included in short and long-term liabilities are amounts related to lease and subscription obligations. The Hospital's total short-term and long-term lease liabilities increased 24.3% from \$579,000 in 2022 to \$719,000 in 2023. The Hospital's total short-term and long-term subscription liabilities decreased 14.5% from \$5,497,000 in 2022 to \$4,701,000 in 2023. More detailed information about the Hospital's long-term liabilities is presented in the Notes 9, 10 and 11 to basic financial statements. Total debt outstanding represents approximately 11.0% of the Hospital's total assets at December 31, 2023 versus prior years of 13.7% and 9.1%, respectfully.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital administration.



LESTER, MILLER & WELLS

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(1949-2023)

Independent Auditors' Report

To the Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Hospital Service District No. 2, Parish of Vermilion, State of Louisiana, Abbeville General Hospital (the Hospital), a component unit of the Vermilion Parish Police Jury, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of December 31, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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



Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Vermilion Parish Hospital Service District No. 2 and do not purport to, and do not, present fairly the financial position of Vermilion Parish Police Jury as of December 31, 2023 and 2022, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "xi" 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 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, Louisiana
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2024, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

June 24, 2024



ABBEVILLE GENERAL HOSPITAL
STATEMENTS OF NET POSITION
DECEMBER 31,

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 15,007,758	\$ 16,028,498
Accounts receivable, net of allowances for uncollectibles (Note 4)	6,268,574	7,662,413
Estimated third-party payor settlements	1,526,188	1,690,362
Other receivables	6,068,235	3,930,944
Inventories	1,479,115	1,394,035
Prepaid expenses	<u>869,425</u>	<u>452,925</u>
 Total Current Assets	 <u>31,219,295</u>	 <u>31,159,177</u>
Non-Current Assets		
Nondepreciable capital assets (Note 5)	1,487,759	4,303,466
Depreciable capital assets, net (Note 5)	31,336,106	29,620,362
Right-of-use capital assets, net (Note 5)	679,855	550,005
Subscription assets, net (Note 6)	4,661,259	5,458,484
Investments (Note 3)	7,048,735	1,003,037
Limited use assets (Note 7)	4,247,146	3,396,849
Other	<u>90,879</u>	<u>90,879</u>
 Total Assets	 \$ <u>80,771,034</u>	 \$ <u>75,582,259</u>

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL
STATEMENTS OF NET POSITION (Continued)
DECEMBER 31,

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 1,714,841	\$ 1,905,470
Accrued salary and payroll taxes	1,612,213	1,370,594
Accrued vacation payable (Note 8)	1,730,840	1,659,691
Estimated third-party payor settlements	258,505	273,258
Accrued retirement	1,043,992	1,076,937
Other liabilities	17,571	23,198
Current portion of lease liabilities (Note 10)	432,513	220,700
Current portion of subscription liabilities (Note 11)	981,717	952,899
Current portion of long-term debt (Note 9)	<u>826,335</u>	<u>801,507</u>
Total Current Liabilities	<u>8,618,527</u>	<u>8,284,254</u>
Long-term Liabilities		
Lease liabilities (Note 10)	286,467	357,837
Subscription liabilities (Note 11)	3,719,360	4,544,299
Long-term debt (Note 9)	<u>2,642,841</u>	<u>3,469,176</u>
Total Liabilities	<u>15,267,195</u>	<u>16,655,566</u>
Net Position		
Invested in capital assets, net of related debt	29,315,564	29,624,613
Restricted (Note 7)	3,198,475	2,412,068
Unrestricted	<u>32,989,800</u>	<u>26,890,012</u>
Total Net Position	<u>65,503,839</u>	<u>58,926,693</u>
Total Liabilities and Net Position	<u>\$ 80,771,034</u>	<u>\$ 75,582,259</u>

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Revenues		
Net patient service revenues (Note 12)	\$ 54,609,551	\$ 52,237,049
Grants	81,346	12,276
Medicaid supplemental payments (Note 21)	19,923,860	12,952,764
Intergovernmental transfer grants	-0-	3,900,334
Other operating revenues	<u>1,302,687</u>	<u>1,109,079</u>
 Total Revenues	 <u>75,917,444</u>	 <u>70,211,502</u>
Expenses		
Salaries	33,451,086	31,790,359
Benefits and payroll taxes	6,064,765	4,971,367
Supplies and drugs	8,910,182	8,338,709
Professional fees	6,761,941	6,101,126
Other expenses	11,714,725	9,278,864
Insurance	1,182,507	1,087,817
Depreciation and amortization	<u>5,380,706</u>	<u>4,829,731</u>
 Total Expenses	 <u>73,465,912</u>	 <u>66,397,973</u>
 Operating Income (Loss)	 <u>2,451,532</u>	 <u>3,813,529</u>
Nonoperating Revenues (Expenses)		
Sales taxes	3,807,377	3,759,741
COVID-19 grant awards	-0-	983,281
Interest income	631,859	31,943
Interest expense	(331,627)	(314,472)
Gain (loss) on disposal of assets	<u>(9,445)</u>	<u>(265,060)</u>
 Change in Net Position before Capital Grants	 6,549,696	 8,008,962
Capital grants	<u>27,450</u>	<u>680,498</u>
 Changes in Net Position	 6,577,146	 8,689,460
 Beginning Net Position	 <u>58,926,693</u>	 <u>50,237,233</u>
 Ending Net Position	 \$ <u>65,503,839</u>	 \$ <u>58,926,693</u>

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 56,152,811	\$ 51,531,753
Other receipts from operations	19,170,604	18,622,591
Cash payments to employees and for employee-related cost	(39,236,028)	(36,273,102)
Cash payments for other operating expenses	<u>(29,267,191)</u>	<u>(26,389,850)</u>
Net cash provided (used) by operating activities	<u>6,820,196</u>	<u>7,491,392</u>
Cash flows from investing activities:		
Cash distributions / (purchases) from investments	(6,896,049)	(2,028,976)
Interest income	<u>631,859</u>	<u>31,943</u>
Net cash provided (used) by investing activities	<u>(6,264,190)</u>	<u>(1,997,033)</u>
Cash flows from non-capital financing activities:		
Proceeds from sales tax collections	<u>3,807,377</u>	<u>3,759,741</u>
Net cash provided (used) by non-capital financing activities	<u>3,807,377</u>	<u>3,759,741</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,022,896)	(4,387,621)
Principal payments on lease liabilities	(255,088)	(260,887)
Principal payments on subscription liabilities	(1,000,455)	(896,011)
Principal payments on long-term debt	(801,507)	(782,654)
Proceeds from capital grants	27,450	680,498
Interest expense	<u>(331,627)</u>	<u>(314,472)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(5,384,123)</u>	\$ <u>(5,961,147)</u>

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,020,740)	\$ 3,292,953
Beginning cash and cash equivalents	<u>16,028,498</u>	<u>12,735,545</u>
Ending cash and cash equivalents	\$ <u>15,007,758</u>	\$ <u>16,028,498</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ <u>337,254</u>	\$ <u>319,749</u>
Right-of-use assets acquired under leases	\$ <u>395,585</u>	\$ <u>-0-</u>
Subscription assets acquired under agreements	\$ <u>204,334</u>	\$ <u>854,844</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income (loss)	\$ 2,451,532	\$ 3,813,529
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:		
Depreciation and amortization	5,380,706	4,829,731
Loss on sale of equipment	-0-	(265,060)
Changes in current assets (increase) decrease		
Accounts receivable	1,393,841	(1,430,872)
Estimated third-party payor settlements	164,174	1,033,386
Other receivables	(2,137,291)	913,198
Inventories	(85,080)	(285,797)
Prepaid expenses	(416,500)	108,560
Changes in current liabilities increase (decrease)		
Accounts payable	(190,629)	(1,400,820)
Accrued salary and payroll taxes	241,619	265,939
Accrued vacation payable	71,149	18,621
Estimated third-party payor settlements	(14,753)	(307,810)
Accrued retirement	(32,945)	204,064
Other liabilities	<u>(5,627)</u>	<u>(5,277)</u>
Net cash provided (used) by operating activities	\$ <u>6,820,196</u>	\$ <u>7,491,392</u>

See accompanying notes to financial statements.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Vermilion Parish Hospital Service District No. 2 (the Hospital or the District) was created by an ordinance of the Vermilion Parish Police Jury on February 6, 1962.

The District is a political subdivision of the Vermilion Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Vermilion Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Vermilion Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Vermilion Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, skilled nursing (through "swing-beds"), emergency, inpatient acute hospital services, inpatient and outpatient psychiatric services and three rural health clinics.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Risk

The District provides medical care primarily to Vermilion Parish residents and grants credit to patients, substantially all of whom are local residents.

The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the Hospital is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by utilizing a historical experience applied to an aging of accounts. Patient accounts receivable are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expense are recorded as a reduction of bad debt expense when received.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out, or market basis.

Income Taxes

The District's income is exempt from taxation.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Debt and Equity Securities

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

Capital Assets

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	5 to 40 years
Fixed Equipment	15 to 20 years
Major Movables	3 to 20 years
Intangibles	3 to 8 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

Right-of-use capital assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Net Position

The District classifies net position into three components: invested in capital assets, net of related debt; restricted and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested capital assets net of related debt or restricted.

Revenue and Expenses

The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Revenues

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.

Grants and Contributions

From time to time, the District receives grants and contributions from individuals or private and public organizations. Revenues from grants and contributions, including contributions of capital assets, are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after operating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The District expenses advertising cost as incurred. Advertising expense for the years ended December 31, 2023 and 2022 totaled \$57,150 and \$39,438, respectively.

Environmental Matters

The District is subject to laws and regulations relating to the protection of the environment. The District's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify, with any degree of certainty, the potential financial impact of the District's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the District. At December 31, 2023 and 2022, management is not aware of any liability resulting from environmental matters.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classification.

Risk Management

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

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Subscription Assets and Liabilities

The Hospital determines if an arrangement is a Subscription-Based Information Technology Arrangement ("SBITA") at inception. Subscription assets, net, current maturities of subscription liabilities, and subscription liabilities, net of current maturities are included in the statements of net position.

Subscription assets represent the Hospital's control of the right to use a subscription-based information technology for the arrangement term, as specified in the contract, in an exchange or exchange-like transaction. Subscription assets are recognized at the commencement date based on initial measurement of the subscription liability, adjusted for payments made to the vendor at or before the commencement of the SBITA term and certain initial direct costs. Subscription assets are amortized in a systematic and rational manner over the shorter of the arrangement term or the useful life of the underlying asset.

Subscription liabilities represent the Hospital's obligation to make payments arising from the SBITA. Subscription liabilities are initially recognized at the commencement date based on the present value of expected payments over the lease term, adjusted for SBITA incentives. Subsequently, the subscription liability is reduced by the principal portion of the payments made. Interest expense is recognized ratably over the term of the arrangement.

The Hospital has elected to recognize payments for short-term SBITAs with an arrangement term of 12 months or less as expenses as incurred, and these SBITAs are not included as subscription liabilities or right-to-use subscription assets on the statements of net position.

The individual SBITA contracts do not provide information about the discount rate implicit in the arrangement. Therefore, the District has elected to use its incremental borrowing rate to calculate the present value of expected lease payments.

Recently Adopted Accounting Pronouncements

The District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) in fiscal year 2023. The objective of this statement is to provide guidance on the accounting and financial reporting of subscription-based information technology arrangements for government end users. The statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset with a corresponding subscription liability; provides the capitalization criteria for outlays; and requires footnote disclosure regarding the SBITA. The new standard is to be applied to all applicable subscription-based information technology arrangements as of the beginning of the earliest period presented; and therefore, the December 31, 2022 financial statements have been restated, as discussed in Note 23.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the Hospital to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the Hospital be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. As of December 31, 2023 and 2022, the balances reported by financial institutions were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name.

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

Concentration of Credit Risks – The District has 74.8% in Mutual Funds and 24.0% in Exchange Traded Funds as of December 31, 2023. The District has 74.9% in Mutual Funds and 24.9% in Exchange Traded Funds as of December 31, 2022.

Credit Risks – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2023, none of the Hospital's investments were rated.

The Hospital's investments are reported at fair value. At December 31, 2023, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by a custodial bank that is an agent of the Hospital.

<u>December 31, 2023</u>		<u>Investment Maturities (in Years)</u>			
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Money Markets	\$ 80,619	\$ 80,619	\$ -0-	\$ -0-	\$ -0-
Mutual Funds	5,273,698	5,273,698	-0-	-0-	-0-
Exchange Traded Funds	<u>1,694,418</u>	<u>1,694,418</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>7,048,735</u>	\$ <u>7,048,735</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

<u>December 31, 2022</u>		<u>Investment Maturities (in Years)</u>			
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Money Markets	\$ 1,806	\$ 1,806	\$ -0-	\$ -0-	\$ -0-
Mutual Funds	751,110	751,110	-0-	-0-	-0-
Exchange Traded Funds	<u>250,121</u>	<u>250,121</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>1,003,037</u>	\$ <u>1,003,037</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

The Hospital's investments are recorded at fair value as of December 31, 2023 in accordance with GASB Statement No. 72 which 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. This Statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are accessible quoted prices in active markets for identical assets at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly; Level 3 inputs are unobservable inputs. The Hospital's investments for the year ended December 31, 2023 and 2022 were measured using Level 2 inputs.

The carrying amounts of deposits and investments are included in the Hospital's balance sheet as follows:

	<u>2023</u>	<u>2022</u>
Carrying amount		
Deposits	\$ 19,254,904	\$ 19,418,686
Investments	<u>7,048,735</u>	<u>1,009,698</u>
	\$ <u>26,303,639</u>	\$ <u>20,428,384</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 15,007,758	\$ 16,028,498
Assets whose use is limited - noncurrent	4,247,146	3,396,849
Investments	<u>7,048,735</u>	<u>1,003,037</u>
	\$ <u>26,303,639</u>	\$ <u>20,428,384</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Account balances according to banks' records at December 31, for the Hospital are as follows:

	<u>2023</u>	<u>2022</u>
Cash in Bank	\$ <u>19,945,972</u>	\$ <u>15,635,817</u>
Insured by FDIC	\$ <u>10,578,402</u>	\$ <u>11,797,783</u>
Collateralization by fair market value	\$ <u>9,367,570</u>	\$ <u>3,838,034</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2023</u>	<u>2022</u>
Patient accounts receivable	\$ 10,033,574	\$ 10,503,413
Estimated allowances for uncollectibles	<u>(3,765,000)</u>	<u>(2,841,000)</u>
Net accounts receivable	\$ <u>6,268,574</u>	\$ <u>7,662,413</u>

The following is a summary of the mix of gross receivables from patients and third-party payors at December 31:

	<u>2023</u>	<u>2022</u>
Medicare	13%	20%
Medicare managed care plans	19%	16%
Medicaid and Medicaid managed care plans	35%	35%
Blue Cross	7%	9%
Commercial and other third-party payors	9%	7%
Patients	<u>17%</u>	<u>13%</u>
Total	<u>100%</u>	<u>100%</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 5 - CAPITAL ASSETS, NET

The following is a summary of capital assets and related accumulated depreciation at December 31:

	<u>2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>2023</u>
Nondepreciable capital assets					
Land	\$ 875,780	\$ 142,500	\$ -0-	\$ 1,000	\$ 1,019,280
Construction in progress	<u>3,427,686</u>	<u>994,638</u>	<u>-0-</u>	<u>(3,953,845)</u>	<u>468,479</u>
Total nondepreciable capital assets	\$ <u>4,303,466</u>	\$ <u>1,137,138</u>	\$ <u>-0-</u>	\$ <u>(3,952,845)</u>	\$ <u>1,487,759</u>
Depreciable capital assets					
Land improvements	\$ 1,666,701	\$ 14,086	\$ -0-	\$ 82,276	\$ 1,763,063
Buildings	35,811,833	383,875	1,413	329,016	36,523,311
Fixed equipment	11,934,894	19,122	3,365	2,640,479	14,591,130
Major movables	25,613,393	1,468,675	601,768	901,074	27,381,374
Intangibles	<u>3,213,222</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,213,222</u>
Total depreciable capital assets	78,240,043	1,885,758	606,546	3,952,845	83,472,100
Accumulated depreciation and amortization	<u>48,619,681</u>	<u>4,113,412</u>	<u>597,099</u>	<u>-0-</u>	<u>52,135,994</u>
Total depreciable capital assets, net	\$ <u>29,620,362</u>	\$ <u>(2,227,654)</u>	\$ <u>9,447</u>	\$ <u>3,952,845</u>	\$ <u>31,336,106</u>
Right-of-use capital assets					
Buildings	\$ 340,198	\$ 161,261	\$ -0-	\$ -0-	\$ 501,459
Equipment	<u>649,562</u>	<u>234,324</u>	<u>7,531</u>	<u>-0-</u>	<u>876,355</u>
Total right-of-use capital assets	989,760	395,585	7,531	-0-	1,377,814
Accumulated amortization	<u>439,755</u>	<u>265,735</u>	<u>7,531</u>	<u>-0-</u>	<u>697,959</u>
Total right-of-use capital assets, net	\$ <u>550,005</u>	\$ <u>129,850</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>679,855</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 5 - CAPITAL ASSETS, NET (Continued)

	<u>2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>2022</u>
Nondepreciable capital assets					
Land	\$ 875,780	\$ -0-	\$ -0-	\$ -0-	\$ 875,780
Construction in progress	<u>5,832,282</u>	<u>2,831,998</u>	<u>16,518</u>	<u>(5,220,076)</u>	<u>3,427,686</u>
Total nondepreciable capital assets	\$ <u>6,708,062</u>	\$ <u>2,831,998</u>	\$ <u>16,518</u>	\$ <u>(5,220,076)</u>	\$ <u>4,303,466</u>
Depreciable capital assets					
Land improvements	\$ 1,572,866	\$ 6,324	\$ -0-	\$ 87,511	\$ 1,666,701
Buildings	34,499,662	146,640	-0-	1,165,531	35,811,833
Fixed equipment	9,952,708	18,254	3,500	1,967,432	11,934,894
Major movables	22,370,138	1,400,923	157,270	1,999,602	25,613,393
Intangibles	<u>3,213,222</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,213,222</u>
Total depreciable capital assets	71,608,596	1,572,141	160,770	5,220,076	78,240,043
Accumulated depreciation and amortization	<u>45,153,814</u>	<u>3,626,637</u>	<u>160,770</u>	<u>-0-</u>	<u>48,619,681</u>
Total depreciable capital assets, net	\$ <u>26,454,782</u>	\$ <u>(2,054,496)</u>	\$ <u>-0-</u>	\$ <u>5,220,076</u>	\$ <u>29,620,362</u>
Right-of-use capital assets					
Buildings	\$ 453,360	\$ -0-	\$ 113,162	\$ -0-	\$ 340,198
Equipment	<u>649,562</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>649,562</u>
Total right-of-use capital assets	1,102,922	-0-	113,162	-0-	989,760
Accumulated amortization	<u>284,548</u>	<u>268,369</u>	<u>113,162</u>	<u>-0-</u>	<u>439,755</u>
Total right-of-use capital assets, net	\$ <u>818,374</u>	\$ <u>(268,369)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>550,005</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 6 - SUBSCRIPTION ASSETS

The following is a summary of subscription-based information technology arrangements for intangible assets and related accumulated amortization for the years ended December 31:

	<u>2022</u>		<u>Additions</u>		<u>Disposals</u>		<u>Transfers</u>		<u>2023</u>
Subscription-based assets	\$ 6,393,209	\$	204,334	\$	20,404	\$	-0-	\$	6,577,139
Accumulated amortization	<u>934,725</u>		<u>1,001,559</u>		<u>20,404</u>		<u>-0-</u>		<u>1,915,880</u>
Total subscription-based assets, net	\$ <u>5,458,484</u>	\$	<u>(797,225)</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>4,661,259</u>
	<u>2021</u>		<u>Additions</u>		<u>Disposals</u>		<u>Transfers</u>		<u>2022</u>
Subscription-based assets	\$ 5,538,365	\$	854,844	\$	-0-	\$	-0-	\$	6,393,209
Accumulated amortization	<u>-0-</u>		<u>934,725</u>		<u>-0-</u>		<u>-0-</u>		<u>934,725</u>
Total subscription-based assets, net	\$ <u>5,538,365</u>	\$	<u>(79,881)</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>5,458,484</u>

NOTE 7 - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include certificates of deposit set aside by the Board of Commissioners for the following purposes:

	<u>2023</u>	<u>2022</u>
<u>By Third Parties</u>		
Held by ordinance for use of sales tax	\$ 2,756,876	\$ 1,992,434
Sinking fund requirements	441,599	419,634
<u>By Board</u>		
Capital projects	10,865	10,753
Retirement funding	1,037,806	974,028
Less limited use assets required for current liabilities	<u>-0-</u>	<u>-0-</u>
Non-current limited use assets	\$ <u>4,247,146</u>	\$ <u>3,396,849</u>

The total amount restricted by third parties is shown as restricted net position on the balance sheet. These amounts are \$3,198,475 and \$2,412,068 at December 31, 2023 and 2022, respectively.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 8 - COMPENSATED ABSENCES

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$1,730,840 and \$1,659,691 of vacation pay at December 31, 2023 and 2022. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 9 - LONG-TERM DEBT

A summary of long-term debt, including capital leases, at December 31, follows:

		<u>2022</u>	<u>Additions</u>	<u>Payments</u>	<u>2023</u>	<u>Due Within One Year</u>
Revenue Bond, Series 2009	\$	1,713,683	\$ -0-	\$ 95,507	\$ 1,618,176	\$ 99,335
Sales Tax Bond, Series 2015		1,657,000	-0-	536,000	1,121,000	552,000
Sales Tax Bond, Series 2017		<u>900,000</u>	<u>-0-</u>	<u>170,000</u>	<u>730,000</u>	<u>175,000</u>
Total	\$	<u>4,270,683</u>	\$ <u>-0-</u>	\$ <u>801,507</u>	\$ <u>3,469,176</u>	\$ <u>826,335</u>

		<u>2021</u>	<u>Additions</u>	<u>Payments</u>	<u>2022</u>	<u>Due Within One Year</u>
Revenue Bond, Series 2009	\$	1,805,337	\$ -0-	\$ 91,654	\$ 1,713,683	\$ 95,507
Sales Tax Bond, Series 2015		2,178,000	-0-	521,000	1,657,000	536,000
Sales Tax Bond, Series 2017		<u>1,070,000</u>	<u>-0-</u>	<u>170,000</u>	<u>900,000</u>	<u>170,000</u>
Total	\$	<u>5,053,337</u>	\$ <u>-0-</u>	\$ <u>782,654</u>	\$ <u>4,270,683</u>	\$ <u>801,507</u>

The following are the terms and due dates of the Hospital's long-term debt at December 31:

- Revenue Bond, Series 2009 at 4.125% collateralized by pledge and dedication of hospital revenue, with principal and interest payable in monthly installments of \$13,700, starting September 9, 2012 through August 9, 2036.
- Sales Tax Bond, Series 2015 at 2.00% collateralized by the proceeds of sales taxes, with principal payable annually and interest semi-annually, starting March 1, 2016 through September 1, 2025.
- Sales Tax Bond, Series 2017 at 2.24% collateralized by the proceeds of sales taxes, with principal payable annually and interest semi-annually, starting March 1, 2018 through September 1, 2027.

The Hospital has covenanted to establish a Reserve Fund and Contingency Fund with required monthly deposits for its Revenue Bond, Series 2009. The required monthly deposits are \$685 to each the Reserve Fund and Contingency Fund. Once the Reserve Fund reaches a balance of \$164,400 the monthly deposits cease and the required monthly deposits for the Contingency Fund will increase to \$1,370.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 9 - LONG-TERM DEBT (Continued)

The Hospital has covenanted to establish a Sinking Fund with required monthly deposits for its Sales Tax Bonds, Series 2015 and 2017. The required monthly deposits are equal to the annual debt service divided by twelve. The debt service is paid through the sinking fund.

Scheduled principal and interest repayments on the long-term debt follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 826,335	\$ 107,152
2025	852,698	86,448
2026	293,057	64,743
2027	302,600	56,056
2028	117,196	47,204
2029 to 2033	664,821	157,179
2034 to 2036	<u>412,469</u>	<u>23,689</u>
Totals	\$ <u>3,469,176</u>	\$ <u>542,471</u>

NOTE 10 - LEASE LIABILITY

The following is a summary of the changes in lease liability obligations as of December 31:

	<u>2022</u>	<u>Additions</u>	<u>Payments</u>	<u>2023</u>	<u>Due Within One Year</u>
Building	\$ 223,616	\$ 161,261	\$ 76,974	\$ 307,903	\$ 93,580
Equipment	<u>354,921</u>	<u>234,270</u>	<u>178,114</u>	<u>411,077</u>	<u>338,933</u>
Total	\$ <u>578,537</u>	\$ <u>395,531</u>	\$ <u>255,088</u>	\$ <u>718,980</u>	\$ <u>432,513</u>

	<u>2021</u>	<u>Additions</u>	<u>Payments</u>	<u>2022</u>	<u>Due Within One Year</u>
Building	\$ 333,204	\$ -0-	\$ 109,588	\$ 223,616	\$ 63,035
Equipment	<u>506,220</u>	<u>-0-</u>	<u>151,299</u>	<u>354,921</u>	<u>157,665</u>
Total	\$ <u>839,424</u>	\$ <u>-0-</u>	\$ <u>260,887</u>	\$ <u>578,537</u>	\$ <u>220,700</u>

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 10 - LEASE LIABILITY (Continued)

The following are the terms and due dates of the Hospital's lease liability obligations:

- Lease liability obligation for a building at imputed interest rate of 5.25% with a monthly payment of \$6,106 through April 1, 2026.
- Lease liability obligation for a building at imputed interest rate of 10.25% with a monthly payment of \$3,417 through June 1, 2028.
- Various lease liability obligations for equipment at imputed interest rates ranging from 4.75% to 10.50% with total monthly payments ranging from \$809 to \$22,500 through May 1, 2025.

Scheduled principal and interest payments on lease liability obligations are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 432,513	\$ 40,183	\$ 472,696
2025	172,216	15,142	187,358
2026	57,465	7,963	65,428
2027	36,884	4,120	41,004
2028	<u>19,902</u>	<u>599</u>	<u>20,501</u>
Totals	\$ <u>718,980</u>	\$ <u>68,007</u>	\$ <u>786,987</u>

NOTE 11 - SUBSCRIPTION LIABILITIES

A summary of subscription liabilities follows:

	<u>2022</u>	<u>Additions</u>	<u>Payments</u>	<u>2023</u>	<u>Due Within One Year</u>
Totals	\$ <u>5,497,198</u>	\$ <u>204,334</u>	\$ <u>1,000,455</u>	\$ <u>4,701,077</u>	\$ <u>981,717</u>

	<u>2021</u>	<u>Additions</u>	<u>Payments</u>	<u>2022</u>	<u>Due Within One Year</u>
Totals	\$ <u>5,538,365</u>	\$ <u>854,844</u>	\$ <u>896,011</u>	\$ <u>5,497,198</u>	\$ <u>952,899</u>

The District began recognizing subscription liability obligations related to the adoption of GASB 96 during fiscal year 2023. The subscription liability obligations relate to subscription-based information technology arrangements at imputed interest rates from 3.25% to 8.50% with maturity dates ranging from March 31, 2024 to December 31, 2028.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 11 - SUBSCRIPTION LIABILITIES (Continued)

Scheduled principal and interest payments on the subscription liability obligations are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 981,717	\$ 155,986	\$ 1,137,703
2025	945,827	120,376	1,066,203
2026	900,767	86,446	987,213
2027	933,143	54,325	987,468
2028	<u>939,623</u>	<u>21,279</u>	<u>960,902</u>
Totals	\$ <u>4,701,077</u>	\$ <u>438,412</u>	\$ <u>5,139,489</u>

NOTE 12 - NET PATIENT SERVICE REVENUES

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2024, if not extended by Congress. The additional payment received under the Medicare low volume add-on was \$578,769 and \$773,599 for the years ended December 31, 2023 and 2022. Outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis. Swing bed services are reimbursed based on a prospectively determined rate per patient day. Adult psychiatry services are reimbursed based on a prospective method based on length of stay, diagnosis, and other factors. The District's Medicare cost reports have been settled by the Medicare fiscal intermediary through December 31, 2019. The intermediary may reopen and further adjust any year within three years of the date of a Notice of Program Reimbursement.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. Adult psychiatry services are reimbursed on a prospectively determined per diem rate. The District's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through December 31, 2017.

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates. Blue Cross Blue Shield "BCBS" is the largest commercial provider. BCBS charges were 10% and 11% of the total gross charges for the years ended December 31, 2023 and 2022, respectively.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 12 - NET PATIENT SERVICE REVENUES (Continued)

The following is a summary of the Hospital's net patient revenues for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Gross charges	\$ 195,006,779	\$ 181,072,343
Less charges associated with charity patients	<u>278,533</u>	<u>93,982</u>
Gross patient service revenue	194,728,246	180,978,361
Less deductions from revenue:		
Contractual adjustments	134,213,427	123,114,744
Policy discounts	<u>1,330,274</u>	<u>1,597,738</u>
Patient service revenue (net of contractual adjustments)	59,184,545	56,265,879
Less provision for bad debts	<u>4,574,994</u>	<u>4,028,830</u>
Net patient service revenue less provision for bad debts	\$ <u>54,609,551</u>	\$ <u>52,237,049</u>

The Hospital receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Medicare and Medicaid patient charges	\$ 119,851,683	\$ 117,978,306
Contractual adjustments	<u>(83,079,874)</u>	<u>(82,631,201)</u>
Program patient service revenue	\$ <u>36,771,809</u>	\$ <u>35,347,105</u>
Percent of total gross patient charges	<u>61%</u>	<u>65%</u>
Percent of total net patient revenues	<u>67%</u>	<u>68%</u>

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. These adjustments resulted in an increase in net patient service revenue of \$8,010 and \$148,292 in 2023 and 2022, respectively.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 13 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

NOTE 14 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 12) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

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

Professional Liability Risk (Note 13) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 15 - PENSION PLAN

The District has a defined contribution pension plan, established in accordance with Section 401(a) of the *Internal Revenue Code*. The District also has a second voluntary defined contribution pension plan, established in accordance with Section 457 of the *Internal Revenue Code* for employee contributions only. The Abbeville General Hospital retirement plans are administered by The Standard Insurance Company who holds all plan assets. Any eligible employee who is credited with at least one year of preliminary service, in which the employee has 1,000 hours of service during that time period, will qualify to participate in the plan. The District contributes five percent of the covered payroll to the 401(a) pension plan. The District holds all rights to change and/or stop its contribution at any time. Employees are immediately vested in their contributions. The District has a five-year vesting schedule that applies to the employer contributions. Actual contributions made by the District for the years ended December 31, 2023 and 2022 were \$1,003,272 and \$1,033,621. The employees of the District contributed \$806,190 and \$786,389 for the years ended December 31, 2023 and 2022, respectively.

NOTE 16 - EMPLOYEE MEDICAL BENEFIT PLAN

The Hospital is self-insured to provide group medical coverage for its employees. A third-party administers the group medical coverage for the Hospital. The Hospital funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$90,000 or aggregate claims exceeding \$3,841,665 per year. There were no significant changes in insurance coverage from the prior year. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term. The following is a summary of the changes in the Hospital's claims liability for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Beginning of the year	\$ 314,045	\$ 135,276
Plus: Claims incurred and changes in estimate	2,662,883	1,650,526
Less: Claims paid	<u>2,802,257</u>	<u>1,471,757</u>
End of the year	\$ <u>174,671</u>	\$ <u>314,045</u>

NOTE 17 - SALES TAX REVENUE

On July 19, 2008, the voters of the District passed a half cent sales tax in perpetuity. The terms of the vote stipulated that the sales tax was in lieu of ad valorem taxes; therefore, no further ad valorem taxes would be collected by the District. The sales tax collections are restricted to paying the cost of emergency room operations and acquiring, maintaining and improving hospital buildings, equipment and other capital facilities within the Hospital Service District No. 2. Sales tax revenue is approximately 5% and 5% of the total revenues in 2023 and 2022, respectively.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 18 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 200% scale. Accordingly, the Hospital does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The costs of caring for charity care patients were approximately \$102,000 and \$34,000 for the years ended December 31, 2023 and 2022, respectively.

NOTE 19 - GRANT REVENUE

The District recognized capital grant income of approximately \$27,000 and \$680,000 from the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) for the purchase of a new emergency generator for the years ended December 31, 2023 and 2022, respectively.

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

NOTE 20 - INTERGOVERNMENTAL TRANSFER GRANTS

The Hospital entered into a cooperative endeavor agreement with a regional public hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The IGT grant income is \$3,900,334 for the year ended December 31, 2022.

NOTE 21 - MEDICAID SUPPLEMENTAL PAYMENTS

The Hospital participates in the state's Medicaid Managed Care Incentive Program (MCIP). The program is designed to provide incentive payments to Medicaid Managed Care Plans for achieving quality reforms that increase access to health care and improve the quality of care. The Hospital reported income of \$4,791,516 and \$3,434,062 related to this program for the years ended December 31, 2023 and 2022, respectively.

The Hospital entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of Louisiana Physician IPA, Inc. which is a physician supplemental program. In fiscal year 2023, the Hospital received approximately \$6.7 million in Medicaid supplemental payments of which approximately \$2.7 million was submitted to LDH as an IGT. In fiscal year 2022, the Hospital received approximately \$8.3 million in Medicaid supplemental payments of which approximately \$3.3 million was submitted to LDH as an IGT.

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 21 - MEDICAID SUPPLEMENTAL PAYMENTS (Continued)

For state fiscal years (SFY) 2024 and 2023, the Louisiana Department of Health (LDH) obtained a Medicaid State Plan Amendment (SPA) approval from the Centers for Medicare and Medicaid Services (CMS) to make quarterly supplemental payments to hospitals based upon certain assumptions under a directed payment plan (DPP). Annually thereafter, LDH must submit the assumptions to CMS for approval in future years. The basis for interim supplemental payments is the Hospital's historical paid claims and other factors. In future state fiscal years, actual paid claims and other factors will be used to reconcile interim payments to final settled DPP amounts. LDH anticipates increasing or decreasing future DPP payments by the reconciliation amounts. The Hospital has recognized \$11,323,054 and \$4,839,725 for the years ended December 31, 2023 and 2022, respectively, as Medicaid supplemental income after consideration was given for future adjustments which the Hospital determined necessary. To the extent income recognized in the current period differs from actual results, Medicaid supplemental income will be adjusted.

NOTE 22 - COMMITMENTS

The Hospital entered into various construction contracts, which totaled \$1,406,600, including change orders as of December 31, 2023. The Hospital paid \$291,337 towards these commitments as of December 31, 2023.

NOTE 23 - CHANGE IN METHOD OF ACCOUNTING FOR SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS ("SBITA")

As discussed in Note 2, the Hospital adopted GASB Statement No. 96, *SBITAs* on January 1, 2023. This statement is applied retroactively by restating balances in the financial statements as of December 31, 2022 as follows:

	<u>As Previously Reported</u>	<u>As Restated</u>
Subscription assets, net	\$ -0-	\$ 5,458,484
Subscription liabilities	\$ -0-	\$ 5,497,198
Prepays	\$ 543,143	\$ 452,925
Other expenses	\$ 10,222,307	\$ 9,278,864
Depreciation and amortization	\$ 3,895,006	\$ 4,829,731
Interest expense	\$ 176,822	\$ 314,472

ABBEVILLE GENERAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 24 - COOPERATIVE ENDEAVOR AGREEMENT

The District has agreed to a cooperative endeavor (CEA) with other like-minded Louisiana hospitals, per Louisiana's Rural Hospital Preservation Act. The intent of this arrangement is to pool hospital resources across the State to support access to healthcare in rural Louisiana. Under the CEA, the District deposits an amount, determined annually by the Rural Hospital Coalition (RHC), into an account, from which RHC is permitted to withdraw funds and make distributions to participating hospitals using a predetermined formula. Although the payments are formulaic in nature, they are not guaranteed, nor are they directly related to Medicaid reimbursement for the provisions of goods and healthcare services to patients. Accordingly, the deposits made by the District to RHC were more than the amount received by the District under this program, resulting in a net amount of \$2,236,959 and \$454,879 for the year ended December 31, 2023 and 2022, respectively. This was recorded as an expense called Access to Care.

NOTE 25 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 24, 2024, and determined that no material events occurred that require disclosure. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF NET PATIENT SERVICE REVENUES
YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Routine Services:		
Adults and pediatric	\$ 11,586,561	\$ 12,430,082
Intensive care unit	2,560,395	2,388,815
Psychiatric	7,139,821	7,394,253
Nursery	<u>555,731</u>	<u>477,498</u>
 Total	 <u>21,842,508</u>	 <u>22,690,648</u>
Other Professional Services:		
Operating room		
Inpatient	5,124,660	4,335,400
Outpatient	<u>15,989,951</u>	<u>12,288,867</u>
 Total	 <u>21,114,611</u>	 <u>16,624,267</u>
Recovery room		
Inpatient	189,407	163,055
Outpatient	<u>921,250</u>	<u>757,536</u>
 Total	 <u>1,110,657</u>	 <u>920,591</u>
Anesthesia		
Inpatient	1,153,714	985,793
Outpatient	<u>3,494,440</u>	<u>2,738,220</u>
 Total	 <u>4,648,154</u>	 <u>3,724,013</u>
Diagnostic imaging		
Inpatient	4,256,973	4,098,251
Outpatient	<u>27,997,202</u>	<u>23,751,378</u>
 Total	 <u>32,254,175</u>	 <u>27,849,629</u>
Laboratory		
Inpatient	7,356,978	7,388,871
Outpatient	<u>31,153,257</u>	<u>28,873,831</u>
 Total	 \$ <u>38,510,235</u>	 \$ <u>36,262,702</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)
YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Blood		
Inpatient	\$ 303,660	\$ 281,972
Outpatient	<u>146,871</u>	<u>96,515</u>
Total	<u>450,531</u>	<u>378,487</u>
Cardiopulmonary		
Inpatient	2,969,864	3,129,846
Outpatient	<u>627,615</u>	<u>477,355</u>
Total	<u>3,597,479</u>	<u>3,607,201</u>
Physical therapy		
Inpatient	312,658	322,871
Outpatient	<u>63,507</u>	<u>39,936</u>
Total	<u>376,165</u>	<u>362,807</u>
EKG		
Inpatient	869,004	939,131
Outpatient	<u>2,568,882</u>	<u>2,297,562</u>
Total	<u>3,437,886</u>	<u>3,236,693</u>
Central supply		
Inpatient	1,058,796	842,660
Outpatient	<u>1,618,097</u>	<u>1,191,277</u>
Total	<u>2,676,893</u>	<u>2,033,937</u>
Pharmacy		
Inpatient	6,593,636	7,158,518
Outpatient	<u>19,458,798</u>	<u>20,850,026</u>
Total	<u>26,052,434</u>	<u>28,008,544</u>
Dialysis		
Inpatient	213,670	272,095
Outpatient	<u>60,245</u>	<u>35,592</u>
Total	\$ <u>273,915</u>	\$ <u>307,687</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)
YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Sleep center	\$ <u>2,948,798</u>	\$ <u>1,917,003</u>
Outpatient psychiatric program	<u>610,297</u>	<u>1,865,348</u>
Infusion/oncology services		
Inpatient	2,662	24,269
Outpatient	<u>1,086,938</u>	<u>1,527,956</u>
Total	<u>1,089,600</u>	<u>1,552,225</u>
Emergency department		
Inpatient	2,770,675	2,637,376
Outpatient	<u>15,163,890</u>	<u>13,366,469</u>
Total	<u>17,934,565</u>	<u>16,003,845</u>
Observation room		
Inpatient	(273)	2,183
Outpatient	<u>2,562,909</u>	<u>2,197,673</u>
Total	<u>2,562,636</u>	<u>2,199,856</u>
Rural health clinics	<u>11,353,470</u>	<u>9,915,518</u>
Urgent care clinic	<u>2,009,206</u>	<u>1,611,342</u>
Private physician clinic	<u>152,564</u>	<u>-0-</u>
Total Other Professional Services	<u>173,164,271</u>	<u>158,381,695</u>
Gross Charges	195,006,779	181,072,343
Less charges associated with charity patients	<u>(278,533)</u>	<u>(93,982)</u>
Gross patient service revenue	\$ <u>194,728,246</u>	\$ <u>180,978,361</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF NET PATIENT SERVICE REVENUES (Continued)
YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Less deductions from revenue:		
Contractual adjustments	\$ (134,213,427)	\$ (123,114,744)
Policy discounts	<u>(1,330,274)</u>	<u>(1,597,738)</u>
Patient service revenue	59,184,545	56,265,879
Less provision for bad debts	<u>(4,574,994)</u>	<u>(4,028,830)</u>
Net Patient Service Revenue	\$ <u>54,609,551</u>	\$ <u>52,237,049</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF OTHER OPERATING REVENUES
YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Cafeteria sales	\$ 393,838	\$ 339,808
Vending machine commission	16,806	14,944
Physician office rentals	42,832	107,291
Medical records abstract fees	6,505	7,899
340B revenue	706,090	401,238
Miscellaneous revenue	<u>136,616</u>	<u>237,899</u>
Total other operating revenue	\$ <u>1,302,687</u>	\$ <u>1,109,079</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Human resources	\$ 182,073	\$ 171,308
Administration	4,132,852	3,871,110
Facility maintenance	639,807	601,256
Laundry and linen	34,022	34,456
Housekeeping	792,320	775,380
Food and nutrition	711,960	752,408
Nursing administration	1,070,568	1,098,470
Materials management	348,140	307,239
Pharmacy	1,073,363	1,074,000
Health information management	1,494,083	1,591,988
Nursing services, acute care	2,722,003	2,525,196
Nursing services, intensive care unit	934,433	940,484
Nursing services, psychiatric unit	509,427	1,359,782
Nursing services, nursery	270,956	232,393
Operating room	1,972,046	1,727,839
Recovery room	674,763	653,389
Anesthesiology	1,894,609	1,849,119
Diagnostic imaging	1,721,855	1,609,347
Laboratory	1,338,246	1,135,011
Cardiopulmonary	1,016,943	907,755
Dialysis	146,859	147,094
Sleep center	18,000	18,107
Outpatient psychiatric program	43,843	129,388
Infusion/oncology services	507,181	423,632
Emergency department	2,214,689	1,726,989
Rural health clinics	6,291,521	5,508,054
Specialty clinic	52,676	34,673
Urgent care clinic	<u>641,848</u>	<u>584,492</u>
 Total salaries	 <u>33,451,086</u>	 <u>31,790,359</u>
 Payroll taxes	 2,269,005	 2,161,881
Health insurance	2,662,883	1,650,526
Pension plan	1,003,272	1,033,621
Other	<u>129,605</u>	<u>125,339</u>
 Total benefits	 <u>6,064,765</u>	 <u>4,971,367</u>
 Total salaries and benefits	 \$ <u>39,515,851</u>	 \$ <u>36,761,726</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Nursing service	\$ 680,203	\$ 755,658
Intensive care unit	180,836	49,792
Psychiatric unit	1,078,834	22,872
Nursery	61,787	61,951
Operating room	270,645	318,105
Anesthesiology	163,097	52,827
Diagnostic imaging	155,810	146,537
Laboratory	622,455	537,969
Cardiopulmonary	351,207	450,505
Physical therapy	88,583	85,080
EKG	160,752	122,474
Sleep center	382,147	247,054
Outpatient psychiatric program	305,696	740,688
Infusion/oncology services	698,206	716,905
Emergency department	499,042	885,039
Rural health clinics	951,083	904,817
Private physician clinic	110,225	-0-
Urgent care clinic	<u>1,333</u>	<u>2,853</u>
 Total professional fees	 \$ <u>6,761,941</u>	 \$ <u>6,101,126</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Management fees	\$ 11,650	\$ 411,000
Miscellaneous service fees	1,280,586	1,269,052
Legal and accounting	228,707	199,503
Supplies	1,813,882	1,724,330
Repairs and maintenance	1,916,518	1,646,293
Utilities	1,048,128	1,085,190
Telephone	225,570	198,358
Travel and education	56,090	53,368
Rentals	437,289	235,284
Recruitment and advertising	159,055	69,975
Intergovernmental transfer	1,502,400	1,199,900
Access to care expenses	2,236,959	454,879
Miscellaneous	<u>797,891</u>	<u>731,732</u>
 Total other expenses	 \$ <u>11,714,725</u>	 \$ <u>9,278,864</u>

ABBEVILLE GENERAL HOSPITAL
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>
John Boudreaux	\$ 2,750	\$ 2,625
Jody Landry	2,500	2,625
Oswald Broussard	2,625	2,375
John Budden	2,500	2,750
Anita Levy	2,750	2,625
Daleon Primeaux	1,750	2,375
Kelly Richard	<u>2,625</u>	<u>2,750</u>
Totals	\$ <u>17,500</u>	\$ <u>18,125</u>

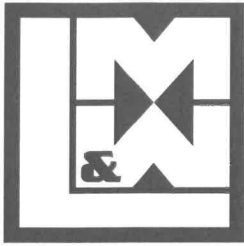
ABBEVILLE GENERAL HOSPITAL
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2023

Agency Head Name: Michael Bertrand, II
Position: CEO

<u>Purpose</u>	<u>Amount</u>
Salary	256,992
Health insurance	15,238
Retirement	9,510
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	3,250
Conference travel	1,336
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-
Professional dues	265
Cell phone	1,100

ABBEVILLE GENERAL HOSPITAL
SCHEDULE OF INSURANCE POLICIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Risk Covered	Coverage Limits		Beginning	Ending
	Per Occurrence	In Aggregate		
General Liability	\$ 500,000	\$ 2,000,000	11/1/2022	11/1/2023
General Liability	\$ 1,000,000	\$ 2,000,000	11/1/2023	11/1/2024
Directors and Officers	\$ 250,000	\$ 2,000,000	5/30/2022	5/30/2023
Directors and Officers	\$ 250,000	\$ 2,000,000	5/30/2023	5/30/2024
Professional Liability	\$ 100,000	\$ 2,000,000	11/1/2022	11/1/2023
Professional Liability	\$ 100,000	\$ 2,000,000	11/1/2023	11/1/2024
Patient Compensation Fund	\$ 400,000		11/1/2022	11/1/2023
Patient Compensation Fund	\$ 400,000		11/1/2023	11/1/2024
Cyber Liability	\$ 2,000,000	\$ 2,000,000	11/1/2022	11/1/2023
Cyber Liability	\$ 2,000,000	\$ 2,000,000	11/1/2023	11/1/2024
Property Insurance		\$ 102,038,639	5/30/2022	5/30/2023
Property Insurance		\$ 130,122,825	5/30/2023	5/30/2024
Flood Insurance		\$ 500,000	7/29/2022	7/29/2023
Flood Insurance		\$ 500,000	7/29/2023	7/29/2024
Prof. Liab./PCF Coverage	\$ 100,000	\$ 300,000	8/1/2022	8/1/2023
Prof. Liab./PCF Coverage	\$ 100,000	\$ 300,000	8/1/2023	8/1/2024
Worker's Compensation		\$ 1,000,000	1/1/2023	1/1/2024



LESTER, MILLER & WELLS

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Andrew J. Wynn, CPA

Bobby G. Lester, CPA
(1949-2023)

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

To the Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, 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 Hospital Service District No. 2, Parish of Vermilion ("the Hospital"), a component unit of the Vermilion Parish Police Jury, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 24, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, Louisiana
Page Two

Report on Compliance and Other Matters

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

The Hospital's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Hospital'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 Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

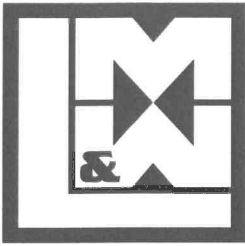
This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

June 24, 2024





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

To the Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hospital Service District No. 2's, Parish of Vermilion ("the Hospital"), a component unit of the Vermilion Parish Police Jury, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2023. The Hospital's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

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



Board of Commissioners
Hospital Service District No. 2
Parish of Vermilion, State of Louisiana
Abbeville, Louisiana
Page Three

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

June 24, 2024



ABBEVILLE GENERAL HOSPITAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Program Name/ Pass-Through Grantor	Assistance Listing Number	Pass-through Identifying No.	Federal Expenditures
United States Department of Agriculture			
Community Facilities Loans and Grants	10.766		\$ 1,713,683
United States Department of Homeland Security			
Passed-through the Governor's Office of Homeland Security and Emergency Preparedness Hazard Mitigation Grant	97.039	FEMA-1786-DR-LA Project #0128	<u>27,450</u>
Total Expenditures of Federal Awards			\$ <u>1,741,133</u>

See accompanying notes to schedule of expenditures of federal awards.

ABBEVILLE GENERAL HOSPITAL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hospital Service District No. 2, Parish of Vermilion (“the Hospital”) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

NOTE B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – Indirect Cost Rate

The Hospital has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – Loans and Loan Guarantees

Because the Federal government is at risk for loans until the debt is repaid, federal awards amount expended includes (1) the value of new loans made and received during the audit period; plus (2) the beginning of the audit period balances of loans from previous years for which the Federal government imposes continuing compliance requirements; plus (3) any interest subsidy, cash, or administrative cost allowance received in accordance with the Uniform Guidance described in 2 CFR section 200.502. Total outstanding loan balance due to the United States Department of Agriculture at December 31, 2023 was \$1,618,176.

ABBEVILLE GENERAL HOSPITAL
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified opinion on financial statements prepared in accordance with generally accepted accounting principles (GAAP)

Internal control over financial reporting:

- Material weaknesses identified – Yes
- Significant deficiencies identified – None Known

Compliance:

- Noncompliance issues noted – None

Management letter issued – No

Federal Awards

- Material weaknesses identified – No
- Significant deficiencies identified – None Known
- Type of auditors' report issued on compliance for major programs – Unmodified
- Any audit findings which are required to be reported under Uniform Guidance – No
- Any instances of material noncompliance in major programs disclosed during the audit – No
- Identification of Major Programs:
 - Assistance Listing # 10.766 United States Department of Agriculture
Community Facilities Loans and Grants (Loan)
- Dollar threshold to distinguish between Type A and Type B Programs - \$750,000
- Auditee qualified as a low-risk auditee – Yes

Section II. Financial Statement Findings

FINDING: 2023-001 - New Accounting Pronouncement

Criteria: New accounting pronouncements should be implemented in the year that they become effective.

Condition: GASB 96, *Subscription-Based Information Technology Arrangements* (SBITA), became effective January 1, 2023 for the District's reporting period. The implementation of the new GASB pronouncement was not completed until June 2024.

Cause: The contracts for the subscription-based information technology arrangements were not gathered in a timely manner to complete the calculations.

Effect: Both assets and liabilities were understated by approximately \$4.7 million, while the net position was approximately overstated by \$135,000.

Recommendation: We recommend that future implementation of new accounting pronouncements be completed during the year in which they go into effect.



ABBEVILLE GENERAL HOSPITAL
AUDITORS' SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

Section II. Financial Statement Findings (Continued)

Management's Response: The accounting supervisor will implement the GASB 96 in July 2024. Additionally, management will ensure new accounting pronouncements are implemented in a timely manner.

Section III. Federal Awards Findings and Questioned Costs

None Reported

Section IV. Management Letter

Not Applicable



ABBEVILLE GENERAL HOSPITAL
AUDITORS' SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

Section I. Financial Statement Findings

None Reported

Section II. Federal Awards Findings and Questioned Costs

Not Applicable

Section III. Management Letter

Not Applicable



ABBEVILLE GENERAL HOSPITAL
INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED UPON
PROCEDURES

FOR THE YEAR ENDED
DECEMBER 31, 2023



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Vermilion Parish Hospital Service District No. 2 (the Hospital) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2023 through December 31, 2023. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

The Hospital has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2023 through December 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

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:
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - iii. **Disbursements**, including processing, reviewing, and approving.
 - 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).

- 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.
- 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.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- 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).
- 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.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- 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.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exceptions: No exceptions were found as a result of these procedures.

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.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *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.*



- 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.
- 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.

Exceptions: No exceptions were found as a result of these procedures.

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, 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.

Exceptions: No exceptions were found as a result of these procedures.

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).
- 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). *Alternatively, 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.

Exceptions: No exceptions were found as a result of these procedures.

5) Non-Payroll Disbursements (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).
- 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.
- 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.
- 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.

Exceptions: No exceptions were found as a result of these procedures.

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.
- 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., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder 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.

Exceptions: No exceptions were found as a result of these procedures.

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

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - 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.

Exceptions: No exceptions were found as a result of these procedures.

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;
- 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.

Exceptions: No exceptions were found as a result of these procedures.

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

Exceptions: No exceptions were found as a result of these procedures.



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

Exceptions: No exceptions were found as a result of these procedures.

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.
- 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).

Exceptions: No exceptions were found as a result of these procedures.

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.
- 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.

Exceptions: No exceptions were found as a result of these procedures.



13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**
- i. 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.
 - ii. 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.
 - iii. 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.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.
- C. 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:
- i. If hired before June 9, 2020 – completed the training, or
 - ii. If hired on or after June 9, 2020 – completed the training within 30 days of initial service or employment.

Exceptions: We performed the procedures and discussed the results with management.

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.
- 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).
- 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:



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- 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.

Exceptions: No exceptions were found as a result of these procedures.

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

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

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

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

June 10, 2024



