

FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF ST. MARY
d/b/a Bayou Bend Health System
FRANKLIN, LOUISIANA

SEPTEMBER 30, 2023 AND 2022



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SEPTEMBER 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To Board of Commissioners
Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hospital Service District No. 1 of the Parish of St. Mary d/b/a Bayou Bend Health System (Hospital), as of and for the year ended September 30, 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 September 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information


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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 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.



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

March 28, 2024

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

STATEMENT OF NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30,

ASSETS

	2023	2022
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 6,291,714	\$ 5,075,211
Investments	4,323,550	4,203,607
Accounts Receivables, less Allowance For Doubtful Accounts of \$985,046 in 2023 and \$976,040 in 2022	1,475,261	1,856,660
Due from Third Party Payors	2,945,144	1,988,031
Other Receivables	8,743,370	7,620,786
Inventories	663,346	633,328
Prepaid Expenses	781,564	437,190
Total Current Assets	25,223,949	21,814,813
ASSETS WHOSE USE IS LIMITED:		
By Board	11,792,333	16,043,381
By Bond Indenture		
Series 2005 Contingency Fund	190,076	189,554
Series 2005 Reserve Fund	190,079	189,557
Total Assets Whose Use is Limited by Bond Indenture	380,155	379,111
Total Assets Whose Use is Limited	12,172,488	16,422,492
PROPERTY, PLANT AND EQUIPMENT:		
Property, Plant and Equipment Cost	67,567,149	56,119,793
Less: Accumulated Depreciation	(32,443,880)	(30,558,895)
Total Property, Plant and Equipment	35,123,269	25,560,898
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Financing Costs	13,025	15,961
Total Deferred Outflows of Resources	13,025	15,961
TOTAL ASSETS	\$ 72,532,731	\$ 63,814,164

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

LIABILITIES AND NET POSITION

	2023	2022
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	\$ 320,497	\$ 350,383
Accounts Payable	2,908,145	3,416,054
Due to Third Party Payors	80,914	178,729
Credit Balances	125,797	38,807
Interest Payable	12,446	12,777
Accrued Salaries and Related Withholdings	957,072	790,261
Accrued Vacation and Holiday Expense	591,027	511,589
	4,995,898	5,298,600
 TOTAL CURRENT LIABILITIES		
	4,995,898	5,298,600
 LONG-TERM LIABILITIES:		
Revenue Bonds Series 2005	3,361,800	3,479,130
Lease Payable	186,391	386,322
Provider Relief Funds	-	542,285
	3,548,191	4,407,737
 TOTAL LONG-TERM LIABILITIES		
	3,548,191	4,407,737
 OTHER LIABILITIES:		
Deferred Inflows of Resources	750,000	-
	750,000	-
 TOTAL LIABILITIES		
	9,294,089	9,706,337
 NET POSITION:		
Invested in Capital Assets, Net of Related Debt	31,254,581	21,345,063
Restricted Net Position (Expendable)	380,155	379,111
Unrestricted	31,603,906	32,383,653
	63,238,642	54,107,827
 TOTAL NET POSITION		
	63,238,642	54,107,827
 TOTAL LIABILITIES AND NET POSITION		
	\$ 72,532,731	\$ 63,814,164

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEARS ENDED SEPTEMBER 30,

	2023	2022
OPERATING REVENUES:		
Net Patient Service Revenue before Provision for Doubtful Accounts	\$ 27,502,493	\$ 26,858,001
Provision for Doubtful Accounts	(1,176,290)	(1,066,989)
Net Patient Service Revenue less Provision for Doubtful Accounts	26,326,203	25,791,012
Ad Valorem Taxes	2,893,401	2,516,461
Intergovernmental Transfers - Operating Grant	7,245,771	2,004,079
Other Operating Revenue	1,782,165	458,465
TOTAL OPERATING REVENUE	38,247,540	30,770,017
OPERATING EXPENSES:		
Professional Services	21,961,144	20,483,829
General and Administrative	13,343,048	11,406,050
Depreciation and Amortization	1,884,985	1,792,575
TOTAL OPERATING EXPENSES	37,189,177	33,682,454
NET INCOME (LOSS) FROM OPERATIONS	1,058,363	(2,912,437)
NON-OPERATING REVENUES (EXPENSES)		
Full Medicaid Capacity Payment Program Funding	3,763,437	3,578,446
Other Non-Operating Revenues - Provider Relief Funds	647,322	1,347,752
Paycheck Protection Program Forgiveness	-	-
Grant Revenue	3,771,518	7,817,128
Net Increase (Decrease) in the Fair Value of Investments	52,958	(279,813)
Investment Income	81,947	67,258
Gain (Loss) on the Disposal of Fixed Assets	(143,136)	1,100
Interest Income	65,119	28,526
Interest Expense	(176,462)	(182,724)
Other Non-Operating Revenue	9,749	20
TOTAL NON-OPERATING REVENUES	8,072,452	12,377,693
CHANGE IN NET POSITION	9,130,815	9,465,256
TOTAL NET POSITION, BEGINNING	54,107,827	44,642,571
TOTAL NET POSITION, ENDING	\$ 63,238,642	\$ 54,107,827

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Patients	\$ 25,226,631	\$ 20,395,690
Ad Valorem Taxes	2,654,906	2,381,183
Intergovernmental Transfers-Operating Grant	7,245,771	2,004,079
Cash Received from Other Sources	1,411,109	289,879
Cash Payments to Suppliers for Goods and Services	(20,626,919)	(15,064,137)
Cash Payments to Employees for Services	(15,313,032)	(14,406,192)
Net Cash Provided By Operating Activities	598,466	(4,399,498)
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:		
Acquisition of Property and Equipment	(11,679,165)	(12,510,928)
Proceeds from the Issuance of Long-Term Debt	-	221,911
Principal Payments on Long-term Debt	(350,155)	(287,024)
Interest Payments on Long-term Debt	(176,462)	(182,724)
Grant Income	7,534,955	11,395,574
(Gain) Loss on Disposal of Assets	143,136	(1,100)
Other Non-Operating Income	9,749	20
Net Cash Used By Capital and Related Financial Activities	(4,517,942)	(1,364,271)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Deferred Revenue	750,000	896,606
Deferred Financing Costs	2,936	2,936
Net Cash Provided By Non-Capital Financing Activities	752,936	899,542
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(3,831,140)	(3,460,820)
Proceeds from the Sale of Investments	3,764,155	3,405,253
Investment Income	134,905	(212,555)
Interest Income	65,119	28,526
Net Cash Provided by Investing Activities	133,039	(239,596)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,033,501)	(5,103,823)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, INCLUDING \$16,422,492 AND \$21,418,133 LIMITED AS TO USE FOR 2023 AND 2022, RESPECTIVELY	21,497,703	26,601,526
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING \$12,172,488 AND \$16,422,492 LIMITED AS TO USE FOR 2023 AND 2022, RESPECTIVELY	\$ 18,464,202	\$ 21,497,703

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 1,058,363	\$ (2,912,437)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,884,985	1,792,575
Provision for Doubtful Accounts	1,176,290	1,059,363
Increase in Receivables and Due from/to Third Parties	(2,885,413)	(6,766,175)
Decrease (Increase) in Inventories and Prepaid Expenses	(374,392)	106,353
Increase (Decrease) in Accounts Payable and Accrued Expenses	(261,367)	2,320,823
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 598,466	\$ (4,399,498)
Non-Cash Investing Activity:		
Decrease (Increase) in fair value of investments	\$ 52,958	\$ (279,813)

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Bayou Bend Health System
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

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

Reporting Entity. Hospital Service District No. 1 of the Parish of St. Mary, d/b/a Bayou Bend Health System (the Hospital) was created by Ordinance No. 559 of the Police Jury of St. Mary Parish on September 20, 1950, to operate, control, and manage matters concerning the health care of citizens west and northwest of the Wax Lake Outlet. The Hospital is governed by a board of seven commissioners who are appointed by the St. Mary Parish Council. For this reason, the Hospital is considered to be a component unit of the St. Mary Parish Government, St. Mary Parish, Louisiana.

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

Proprietary fund accounting. The Hospital utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized using the economic resources measurement focus and the accrual basis of accounting. Substantially all revenues and expenses are subject to accrual.

Inventories. Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment. Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under lease is stated at the sum of the initial measurement of the lease liability plus any payments made to the lessor at or before the commencement of the lease term plus initial direct cost necessary to place the lease asset in service. Leased equipment is amortized on the straight-line method over the shorter of the lease term or estimated useful lives of the assets. Subscription-based information technology arrangement is stated at the sum of the initial measurement of the subscription liability plus any payments made to the lessor at or before the commencement of the subscription term plus initial direct cost necessary to place the subscription asset in service. Subscription-based information technology arrangements are amortized on the straight-line method over the shorter of the subscription term or estimated useful lives of the assets.

Gifts of long-lived assets such as land, building, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. 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 support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents. Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. Uses of restricted funds are determined by board resolution only.

Compensated Absences. Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences on the Hospital's Statement of Net Position were \$591,027 and \$511,589 for 2023 and 2022, respectively.

Ad valorem Taxes. The Hospital received approximately six percent (6%) in 2023 and six percent (6%) in 2022 of its financial support from ad valorem taxes. Current taxes are received beginning in December of each year and become delinquent after January 31 of the following year.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Bayou Bend Health System
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Investments in debt and equity securities. Investments in debt and equity securities are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at approximated fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

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

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

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

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

Net patient service revenue. The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Operating and Non-operating Revenue. Operating revenue includes net patient revenue, ad valorem taxes, intergovernmental transfer grants, cafeteria and vendor sales, rental income, and other revenues determined by management to be derived from operations of the Hospital. Non-operating revenues include grant revenue, interest income and gains or losses not considered to be derived from operations of the Hospital.

Restricted Resources. Restricted funds may be designated by the board in order to comply with bond covenants, contracts, or other specific purposes. The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Income Taxes. The Hospital is a political subdivision and exempt from taxes.

Advertising. The Hospital expenses advertising costs as incurred.

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

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Bayou Bend Health System
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 2: MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 56% and 58% of its gross patient service revenue in 2023 and 2022, respectively, from patients covered by the Medicare and Medicaid programs. The Hospital received total grant revenue, including operating and non-operating, of \$14,780,726 and \$13,399,653 for 2023 and 2022, respectively.

NOTE 3: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

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

Medicare Inpatient services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been settled by the MAC through September 30, 2022.

Medicaid Inpatient services rendered to Medicaid and Medicaid Managed Care Organizations ("MCOs") program beneficiaries are reimbursed at a fixed rate per day for medical/surgical patients. Outpatient services for traditional Medicaid and MCO program beneficiaries are reimbursed under a cost reimbursement methodology, with certain limitations and exceptions. The Hospital is reimbursed at an interim rate with final settlement determined after submission of annual cost reports filed by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through September 30, 2018.

Commercial The Hospital has entered into payment agreements with certain commercial insurance carriers and preferred-provider organizations. The basis for payment to the Hospital under some of these agreements includes prospectively determined daily rates.

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

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

	2023	2022
Medicare	\$ 4,023,714	\$ 6,259,526
Medicaid	17,378,095	14,494,802
All Other Payors	6,100,684	6,103,673
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	\$ 27,502,493	\$ 26,858,001

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Bayou Bend Health System
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 3: NET PATIENT SERVICE REVENUE, CONTINUED

The following schedule represents Total Net Patient Service Revenue:

	2023	2022
Gross Patient Service Revenue	\$ 45,903,442	\$ 42,856,166
LESS: Contractual Adjustments	(21,061,638)	(19,117,882)
ADD: Physician Full Medicaid Payment	2,660,689	3,119,717
Net Patient Service Revenue Before Provision for Doubtful Accounts	27,502,493	26,858,001
Provision for Doubtful Accounts	(1,176,290)	(1,066,989)
Net Patient Service Revenue after Provision for Doubtful Accounts	\$ 26,326,203	\$ 25,791,012

During the fiscal years ended September 30, 2023 and 2022, the Hospital received funding based on provider services provided to the MCOs through the Louisiana Department of Health and Hospital's Bayou Health Program referred to as "Physician Full Medicaid Payment" above. Under this program, the Hospital was required to make intergovernmental transfers ("IGT") totaling \$2,176,563 and \$2,361,554 to the Louisiana DHH for the years ended September 30, 2023 and 2022, respectively. The Hospital later received matching dollars for the transfer in addition to the FMP payment. Before administrative fees paid to the MCOs and a third-party representative organization, the Hospital recognized a gross benefit of approximately \$2,660,689 and \$3,119,717 for the years ended September 30, 2023 and 2022, respectively. The Hospital has included this amount in the "Physician Full Medicaid Payment" shown above as a part of Net Patient Service Revenue.

NOTE 4: ACCOUNTS RECEIVABLE - PATIENTS

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

Patient's Accounts Receivable consists of the following:

	2023	2022
Total Patient Accounts Receivable	\$ 3,760,211	\$ 4,407,337
LESS: Allowances for Doubtful Accounts and Contractual Allowances	(2,284,950)	(2,550,677)
Net Patient Accounts Receivable	\$ 1,475,261	\$ 1,856,660

NOTE 5: ACCOUNTS RECEIVABLE - OTHER

Other Accounts Receivable consists of the following:

	2023	2022
Accrued Ad Valorem Tax Revenue	\$ 2,156,491	\$ 1,917,996
Accrued Investment Income	21,403	18,457
Medicaid Physician Rate Enhancement Program	478,279	570,314
Medicaid DSH Funds Receivable	1,184,615	302,518
Full Medicaid Capacity Grant	1,238,929	1,134,837
All Other	3,663,653	3,676,664
Total Accounts Receivable - Other	\$ 8,743,370	\$ 7,620,786

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

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

September 30, 2023					
	Asset life in years	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not depreciated:					
Land		\$ 1,374,125	\$ 261,633	\$ -	\$ 1,635,758
Construction in Progress		13,715,994	-	13,448,588	267,406
Total assets not being depreciated		15,090,119	261,633	13,448,588	1,903,164
Other Capital Assets:					
Buildings	10-40	19,235,559	20,227,023	-	39,462,582
Fixed Equipment	5-25	571,164	199,216	-	770,380
Movable Equipment	5-25	19,645,091	2,416,475	-	22,061,566
Land Improvements	5-25	1,012,485	1,788,466	-	2,800,951
Right of Use Assets	5-25	456,464	3,131	-	459,595
Software Subscriptions		108,911	-	-	108,911
Total other assets		41,029,674	24,634,311	-	65,663,985
Less accumulated depreciation/amortizaion for:					
Buildings		12,857,087	758,820	-	13,615,907
Equipment and Furniture		16,624,154	944,651	-	17,568,805
Improvements		892,530	42,292	-	934,822
Right of Use Assets		162,414	104,470	-	266,884
Software Subscriptions		22,710	34,752	-	57,462
Total Accumulated Depreciation/Amortization		30,558,895	1,884,985	-	32,443,880
Net Property, Plant, and Equipment		\$ 25,560,898	\$ 23,010,959	\$ 13,448,588	\$ 35,123,269

September 30, 2022					
	Asset life in years	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not depreciated:					
Land		\$ 1,308,702	\$ 65,423	\$ -	\$ 1,374,125
Construction in Progress		2,106,911	11,609,083	-	13,715,994
Total assets not being depreciated		3,415,613	11,674,506	-	15,090,119
Other Capital Assets:					
Buildings	10-40	18,562,781	672,778	-	19,235,559
Fixed Equipment	5-25	571,164	-	-	571,164
Movable Equipment	5-25	19,703,359	426,291	484,559	19,645,091
Land Improvements	5-25	1,012,485	-	-	1,012,485
Right of Use Assets	5-25	234,552	221,912	-	456,464
Software Subscriptions		-	108,911	-	108,911
Total other assets		40,084,341	1,429,892	484,559	41,029,674
Less accumulated depreciation/amortizaion for:					
Buildings		12,138,829	718,258	-	12,857,087
Equipment and Furniture		15,777,428	904,181	57,455	16,624,154
Improvements		848,504	44,026	-	892,530
Right of Use Assets		59,016	103,398	-	162,414
Software Subscriptions		-	22,710	-	22,710
Total Accumulated Depreciation/Amortization		28,823,777	1,792,573	57,455	30,558,895
Net Property, Plant, and Equipment		\$ 14,676,178	\$ 11,311,825	\$ 427,104	\$ 25,560,898

Total depreciation expense for the years ended September 30, 2023 and 2022 is \$1,884,985 and \$1,792,575, respectively.

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 7: LONG TERM DEBT

Long-term debt at September 30, 2023 and 2022, consists of the following:

	2023	2022
Revenue Bonds - face value \$5,000,000, dated September 5, 2007, bearing interest at 4.25%, collateralized by hospital revenue, maturing monthly with the final maturity October 5, 2047.	\$ 3,479,007	\$ 3,591,469
Subscription Liability, Change Healthcare, payable in 60 monthly installments at a 2.54% interest rate, maturity in 2027	53,486	64,778
Subscription Liability, 3-M, payable in 60 monthly installments at a 2.27% interest rate, maturity in 2023	-	22,349
Right of Use Obligation, of the Lab Immunoassay Integrated System, payable in 60 monthly installments at a 1.31% interest rate, maturity in 2026	137,306	178,684
Right of Use Obligation, of the Pitney Bowes Equipment, payable in 60 monthly installments at a 2.29% interest rate, maturity in 2023	-	2,179
Right of Use Obligation, of the Rochon Ultrasound, payable in 60 monthly installments at a 1.91% interest rate, maturity in 2024	31,251	72,229
Right of Use Obligation, of Ricoh Copiers, payable in 60 monthly installments at a 0.89% interest rate, maturity in 2025	33,732	47,897
Lease Payable, dated July 19, 2018, bearing interest of 2.63%, maturing July 19, 2023, with principal due monthly, collateralized by lab equipment	-	8,371
Lease Payable, dated February 1, 2019, bearing interest of 2.44%, maturing March 10, 2025, with principal due monthly	133,906	227,879
HHS Provider Relief Funds, bearing no interest, no repayment plan established	-	542,285
Total Long-term Debt	3,868,688	4,758,120
Less: Current Portion	(320,497)	(350,383)
Long-term Portion	\$ 3,548,191	\$ 4,407,737

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SEPTEMBER 30, 2023 AND 2022

A summary of long-term debt activity for the years ended September 30, 2023 and 2022, consists of the following:

September 30, 2023

	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds Series 2005	\$ 3,591,469	\$ -	\$ 112,462	\$ 3,479,007
Software Subscriptions	87,126	-	33,640	53,486
Lease Obligations	537,240	3,131	204,176	336,195
Provider Relief Funds	542,285	-	542,285	-
Total	<u>\$ 4,758,120</u>	<u>\$ 3,131</u>	<u>\$ 892,563</u>	<u>\$ 3,868,688</u>

September 30, 2022

	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds Series 2005	\$ 3,699,110	\$ -	\$ 107,641	\$ 3,591,469
Software Subscriptions	-	108,911	21,785	87,126
Lease Obligations	516,723	221,912	201,395	537,240
Provider Relief Funds	1,181,555	896,605	1,535,875	542,285
Total	<u>\$ 5,397,388</u>	<u>\$ 1,227,428</u>	<u>\$ 1,866,696</u>	<u>\$ 4,758,120</u>

Scheduled repayments on long-term debt are as follows:

September 30, 2023

	Principal	Interest	Total
2024	320,497	158,717	479,214
2025	232,008	146,018	378,026
2026	190,277	137,629	327,906
2027	147,095	130,222	277,317
2028	138,885	123,915	262,800
2029 - 2033	790,100	523,900	1,314,000
2034 - 2038	976,803	337,197	1,314,000
2039 - 2043	1,073,023	107,589	1,180,612
Total	<u>\$ 3,868,688</u>	<u>\$ 1,665,187</u>	<u>\$ 5,533,875</u>
Total Debt	<u>\$ 3,868,688</u>	<u>\$ 1,665,187</u>	<u>\$ 5,533,875</u>

September 30, 2022

	Principal	Interest	Total
2023	350,383	168,080	518,463
2024	320,497	158,717	479,214
2025	232,008	146,018	378,026
2026	190,277	137,629	327,906
2027	147,095	130,222	277,317
2028 - 2032	757,281	556,719	1,314,000
2033 - 2037	936,229	377,771	1,314,000
2038 - 2042	1,154,226	156,539	1,310,764
2043 - 2044	127,839	1,572	129,411
Total	<u>\$ 4,215,835</u>	<u>\$ 1,833,266</u>	<u>\$ 6,049,101</u>
Provider Relief Funds (No Repayment Plan Established by the Program)	542,285	-	542,285
Total Debt	<u>\$ 4,758,120</u>	<u>\$ 1,833,266</u>	<u>\$ 6,591,386</u>

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 7: LONG TERM DEBT, CONTINUED

Balance due within one year:

	2023	2022
Revenue Bonds Series 2005	\$ 117,207	\$ 112,339
Software Subscriptions	12,182	33,640
Lease Obligations	191,108	204,404
Total	\$ 320,497	\$ 350,383

Scheduled repayments on long-term debt are as follows:

September 30, 2023

	Principal	Interest	Total
2024	320,497	158,717	479,214
2025	232,008	146,018	378,026
2026	190,277	137,629	327,906
2027	147,095	130,222	277,317
2028	138,885	123,915	262,800
2029 - 2033	790,100	523,900	1,314,000
2034 - 2038	976,803	337,197	1,314,000
2039 - 2043	1,073,023	107,589	1,180,612
Total	\$ 3,868,688	\$ 1,665,187	\$ 5,533,875
Total Debt	\$ 3,868,688	\$ 1,665,187	\$ 5,533,875

September 30, 2022

	Principal	Interest	Total
2023	350,383	168,080	518,463
2024	320,497	158,717	479,214
2025	232,008	146,018	378,026
2026	190,277	137,629	327,906
2027	147,095	130,222	277,317
2028 - 2032	757,281	556,719	1,314,000
2033 - 2037	936,229	377,771	1,314,000
2038 - 2042	1,154,225	156,539	1,310,764
2043 - 2044	127,839	1,572	129,411
Total	\$ 4,215,835	\$ 1,833,266	\$ 6,049,100

Provider Relief Funds

(No Repayment Plan Established by the Program)

	542,285	-	542,285
Total Debt	\$ 4,758,120	\$ 1,833,266	\$ 6,591,385

NOTE 8: BOND DEFEASANCE

On April 30, 2010, the Hospital issued \$6,295,462 in Revenue Bonds (Refunding Bonds, Series 2010) with an interest rate of 4.45% and annual debt service payments from \$515,052 to \$519,545. These bonds were issued through a current refunding totaling \$6,295,457 of outstanding 2005A Revenue Bonds (R-1 and R-2) bearing interest rates of 7.83% and 6.50%, respectively. The net proceeds were used to immediately refund the Series 2005A Revenue Bonds.

As a result, the 2005A Revenue Bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$51,687. This amount has been amortized and has a net carrying value of \$13,025 and \$15,961 for September 30, 2023 and 2022, respectively, and is reflected on the Statement of Net Position as Deferred Outflows of Resources. It is being amortized over the remaining life of the refunded debt, which has a shorter life than the original bonds. At the time of the refunding, aggregate debt service payments were reduced by \$1,048,787, and the Hospital obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,313,547. The effective interest rate on the new issue is 4.49%.

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 9: CONCENTRATIONS OF CREDIT RISK

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

	2023	2022
Medicare	12%	13%
Medicaid	25%	26%
Commercial and other third-party payors, and patients	63%	61%
	100%	100%

NOTE 10: ASSETS WHOSE USE IS LIMITED

Pursuant to a resolution by the Board of Commissioners of the Hospital made in February of 2008, a board-designated plant fund was established to be utilized for replacement of existing capital assets and the purchase of new capital assets.

In relation to the revenue bonds issued on September 7, 2005 with a face value of \$5,000,000, the Hospital entered into an agreement with the United States Department of Agriculture to reserve cash funds as follows:

"Borrowers issuing bonds or other evidences of debt pledging facility revenues as a security will plan their reserve to provide for at least an annual reserve payment equal to one-tenth of an average annual loan installment, with payments made monthly and evenly divided between a reserve fund and a depreciation and contingency fund, until an amount equal to the highest annual debt service in any future year is accumulated in the reserve fund..."

In relation to the revenue bonds issued April 30, 2010 with a face value of \$6,295,462, the Hospital entered into an agreement with Capital One, N. A., to reserve cash funds as follows:

Debt Service (Sinking) Fund:

"The maintenance of the 'Hospital Revenue Bond Sinking Fund' sufficient in amount to pay promptly and fully the principal of and the interest on the Outstanding Parity Bonds and Bonds, including any pari passu bonds issued hereafter in accordance with Outstanding Parity Bond resolution, as said bonds severally become due and payable by transferring from the Operating fund to the paying agent, monthly in advance ... a monthly amount of moneys sufficient to provide payment of principal and/or interest and premium, if any, on the Outstanding Parity Bonds and Bonds at the time such payment is due...It is not expected that any amounts will remain in the Debt Service Fund after all payments in a Bond Year have been made therefrom."

Reserve Fund:

"The maintenance of the 'Hospital Service District No. 1 of the Parish of St. Mary Reserve Fund', by transferring...monthly in advance...a sum at least equal to five percent (5%) of the amount to be paid into the Sinking Fund..."

Contingency Fund:

"The maintenance of the 'St. Mary Parish Hospital District Depreciation and Contingency Fund'...by transferring...monthly in advance...a sum at least equal to five percent (5%) of the amount to be paid into the Sinking Fund..When a sum equal to the Debt Service Reserve Requirement has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall be increased to an amount equal to 10% of the amount being paid monthly into the Sinking Fund said payments to continue over the life of the bonds."

On April 22, 2015 the board restricted use of grant funds received from the Full Medicaid Capacity Program to be used for purposes connected to establishing Bayou Bend Health System as a Center of Excellence. These funds will be used for non-operating expenses.

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 10: ASSETS WHOSE USE IS LIMITED, CONTINUED

In August of 2014, the Hospital settled a litigation for interior repairs and remediation work resulting from deficiencies in the initial construction of the Hospital. The Hospital received a lump sum of \$250,000, in October of 2014, which the board has reserved in order to fund the necessary remediation. In May of 2022, the board made the decision to release the funds from restricted cash.

	2023	2022
Internally designated for capital acquisitions	\$ 604,672	\$ 593,294
By Bond Indenture - Series 2005 Contingency Fund	190,076	189,554
By Bond Indenture - Series 2005 Reserve Fund	190,079	189,557
By Board - PPP and Stimulus Funds	657,231	639,043
Full Medicaid Capacity Funding Grant	10,530,430	14,811,044
Total Assets Whose Use is Limited	\$ 12,172,488	\$ 16,422,492

NOTE 11: BANK DEPOSITS AND INVESTMENTS

Louisiana state statutes require that all of the deposits of the Hospital must be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance.

The Hospital had bank balances as follows:

	2023	2022
Insured (FDIC)	\$ 250,000	\$ 554,411
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	24,337,975	21,687,906
Total	\$ 24,587,975	\$ 22,242,317
Carrying Value	\$ 18,794,188	\$ 23,317,106

At year end, deposits were not fully collateralized. The Hospital's investment policy states that it must at all times conform to Louisiana R.S. 33:2955, as amended from time to time, which is the main statute that governs investments that local political subdivisions are allowed to make in Louisiana. In addition, Act 264 of the 2012 Regular Session enacted R.S. 46:1073 which allows hospital service districts (as defined in R.S. 46:1072) to invest its funds in the same manner as provided by law for investment of funds of the Louisiana Employees Retirement System (LASERS) including but not limited to R.S. 11:263 (the "prudent man rule"). However, any such investment may be made only in compliance with rules and regulations established by the Hospital's Board of Commissioners and in compliance with the provisions of R.S. 11:263 and any other law which provides for the investment of funds in which the funds of LASERS may be invested.

The Hospital's investment policy also states that all investment decisions shall be the responsibility of the Board and that all investment decisions are to be made using reasonable efforts to control risk.

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NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 11: BANK DEPOSITS AND INVESTMENTS, CONTINUED

Investments are reported at their fair values in the statement of net position. Unrealized gains and losses are included in the change in net position in the statement of revenues, expenses, and changes in net position. Investments consisted of the following as of September 30, 2023 and 2022:

	2023	
	Cost	Market
APPLE INC 2.45% 08/04/2026 (Aaa Moody) (AA+ S&P)	\$133,606	\$116,133
CHEVRON CORPORATION 1.554% 05/11/2025-2025 (Aa2 Moody) (AA- S&P)	99,888	94,093
FEDERAL HOME LOAN BANKS 4.625% 03/14/2025 (Aaa Moody) (AA+ S&P)	45,167	44,493
FEDERAL HOME LOAN MTG CORP 3.6% 02/24/2025-2023 (Aaa Moody) (AA+ S&I)	83,368	82,754
FEDERAL NATL MTG ASSN 5% 05/22/2026-2024 (Aaa Moody) (AA+ S&P)	50,000	49,177
FEDERAL NATL MTG ASSN SER 18-91 CL PA 4% 12/25/2046	27,214	25,428
FHLMC .375% 09/23/2025 (Aaa Moody) (AA+ S&P)	149,636	136,770
FHLMC SERIES 4120 CLASS QB 1.5% 10/15/2042	54,390	50,830
FLORIDA ST TAXABLE BDS 2020A 1.258% 07/01/2025 (Aa3 Moody) (AA S&P)	101,513	92,832
FNMA POOL #AN2247 2.29% 09/01/2026	93,855	93,036
FNMA POOL #MA4404 2.5% 08/01/2036	78,863	66,649
FNMA POOL #MA4443 2.5% 10/01/2036	74,796	63,327
FNMA SERIES 2012-100 CLASS ED 2% 06/25/2027	2,520	2,461
FNMA SERIES 2013-98 CLASS EA 3% 02/25/2032	23,214	22,065
GNMA SER 2013-169 CL JC 2.5% 06/20/2043	3,506	3,347
GOLDMAN SACHS GOVERNMENT FUND - CLASS: INST (#465)	48,342	48,342
JEFFERSON, LA LA SALES TAX DIST SPL SALES TAX REV SEF-SER A 5% 12/01/2025 (A1 Moody) (AA S&P)	60,531	51,081
LAFAYETTE LA TAXABLE LTD TAX REF BDS 2020 .8% 03/01/2025 (AA S&P)	100,000	93,343
MARYLAND ST DEPT TRANSN SPL TRAN TAXABLE REF BDS 2021 A .806% 08/01/2025 (A1 Moody)	40,942	41,337
NEW YORK ST TAXABLE GEN PURP BDS 2021B 1.062% 03/15/2025 (AA+ S&P)	46,018	46,981
SPRINGDALE AR REF IMPT-TAXABLE-SER A 4.98% 08/01/2026 (AA S&P)	20,000	19,766
SPRINGDALE AR REF IMPT-TAXABLE-SER A 5.103% 08/01/2025 (AA S&P)	20,000	19,862
SPRINGDALE AR REF IMPT-TAXABLE-SER A 5.153% 08/01/2024 (AA S&P)	25,000	24,965
ST CHARLES PARISH LA TXBL REF 2% 03/01/2026 (AA- S&P)	103,553	92,434
ST.TAMMANY LTD TAX REF BDS 2020 3% 03/01/2025 (AA S&P)	217,816	196,124
TUCSON AZ TXBL COPS SER A .459% 07/01/2024 (A1 Moody) (AA S&P)	42,753	43,279
UNITED STATES TREASURY (Y-2025).375% 04/30/2025 (Aaa Moody)	198,039	185,414
UNITED STATES TREASURY (Z-2025) .25% 05/31/2025 (Aaa Moody)	249,023	230,528
UNITED STATES TREASURY 2.125% 05/15/2025 (Aaa Moody)	9,538	9,525
UNITED STATES TREASURY 2.5% 05/15/2024 (Aaa Moody)	249,900	245,430 ¹
UNITED STATES TREASURY 2.625% 12/31/2023 (Aaa Moody)	98,004	99,305
UNITED STATES TREASURY 2.75% 11/15/2023 (WR Moody)	180,512	174,426
UNITED STATES TREASURY BOND 2% 08/15/2025 (Aaa Moody)	284,433	264,578 ¹
UNITED STATES TREASURY NOTE 2.875% 11/30/2025 (Aaa Moody)	373,136	368,353 ¹
UNITED STATES TREASURY NOTES .5% 11/30/2023 (Aaa Moody)	248,975	248,020 ¹
UNITED STATES TREASURY NOTES 1.75% 03/15/2025 (Aaa Moody)	28,739	28,529
UNITED STATES TREASURY NOTES 4% 02/15/2026 (Aaa Moody)	69,574	68,521
UNITED STATES TREASURY NOTES 4.125% 06/15/2026 (Aaa Moody)	93,798	93,244
UNITED STATES TREASURY NOTES 4.375% 08/15/2026 (Aaa Moody)	99,531	98,758
VISA INC 3.15% 12/14/2025 (Aa3 Moody) (AA- S&P)	105,662	95,544
WALMART INC 3.3% 04/22/2024 (Aa2 Moody) (AA S&P)	106,022	98,715
WATERFORD CT TXBL REF .62% 08/15/2024 (AA S&P)	150,000	143,753
WAUKESHA WI TXBL .5% 10/01/2023 (Aa2 Moody)	250,000	250,000 ¹
Total Investments	<u>\$ 4,541,377</u>	<u>\$ 4,323,550</u>

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NOTES TO THE FINANCIAL STATEMENTS

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NOTE 11: BANK DEPOSITS AND INVESTMENTS, CONTINUED

	2022	
	Cost	Market
Apple, Inc. 2.45% Maturity 08/04/2026 (Aaa Moody) (AA+ S&P)	\$ 133,606	\$ 115,311
Chevron Corporation 1.554% Maturity 05/11/2025-2025 (Aa2 Moody) (AA- S&P)	99,888	92,406
Exxon Mobil Corp 1.571% Maturity 4/15/2023 (Aa2 Moody) (AA- S&P)	153,714	147,857
Federal Natl Mtg Assn Ser 18-91 Cl Pa 4% Maturity 12/25/2046	35,336	33,739
Fhlmc .375% Maturity 09/23/2025 (Aaa Moody) (AA+ S&P)	149,636	133,878
Fhlmc Series 4120 Class Qb 1.5% Maturity 10/15/2042	60,503	57,612
Florida St Taxable Bds 2020A 1.258% Maturity 07/01/2025 (Aa3 Moody) (AA S&P)	101,513	90,535
Fnma Pool #Ma4404 2.5% Maturity 8/1/2036	89,134	77,668
Fnma Pool #Ma4443 2.5% Maturity 10/1/2036	86,625	75,458
Fnma Series 2012-100 Class Eo 2% Maturity 06/25/2027	3,995	3,920
Fnma Series 2013-98 Class Ea 3% Maturity 02/25/2032	41,492	39,794
Gnma Ser 2013-169 Cl Jc 2.5% Maturity 6/20/2043	4,456	4,321
Gnma Series 2011-85 Class Lc 4% Maturity 10/20/2040	6,787	6,579
Goldman Sachs Government	68,351	68,351
Government Natl Mtg Assn Series 18-138 & Class Ba 3.5% Maturity 5/20/2045	167	164
Jefferson La Sales Tax Dist Spl Sales Tax Rev Sef-Ser A 5% Maturity 12/1/2025 (A1 Moody) (AA S&P)	60,531	52,319
Lafayette La Taxable Ltd Tax Ref Bds 2020 .8% Maturity 03/01/2025 (AA S&P)	100,000	90,960
New Orleans La Txbl 2.1 % Maturity 12/1/2022 (A2 Moody) (AA S&P)	235,040	234,521 ¹
St Charles Parish La Txbl Ref 2% Maturity 03/01/2026 (AA- S&P)	103,553	91,601
St Tammany Ltd Tax Ref Bos 20203% Maturity 03/01/2025 (AA S&P)	217,816	197,192
U S Treasury Bond 2% Maturity 8/15/2025 (Aaa Moody)	181,232	164,432
United States Treasury Notes .125% Maturity 03/31/2023 (Aaa Moody)	124,980	122,710
United States Treasury Notes .125% Maturity 07/31/2023 (Aaa Moody)	99,828	96,699
United States Treasury Notes .125% Maturity 08/15/2023 (Aaa Moody)	99,805	96,496
United States Treasury Notes .5% Maturity 11/30/2023 (Aaa Moody)	248,975	239,288 ¹
Us Treasury (Y-2025) .375% Maturity 4/30/2025 (Aaa Moody)	198,039	181,204
Us Treasury (Z-2025) .25% Maturity 5/31/2025 (Aaa Moody)	249,023	224,923 ¹
Us Treasury 1.625% Maturity 11/15/2022 (WR Moody)	174,569	174,689
Us Treasury 2% Maturity 11/30/2022 (WR Moody)	199,533	199,618
Us Treasury 2.5% Maturity 05/15/2024 (Aaa Moody)	249,900	242,890 ¹
Us Treasury 2.75% Maturity 11/15/2023 (Aaa Moody)	180,512	171,966
Visa, Inc. 2.8% Maturity 12/14/2022 (Aa3 Moody) (AA- S&P)	103,214	99,762
Visa, Inc. 3.15% Maturity 12/14/2025 (Aa3 Moody) (AA- S&P)	105,662	95,487
Walmart Inc. 3.3% Maturity 04/22/2024 (Aa2 Moody) (AA S&P)	106,022	98,236
Waterford Ct Txbl Ref .62% Maturity 8/15/2024 (AA S&P)	150,000	139,812
Waukesha Wi Txbl .5% Maturity 10/01/2023 (Aa2 Moody)	250,000	241,213 ¹
Total Investments	\$ 4,473,439	\$ 4,203,607

¹ denotes a concentration of credit risk due to the individual investment value representing a percentage greater than or equal to five percent of the total investment value. The net change in the fair value of investments was an increase of \$31,581 and decrease of \$279,815 for the years ended September 30, 2023 and 2022, respectively.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Bayou Bend Health System
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 11: BANK DEPOSITS AND INVESTMENTS, CONTINUED

Fair Value of Financial Instruments

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

These levels are:

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

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

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

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

NOTE 12: NET POSITION

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

	2023	2022
Invested in Capital Assets, net of related debt	\$ 31,254,581	\$ 21,345,063
Restricted for:		
Bond Indenture (Expendable)	380,155	379,111
Unrestricted	31,603,906	32,383,653
Total Net Position	\$ 63,238,642	\$ 54,107,827

NOTE 13: CASH FLOW SUPPLEMENTAL INFORMATION

Cash and cash equivalents reported in the cash flow statement are as follows:

	2023	2022
Cash and Cash Equivalents	\$ 6,291,714	\$ 5,075,211
Cash Whose Use is Limited	12,172,488	16,422,492
Cash and Cash Equivalents at End of Year	\$ 18,464,202	\$ 21,497,703

Total interest paid by the Hospital was \$176,462 and \$182,724 in 2023 and 2022, respectively.

NOTE 14: GOVERNING BOARD EXPENSES

The board of commissioners of Hospital Service District No. 1, Parish of St. Mary received no compensation for the years ended September 30, 2023 and 2022.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Bayou Bend Health System
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 15: PENSION PLAN

The Hospital has two defined contribution retirement plans, a 457(b) plan and a 401(a) plan, which are administered by Retirement Strategies Group, LLC. Qualified Employees may elect to make contributions to the plans through salary reduction agreements. The employees are 100% vested in the 457(b) plan when the first contribution is made. The 401(a) plan's vesting percentage varies in relation to the employee's period of service. The amount of the employer contribution is currently 2% of the eligible participants' annual compensation. Benefit terms and amendments require approval by management and the board. Total expense for the years ended September 30, 2023 and 2022 was \$249,178 and \$243,274 respectively. Forfeitures may first be used to pay administrative expenses. Forfeitures of matching contributions that relate to excess amounts may be used to reduce employer contributions. Forfeitures reflected in pension expense as a reduction of employer contributions were approximately \$0 and \$8,465 for the years ended September 30, 2023 and 2022, respectively. The accrued pension plan liability was \$216,327 and \$245,480 for the years ended September 30, 2023 and 2022, respectively.

NOTE 16: CHARITY CARE

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

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges forgone, based on established rates, were approximately \$96,070 and \$57,043 for the years ended September 30, 2023 and 2022, respectively.

Management estimates that approximately \$75,033 and \$42,300 of costs were related to charity care for the years ended September 30, 2023 and 2022, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

NOTE 17: CONTINGENCIES AND COMMITMENTS

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

The principal contingencies are described below:

Third-party-based Revenues - Cost reimbursements and claims are subject to examination by agencies administering the programs. 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 retroactive adjustments cannot be determined.

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 privacy, 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.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Hospital. Federal healthcare reform legislation proposals debated in

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Bayou Bend Health System
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 17: CONTINGENCIES AND COMMITMENTS, CONTINUED

Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Hospital's principal payors. It is not possible at this time to determine the impact on the Hospital of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Hospital in future years.

Professional Liability Risk - The Hospital is contingently liable for losses outside of its professional liability insurance coverage.

NOTE 18: UNCOMPENSATED CARE REVENUE AND OTHER FUNDING

Intergovernmental Transfers - Operating Grant. The Hospital received Uncompensated Care ("UCC") for the years ended September 30, 2014 and prior years (formerly called Disproportionate Share payments or "DSH"). In fiscal year 2015 the Hospital entered into a cooperative endeavor agreement ("CEA") with a regional public rural hospital (the "Grantor") whereby the Grantor distributes the funds as an intergovernmental transfer ("IGT"). The aggregate IGT grant revenue is \$7,245,771 and \$2,004,079 for the years ended September 30, 2023 and 2022, respectively, and is reflected on the Statement of Revenues, Expenses and Changes in Fund Net Position in Intergovernmental Transfers - Operating Grant.

Full Medicaid Payment Program Funding. The Hospital received Full Medicaid Payment Program ("FMPP") funding from the Louisiana Department of Health ("LDH") during the fiscal years ended September 30, 2023 and 2022. As part of the agreement with LDH, the Hospital was required to provide an IGT of 33% of the gross funds to the LDH in order to secure the federal Medicaid matching funds. In addition, the Hospital has a CEA with Teche Action Board, Inc., a Louisiana non-profit corporation, under the terms of which the Hospital granted a portion of the FMPP funding to Teche Action Board, Inc. for the purpose of promoting and providing for the general health of the community. Under the terms of the CEA, in the event that the Hospital does not receive funding for these efforts, there is no obligation on the part of the Hospital to provide funds to Teche Action Board, Inc.

The following is a breakdown of the Full Medicaid Payment Program funding received by the Hospital during the year ended September 30, 2023 and 2022:

	2023	2022
Gross Full Medicaid Payment Program Funding	\$ 6,000,000	\$ 6,000,000
Intergovernmental Transfer (IGT)	(2,176,563)	(2,361,554)
Rural Hospital Coalition Fee	(60,000)	(60,000)
Grant Revenue - Franklin Foundation Hospital	\$ 3,763,437	\$ 3,578,446

The FMPP grant revenue is reflected on the Statement of Revenues, Expenses and Changes in Fund Net Position as Non-operating Revenue - Full Medicaid Capacity Payment Program Funding. On April 22, 2015 the Board restricted use of the FMPP grant funds to purposes connected to establishing the Hospital as a Center of Excellence. On June 4, 2020, the Board approved moving forward with the construction of a Wellness Center on property located adjacent to the Hospital campus. The construction will be funded in part with the current FMPP funds as well as any future FMPP grant funds. In addition, the Hospital will utilize funds allocated through the State of Louisiana's capital outlay program. These funds will be used for non-operating activities.

NOTE 19: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a/ Bayou Bend Health System
Franklin, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

NOTE 20: CARES ACT FUNDING

In response to the COVID-19 pandemic, Congress passed H.R. 748, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") which was signed into law by the President on March 27, 2020. This Act established several different tranches of funds meant to ensure businesses would be able to continue paying their employees and other bills despite the COVID related declines in patient volumes and revenues and increase in operating costs. Bayou Bend Health System received funds from three of the different portions of CARES Act funds: The Small Business Administration's Paycheck Protection Program, the Medicare Accelerated and Advanced Payment Program, and Provider Relief Funds.

Provider Relief Funds

The Hospital received \$5,043,265 under this section of the CARES Act. The terms and conditions require that recipients be able to demonstrate that lost net patient revenues and increased expenses attributable to COVID 19, excluding expenses and losses that have been reimbursed from other sources, exceed the total amount of Provider Relief funding received. The Hospital has recognized \$647,322 and \$1,347,752 during the fiscal years ended September 30, 2023 and 2022, respectively, of the available funds as an offset to lost net patient revenue in the current fiscal year. The Hospital recognized this as non-operating revenue per the guidance laid out in GASB Technical Bulletin 2020-1. A repayment mechanism has yet to be established by the federal government.

NOTE 21: SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through March 28, 2024, the date the financial statements were available to be issued.

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

SCHEDULE OF PATIENT SERVICE REVENUE

FOR THE YEARS ENDED SEPTEMBER 30.

INPATIENT SERVICE REVENUES

	2023	2022
Daily Patient Services:		
Room and Board	\$ 1,452,022	\$ 1,687,651
Total Daily Patient Services	1,452,022	1,687,651
Other Nursing Services:		
Central Supplies	853,700	1,641,264
Emergency Service	32,563	(3,383)
Labor and Delivery	395,966	182,306
Observation	15,914	8,564
Operating Room	617,181	303,368
Total Other Nursing Services	1,915,324	2,132,119
Other Professional Services:		
Anesthesiology	27,472	40,857
Blood	142,838	116,432
Cardiac Rehab	-	-
EKG & EEG	53,985	37,795
Inhalation Therapy	1,117,873	789,525
Laboratory	600,961	523,908
Pharmacy	1,227,807	1,984,392
Physical Therapy	229,731	227,766
Radiology	116,168	99,107
Wound Care	-	-
Total Other Professional Services	3,516,835	3,819,782
TOTAL INPATIENT SERVICE REVENUE	6,884,181	7,639,552

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

SCHEDULE OF PATIENT SERVICE REVENUE

FOR THE YEARS ENDED SEPTEMBER 30,

OUTPATIENT SERVICE REVENUE

	<u>2023</u>	<u>2022</u>
Other Nursing Services:		
Central Supplies	217,167	1,451,927
Emergency Services	9,872,280	8,078,180
Labor and Delivery	30,463	16,068
Observation	113,327	111,745
Operating Room	2,625,243	2,010,883
Total	<u>12,858,480</u>	<u>11,668,803</u>
Other Professional Services:		
Anesthesiology	998,320	658,385
Blood	135,386	178,522
Cardiac Rehab	202,585	87,960
Clinics	4,896,107	4,329,924
EKG and EEG	716,114	649,113
Inhalation Therapy	358,791	193,537
Laboratory	7,363,975	6,991,739
Pharmacy	2,735,294	2,515,695
Physical Therapy	1,151,950	1,312,959
Radiology	7,557,049	6,629,681
Wound Care	45,210	296
Total	<u>26,160,781</u>	<u>23,547,811</u>
TOTAL OUPATIENT SERVICE REVENUE	<u>39,019,261</u>	<u>35,216,614</u>
GROSS PATIENT SERVICE REVENUE	45,903,442	42,856,166
Less: Contractual Adjustments	<u>18,400,949</u>	<u>15,998,165</u>
NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	<u>\$ 27,502,493</u>	<u>\$ 26,858,001</u>

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

SCHEDULE OF OTHER OPERATING REVENUES

FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2023</u>	<u>2022</u>
Cafeteria and Vendor Sales	\$ 216,401	\$ 168,586
Rental Income	58,668	81,849
Fitness Center	154,655	-
Other	1,352,441	208,030
TOTAL OTHER OPERATING REVENUES	<u>\$ 1,782,165</u>	<u>\$ 458,465</u>

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

SCHEDULE OF PROFESSIONAL SERVICES

FOR THE YEARS ENDED SEPTEMBER 30,

	2023	2022
Salaries and Fees:		
Anesthesiology	\$ 618,985	\$ 525,707
Central Supply	208,238	204,297
Clinics	3,882,745	2,735,168
EKG and EEG	7,452	4,705
Emergency Response (COVID-19)	283	617,030
Emergency Room	2,982,030	2,691,300
Hospitalist	438,000	312,002
Intensive Care Unit	764,961	864,900
Inhalation Therapy	553,041	707,998
Labor and Delivery	1,668,649	1,238,934
Laboratory	930,084	923,651
Nursing	1,613,152	1,436,944
Occupational Therapy	49,611	67,447
Operating Room	2,720,584	2,553,784
Pharmacy	294,177	300,650
Physical Therapy	396,352	421,473
Radiology	957,654	930,585
Social Services	175,885	134,016
Speech Therapy	61,680	60,997
Wellness Center	64,124	-
Other	286,947	279,194
Total Professional Salaries and Fees	18,674,634	17,010,782
 Supplies and Other Expenses:		
Anesthesiology	19,782	8,993
Central Supply	8,067	146,498
Clinics	341,801	335,066
Emergency Response (COVID-19)	-	110,340
Emergency Room	262,335	182,778
Intensive Care Unit	17,906	15,325
Inhalation Therapy	68,074	66,389
Labor and Delivery	73,172	41,015
Laboratory	660,235	700,818
Nursing	170,761	133,476
Operating Room	696,137	771,618
Pharmacy	839,039	819,849
Physical Therapy	15,148	23,390
Radiology	112,375	115,781
Social Services	1,678	1,711
Total Professional Supplies and Other Expenses	3,286,510	3,473,047
 TOTAL PROFESSIONAL SERVICES	 \$ 21,961,144	 \$ 20,483,829

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30.

	2023	2022
Salaries and Fees:		
Administrative	\$ 4,056,045	\$ 3,437,758
Dietary	233,654	242,251
Housekeeping	272,387	223,686
Maintenance	488,762	460,548
Medical Records	196,950	193,403
Total General and Administrative Salaries and Fees	5,247,798	4,557,646
 Supplies and Other Expenses:		
Administrative	2,836,600	2,397,474
Employee Benefits	3,422,275	3,244,067
Dietary	291,947	311,198
Fitness Center	243,562	1,068
Housekeeping	160,594	103,744
Maintenance	778,502	693,987
Medical Records	7,567	10,730
Orthopedics	74,186	78,884
Wellness Center	280,017	7,252
Total General and Administrative Supplies and Other Expenses	8,095,250	6,848,404
 TOTAL GENERAL AND ADMINISTRATIVE SERVICES	 \$ 13,343,048	 \$ 11,406,050

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CEO FOR THE YEARS ENDED SEPTEMBER 30,

	2023	2022
STEPHANIE GUIDRY, CEO		
Salary	\$ 286,225	\$ 278,412
Incentive Compensation	80,255	112,917
Benefits-Insurance	7,980	9,554
Benefits-Retirement	5,881	5,724
Car Allowance	7,800	7,800
Reimbursements	-	150
Travel	39	339
Conference Travel	1,122	385
Special meals	499	-
	\$ 389,801	\$ 415,281

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

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

Board of Commissioners
Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1 of the Parish of St. Mary, State of Louisiana, d/b/a Bayou Bend Health System, a component unit of the St. Mary Parish Council ("the Hospital"), as of September 30, 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 March 28, 2024.

INTERNAL CONTROL OVER FINANCIAL STATEMENTS

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 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 have not been identified. However, as described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan", we identified certain deficiencies in internal control that we consider to be material weaknesses - Finding 2023-1, 2023-2, and 2023-3.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not identify findings of noncompliance.

HOSPITAL'S RESPONSE TO FINDINGS

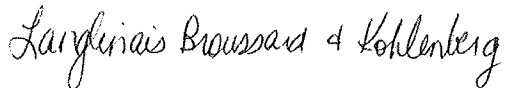
The Hospital's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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

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

Sincerely,



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

March 28, 2024

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN
For the years ended September 30, 2023 and 2022

We have audited the financial statements of Hospital Service District No. 1 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, d/b/a Bayou Bend Health System (the Hospital), as of and for the years ended September 30, 2023 and 2022, and have issued our report thereon dated March 28, 2024.

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

Section 1: Summary of Auditor's Results

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

Internal Control

Material Weaknesses:	Yes
Significant Deficiencies:	No
Compliance:	
Compliance Material to Financial Statements	No

Section II: Financial Statement Findings

Material Weaknesses

Finding 2023-1 Segregation of Duties

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

Cause: The amount of the hospital staff dedicated to the accounting function is limited, and therefore, segregation of duties in all areas is difficult to achieve.

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

Recommendation: The authorization, recording, and reconciliation of transactions and decisions as well as custody of assets related to those transactions and decisions should be segregated functions. Management should increase oversight in areas where this does not occur.

Management Response: Complete segregation of duties is not possible due to both the small size of the Hospital and the limited staff size. We will continue to review our processes and procedures and will make changes, up to and including reassignment of responsibilities to the extent that it is practical to try to minimize the impact of segregation of duties.

Finding 2023-2 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal years ended September 30, 2023 and 2022 had material effects on the financial statements. The proposed audit adjustments primarily consisted of adjustments to record the effects of Medicaid and Medicare cost reports, filed subsequent to the year-end and the recognition of Provider Relief Fund revenues.

Cause: The filing of annual Medicare and Medicaid cost reports result in settlements either due to or from the Hospital. These settlements result from complex calculations, many variables, several payors, and the use of third-party data that is often not complete until several months after year end. These factors make it difficult to properly estimate and record cost report settlements. The Hospital is conservative in its cost report estimates.

Effect: The Hospital's financial statements have been adjusted to reflect all proposed audit journal entries approved by management.

Recommendation: Management should perform a comprehensive review of financial statements, estimates, and journal entries before closing the fiscal year.

Management Response: The Hospital's CFO continues to perform a comprehensive review of the Hospital's financial statements and estimates, particularly those involving Medicare and Medicaid cost report settlement accounts prior to closing the fiscal year. The Hospital maintains a conservative position as it relates to recording estimated cost report settlements. The Hospital's long-time CFO has retired, and the CFO is working to improve accuracy of monthly financial reporting by improving the process for reviews, improving the balance sheet reconciliation expectations, and ensuring policies and procedures are up to date. All of this should minimize the number of proposed audit adjustments.

Finding 2023-3 Financial Statement Preparation

Criteria: The Hospital does not present full disclosure financial statements to its board in accordance with Generally Accepted Accounting Principles.

Condition: As is common in small operations, the Hospital relies on its outside auditors to assist in the preparation of full disclosure GAAP financial statements.

Cause: The Hospital has a small accounting staff.

Effect: The Hospital designates an employee with skilled knowledge and experience to review the draft of the prepared financial statements and footnotes prior to approving them and accepting responsibility for their contents and presentation.

Recommendation: The Hospital should ensure that accounting personnel stay current with Generally Accepted Accounting Principles.

Management Response: With CFO change, this should not be an ongoing issue.

Section III: Management Letter Items

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

Hospital Service District No. 1 of the Parish of St. Mary
d/b/a Bayou Bend Health System
Franklin, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2023

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

Finding 2022-1 Segregation of Duties

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

Status: Unresolved. See Finding 2023-1.

Finding 2022-2 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal years ended September 30, 2023 and 2022 had material effects on the financial statements. The proposed audit adjustments primarily consisted of adjustments to record the effects of Medicaid and Medicare cost reports, filed subsequent to the year-end and the recognition of Provider Relief Fund revenues.

Status: Unresolved. See Finding 2023-2.

Finding 2022-3 Collateralization

Condition and Criteria: As per R.S 39:1225, the amount of the security must at all times be 100% of the funds on deposit except that portion insured by the Federal Deposit Insurance Corporation (FDIC). It is management's responsibility to safeguard assets of the hospital. The under collateralization puts assets of the hospital at risk.

Status: Resolved

Finding 2022-4 Authorized Signatures

Condition and Criteria: It was found that former Chief Financial Officers were still listed as authorized signatures on several of the Hospital's bank accounts subsequent to employment at the Hospital. In addition, those electronic signatures were used to disburse funds several months after the end of employment.

Status: Resolved

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Hospital Service District No. 1 of the Parish of St. Mary
State of Louisiana
d/b/a Bayou Bend Health System
Franklin, Louisiana

We have performed the procedures described in Schedule A – Procedures and Results, which were agreed to by Hospital Service District No. 1 of the Parish of St. Mary, d/b/a Bayou Bend Health System (“Hospital”), a component unit of St. Mary Parish Council, State of Louisiana, and on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor’s (LLA’s) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2022 through September 30, 2023. The Hospital’s management is responsible for those C/C areas identified in the SAUPs.

The Hospital has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA’s SAUPs for the fiscal period October 1, 2022 through September 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are described in Schedule A – Procedures and Results.

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

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

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

Langlinais Broussard & Kohlenberg

LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana
March 28, 2024

Schedule A – Procedures and Results

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.
Result: Policy provided included all of the above functions.
 - 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.
Result: Policy provided included all of the above functions.
 - iii. ***Disbursements***, including processing, reviewing, and approving.
Result: Policy provided included all of the above functions.
 - 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).
Result: Policy provided included all of the above functions.
 - 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.
Result: Policy provided included all of the above functions with the exception of 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.
Result: Policy provided included all of the above functions.
 - vii. ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
Result: Policy provided included all of the above functions.
 - 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).
Result: Policy provided included all of the above functions.

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

- 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.
Result: Policy provided included all of the above functions.
- x. ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Result: Policy provided included all of the above functions.
- 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.
Result: Policy provided included all of the above functions.
- 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.
Result: Policy provided included all of the above functions.

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.
Result: Procedure performed; no exceptions noted.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds.
Result: Procedure performed; no exceptions noted.
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
Result: Procedure performed; no negative unassigned fund balance in the prior year audit report.

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.
Result: Procedure performed; no exceptions noted.

3) Bank Reconciliations

- 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);
Result: Procedure performed; no exceptions noted.
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
Result: Procedure performed; no exceptions noted.
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
Result: Procedure performed; no exceptions noted.

4) Collections (excluding electronic funds transfers)

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

employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

Result: Procedure performed; no exceptions noted.

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

Result: Procedure performed; no exceptions noted.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

Result: Procedure performed; no exceptions noted.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

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

Result: Procedure performed; no exceptions noted.

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

Result: Procedure performed; no exceptions noted.

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

Result: Procedure performed; no exceptions noted.

- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Result: Procedure performed; no exceptions noted.

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

Result: Procedure performed; no exceptions noted.

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

- 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).

Result: Document provided; no exceptions noted.

- 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;
Result: Procedure performed; no exceptions noted.
 - ii. At least two employees are involved in processing and approving payments to vendors;
Result: Procedure performed; no exceptions noted.
 - 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;
Result: Procedure performed; no exceptions noted.
 - 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
Result: Procedure performed; no exceptions noted.
 - 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.
Result: Procedure performed; no exceptions noted.
- 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
Result: Procedure performed; no exceptions noted.
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
Result: Procedure performed; no exceptions noted.
- 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.
Result: Procedure performed; no exceptions noted.

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

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
Result: Document provided; no exceptions noted.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
- 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 (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
Result: Procedure performed; no exceptions noted.
- ii. Observe that finance charges and late fees were not assessed on the selected statements.
Result: Procedure performed; no exceptions noted.
- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.
Result: Procedure performed; no exceptions noted.

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

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
Result: Procedure performed; no exceptions noted.
- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

Result: Procedure performed; no exceptions noted.

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and

Result: Procedure performed; no exceptions noted.

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

Result: Procedure performed; no exceptions noted.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

Result: Procedure N/A – The selected contracts were not subject to Louisiana Public Bid Law.

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);

Result: Procedure N/A – The selected contracts were not required by policy or law.

- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

Result: Procedure performed; no exceptions noted.

- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Result: Procedure performed; no exceptions noted.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Result: Document provided; no exceptions noted.

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and

- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
Result: Procedure performed; no exceptions noted.
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
Result: Procedure performed; no exceptions noted.
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
Result: Procedure performed; no exceptions noted.
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
Result: Procedure performed; no exceptions noted.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
Result: Procedure performed; no exceptions noted.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.
Result: Procedure performed; no exceptions noted.

10) *Ethics*

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
- 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
Result: Procedure performed; no exceptions noted.
 - 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.
Result: Procedure performed; no exceptions noted.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.
Result: Procedure performed; no exceptions noted.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

Result: Procedure N/A – No new bonds issued during the fiscal period.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Result: Procedure performed; no exceptions noted.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

Result: Procedure N/A – No misappropriations of public funds and assets during the fiscal period.

- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Result: Procedure performed no exceptions noted.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- 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.

Result: We performed the procedure and discussed the results with management. No exceptions noted.

- 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.

Result: We performed the procedure and discussed the results with management. No exceptions noted.

- 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.
Result: We performed the procedure and discussed the results with management. No exceptions noted.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.
Result: Procedure performed; no exceptions noted.

14) Prevention of Sexual Harassment

- 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.
Result: Procedure performed; no exceptions noted.
- 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).
Result: Procedure performed; no exceptions noted.
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
Result: Procedure performed; 301, 100%, employees completed the training requirements.
 - ii. Number of sexual harassment complaints received by the agency;
Result: Procedure performed; 0 complaints received.
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
Result: Procedure performed; 0 complaints received.
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
Result: Procedure performed; 0 complaints received.
 - v. Amount of time it took to resolve each complaint.
Result: Procedure performed; 0 complaints received.

Management Response: The Hospital has addressed this issue by drafting a policy to be approved at our March 29, 2024 Board Meeting.

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