



Management's Discussion and Analysis
and Financial Statements
September 30, 2022 and 2021

Hospital Service District No. 3
A Component Unit of Lafourche Parish,
State of Louisiana

Hospital Service District No. 3
A Component Unit of Lafourche Parish, State of Louisiana
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September 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Commissioners
Hospital Service District No. 3,
A Component Unit of Lafourche Parish, State of Louisiana
Thibodaux, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hospital Service District No. 3 (District), a Component Unit of Lafourche Parish, State of Louisiana, which comprise the statements of net position as of September 30, 2022 and 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District, a Component Unit of Lafourche Parish, State of Louisiana, as of September 30, 2022 and 2021, and the respective changes in financial position and its 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 District'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 District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Compensation, Reimbursements, Benefits and Other Payments to the Agency Head is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Reimbursements, Benefits and Other Payments to the Agency Head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 District'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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma
March 27, 2023

Introduction

The discussion and analysis of the financial performance for Hospital Service District No. 3 (District), a Component Unit of Lafourche Parish, State of Louisiana, provides an overview of the District's financial activities and balances as of and for the fiscal years ended September 30, 2022, 2021 and 2020. The intent of this discussion and analysis is to provide further information on the District's performance as a whole; readers should also review the basic financial statements and the notes thereto to enhance their understanding their understanding of the District's financial status.

Financial Highlights

Through September 30, 2019, the District operated a regional medical center. Effective October 1, 2019, the District began leasing all hospital buildings and equipment to Thibodaux Regional Health Systems Inc. (TRHS) in exchange for a note receivable. Due to this transition, the District did not provide healthcare related services or incur expenses related to the delivery of health care services to patients during the years ended September 30, 2022, 2021 and 2020. The only activity of the District for years ended September 30, 2022, 2021 and 2020 is the continued development of the cancer center and leasing the hospital buildings and equipment to TRHS.

- Total assets decreased in 2022 by approximately \$52,107,000 or 11% and decreased in 2021 by approximately \$39,083,000 or 7%.
- Total liabilities decreased in 2022 by approximately \$3,660,000 or 100% and increased in 2021 by approximately \$792,000 or 28%.
- The District's net position decreased in 2022 by approximately \$5,254,000 or 1% and decreased in 2021 by approximately \$5,517,000 or 2%.

Using This Annual Report

The District's financial statements consist of three statements – Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows. These financial statements and related notes provide information about activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

One of the most important questions asked about the District's finances is "Is the District 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 District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and 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 or paid.

Hospital Service District No. 3
A Component Unit of Lafourche Parish, State of Louisiana
Management's Discussion and Analysis

These two statements report the District's net position and changes in it. You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District'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 District's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. This 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?".

The District's Net Position

The District's net position is the difference between its assets and liabilities and deferred inflows of resources reported in the Statement of Net Position. The District's net position decreased by approximately \$5,254,000 or 1% in 2022 and decreased by approximately \$5,517,000 or 2% in 2021 as shown below in Table 1.

Table 1: Assets, Liabilities, and Net Position (In Thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets			
Current assets	\$ 26,338	\$ 22,591	\$ 6,188
Capital assets, net	184,994	193,497	184,123
Other noncurrent assets	<u>231,564</u>	<u>278,915</u>	<u>343,775</u>
Total assets	<u>\$ 442,896</u>	<u>\$ 495,003</u>	<u>\$ 534,086</u>
Liabilities			
Current liabilities	\$ -	\$ 3,660	\$ 2,868
Deferred inflows of resources	<u>95,836</u>	<u>139,029</u>	<u>173,387</u>
Total liabilities and deferred inflows of resources	<u>95,836</u>	<u>142,689</u>	<u>176,255</u>
Net Position			
Net investment in capital assets	184,994	193,497	181,258
Unrestricted	<u>162,066</u>	<u>158,817</u>	<u>176,573</u>
Total net position	<u>347,060</u>	<u>352,314</u>	<u>357,831</u>
Total liabilities and net position	<u>\$ 442,896</u>	<u>\$ 495,003</u>	<u>\$ 534,086</u>

Hospital Service District No. 3
A Component Unit of Lafourche Parish, State of Louisiana
Management's Discussion and Analysis

Assets, Liabilities, and Net Position

A significant component of the change in the District's assets, liabilities, and net position is the change in interest receivable, due from TRHS, noncurrent cash, lease receivable and deferred inflows, as discussed below:

- Interest receivable increased in 2022 by approximately \$6,668,000 or 53% and increased in 2021 by approximately \$6,395,000 or 105%.
- Due from TRHS decreased in 2022 by approximately \$2,931,000 or 29% due to amounts received from TRHS during 2022 and increased in 2021 by approximately \$10,000,000 or 100% due to amounts provided to TRHS during 2021.
- Noncurrent cash decreased in 2022 by approximately \$4,158,000 or 61% due to the purchase of capital assets and decreased in 2021 by approximately \$30,502,000 or 82%.
- Lease receivable and deferred inflows decreased in 2022 by approximately \$43,193,000 or 31% and decreased in 2021 by approximately \$34,358,000 or 20%. The change is due to the recognition of a lease receivable and deferred inflow of resources associated with the lease entered into effective October 1, 2019 with TRHS.

Table 2: Operating Results and Changes in Net Position (In Thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues			
Lease revenue, net of credits	\$ -	\$ -	\$ -
Operating Expenses			
Depreciation	10,410	11,903	12,806
Operating Loss	<u>(10,410)</u>	<u>(11,903)</u>	<u>(12,806)</u>
Nonoperating Revenues (Expenses)			
Interest income	6,675	6,420	6,326
Loss on disposal of capital assets	<u>(1,519)</u>	<u>(34)</u>	<u>(45)</u>
Net nonoperating revenues	<u>5,156</u>	<u>6,386</u>	<u>6,281</u>
Loss on Disposal of Operations	<u>-</u>	<u>-</u>	<u>(854)</u>
Change in Net Position	(5,254)	(5,517)	(7,379)
Net Position, Beginning of Year	<u>352,314</u>	<u>357,831</u>	<u>365,210</u>
Net Position, End of Year	<u>\$ 347,060</u>	<u>\$ 352,314</u>	<u>\$ 357,831</u>

Operating Results

As the District transferred all hospital operations to TRHS effective October 1, 2019, the only operating expenses incurred were those associated with the depreciation of the buildings and equipment being leased to TRHS.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses prior to October 1, 2019, consisted primarily of investment income, contributions and income from joint ventures. In 2022, nonoperating revenues and expenses consist primarily of interest income associated with the note receivable entered into with TRHS in exchange for the transfer of hospital operations and working capital. The interest income increased by approximately \$254,000 or 4% in 2022 and increased by approximately \$94,000 in 2021 or 1%.

The District's Cash Flows

Changes in the District's operating, noncapital and financing and capital and related financing cash flows are consistent with changes in operating loss and net nonoperating revenues for 2022, 2021 and 2020, discussed earlier.

Capital Assets

The District had approximately \$184,994,000 invested in capital assets at the end of 2022 and approximately \$193,497,000 at the end of 2021, net of accumulated depreciation, as detailed in Note 3 to the financial statements. The District purchased new capital assets totaling approximately \$3,426,000 in 2022 and approximately \$21,310,000 in 2021.

Requests for Information

This financial report is designed to provide our patients, suppliers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the District administration by calling 985-447-5500.

Hospital Service District No. 3
A Component Unit of Lafourche Parish, State of Louisiana
Statements of Net Position
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 87,725	\$ 77,910
Interest receivable	19,181,268	12,512,828
Due from Thibodaux Regional Health System, Inc.	<u>7,068,907</u>	<u>10,000,000</u>
Total current assets	<u>26,337,900</u>	<u>22,590,738</u>
Noncurrent Cash		
Internally designated for capital improvements	<u>2,633,128</u>	<u>6,790,811</u>
Capital Assets, Net	184,994,046	193,497,309
Note Receivable	133,095,297	133,095,297
Lease Receivable	<u>95,835,878</u>	<u>139,028,516</u>
Total assets	<u>\$ 442,896,249</u>	<u>\$ 495,002,671</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	<u>\$ 272</u>	<u>\$ 3,660,052</u>
Total liabilities	<u>272</u>	<u>3,660,052</u>
Deferred Inflows of Resources	<u>95,835,878</u>	<u>139,028,516</u>
Net Position		
Net investment in capital assets	184,993,657	189,840,489
Unrestricted	<u>162,066,442</u>	<u>162,473,614</u>
Total net position	<u>347,060,099</u>	<u>352,314,103</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 442,896,249</u>	<u>\$ 495,002,671</u>

Hospital Service District No. 3
A Component Unit of Lafourche Parish, State of Louisiana
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Lease revenue, net of credits	\$ -	\$ -
Operating Expenses		
Depreciation	10,409,756	11,902,912
Operating Loss	<u>(10,409,756)</u>	<u>(11,902,912)</u>
Nonoperating Revenues (Expenses)		
Interest income	6,674,893	6,420,139
Loss on disposal of capital assets	<u>(1,519,141)</u>	<u>(33,867)</u>
Net nonoperating revenues	<u>5,155,752</u>	<u>6,386,272</u>
Change in Net Position	(5,254,004)	(5,516,640)
Net Position, Beginning of Year	<u>352,314,103</u>	<u>357,830,743</u>
Net Position, End of Year	<u><u>\$ 347,060,099</u></u>	<u><u>\$ 352,314,103</u></u>

Hospital Service District No. 3
A Component Unit of Lafourche Parish, State of Louisiana
Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Noncapital and Financing Activities		
Cash paid to Thibodaux Regional Health System, Inc.	\$ -	\$ (10,000,000)
Cash received from Thibodaux Regional Health System, Inc.	<u>2,931,093</u>	<u>-</u>
Net Cash from (used for) Noncapital and Financing Activities	<u>2,931,093</u>	<u>(10,000,000)</u>
Net Cash used for Capital and Capital Related Financing Activities		
Purchase of capital assets	<u>(7,085,414)</u>	<u>(20,518,615)</u>
Net Cash from Investing Activities		
Investment income	<u>6,453</u>	<u>24,800</u>
Net Change in Cash and Cash Equivalents	(4,147,868)	(30,493,815)
Cash and Cash Equivalents, Beginning of Year	<u>6,868,721</u>	<u>37,362,536</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,720,853</u>	<u>\$ 6,868,721</u>
Reconciliation of Cash and Cash Equivalents to the Schedule of Net Position		
Cash and cash equivalents	\$ 87,725	\$ 77,910
Internally designated for capital improvements	<u>2,633,128</u>	<u>6,790,811</u>
Total cash and cash equivalents	<u>\$ 2,720,853</u>	<u>\$ 6,868,721</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (10,409,756)	\$ (11,902,912)
Depreciation	<u>10,409,756</u>	<u>11,902,912</u>
Net Cash from Operating Activities	<u>\$ -</u>	<u>\$ -</u>
Supplemental Disclosure of Noncash Information		
Capital asset additions in accounts payable	<u>\$ 389</u>	<u>\$ 3,656,820</u>
Non-cash lease receivable forgiveness	<u>\$ 43,192,638</u>	<u>\$ 34,358,467</u>

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of the Hospital Service District No. 3 (District), a Component Unit of Lafourche Parish, State of Louisiana have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the District are described below.

Reporting Entity

Through September 30, 2019, the District, also known as Thibodaux Regional Medical Center, operated a regional medical center located in Thibodaux, Louisiana that primarily earned revenues by providing inpatient, outpatient and emergency care services to patients in the Lafourche Parish (Parish) area. The Parish appoints a five-member board of commissioners who operate the District. Effective October 1, 2019, the District transferred the hospital operations to Thibodaux Regional Health System, Inc. (TRHS) as described in Note 4.

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that the exclusion would cause the District's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The statement of net position displays the District's assets, deferred inflows, and liabilities with the difference reported as net position. Net position is reported in the following components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted net position:

Restricted - expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation. The District had no restricted, expendable net position at September 30, 2022 and 2021.

Restricted – nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the District. The District had no restricted, nonexpendable net position at September 30, 2022 and 2021.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

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 disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated and externally restricted cash equivalents. For purposes of the statement of cash flows, the District considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Capital Assets

Capital asset acquisitions in excess of \$500 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of capital assets are as follows:

Land improvements	10-25 years
Buildings and improvements	10-40 years
Equipment	2-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from expenses in excess of revenues. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Operating Revenues and Expenses

The District’s statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. As the District transferred all hospital operations to TRHS effective October 1, 2019, operating revenues consist of lease revenue related to the buildings and equipment being leased to TRHS and operating expenses consist of the depreciation associated with the leased property.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase in net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources reported in the financial statements are deferred lease revenue.

Income Tax

As an essential government function of the Parish, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income.

Note 2 - Deposits

The carrying amounts of the District’s deposits at September 30, 2022 and 2021 are as follows:

	2022	2021
Cash deposits	\$ 2,720,853	\$ 6,868,721

Deposits are reported in the following statement of net position captions:

	2022	2021
Cash and cash equivalents	\$ 87,725	\$ 77,910
Board designated for capital expenditures	2,633,128	6,790,811
	\$ 2,720,853	\$ 6,868,721

Hospital Service District No. 3
A Component Unit of Lafourche Parish, State of Louisiana
Notes to Financial Statements
September 30, 2022 and 2021

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance or other qualified investments in the state of Louisiana. At September 30, 2022 and 2021, the District's deposits were either insured or collateralized.

Note 3 - Capital Assets

Capital assets additions, disposals, transfers and balances for the year ended September 30, 2022 are as follows:

	Balance September 30 2021	Additions	Disposal	Transfers	Balance September 30 2022
Capital assets not being depreciated					
Land	\$ 7,936,002	\$ -	\$ -	\$ 1,078,853	\$ 9,014,855
Construction in progress	46,043,686	3,131,290	-	(49,174,976)	-
Total capital assets not being depreciated	<u>\$ 53,979,688</u>	<u>\$ 3,131,290</u>	<u>\$ -</u>	<u>\$ (48,096,123)</u>	<u>\$ 9,014,855</u>
Capital assets being depreciated					
Land improvements	\$ 6,668,258	\$ -	\$ (40,329)	\$ -	\$ 6,627,929
Building and improvements	226,693,434	-	(3,642,524)	46,829,817	269,880,727
Equipment	88,603,675	294,344	(9,262,302)	1,266,306	80,902,023
Total capital assets being depreciated	<u>321,965,367</u>	<u>\$ 294,344</u>	<u>\$ (12,945,155)</u>	<u>\$ 48,096,123</u>	<u>357,410,679</u>
Total accumulated depreciation	<u>(182,447,746)</u>	<u>\$ (10,409,756)</u>	<u>\$ 11,426,014</u>	<u>\$ -</u>	<u>(181,431,488)</u>
Net capital assets being depreciated	<u>\$ 139,517,621</u>				<u>\$ 175,979,191</u>
Capital assets, net	<u>\$ 193,497,309</u>				<u>\$ 184,994,046</u>

Hospital Service District No. 3
A Component Unit of Lafourche Parish, State of Louisiana
Notes to Financial Statements
September 30, 2022 and 2021

Capital assets additions, disposals, transfers and balances for the year ended September 30, 2021 are as follows:

	Balance September 30 2020	Additions	Disposals	Transfers	Balance September 30 2021
Capital assets not being depreciated					
Land	\$ 7,936,002	\$ -	\$ -	\$ -	\$ 7,936,002
Construction in progress	24,927,994	21,115,692	-	-	46,043,686
Total capital assets not being depreciated	<u>\$ 32,863,996</u>	<u>\$ 21,115,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,979,688</u>
Capital assets being depreciated					
Land improvements	\$ 6,668,258	\$ -	\$ -	\$ -	\$ 6,668,258
Building and improvements	226,693,434	-	-	-	226,693,434
Equipment	89,338,073	194,426	(928,824)	-	88,603,675
Total capital assets being depreciated	<u>322,699,765</u>	<u>\$ 194,426</u>	<u>\$ (928,824)</u>	<u>\$ -</u>	<u>321,965,367</u>
Total accumulated depreciation	<u>(171,440,395)</u>	<u>\$ (11,902,912)</u>	<u>\$ 895,561</u>	<u>\$ -</u>	<u>(182,447,746)</u>
Net capital assets being depreciated	<u>\$ 151,259,370</u>				<u>\$ 139,517,621</u>
Capital assets, net	<u>\$ 184,123,366</u>				<u>\$ 193,497,309</u>

Note 4 - Hospital Transition and Lease Agreement

On October 1, 2019, the District entered into certain lease and operating agreements as part of a transfer of the responsibility of the management and operation of the hospital operations from the District to TRHS, a non-profit organization formed in November 2018.

Effective October 1, 2019, the District began leasing all hospital buildings and equipment and transferred working capital and hospital operations to TRHS in exchange for a note receivable due from TRHS of approximately \$133,095,000 due at the end of the initial term of the lease. The note receivable is further described at Note 6. The hospital transition agreement provides that the District retains certain powers incident to its purpose as a hospital service district; that TRHS shall at all times operate the facilities in conformity with the standard performance of the Joint Commission for the Accreditation of Healthcare Organizations; and that TRHS shall operate the hospital to provide healthcare services at a level of such services comparable to that of the District prior to the transition. TRHS will provide substantially all of the management and direction of the hospital operations, subject only to the District's constitutional and statutory duties to provide or cause to provide medical and hospital care to the Parish's needy inhabitants.

Hospital Service District No. 3
A Component Unit of Lafourche Parish, State of Louisiana
Notes to Financial Statements
September 30, 2022 and 2021

The District has accounted for the disposal of operations in accordance with GASB 69, *Government Combinations and Disposals of Government Operations*. The disposal was accomplished by TRHS acquiring certain licenses, contracts and the working capital of the District in exchange for the note receivable. The term of the lease between the District and TRHS is 30 years with two successive options to renew the lease for a period of 10 additional years. At the end of each lease year, TRHS is subject to pay rent of \$10,450,000 per year, with stated escalations throughout the term of the lease. In addition, TRHS is entitled to specific credits against the rent due that are identified in the lease, primarily related to capital expenditures and other expenses as defined in the lease agreement. Upon the end of the lease term or any extensions thereof, all of the remaining assets of TRHS shall be transferred, assigned and conveyed back to the District. The lease receivable is further described at Note 5.

Note 5 - Lease Receivable

Effective October 1, 2019, the District leases all of its hospital buildings and equipment to TRHS pursuant to the hospital transition and lease agreements. The lease has an initial term of 30 years with two successive 10-year renewals if both parties agree to the terms. The initial payments under the lease are \$10,450,000 per year, subject to certain rent credits, and are due at the end of each lease year. Payments increase every 3 to 5 years based upon stated percent increases ranging from 3.0% to 7.5% within the lease agreement.

The leases were measured based upon the stated rent increases defined in the lease agreement at lease commencement. Rent credits not yet earned by the lessee are variable payments that were not considered in the measurement of the leases as they are dependent upon future performance by TRHS and therefore are recognized in the period in which they are earned. Pursuant to the lease agreement, rent credits that exceed total rent due in a current year may be applied against future rent or from time to time against the note and interest receivable.

The following is a schedule of amounts due under the lease and the anticipated application of rent credits to reduction of future year's lease amounts based on credits earned through September 30, 2022.

<u>Years Ending September 30,</u>	Gross Lease Receivable	Imputed Interest	Lease Receivable	Rent Credits	Lease Receivable, Net Of Credits
2023	\$ 10,463,500	\$ 8,354,236	\$ 2,109,265	\$ (2,109,265)	\$ -
2024	10,463,500	8,260,373	2,203,127	(2,203,127)	-
2025	11,101,000	8,162,334	2,938,666	(2,938,666)	-
2026	11,114,905	8,031,563	3,083,342	(3,083,342)	-
2027	11,114,905	7,894,355	3,220,550	(3,220,550)	-
2028-2032	57,702,503	37,093,388	20,609,115	(20,609,115)	-
2033-2037	61,402,173	31,743,730	29,658,443	(29,658,443)	-
2038-2042	65,392,367	24,167,446	41,224,921	(28,077,243)	13,147,678
2043-2047	69,662,254	13,753,546	55,908,708	-	55,908,708
2048-2049	28,579,994	1,800,501	26,779,492	-	26,779,492
Total	<u>\$ 336,997,101</u>	<u>\$ 149,261,472</u>	<u>\$ 187,735,629</u>	<u>\$ (91,899,751)</u>	<u>\$ 95,835,878</u>

During the years ended September 30, 2022 and 2021, no revenue was recognized under the lease with TRHS as total rent credits exceeded the rent due. Through September 30, 2022, total cumulative rent credits earned by TRHS totaled approximately \$136,833,000 and have been applied as a reduction in lease receivable and deferred inflows of resources in the amounts of \$14,893,599 and \$14,979,083 for the years ended September 30, 2022 and 2021, with the remaining amount of \$91,899,751 to be applied against future rent. Due to the rent credits earned by TRHS as of the year ended September 30, 2022, rent will not be due by TRHS until the year ended September 30, 2041.

During 2021, the District transferred \$10,000,000 to TRHS for facility expansion as part of the lease. As of September 30, 2022 and 2021, the District had balances of \$7,069,701 and 10,000,000, which were included as due from TRHS on the statements of net position.

Note 6 - Note and Interest Receivable

On October 1, 2019, the District transferred all working capital and operations of the hospital to TRHS in exchange for a note receivable of approximately \$133,095,000. The note receivable bears interest at 4.45%. Interest payments are due annually and the unpaid principal balance shall be due in full at the end of the lease. As of September 30, 2022, amounts due under the note receivable and interest receivable totaled \$133,095,297 and \$19,181,268 and are included in the accompanying statement of net position. As of September 30, 2021, amounts due under the note receivable and interest receivable totaled \$133,095,297 and \$12,512,828 and are included in the accompanying statement of net position.



Supplementary Information
September 30, 2022 and 2021

Hospital Service District No. 3
A Component Unit of Lafourche Parish,
State of Louisiana

Hospital Service District No. 3
A Component Unit of Lafourche Parish, State of Louisiana
Schedule of Compensation, Reimbursements, Benefits and Other Payments to the Agency Head
Year Ended September 30, 2022

Agency Head Name: Danny Cavell, Board of Commissioners Chairman

Note: Effective October 1, 2019, Hospital Service District No. 3 (District), a Component Unit of Lafourche Parish, State of Louisiana, has no employees. The governing body of the District is the Board of Commissioners of the District. Danny Cavell is the Chairman of the District Board of Commissioners. The District did not make any payments to or on behalf of the Chairman or any other members of the Board of Commissioners.



**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Commissioners
Hospital Service District No. 3,
A Component Unit of Lafourche Parish, State of Louisiana
Thibodaux, 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. 3 (District), a Component Unit of Lafourche Parish, State of Louisiana, which comprise the statement of net position as of September 30, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma
March 27, 2023



September 30, 2022

Hospital Service District No. 3

A Component Unit of Lafourche

Parish, State of Louisiana



Independent Accountant's Report

Hospital Service District No. 3,
A Component Unit of Lafourche Parish,
State of Louisiana
602 N. Acadia Road
Thibodaux, LA 70301

We have performed the procedures enumerated below, on the control and compliance areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures of Hospital Service District No. 3 as of and for the year ended September 30, 2022. Hospital Service District No. 3's management is responsible for the control and compliance areas as of and for the year ended September 30, 2022.

Hospital Service District No. 3 has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of reporting our findings regarding the results of the procedures performed as compared to the LLA's Statewide Agreed-Upon Procedures as of and for the year ended September 30, 2022 and we will report on findings based on the procedures performed. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate to meet their 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 the associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c. **Disbursements**, including processing, reviewing, and approving.
 - d. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

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

Exceptions

No exceptions were identified in the performance of the procedures listed above.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b. For those entities reporting on the governmental accounting model, observe 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 funds⁷. Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

- c. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Exceptions

No exceptions were identified in the performance of the procedures listed above.

Bank Reconciliations

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

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a. Employees responsible for cash collections do not share cash drawers/registers.
 - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

- d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:
 - a. Observe that receipts are sequentially pre-numbered.
 - b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c. Trace the deposit slip total to the actual deposit per the bank statement.
 - d. Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e. Trace the actual deposit per the bank statement to the general ledger.

Exceptions

No exceptions were identified in the performance of the procedures listed above.

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

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

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - a. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Exceptions

No exceptions were identified in the performance of the procedures listed above.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a. Observe 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.
 - b. Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Exceptions

The District has no credit cards, bank debit cards, fuel cards, and/or P-cards.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a. If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b. If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c. Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d. Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exceptions

The District has no employees and did not pay travel or travel-related expense reimbursements.

Contracts

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

Exceptions

The District has no agreements or contracts for professional services, materials and supplies, leases, or construction activities that were initiated or renewed.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

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

Exceptions

The District has no employees.

Ethics

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

Exceptions

The District has no employees.

Debt Service

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

Exceptions

The District has no debt.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe 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

Inquired of management whether the District had any misappropriations of public funds or assets and there was none. As the District does not have employees, premises, or a website, the notice required by R.S. 24:523.1 is not posted by the District.

Information Technology Disaster Recovery/Business Continuity

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

Exceptions

We performed the procedure and discussed the results with management.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
- a. Number and percentage of public servants in the agency who have completed the training requirements;
 - b. Number of sexual harassment complaints received by the agency;
 - c. Number of complaints which resulted in a finding that sexual harassment occurred;
 - d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e. Amount of time it took to resolve each complaint.

Exceptions

The District has no employees.

We were engaged by Hospital Service District No. 3 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 the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures of Hospital Service District No. 3 as of and for the year ended September 30, 2022. 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 Hospital Service District No. 3 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 for the information and use of the Board of Commissioners and management of Hospital Service District No. 3 and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.



Oklahoma City, Oklahoma
March 27, 2023