

HOSPITAL SERVICE DISTRICT NO. 2
D/B/A
LASALLE GENERAL HOSPITAL
AND
LASALLE NURSING HOME

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2023 AND 2022



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Financial Statements
And
Independent Auditors' Report
Years Ended September 30, 2023 and 2022

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Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

This section of the Hospital Service District's (the District) annual financial report presents background information and management's analysis of the Hospital Service District's financial performance during the fiscal year that ended on September 30, 2023. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The District's total assets increased by \$7,511,078, mainly because of the addition of subscription assets of \$7,594,085 with the implementation of GASB No. 96 in fiscal year (FY) 2023. Cash decreased by \$205,255 in FY 2023, compared to decrease of \$3,489,225 in FY 2022. From FY 2021 to FY 2022, the District's total assets decreased by \$2,956,331, largely due to the decrease in cash mentioned above. Continuing slow collections in FY 2023 and 2022 contributed to increases in accounts receivable, net, of \$494,240 and \$1,394,477, respectively.
- During the year, the District's total operating revenues increased by \$2,100,052 due to an increase in Medicaid Supplemental Payments. Net patient revenue increased by \$418,851 following an increase of \$1,713,182 in FY 2022. Nursing Home days increased by 227 and Rural Health Clinic visits decreased by 1,632 in FY 2023.
- Total operating expenses increased by \$2,159,275 or 7%, \$1,014,331 or 3%, and \$217,681 or 1%, in fiscal years 2023, 2022, and 2021, respectively. Increases in salaries and benefits of \$194,757 occurred in FY 2023 with an increase of \$501,539 in FY 2022 from FY 2021. FY 2023 increase in depreciation and amortization was \$1,551,623, mainly due to GASB No. 96 amortization of subscription assets.
- The District had a loss from operations of \$2,151,947 and \$2,092,724 in fiscal years 2023 and 2022, due to a rise in expenses, as well as a significant increase in depreciation and amortization expense.
- The District implemented GASB No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, in fiscal year 2023. This required restatements to some accounts on the financial statements.

Required Financial Statements

The Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures changes in the District's operations over the past two years and can be used to determine whether the District has been able to recover all of its costs through its patient service revenue and other revenue sources.

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Required Financial Statements (Continued)

The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?" and "What was the change in cash balance during the reporting period"?

Financial Analysis of the Hospital Service District

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District's activities. These two statements report the net position of the District and changes in them. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Net Position

Table 1 presents a condensed Statements of Net Position for the Hospital Service District.

TABLE 1
Condensed Statements of Net Position

	<u>2023</u>	September 30, <u>2022</u>	<u>2021</u>
Total current assets	\$ 10,347,496	\$ 9,075,053	\$ 11,675,177
Nondepreciable capital assets	621,475	509,572	3,857,781
Depreciable capital assets - net	15,100,467	15,789,418	11,830,589
Right-of-use capital assets, net	839,008	567,245	821,313
Subscription assets	7,594,085	60,460	-0-
Assets limited to use	835,953	1,823,380	2,594,321
Other assets	<u>6,858</u>	<u>9,136</u>	<u>11,414</u>
 Total Assets	 \$ <u>35,345,342</u>	 \$ <u>27,834,264</u>	 \$ <u>30,790,595</u>
 Current liabilities	 \$ 7,839,227	 \$ 4,690,717	 \$ 6,451,482
Lease liabilities	628,941	318,647	555,576
Long-term debt	2,983,013	3,298,115	3,910,988
Subscription liabilities, net	6,484,434	41,514	-0-
Invested in capital assets, net of related debt	12,100,734	12,324,773	11,220,269
Restricted: debt reserve fund	850,911	1,834,254	2,605,080
Unrestricted	<u>4,458,082</u>	<u>5,326,244</u>	<u>6,047,200</u>
 Total Liabilities and Net Position	 \$ <u>35,345,342</u>	 \$ <u>27,834,264</u>	 \$ <u>30,790,595</u>

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Summary of Revenues, Expenses, and Changes in Net Position

Table 2 presents a summary of the District's historical revenues and expenses.

TABLE 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position

	September 30,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues			
Net patient service revenue	\$ 24,273,030	\$ 23,854,179	\$ 22,140,997
Medicaid supplemental payments	5,542,709	1,616,410	2,435,515
Operating grants & IGT	92,543	2,621,040	1,774,602
Other operating revenue	<u>1,574,448</u>	<u>1,291,049</u>	<u>1,403,342</u>
Total Revenues	<u>31,482,730</u>	<u>29,382,678</u>	<u>27,754,456</u>
Expenses			
Salaries and benefits	16,511,341	16,316,584	15,815,045
Other expenses	14,264,393	13,851,498	13,564,066
Depreciation and amortization	<u>2,858,943</u>	<u>1,307,320</u>	<u>1,081,960</u>
Total Expenses	<u>33,634,677</u>	<u>31,475,402</u>	<u>30,461,071</u>
Operating Income (Loss)	<u>(2,151,947)</u>	<u>(2,092,724)</u>	<u>(2,706,615)</u>
Nonoperating Revenues (Expenses)			
Property taxes	296,634	294,182	288,090
Interest income	5,997	10,049	22,634
Interest expense	(456,684)	(203,254)	(207,266)
Covid-19 grants and loan forgiveness	166,033	1,348,805	6,750,146
Gain on disposal of assets	<u>586</u>	<u>317</u>	<u>(12,457)</u>
Changes in Net Position			
before Capital Grants	<u>(2,139,381)</u>	<u>(642,625)</u>	<u>4,134,532</u>
Capital grants	<u>63,837</u>	<u>255,347</u>	<u>134,286</u>
Increase (Decrease) in Net Position	<u>(2,075,544)</u>	<u>(387,278)</u>	<u>4,268,818</u>
Net Position at Beginning of Year	<u>19,485,271</u>	<u>19,872,549</u>	<u>11,525,640</u>
Net Position at End of Year	<u>\$ 17,409,727</u>	<u>\$ 19,485,271</u>	<u>\$ 15,794,458</u>

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Sources of Revenue

Operating Revenue

During fiscal year 2023, the District derived the majority of its total revenue from patient services. Patient service revenue includes revenue from the Medicare and Medicaid programs, commercial insurance, other various third-party payors, and patients who receive care in the District's facilities. Reimbursement for the Medicare and Medicaid programs, commercial insurance, and other third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance.

Table 3 presents the percentages by payor. The Hospital's is a percentage of gross charges billed for patient services. The Nursing Home's is based on the census.

**TABLE 3
Payor Mix by Percentage**

LaSalle General Hospital September 30,			
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Medicare	34%	36%	37%
Medicaid	31%	26%	26%
Commercial Insurance	32%	36%	35%
Self Pay	<u>3%</u>	<u>2%</u>	<u>2%</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>
LaSalle Nursing Home September 30,			
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Medicare	10%	14%	14%
Medicaid	76%	70%	72%
Commercial Insurance	N/A	N/A	N/A
Self Pay	<u>14%</u>	<u>16%</u>	<u>14%</u>
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>

Non-operating Income

The District has funds invested primarily in a Certificate of Deposit (CD) of \$392,429 held during FY 2023 with Sabine State Bank which has a security interest in the CD which is collateral for a loan of \$183,448. The difference is secured by pledged securities and FDIC insurance. Limited use assets at year-end

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Non-operating Income (Continued)

include the above restricted CD, ad valorem taxes of \$168,399, and bond proceeds of \$220,866 to be used for equipment or facilities renovation.

Grant awards in the amount of \$166,033 were recognized as non-operating revenue in FY 2023. These grants included federal awards of Provider Relief Funds (PRF). In FY 2022, the remainder of the PRF funds was earned and recognized as non-operating income, \$1,348,805. During FY 2020, the District received Provider Relief Funds (PRF) of \$9,593,780 for the Hospital and \$714,322 for the Nursing Home. This money was from the CARES Act in response to the Coronavirus pandemic. Of these funds \$6,750,146 was used in preparing, preventing, and responding to the Coronavirus in FY 2021 and \$1,348,805 was recognized in FY 2022.

Operating and Financial Performance

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between 2023, 2022, and 2021:

Overall activity at the Hospital, as measured by acute (including new vision and behavioral health) patient discharges, was 1,026, 770, and 717, in 2023, 2022, and 2021, respectively. Acute patient days were 6,410 in 2023, 5,837 in 2022, and 6,131 in 2021. Average length of stay was 6.25 for 2023, compared to 7.58 in 2022, and 8.55 in 2021.

For Swing Bed activity at the Hospital, discharges were 43, 36, and 17, for 2023, 2022, and 2021, respectively. Swing Bed patient days were 660, 581, and 201, in 2023, 2022, and 2021, respectively.

The Nursing Home census remained relatively constant at 67 and 66 residents at the ends of FY 2023 and 2022, respectively. The Nursing Home continues to have a low census count.

Net Patient Service Revenue (NPSR) for the District increased by \$418,851 and \$1,713,182 in fiscal years 2023 and 2022, respectively. Increases in patient volume in all areas account for the increases, coupled with some charge master increases.

With continued efforts to expand our market through both new patient services and new infrastructure, the District is positioned to move forward. The District will continue to aggressively develop, sustain and enhance access to high quality, affordable healthcare.

The District has experienced significant losses in the prior fiscal years, which has led to a decline in the financial position. Management has implemented plans to alleviate this negative trend. Management intends to reduce expenses, which will not impact the District's revenues. The focus of management will be on avoiding significant write-offs and auditing the outside billing and collections to ensure all claims are being collected timely. The District expects additional revenue from LaSalle Family Medicine Clinic of approximately \$133,000 based on rate increases from State Plan Amendment (SPA). The nursing home has received significant increases in rates effective July 1, 2023 from the State of Louisiana which will be reflected in increased profit and cash flow in future years.

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Capital Assets

Table 4 presents a condensed schedule of capital assets.

TABLE 4
Capital Assets

The District's net capital assets (depreciable and non-depreciable) decreased in 2023 by \$577,048, primarily due to an increase in accumulated depreciation from the addition of new assets. Net right-of-use capital assets increased \$271,763. Also in FY 2023, GASB No. 96, *Subscription-Based Information Technology Arrangements*, was implemented. See schedule below for new category of assets.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Nondepreciable capital assets			
Land	\$ 278,893	\$ 278,893	\$ 278,893
Construction in progress	342,582	230,679	3,578,888
Total nondepreciable capital assets	<u>\$ 621,475</u>	<u>\$ 509,572</u>	<u>\$ 3,857,781</u>
Depreciable capital assets			
Land improvements	\$ 730,003	\$ 685,193	\$ 416,711
Buildings and fixed equipment	23,749,761	23,024,660	20,400,459
Moveable equipment	9,043,083	8,986,639	9,714,329
Total depreciable capital assets	33,522,847	32,696,492	30,531,499
Less: accumulated depreciation	<u>18,422,380</u>	<u>16,907,074</u>	<u>18,700,910</u>
Total depreciable capital assets, net	<u>\$ 15,100,467</u>	<u>\$ 15,789,418</u>	<u>\$ 11,830,589</u>
Right-of-use capital assets			
Total right-of-use capital assets, net	<u>\$ 839,008</u>	<u>\$ 567,245</u>	<u>\$ 821,313</u>
Subscription-based assets			
Subscription-based assets, net	<u>\$ 7,594,085</u>	<u>\$ 60,460</u>	<u>\$ 80,614</u>

Long-term Debt

At year-end, the District had \$3,465,017 in long-term debt, \$863,220 in right-of-use lease liabilities, and \$7,726,064 in subscription liabilities. No new finance purchase leases were entered into in FY 2023 or 2022. New right-of-use lease of \$551,669 was added in FY 2023. Long-term debt was reclassified to lease liability for balances on former capital leases in the amount of \$581,121 and \$832,819 for FY 2022 and 2021, respectively. SBITA liabilities were added in FY 2023 in compliance with GASB No. 96.

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis (Continued)

Long-term Debt (Continued)

A balance of \$1,591,000 remains at year-end on the \$2,000,000 bonds borrowed in FY 2020.

The District took out a \$2,500,000 loan in 2009 for construction of the Physician Office Building, which opened September 1, 2009. This loan was refinanced in fiscal year 2018 at Sabine State Bank with a balloon payment due in March 2023. It was refinanced again in March 2023 with a final payment due in August 2024. The balance at year end is \$183,448. More detailed information about the District's long-term debt is presented in Note 11 to the combined financial statements.

Contacting the Hospital Service District's Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital Service District's finances and to demonstrate the Hospital Service District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration and/or Nursing Home Administration.



LESTER, MILLER & WELLS

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 2,
Parish of LaSalle, State of Louisiana
Jena, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying group financial statements of Hospital Service District No. 2, Parish of LaSalle, State of Louisiana (the "District"), a component unit of the LaSalle Parish Police Jury, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's combined financial statements as listed in the table of contents.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the District, as of September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of the District and do not purport to, and do not, present fairly the financial position of LaSalle Parish Police Jury as of September 30, 2023 and 2022, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 26 to the financial statements, the District is experiencing financial difficulties. Our opinion is not modified in respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "viii" be presented to supplement the combined financial statements. Such information is the responsibility of management and, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Foster, Mull & Wills

Certified Public Accountants
Alexandria, Louisiana

March 27, 2024



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Net Position
September 30,

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents (Note 3)	\$ 1,131,952	\$ 1,337,207
Limited use assets - required for current liabilities (Note 4)	14,958	10,874
Accounts receivable, net (Note 5)	5,914,817	5,420,577
Estimated third-party payor settlements	1,052,839	1,113,862
Other receivables	1,762,484	737,482
Inventory	319,916	292,122
Prepaid expenses	<u>150,530</u>	<u>162,929</u>
 Total Current Assets	 <u>10,347,496</u>	 <u>9,075,053</u>
Non-Current Assets		
Nondepreciable capital assets (Note 6)	621,475	509,572
Depreciable capital assets, net (Note 6)	15,100,467	15,789,418
Right-of-use capital assets, net (Note 6)	839,008	567,245
Subscription assets (Note 7)	7,594,085	60,460
Limited use assets (Note 4)	835,953	1,823,380
Other assets (Note 8)	<u>6,858</u>	<u>9,136</u>
 Total Assets	 <u>\$ 35,345,342</u>	 <u>\$ 27,834,264</u>

LIABILITIES AND NET POSITION

Current Liabilities		
Accounts payable	\$ 3,138,467	\$ 1,830,694
Accrued expenses and withholdings (Note 9)	1,529,009	1,421,199
Estimated third-party payor settlements	74,515	26,449
Deferred revenue	254,997	37,997
Limited use assets	14,958	10,874
Retirement plan payable	869,368	419,858
Current portion of lease liability (Note 13)	234,279	262,474
Current portion of subscription liability (Note 14)	1,241,630	19,843
Current portion of long-term debt (Note 12)	<u>482,004</u>	<u>661,329</u>
 Total Current Liabilities	 <u>\$ 7,839,227</u>	 <u>\$ 4,690,717</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Net Position (Continued)
September 30,

	<u>2023</u>	<u>2022</u>
Long-term Liabilities		
Lease liability, net of current maturities (Note 13)	\$ 628,941	\$ 318,647
Subscription liability, net of current maturities (Note 14)	6,484,434	41,514
Long-term debt, net of current maturities (Note 12)	<u>2,983,013</u>	<u>3,298,115</u>
 Total Liabilities	 <u>17,935,615</u>	 <u>8,348,993</u>
Net Position		
Invested in capital assets, net of related debt	12,100,734	12,324,773
Restricted (Note 4)	850,911	1,834,254
Unrestricted	<u>4,458,082</u>	<u>5,326,244</u>
 Total Net Position	 <u>17,409,727</u>	 <u>19,485,271</u>
 Total Liabilities and Net Position	 <u>\$ 35,345,342</u>	 <u>\$ 27,834,264</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30,

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Net patient service revenue (Note 15)	\$ 24,273,030	\$ 23,854,179
Medicaid supplemental payments	5,542,709	1,616,410
Intergovernmental transfer grants	45,668	2,577,440
Noncapital grants	46,875	43,600
Other operating revenue	<u>1,574,448</u>	<u>1,291,049</u>
 Total Operating Revenues	 <u>31,482,730</u>	 <u>29,382,678</u>
Operating Expenses		
Salaries and benefits	16,511,341	16,316,584
Medical supplies and drugs	2,228,785	2,183,865
Insurance	407,517	300,282
Professional fees	3,177,117	3,028,282
Other expenses	8,450,974	8,339,069
Depreciation and amortization	<u>2,858,943</u>	<u>1,307,320</u>
 Total Operating Expenses	 <u>33,634,677</u>	 <u>31,475,402</u>
 Operating Income (Loss)	 <u>(2,151,947)</u>	 <u>(2,092,724)</u>
Nonoperating Revenues (Expenses)		
Property taxes	296,634	294,182
Interest income	5,997	10,049
Interest expense	(456,684)	(203,254)
Covid-19 grant awards	166,033	1,348,805
Gain (loss) on disposal of assets	<u>586</u>	<u>317</u>
 Changes in Net Position before Capital Grants	 (2,139,381)	 (642,625)
Capital grants	<u>63,837</u>	<u>255,347</u>
 Increase (Decrease) in Net Position	 (2,075,544)	 (387,278)
 Net Position at Beginning of Year	 <u>19,485,271</u>	 <u>19,872,549</u>
 Net Position at End of Year	 \$ <u>17,409,727</u>	 \$ <u>19,485,271</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Cash Flows
Years Ended September 30,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 23,887,879	\$ 20,376,620
Other receipts from operations	6,184,698	5,485,516
Cash payments to employees and for employee-related cost	(15,954,021)	(13,260,528)
Cash payments for other operating expenses	<u>(12,697,407)</u>	<u>(16,199,978)</u>
Net cash provided (used) by operating activities	<u>1,421,149</u>	<u>(3,598,370)</u>
Cash flows from investing activities:		
Proceeds (invested) from limited use assets	-0-	5,358
Interest income	<u>5,997</u>	<u>10,049</u>
Net cash provided (used) by investing activities	<u>5,997</u>	<u>15,407</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	296,634	294,182
Proceeds from unearned revenue	217,000	37,997
Proceeds from COVID-19 grant awards	<u>166,033</u>	<u>1,348,805</u>
Net cash provided (used) by non-capital financing activities	<u>679,667</u>	<u>1,680,984</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(938,258)	(1,611,593)
Principal payments on lease liability obligations	(269,570)	(277,243)
Principal payments on subscription liability obligations	(1,204,979)	(19,252)
Principal payments on long-term debt	(494,427)	(497,151)
Interest expense on long-term debt	(456,684)	(203,254)
Proceeds from limited use assets	987,427	765,583
Proceeds from capital grants	63,837	255,347
Proceeds (loss) from disposal of capital assets	<u>586</u>	<u>317</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(2,312,068)</u>	\$ <u>(1,587,246)</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Statements of Cash Flows (Continued)
Years Ended September 30,

	<u>2023</u>	<u>2022</u>
Net increase (decrease) in cash and cash equivalents	\$ (205,255)	\$ (3,489,225)
Beginning cash and cash equivalents	<u>1,337,207</u>	<u>4,826,432</u>
Ending cash and cash equivalents	\$ <u><u>1,131,952</u></u>	\$ <u><u>1,337,207</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ <u><u>456,684</u></u>	\$ <u><u>203,254</u></u>
Equipment acquired under financed purchase lease	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>
Equipment acquired under right-of-use leases	\$ <u><u>551,669</u></u>	\$ <u><u>25,540</u></u>
Equipment acquired under subscription agreements	\$ <u><u>8,869,686</u></u>	\$ <u><u>-0-</u></u>
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income (loss)	\$ (2,151,947)	\$ (2,092,724)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,133,551	1,303,013
Change in current assets (increase) decrease:		
Net patient accounts receivable	(494,240)	(1,394,477)
Other receivables	(1,025,002)	68,478
Estimated third-party payor settlements	109,089	(200,876)
Inventory	(27,794)	25,169
Prepaid expenses	12,399	16,790
Change in current liabilities (increase) decrease:		
Accounts payable	1,307,773	576,100
Accrued expenses and withholdings payable	107,810	102,679
Medicare advance payments	-0-	(2,016,449)
Retirement plan payable	<u>449,510</u>	<u>13,927</u>
Net cash provided (used) by operating activities	\$ <u><u>1,421,149</u></u>	\$ <u><u>(3,598,370)</u></u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2023 and 2022

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Hospital Service District No. 2, of the Parish of LaSalle, State of Louisiana (referred to as "the District") was created in 1968 by the LaSalle Parish Police Jury.

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

On April 18, 2001, the District resumed control of LaSalle Nursing Home. LaSalle General Hospital and LaSalle Nursing Home are both enterprise funds within the District.

Nature of Business

The District provides acute inpatient services, behavioral health inpatient services, skilled nursing (through "Swing Beds"), emergency, home health, and outpatient services, including a rural health clinic and private physician offices. Long-term intermediate care is also provided.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

Basis of Accounting

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The entity is a political subdivision and is exempt from taxation.

Principles of Combination

The accompanying combined financial statements include the accounts of the Hospital Service District No. 2 of the Parish of LaSalle including LaSalle General Hospital and LaSalle Nursing Home. These are two separate enterprise funds. The District has one board. All intercompany transactions and balances have been eliminated.

Cash and Cash Equivalents

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

Credit Risk

The District provides medical care primarily to LaSalle Parish residents and grants credit to patients, substantially all of whom are local residents. The District's estimate of collectability is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 15. Accordingly, changes in federal and state legislation or interpretations of rules have a significant impact on the District.

Inventory

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or net realizable value.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue

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

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

Patient Accounts Receivable

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

Capital Assets

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. The District uses straight-line depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

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

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription Assets and Liabilities

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

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

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

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

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

Net Position

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

Revenues and Expenses

The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the District's principal activity. Non exchange

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses (Continued)

revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

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

Restricted Revenues

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

Advertising

The District expenses advertising cost as incurred. Advertising expense for the years ended September 30, 2023 and 2022 totaled \$163,594 and \$178,790, respectively.

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the District. At September 30, 2023 and 2022, management is not aware of any liability resulting from environmental matters.

Use of Estimates

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

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

Resident Deposits

The Nursing Home manages residents' personal funds that are shown on the financial statements as "Limited use assets" with a related liability, "Limited use assets".

Charity Care

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

Risk Management

The District 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; medical malpractice; 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.

Recently Adopted Accounting Pronouncements

The District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) in fiscal year 2023. The objective of this statement is to provide guidance on the accounting and financial reporting of subscription-based information technology arrangements for government end users. The statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset with a corresponding subscription liability; provides the capitalization criteria for outlays; and requires footnote disclosure regarding the SBITA. The new standard is to be applied to all applicable subscription-based information technology arrangements as of the beginning of the earliest period presented. The requirements for this statement are effective for fiscal years beginning after June 15, 2022.

Lease Assets

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2023 and 2022

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Account balances according to bank's records at September 30, 2023, for the District are as follows:

	<u>The Community Bank</u>	<u>Sabine State Bank</u>
Cash in banks	\$ <u>1,045,075</u>	\$ <u>392,429</u>
Insured by FDIC	\$ <u>500,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>545,075</u>	\$ <u>-0-</u>
Collateralized by note payable	\$ <u>-0-</u>	\$ <u>142,429</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured, entirely collateralized by securities held by the pledging bank's trust department in the District's name, or collateralized by the note payable, at September 30, 2023 and 2022.

Concentration of Credit Risks - The District has 73% of its cash and cash equivalents at The Community Bank in checking accounts. The District has 27% of its cash and cash equivalents at Sabine State Bank in a certificate of deposit.

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2023 and 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The carrying amounts of deposits and investments are included in the District's statements of net position as follows:

	<u>2023</u>	<u>2022</u>
Carrying amounts		
Deposits	\$ 1,131,952	\$ 1,337,207
Limited use cash	<u>850,911</u>	<u>1,834,254</u>
 Total	 \$ <u>1,982,863</u>	 \$ <u>3,171,461</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 1,131,952	\$ 1,337,207
Limited use assets - required for current liabilities	14,958	10,874
Limited use assets	<u>835,953</u>	<u>1,823,380</u>
 Total	 \$ <u>1,982,863</u>	 \$ <u>3,171,461</u>

NOTE 4 - LIMITED USE ASSETS

Limited use assets consist of the following items at September 30:

<u>By Third Parties</u>	<u>2023</u>	<u>2022</u>
Debt reserve fund	\$ 392,429	\$ 977,558
Restricted cash - grants	54,259	30,041
Series 2020 proceeds to be disbursed	220,866	815,781
Ad valorem tax to pay Series 2020 bonds	168,399	-0-
Patient trust funds	14,958	10,874
Required for current liabilities	<u>(14,958)</u>	<u>(10,874)</u>
 Limited use assets	 \$ <u>835,953</u>	 \$ <u>1,823,380</u>

A certificate of deposit is being used to collateralize the refinancing of the Medical Office Building debt. It is included as part of the debt reserve fund. According to debt covenants, this amount must remain on deposit to fully collateralize the amount borrowed until the loan is paid in full. Bond proceeds of \$594,915

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2023 and 2022

NOTE 4 - LIMITED USE ASSETS (Continued)

and \$576,299 were used in fiscal years 2023 and 2022, respectively. The remaining balance of \$220,866 at September 30, 2023 is restricted for certain projects.

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable as of September 30, is presented below:

	<u>2023</u>	<u>2022</u>
Patient accounts receivable	\$ 7,663,179	\$ 7,358,087
Estimated uncollectibles	<u>(1,748,362)</u>	<u>(1,937,510)</u>
Net accounts receivable	\$ <u>5,914,817</u>	\$ <u>5,420,577</u>

The following is a summary of the mix of accounts receivable from patients and third-party payors at September 30:

	<u>2023</u>	<u>2022</u>
Medicare	20%	24%
Medicaid	28%	18%
Commercial and other third-party payors	30%	43%
Patients	<u>22%</u>	<u>15%</u>
	<u>100%</u>	<u>100%</u>

The Medicare, Medicaid, and third-party payors are shown net of contractual allowances.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2023 and 2022

NOTE 6 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation for the year ended September 30:

	<u>2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2023</u>
Nondepreciable capital assets					
Land	\$ 278,893	\$ -0-	\$ -0-	\$ -0-	\$ 278,893
Construction in progress	<u>230,679</u>	<u>886,099</u>	<u>143,911</u>	<u>(630,285)</u>	<u>342,582</u>
Total nondepreciable capital assets	\$ <u>509,572</u>	\$ <u>886,099</u>	\$ <u>143,911</u>	\$ <u>(630,285)</u>	\$ <u>621,475</u>
Depreciable capital assets					
Land improvements	\$ 685,193	\$ 44,810	\$ -0-	\$ -0-	\$ 730,003
Buildings and fixed equipment	23,024,660	94,816	-0-	630,285	23,749,761
Moveable equipment	<u>8,986,639</u>	<u>56,444</u>	<u>-0-</u>	<u>-0-</u>	<u>9,043,083</u>
Total depreciable capital assets	32,696,492	196,070	-0-	630,285	33,522,847
Accumulated depreciation	<u>16,907,074</u>	<u>1,515,306</u>	<u>-0-</u>	<u>-0-</u>	<u>18,422,380</u>
Total depreciable capital assets, net	\$ <u>15,789,418</u>	\$ <u>(1,319,236)</u>	\$ <u>-0-</u>	\$ <u>630,285</u>	\$ <u>15,100,467</u>
Right-of-use capital assets					
Equipment	\$ 1,067,539	\$ 551,669	\$ -0-	\$ -0-	\$ 1,619,208
Accumulated amortization	<u>500,294</u>	<u>279,906</u>	<u>-0-</u>	<u>-0-</u>	<u>780,200</u>
Total right-of-use capital assets, net	\$ <u>567,245</u>	\$ <u>271,763</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>839,008</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2023 and 2022

NOTE 6 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets and related accumulated depreciation for the year ended September 30:

	<u>2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2022</u>
Nondepreciable capital assets					
Land	\$ 278,893	\$ -0-	\$ -0-	\$ -0-	\$ 278,893
Construction in progress	<u>3,578,888</u>	<u>1,255,553</u>	<u>109,848</u>	<u>(4,493,914)</u>	<u>230,679</u>
Total nondepreciable capital assets	\$ <u>3,857,781</u>	\$ <u>1,255,553</u>	\$ <u>109,848</u>	\$ <u>(4,493,914)</u>	\$ <u>509,572</u>
Depreciable capital assets					
Land improvements	\$ 416,711	\$ 339,699	\$ 71,217	\$ -0-	\$ 685,193
Buildings and fixed equipment	20,400,459	282,779	2,152,492	4,493,914	23,024,660
Moveable equipment	<u>9,714,329</u>	<u>189,940</u>	<u>917,630</u>	<u>-0-</u>	<u>8,986,639</u>
Total depreciable capital assets	30,531,499	812,418	3,141,339	4,493,914	32,696,492
Accumulated depreciation	<u>18,700,910</u>	<u>1,256,473</u>	<u>3,050,309</u>	<u>-0-</u>	<u>16,907,074</u>
Total depreciable capital assets, net	\$ <u>11,830,589</u>	\$ <u>(444,055)</u>	\$ <u>91,030</u>	\$ <u>4,493,914</u>	\$ <u>15,789,418</u>
Right-of-use capital assets					
Equipment	\$ 1,041,999	\$ 25,540	\$ -0-	\$ -0-	\$ 1,067,539
Accumulated amortization	<u>220,686</u>	<u>279,608</u>	<u>-0-</u>	<u>-0-</u>	<u>500,294</u>
Total right-of-use capital assets, net	\$ <u>821,313</u>	\$ <u>(254,068)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>567,245</u>

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NOTE 7- SUBSCRIPTION ASSETS

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

	<u>2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>2023</u>
Subscription-based assets	\$ 80,614	\$ 8,869,686	\$ -0-	\$ 8,950,300
Accumulated amortization	<u>20,154</u>	<u>1,336,061</u>	<u>-0-</u>	<u>1,356,215</u>
Total subscription-based assets, net	\$ <u>60,460</u>	\$ <u>7,533,625</u>	\$ <u>-0-</u>	\$ <u>7,594,085</u>

	<u>2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>2022</u>
Subscription-based assets	\$ 80,614	\$ -0-	\$ -0-	\$ 80,614
Accumulated amortization	<u>-0-</u>	<u>20,154</u>	<u>-0-</u>	<u>20,154</u>
Total subscription-based assets, net	\$ <u>80,614</u>	\$ <u>(20,154)</u>	\$ <u>-0-</u>	\$ <u>60,460</u>

NOTE 8 - OTHER ASSETS

Other assets at September 30, consists of the following:

	<u>2023</u>	<u>2022</u>
Start up costs for Behavioral Health Unit, net of straight-line amortization over 120 months	\$ 6,833	\$ 9,111
Deposits	<u>25</u>	<u>25</u>
Total	\$ <u>6,858</u>	\$ <u>9,136</u>

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NOTE 9 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30 consist of the following:

	<u>2023</u>	<u>2022</u>
Accrued employee insurance payable (net of accrued stop loss receivable)	\$ 187,000	\$ 172,000
Accrued interest payable	391,640	357,880
Accrued salaries and fees payable	103,473	90,473
Accrued compensated absences	74,160	77,838
Payroll withholdings	754,720	704,497
Provider tax payable	<u>18,016</u>	<u>18,511</u>
 Total	 \$ <u>1,529,009</u>	 \$ <u>1,421,199</u>

NOTE 10 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to the employee. However, vested vacation, sick, and paid days off have been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

NOTE 11 - RETIREMENT PLAN

The Hospital has a qualified contributory defined contribution plan "LaSalle General Hospital Money Purchase Pension Plan" under Internal Revenue code of 1986, including any later amendments to the code providing retirement benefits for substantially all of its employees. The plan was restated August 15, 2013. The Plan administrator is the Hospital. The Hospital expects to continue the plan indefinitely but reserves the right to terminate the plan in whole or in part at any time upon giving written notice to all parties concerned. Annually, the Hospital contributes 5.1 percent of the aggregate compensation of eligible employees to the Plan. The liability recorded as "Retirement Plan Payable" on the Combined Statements of Net Position includes employer matching contributions for fiscal year 2023 and 2022. Mandatory contributions by the employee consist of 6.2 percent of their compensation. An employee must be age 18 or older to participate in the plan. An employee is 100 percent vested upon entry to the plan with normal retirement age being 65 years of age. The Principal is the plan trustee.

The Hospital also has a deferred compensation plan "LaSalle General Hospital Deferred Compensation Plan". The plan was intended to meet the requirements of Section 457 of the Internal Revenue Code of

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NOTE 11 - RETIREMENT PLAN (Continued)

1986, including any later amendments. The plan was restated, effective August 15, 2013. The Plan administrator is the Hospital. Employee voluntary salary contributions have a discretionary match of up to 2.5 percent by the employer. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 1/2 years of age. The employer discretionary match is determined by the employer and can be amended by the employer at their discretion. For the years ended September 30, 2023 and 2022, the amount of pension expense was \$155,176 and \$164,200, respectively. The Principal is the plan trustee.

Employee and employer contributions were as follows:

	<u>2023</u>	<u>2022</u>
Employee	\$ <u>858,185</u>	\$ <u>914,219</u>
Employer	\$ <u>623,464</u>	\$ <u>655,679</u>

The Nursing Home sponsors a tax-deferred annuity arrangement "Security Benefits 457 Deferred Compensation Plan", exempt under Section 457 of the Internal Revenue Code that covers all employees who have completed at least 1,000 hours of service per year. The employees must be 21 years of age or older to participate. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 1/2 years of age. Employees may elect to make contributions of up to \$10,000 to the annuity through a salary reduction agreement. The Nursing Home pays participating employees 50% of their contributions currently. This percentage is at the Board's discretion and is reviewed each year. For the years ended September 30, 2023 and 2022, the amount of pension expense was \$18,793 and \$22,300, respectively. Security Benefits administers the above plan.

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NOTE 12 - LONG-TERM DEBT

A summary of long-term debt at September 30 follows:

	<u>2022</u>	<u>Additions</u>	<u>Payments</u>	<u>2023</u>	<u>Due Within One Year</u>
Note Payable - SSB	\$ 381,024	\$ -0-	\$ 197,576	\$ 183,448	\$ 183,448
Bond Payable	1,733,000	-0-	142,000	1,591,000	148,000
Note Payable - Equipment	122,275	-0-	46,070	76,205	32,565
Note Payable - Siemens	<u>1,723,145</u>	<u>-0-</u>	<u>108,781</u>	<u>1,614,364</u>	<u>117,991</u>
Total	\$ <u>3,959,444</u>	\$ <u>-0-</u>	\$ <u>494,427</u>	\$ <u>3,465,017</u>	\$ <u>482,004</u>

	<u>2021</u>	<u>Additions</u>	<u>Payments</u>	<u>2022</u>	<u>Due Within One Year</u>
Note Payable - SSB	\$ 593,158	\$ -0-	\$ 212,134	\$ 381,024	\$ 381,024
Bond Payable	1,869,000	-0-	136,000	1,733,000	142,000
Note Payable - Equipment	170,635	-0-	48,360	122,275	37,648
Note Payable - Siemens	<u>1,823,802</u>	<u>-0-</u>	<u>100,657</u>	<u>1,723,145</u>	<u>100,657</u>
Total	\$ <u>4,456,595</u>	\$ <u>-0-</u>	\$ <u>497,151</u>	\$ <u>3,959,444</u>	\$ <u>661,329</u>

The following are the terms and due dates of the District's long-term debt at September 30:

- GE financed lease purchase of radiology equipment at 7.45% due in monthly payments of \$507 until March 1, 2026, secured with equipment.
- Kansas State Bank financed lease purchase of a nuclear camera at 6.66% due in monthly payments of \$1,669 until July 1, 2026, secured with equipment.
- Limited Tax Bonds, Series 2020 at a combined rate of 3.57% collateralized by a pledge and dedication of hospital revenue, with principal annually and interest semi-annually, starting September 1, 2020 through March 1, 2032.
- Tri Tech Medical financed lease purchase of telemetry machines at 2.48% due in monthly payments of \$667 until March 29, 2025, secured with equipment.
- Secured Note Payable (MOB) at 1.4%, secured by certificate of deposit of \$972,200, due in monthly payments of \$16,807 until March 23, 2023, when a balloon payment of \$298,169 is due. This note was refinanced with the Secured Note Payable at Sabine State Bank.
- Secured Note Payable (MOB) at 1.4%, secured by certificate of deposit of \$390,000, due in monthly payments of \$16,807 until August 23, 2024. This note was refinanced with the Secured Note Payable at Sabine State Bank.

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NOTE 12 - LONG-TERM DEBT (Continued)

- Lease Purchase Energy Savings agreement with Siemens at 4.6%, entered into May 24, 2018, due in variable quarterly payments until May 24, 2033, secured by various equipment. Energy savings should be available to pay lease payments.
- Bancorp South financed lease purchase of radiology equipment at interest rate of 3.8%, due in monthly payments of \$1,810 until August 2023, secured by equipment.

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

<u>Year Ending</u> <u>September 30,</u>	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 482,004	\$ 130,378
2025	309,731	116,907
2026	313,594	104,200
2027	315,753	91,901
2028	333,777	79,129
2029 - 2033	<u>1,710,158</u>	<u>173,645</u>
Totals	\$ <u>3,465,017</u>	\$ <u>696,160</u>

Depreciation of assets under financed purchase leases in the amount of \$204,300 is included in the depreciation expense. Net book value of financed purchase leases is \$1,455,633 in 2023.

NOTE 13 - LEASE LIABILITY

Right-of-use assets and liabilities under lease liabilities are recorded at the fair value of the asset. The assets are amortized over the lease terms.

The following is a summary of the changes in lease liability obligations as of September 30:

	<u>2022</u>	<u>Additions</u>	<u>Payments</u>	<u>2023</u>	<u>Due Within</u> <u>One Year</u>
Equipment	\$ <u>581,121</u>	\$ <u>551,669</u>	\$ <u>269,570</u>	\$ <u>863,220</u>	\$ <u>234,279</u>
Total	\$ <u>581,121</u>	\$ <u>551,669</u>	\$ <u>269,570</u>	\$ <u>863,220</u>	\$ <u>234,279</u>

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NOTE 13 - LEASE LIABILITY (Continued)

The following is a summary of the changes in lease liability obligations as of September 30:

	<u>2021</u>	<u>Additions</u>	<u>Payments</u>	<u>2022</u>	<u>Due Within One Year</u>
Equipment	\$ <u>832,819</u>	\$ <u>25,540</u>	\$ <u>277,238</u>	\$ <u>581,121</u>	\$ <u>262,474</u>
Total	\$ <u>832,819</u>	\$ <u>25,540</u>	\$ <u>277,238</u>	\$ <u>581,121</u>	\$ <u>262,474</u>

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

Various lease liability obligations for equipment at stated and imputed interest rates ranging from 1.5% to 8.3% with total monthly payments ranging from \$700 to \$4,500, through August 2029.

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

<u>Year Ending September 30,</u>	<u>Lease Liability</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 234,279	\$ 29,333
2025	175,530	16,174
2026	128,189	7,965
2027	109,703	3,341
2028	125,655	1,933
2029 - 2033	<u>89,864</u>	<u>1,587</u>
Totals	\$ <u>863,220</u>	\$ <u>60,333</u>

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NOTE 14 - SUBSCRIPTION LIABILITY

The following is a summary of the changes in lease liability obligations as of September 30:

	<u>2022</u>	<u>Additions</u>	<u>Payments</u>	<u>2023</u>	<u>Due Within One Year</u>
Total	\$ <u>61,357</u>	\$ <u>8,869,686</u>	\$ <u>1,204,979</u>	\$ <u>7,726,064</u>	\$ <u>1,241,630</u>
	<u>2021</u>	<u>Additions</u>	<u>Payments</u>	<u>2022</u>	<u>Due Within One Year</u>
Total	\$ <u>80,614</u>	\$ <u>-0-</u>	\$ <u>19,257</u>	\$ <u>61,357</u>	\$ <u>19,843</u>

The District began recognizing subscription liability obligations related to the adoption of GASB 96 during fiscal year 2023. The subscription liability obligations relate to subscription-based information technology arrangements at imputed interest of 3% with maturity dates ranging from September 27, 2025 to September 30, 2029.

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 1,241,630	\$ 214,801	\$ 1,456,431
2025	1,279,396	177,036	1,456,432
2026	1,243,373	139,147	1,382,520
2027	1,281,191	101,329	1,382,520
2028	1,320,160	62,360	1,382,520
2029 - 2033	<u>1,360,314</u>	<u>22,206</u>	<u>1,382,520</u>
Totals	\$ <u>7,726,064</u>	\$ <u>716,879</u>	\$ <u>8,442,943</u>

NOTE 15 - NET PATIENT SERVICE REVENUE

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

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NOTE 15 - NET PATIENT SERVICE REVENUE (Continued)

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2024, as extended by Congress. The additional payments received under the Medicare low volume add-on were approximately \$279,436 and \$358,900, for the years ended September 30, 2023 and 2022. The District qualifies as a Medicare Dependent Hospital. This designation provides for enhanced Medicare reimbursement rates, including increased reimbursement for decreases in volume greater than 5%. This designation was extended by Congress to December 31, 2024. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors. Inpatient behavioral health services are reimbursed based upon a prospective methodology based upon length of stay, diagnosis, and other factors. Home health services are paid by Medicare under a per episode prospective payment system (PPS). The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid based on a prospectively determined fee schedule. The District is reimbursed at a tentative rate for cost-based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. Home health services are paid by Medicaid under a PPS per visit method.

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates. Blue Cross is the largest commercial provider. Blue Cross charges were 11% and 9% of total charges for the years ended September 30, 2023 and 2022, respectively.

The Hospital experienced material differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid. The finalized Medicare amount for fiscal year 2017 resulted in an increase of \$274,117 while Medicaid's finalized amounts increased by \$51,597 for fiscal years 2012-2015, and decreased by \$87,857 for fiscal year 2016.

The Hospital's previous reimbursements are also subject to secondary review by Medicare and Medicaid representatives. These representatives have several initiatives in progress. Material liabilities have been identified to date under these review programs; and, the potential exists for future claims. These will be recognized in the year the amounts are determined, if any.

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NOTE 15 - NET PATIENT SERVICE REVENUE (Continued)

The following is a summary of the District's net patient service revenue for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Gross charges	\$ 61,505,595	\$ 57,715,889
Less charges associated with charity patients	<u>(14,519)</u>	<u>(17,078)</u>
Gross patient service revenue	61,491,076	57,698,811
Less deductions from revenue:		
Contractual adjustments	(32,303,309)	(31,357,810)
Policy and other discounts	<u>(3,190,911)</u>	<u>(1,188,641)</u>
Patient service revenue (net of contractual adjustments and discounts)	25,996,856	25,152,360
Less provision for bad debts	<u>(1,723,826)</u>	<u>(1,298,181)</u>
Net patient service revenue less provision for bad debts	\$ <u>24,273,030</u>	\$ <u>23,854,179</u>

The District receives a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. The following is a summary of gross Medicare and Medicaid patient revenues for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Medicare and Medicaid gross patient charges	\$ 34,252,287	\$ 36,521,257
Contractual adjustments	<u>(19,603,366)</u>	<u>(18,426,441)</u>
Program patient service revenues	\$ <u>14,648,921</u>	\$ <u>18,094,816</u>
Percent of total gross patient charges	<u>56%</u>	<u>63%</u>
Percent of total net patient revenue	<u>60%</u>	<u>76%</u>

NOTE 16 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at

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NOTE 16 - PROFESSIONAL LIABILITY RISK (Continued)

risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

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

NOTE 17 - WORKMEN'S COMPENSATION RISK

The District participates in the Louisiana Hospital Association Self-Insurance Worker's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations or equity amounts assigned to the District by the trust fund in its financial statements.

NOTE 18 - EMPLOYEE MEDICAL BENEFIT PLAN

The District is self-insured to provide group medical and drug coverage for its employees. The District entered into an agreement on November 1, 1997, with a third-party administrator to administer the plan. The third-party administrator is Insurance Management Services (IMS). The plan year runs from December 1 through November 30. The District funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier provides for payment of 100% of claims in excess of \$75,000 per covered individual. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the District's estimate will change by a material amount in the near term.

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NOTE 18 - EMPLOYEE MEDICAL BENEFIT PLAN (Continued)

The following is a summary of changes in the Hospital's claims liability for the year ended September 30:

	<u>2023</u>	<u>2022</u>
Beginning of the year	\$ 172,000	\$ 172,771
Plus: Claims incurred and changes in estimate, net of reinsurance	973,914	837,755
Less: Claims paid	<u>958,914</u>	<u>838,526</u>
End of the year	\$ <u>187,000</u>	\$ <u>172,000</u>

NOTE 19 - CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 15) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

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

The healthcare industry is subject to numerous laws and regulations of Federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, privacy, 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 District 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

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NOTE 19 - CONTINGENCIES (Continued)

to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 16) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk (Note 17) - The district is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Self-Funded Health Insurance Risk (Note 18) - The Hospital has a self-funded health insurance plan administered by Insurance Management Services. Provision has been made for incurred but non-reported claims in the amount of \$300,000. Accordingly, the Hospital is contingently liable for claims that may be reported subsequent to the balance sheet date. The Hospital has acquired stop-loss insurance to cover individual claims exceeding \$75,000.

NOTE 20 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a per-diem based on the patient's level of income. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the cost associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The cost of caring for charity care patients was approximately \$7,949 and \$9,313 in 2023 and 2022, respectively. The amount of charges for services and supplies furnished under the District's charity care policy aggregated approximately \$14,519 and \$17,078 in 2023 and 2022, respectively.

NOTE 21 - PROVIDER RELIEF FUNDS

The District received approximately \$1,113,576 and \$6,901,311 in Provider Relief Funds (the funds) via the Coronavirus Aid, Relief, and Economic Security (CARES) Act during the fiscal years 2022 and 2021. The funds were issued by the U.S. Department of Health & Human Services (HHS) in response to the Coronavirus pandemic to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. The District recognized approximately \$166,033 and \$1,348,805 as nonoperating grant revenue in the fiscal years ending September 30, 2023 and 2022. The District submitted reports of healthcare related expenses attributable to coronavirus from inception through December 31, 2022 on March 24, 2023 and March 24, 2022 for the Provider Relief Funds. The Health Resources and Services Administration (HRSA) reserves the right to audit the Provider Relief Funds, which accounts for a substantial portion of the COVID-19 grant awards, within a three-year period from the report dates.

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NOTE 22 - DEFERRED REVENUE

The spent portion of the above PRF has been recorded as Covid-19 grants in the amount of \$166,033 for the District. Deferred revenue has a balance of \$254,997 as of September 2023, none of which is PRF funds.

NOTE 23 - PROPERTY TAXES

The District levies a property tax on all property subject to taxation in the service district. A 10-year 10.45 mill tax was effective thru 2012, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. This tax was renewed for a maximum of 5.0 mills for 10 years in October 2012 and in November 2019. This tax will be effective until the year 2029. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15 each year, are due by December 31, and become delinquent on January 31.

NOTE 24 - GRANT REVENUE

The District entered into a cooperative endeavor agreement with a regional hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant ("IGT") to be used solely to provide adequate and essential medically necessary and available healthcare services to the District's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$45,668 and \$2,577,440 for the fiscal years 2023 and 2022, respectively.

NOTE 25 - MEDICAID SUPPLEMENTAL PAYMENTS

In state fiscal year (SFY) 2023, the Louisiana Department of Health (LDH) obtained a Medicaid State Plan Amendment (SPA) approval from the Centers for Medicare and Medicaid Services (CMS) to make quarterly supplemental payments to hospitals based upon certain assumptions under a directed payment plan (DPP). Annually thereafter, LDH must submit the assumptions to CMS for approval in future years. The basis for interim supplemental payments is the Hospital's historical paid claims and other factors. In future state fiscal years, actual paid claims and other factors will be used to reconcile interim payments to final settled DPP amounts. LDH anticipates increasing or decreasing future DPP payments by the reconciliation amounts. The Hospital has recognized approximately \$3,752,798 as Medicaid supplemental income after consideration was given for future adjustments which the Hospital determined necessary. The extent income recognized in the current period differs from actual results, Medicaid supplemental income will be adjusted.

The District d/b/a LaSalle Nursing Home entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of the "Non-State Governmental Organization Nursing

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2023 and 2022

NOTE 25 - MEDICAID SUPPLEMENTAL PAYMENTS (Continued)

Facilities Medicaid Upper Payment Limit Program (SPA).” This Medicaid supplemental payment is to be used as a match within the Medicaid program. In fiscal year 2023, the District received a total of \$791,684 of which \$315,529 was submitted to LDH as an IGT. In fiscal year 2022 the District received a total of \$386,204 of which \$211,965 was submitted to LDH as an IGT.

The District d/b/a LaSalle General Hospital entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of Louisiana Physician IPA, Inc. which is a physician supplemental program. In fiscal year 2023, the District received a total of \$1,388,964 of which \$551,914 was submitted to LDH as an IGT. In fiscal year 2022, the District received a total of \$1,237,978 of which \$609,519 was submitted to LDH as an IGT.

NOTE 26 - EMPHASIS OF MATTER

The District has experienced significant losses in the four prior fiscal years, which has led to a decline in the financial position. Additionally, the District has experienced problems meeting its current obligations.

Management has implemented plans to alleviate this negative trend. Management intends to reduce various expenses as well as focusing on increasing collections by beefing up collection processes. The focus will be on avoiding significant write-offs and auditing the outside billing and collections to ensure all claims are being collected timely. The District expects additional revenue from the Rural Health Clinic of approximately \$133,000 based on rate increases from State Plan Amendments (SPA). The nursing home has received significant increases in rates effective July 1, 2023 from the State of Louisiana which will be reflected in increased profit and cash flow in future years.

NOTE 27 - SUBSEQUENT EVENTS

Events relating to the financial audit and the federal awards/SEFA have been evaluated through March 27, 2024 for subsequent event disclosure, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Net Patient Service Revenue
Years Ended September 30,

	<u>2023</u>	<u>2022</u>
Routine services:		
Adult and pediatric	\$ 5,878,872	\$ 6,425,905
Swing bed	1,310,000	1,162,000
Behavioral health unit	8,146,200	6,463,600
Nursing home services	<u>5,868,045</u>	<u>5,765,053</u>
 Total routine services	 <u>21,203,117</u>	 <u>19,816,558</u>
Other professional services:		
Radiology	6,170,129	5,871,088
Laboratory and blood	10,058,107	9,953,580
IV therapy	741,612	975,778
Respiratory therapy, EEG, & EKG	2,760,115	2,998,551
Physical therapy	1,386,963	1,140,086
Occupational therapy	601,570	583,423
Speech therapy	553,788	544,559
Medical supply	1,143,948	521,720
Pharmacy	2,294,794	1,875,236
Wellness center	10,813	15,397
Emergency service	5,069,919	4,556,962
Observation room	2,113,675	1,602,100
Ambulance service	2,810,581	2,774,617
Home health services	690,996	493,843
Rural health clinic	3,851,509	3,952,866
Industrial medicine	<u>43,959</u>	<u>39,525</u>
 Total other professional services	 <u>40,302,478</u>	 <u>37,899,331</u>
 Gross charges	 61,505,595	 57,715,889
Less charges associated with charity patients	<u>(14,519)</u>	<u>(17,078)</u>
 Gross patient service revenue	 \$ <u>61,491,076</u>	 \$ <u>57,698,811</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Net Patient Service Revenue (Continued)
Years Ended September 30,

	<u>2023</u>	<u>2022</u>
Less deductions from revenue:		
Medicare and Medicaid contractual adjustments	\$ (19,603,366)	\$ (18,426,441)
Other contractual adjustments	(12,699,943)	(12,931,369)
Policy and other discounts	<u>(3,190,911)</u>	<u>(1,188,641)</u>
Patient service revenue (net of contractual adjustments and discounts)	25,996,856	25,152,360
Less provision for bad debts	<u>(1,723,826)</u>	<u>(1,298,181)</u>
Net patient service revenue	\$ <u>24,273,030</u>	\$ <u>23,854,179</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Other Operating Revenue
Years Ended September 30,

	<u>2023</u>	<u>2022</u>
Purchase discounts taken	\$ 5,371	\$ 6,477
Cafeteria	166,529	136,199
Medical record abstracts	65	157
Vending	896	619
Ambulance reimbursement	1,916	201,815
Medical office rent	15,955	15,224
Pharmacy 340B	1,220,874	886,941
Miscellaneous revenue	<u>162,842</u>	<u>43,617</u>
 Total other operating revenue	 \$ <u>1,574,448</u>	 \$ <u>1,291,049</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Expenses - Salaries and Benefits
Years Ended September 30,

	<u>2023</u>	<u>2022</u>
Salaries:		
Administration	\$ 1,312,929	\$ 1,318,675
Plant operations and maintenance	207,029	232,238
Laundry	8,420	18,220
Housekeeping	491,386	467,896
Dietary and cafeteria	454,076	474,761
Nursing administration	483,751	485,736
Medical records	114,726	214,170
Social services	143,792	99,698
Nursing services - acute	1,627,476	1,522,239
Nursing services - long-term care	2,036,204	2,098,797
Wellness center	13,718	13,600
Radiology	599,196	629,438
Laboratory	471,845	404,198
Respiratory therapy	432,512	427,841
Physical therapy	321,907	266,133
Occupational therapy	193,390	176,913
Speech therapy	154,631	136,233
Central supply	166,069	156,909
Pharmacy	276,744	274,252
Emergency room	1,217,819	1,204,956
Ambulance	870,897	825,224
Home health	392,409	376,728
Rural health clinic	1,872,351	2,005,739
Industrial medicine	<u>81,648</u>	<u>56,453</u>
 Total salaries	 <u>13,944,925</u>	 <u>13,887,047</u>
Benefits:		
Payroll taxes	535,326	508,689
Health insurance	1,144,512	1,028,624
Other	<u>886,578</u>	<u>892,224</u>
 Total benefits	 <u>2,566,416</u>	 <u>2,429,537</u>
 Total salaries and benefits	 \$ <u><u>16,511,341</u></u>	 \$ <u><u>16,316,584</u></u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Expenses - Medical Supplies and Drugs
Years Ended September 30,

	<u>2023</u>	<u>2022</u>
Nursing services	\$ 110,418	\$ 59,135
Behavioral health	17,689	14,580
Wellness center	876	1,865
Radiology	80,747	90,317
Laboratory and blood	418,181	479,363
Respiratory therapy	37,207	67,591
Physical therapy	5,890	11,065
Occupational therapy	1,500	3,431
Central supply	19,724	19,343
Pharmacy	370,358	456,418
Pharmacy 340B	516,263	267,338
Emergency room	28,816	116,734
Ambulance	28,501	48,181
Home health	16,021	19,639
Rural health clinic	146,503	135,481
Industrial medicine	9,456	7,609
Nursing home supplies	<u>420,635</u>	<u>385,775</u>
 Total medical supplies and drugs	 \$ <u><u>2,228,785</u></u>	 \$ <u><u>2,183,865</u></u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Expenses - Professional Fees
Years Ended September 30,

	<u>2023</u>	<u>2022</u>
Radiology	\$ 224,263	\$ 175,630
Laboratory	348,457	330,648
Physical therapy	526,162	583,354
EKG, EEG	56,748	6,555
Emergency room	1,148,818	1,085,875
Pharmacy	6,900	6,900
Rural health clinic	<u>865,769</u>	<u>839,320</u>
 Total professional fees	 \$ <u>3,177,117</u>	 \$ <u>3,028,282</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Expenses - Other Expenses
Years Ended September 30,

	<u>2023</u>	<u>2022</u>
Contract services	\$ 142,237	\$ 115,613
Consultants	1,402,128	1,855,406
Behavioral health unit consultants	2,305,582	1,827,160
Legal and accounting	15,265	108,511
Supplies	904,447	960,349
Laundry contract services	349,215	276,563
Repairs and maintenance	771,118	826,157
Utilities	579,971	520,899
Telephone	101,784	107,186
Travel	124,460	97,167
Rentals	101,712	49,541
Advertising	163,594	178,790
Recruitment	32,720	38,324
Dues and subscriptions	200,850	168,483
Inter-governmental transfer expense	867,443	821,284
Miscellaneous	99,531	103,261
Provider tax	<u>288,917</u>	<u>284,375</u>
 Total other expenses	 \$ <u>8,450,974</u>	 \$ <u>8,339,069</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position
September 30, 2023

	LaSalle General <u>Hospital</u>	LaSalle Nursing <u>Home</u>	Eliminating <u>Entries</u>	<u>Combined</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 371,596	\$ 760,356	\$ -0-	\$ 1,131,952
Assets whose use is limited - required for current liabilities	-0-	14,958	-0-	14,958
Accounts receivable, net of estimated uncollectibles	5,289,760	625,057	-0-	5,914,817
Estimated third-party payor settlements	1,052,839	-0-	-0-	1,052,839
Other receivables	1,369,174	5,665,875	(5,272,565)	1,762,484
Inventory	319,916	-0-	-0-	319,916
Prepaid expenses	87,765	62,765	-0-	150,530
Total Current Assets	<u>8,491,050</u>	<u>7,129,011</u>	<u>(5,272,565)</u>	<u>10,347,496</u>
Non-Current Assets				
Nondepreciable capital assets	592,910	28,565	-0-	621,475
Depreciable capital assets, net	13,820,870	1,279,597	-0-	15,100,467
Right-of-use capital assets, net	839,008	-0-	-0-	839,008
Subscription assets, net	7,594,085	-0-	-0-	7,594,085
Limited use assets	835,953	-0-	-0-	835,953
Other assets	<u>6,833</u>	<u>25</u>	<u>-0-</u>	<u>6,858</u>
Total Assets	<u>\$ 32,180,709</u>	<u>\$ 8,437,198</u>	<u>\$ (5,272,565)</u>	<u>\$ 35,345,342</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 2,973,021	\$ 165,446	\$ -0-	\$ 3,138,467
Accrued expenses and withholdings payable	1,364,845	197,924	(33,760)	1,529,009
Estimated third-party payable	2,245	72,270	-0-	74,515
Deferred revenue	235,029	19,968	-0-	254,997
Limited use assets	-0-	14,958	-0-	14,958
Retirement plan payable	869,368	-0-	-0-	869,368
Current portion of lease liability	234,279	-0-	-0-	234,279
Current portion of subscription liability	1,241,630	-0-	-0-	1,241,630
Current portion of long-term debt	<u>482,004</u>	<u>-0-</u>	<u>-0-</u>	<u>482,004</u>
Total Current Liabilities	<u>7,402,421</u>	<u>470,566</u>	<u>(33,760)</u>	<u>7,839,227</u>
Long-term liabilities				
Lease liability, net of current maturities	628,941	-0-	-0-	628,941
Subscription liability, net of current maturities	6,484,434	-0-	-0-	6,484,434
Long-term debt, net of current maturities	<u>8,221,818</u>	<u>-0-</u>	<u>(5,238,805)</u>	<u>2,983,013</u>
Total Liabilities	<u>\$ 22,737,614</u>	<u>\$ 470,566</u>	<u>\$ (5,272,565)</u>	<u>\$ 17,935,615</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position (Continued)
September 30, 2023

	LaSalle General <u>Hospital</u>	LaSalle Nursing <u>Home</u>	Eliminating <u>Entries</u>	<u>Combined</u>
Net Position				
Invested in capital assets, net of related debt	\$ 5,553,767	\$ 1,308,162	\$ 5,238,805	\$ 12,100,734
Restricted	835,953	14,958	-0-	850,911
Unrestricted	<u>3,226,484</u>	<u>6,470,403</u>	<u>(5,238,805)</u>	<u>4,458,082</u>
Total Net Position	<u>9,616,204</u>	<u>7,793,523</u>	<u>-0-</u>	<u>17,409,727</u>
 Total Liabilities and Net Position	 <u>\$ 32,353,818</u>	 <u>\$ 8,264,089</u>	 <u>\$ (5,272,565)</u>	 <u>\$ 35,345,342</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position (Continued)
September 30, 2022

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 418,939	\$ 918,268	\$ -0-	\$ 1,337,207
Assets whose use is limited - required for current liabilities	-0-	10,874	-0-	10,874
Accounts receivable, net of estimated uncollectibles	4,763,543	657,034	-0-	5,420,577
Estimated third-party payor settlements	1,113,862	-0-	-0-	1,113,862
Other receivables	378,219	5,631,828	(5,272,565)	737,482
Inventory	292,122	-0-	-0-	292,122
Prepaid expenses	111,188	51,741	-0-	162,929
Total Current Assets	<u>7,077,873</u>	<u>7,269,745</u>	<u>(5,272,565)</u>	<u>9,075,053</u>
Non-Current Assets				
Nondepreciable capital assets	481,007	28,565	-0-	509,572
Depreciable capital assets, net	14,671,797	1,117,621	-0-	15,789,418
Right-of-use capital assets, net	567,245	-0-	-0-	567,245
Subscription assets, net	60,460	-0-	-0-	60,460
Limited use assets	1,823,380	-0-	-0-	1,823,380
Other assets	9,111	25	-0-	9,136
Total Assets	<u>\$ 24,690,873</u>	<u>\$ 8,415,956</u>	<u>\$ (5,272,565)</u>	<u>\$ 27,834,264</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 1,662,079	\$ 168,615	\$ -0-	\$ 1,830,694
Accrued expenses and withholdings payable	1,261,407	193,552	(33,760)	1,421,199
Estimated third-party payable	-0-	26,449	-0-	26,449
Deferred revenue	18,029	19,968	-0-	37,997
Limited use assets	-0-	10,874	-0-	10,874
Retirement plan payable	419,858	-0-	-0-	419,858
Current portion of lease liabilities	262,474	-0-	-0-	262,474
Current portion of subscription liabilities	19,843	-0-	-0-	19,843
Current portion of long-term debt	661,329	-0-	-0-	661,329
Total Current Liabilities	<u>4,305,019</u>	<u>419,458</u>	<u>(33,760)</u>	<u>4,690,717</u>
Long-term liabilities				
Lease liability, net of current maturities	318,647	-0-	-0-	318,647
Subscription liability, net of current maturities	41,514	-0-	-0-	41,514
Long-term debt, net of current maturities	8,536,920	-0-	(5,238,805)	3,298,115
Total Liabilities	<u>\$ 13,202,100</u>	<u>\$ 419,458</u>	<u>\$ (5,272,565)</u>	<u>\$ 8,348,993</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position (Continued)
September 30, 2022

	LaSalle General <u>Hospital</u>	LaSalle Nursing <u>Home</u>	Eliminating <u>Entries</u>	<u>Combined</u>
Net Position				
Invested in capital assets, net of related debt	\$ 5,939,782	\$ 1,146,186	\$ 5,238,805	\$ 12,324,773
Restricted	1,823,380	10,874	-0-	1,834,254
Unrestricted	<u>3,725,611</u>	<u>6,839,438</u>	<u>(5,238,805)</u>	<u>5,326,244</u>
Total Net Position	<u>11,488,773</u>	<u>7,996,498</u>	<u>-0-</u>	<u>19,485,271</u>
 Total Liabilities and Net Position	 <u>\$ 24,690,873</u>	 <u>\$ 8,415,956</u>	 <u>\$ (5,272,565)</u>	 <u>\$ 27,834,264</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2023

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Operating Revenues				
Net patient service revenue	\$ 18,477,917	\$ 5,795,113	\$ -0-	\$ 24,273,030
Medicaid supplemental payments	5,542,709			5,542,709
Intergovernmental transfer grants	45,668	-0-	-0-	45,668
Noncapital grants	46,875	-0-	-0-	46,875
Other operating revenue	2,135,822	516	(561,890)	1,574,448
Total Operating Revenues	<u>26,248,991</u>	<u>5,795,629</u>	<u>(561,890)</u>	<u>31,482,730</u>
Operating Expenses				
Salaries and benefits	13,081,420	3,429,921	-0-	16,511,341
Medical supplies and drugs	1,808,150	420,635	-0-	2,228,785
Insurance	345,141	62,376	-0-	407,517
Professional fees	2,644,070	533,047	-0-	3,177,117
Other expenses	7,543,644	1,469,220	(561,890)	8,450,974
Depreciation and amortization	2,747,766	111,177	-0-	2,858,943
Total Operating Expenses	<u>28,170,191</u>	<u>6,026,376</u>	<u>(561,890)</u>	<u>33,634,677</u>
Operating Income (Loss)	<u>(1,921,200)</u>	<u>(230,747)</u>	<u>-0-</u>	<u>(2,151,947)</u>
Nonoperating Revenues (Expenses)				
Property taxes	296,634	-0-	-0-	296,634
Interest income	4,919	34,838	(33,760)	5,997
Interest expense	(490,444)	-0-	33,760	(456,684)
Covid-19 grant awards	-0-	166,033	-0-	166,033
Gain (loss) on disposal of assets	586	-0-	-0-	586
Changes in Net Position before Capital Grants	<u>(2,109,505)</u>	<u>(29,876)</u>	<u>-0-</u>	<u>(2,139,381)</u>
Capital grants	<u>63,837</u>	<u>-0-</u>	<u>-0-</u>	<u>63,837</u>
Increase (Decrease) in Net Position	<u>(2,045,668)</u>	<u>(29,876)</u>	<u>-0-</u>	<u>(2,075,544)</u>
Net Position at Beginning of Year	<u>11,488,773</u>	<u>7,996,498</u>	<u>-0-</u>	<u>19,485,271</u>
Net Position at End of Year	<u>\$ 9,443,105</u>	<u>\$ 7,966,622</u>	<u>\$ -0-</u>	<u>\$ 17,409,727</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2022

	LaSalle General <u>Hospital</u>	LaSalle Nursing <u>Home</u>	Eliminating <u>Entries</u>	<u>Combined</u>
Operating Revenues				
Net patient service revenue	\$ 18,089,126	\$ 5,765,053	\$ -0-	\$ 23,854,179
Medicaid supplemental payments	1,616,410			1,616,410
Intergovernmental transfer grants	2,577,440	-0-	-0-	2,577,440
Noncapital grants	43,600	-0-	-0-	43,600
Other operating revenue	<u>1,832,191</u>	<u>1,560</u>	<u>(542,702)</u>	<u>1,291,049</u>
 Total Operating Revenues	 <u>24,158,767</u>	 <u>5,766,613</u>	 <u>(542,702)</u>	 <u>29,382,678</u>
Operating Expenses				
Salaries and benefits	12,890,991	3,425,593	-0-	16,316,584
Medical supplies and drugs	1,798,090	385,775	-0-	2,183,865
Insurance	241,219	59,063	-0-	300,282
Professional fees	2,438,043	590,239	-0-	3,028,282
Other expenses	7,474,589	1,407,182	(542,702)	8,339,069
Depreciation and amortization	<u>1,190,758</u>	<u>116,562</u>	<u>-0-</u>	<u>1,307,320</u>
 Total Operating Expenses	 <u>26,033,690</u>	 <u>5,984,414</u>	 <u>(542,702)</u>	 <u>31,475,402</u>
 Operating Income (Loss)	 <u>(1,874,923)</u>	 <u>(217,801)</u>	 <u>-0-</u>	 <u>(2,092,724)</u>
Nonoperating Revenues (Expenses)				
Property taxes	294,182	-0-	-0-	294,182
Interest income	10,983	34,400	(35,334)	10,049
Interest expense	(238,588)	-0-	35,334	(203,254)
Covid-19 grant awards	1,348,805	-0-	-0-	1,348,805
Gain (loss) on disposal of assets	<u>317</u>	<u>-0-</u>	<u>-0-</u>	<u>317</u>
 Changes in Net Position before Capital Grants	 <u>(459,224)</u>	 <u>(183,401)</u>	 <u>-0-</u>	 <u>(642,625)</u>
Capital grants	<u>255,347</u>	<u>-0-</u>	<u>-0-</u>	<u>255,347</u>
 Increase (Decrease) in Net Position	 <u>(203,877)</u>	 <u>(183,401)</u>	 <u>-0-</u>	 <u>(387,278)</u>
 Net Position at Beginning of Year	 <u>11,692,650</u>	 <u>8,179,899</u>	 <u>-0-</u>	 <u>19,872,549</u>
 Net Position at End of Year	 <u>\$ 11,488,773</u>	 <u>\$ 7,996,498</u>	 <u>\$ -0-</u>	 <u>\$ 19,485,271</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Per Diem and
Other Compensation Paid to Board Members
Year Ended September 30, 2023

Board Members	Term <u>Expires</u>	-Compensation- <u>2023</u>	<u>2022</u>
Janice Doshier	April 2026	None	None
Steve Crooks	April 2029	None	None
Sandra Webster	April 2028	None	None
Robert Kendrick, M.D.	April 2024	None	None
Tom Watkins	April 2024	None	None

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Compensation, Benefits, and Other Payments
to Chief Executive Officers
Year Ended September 30, 2023

Agency Head Name: Lana Francis
Position: Chief Executive Officer
Time Period: October 1, 2022 to September 30, 2023

<u>Purpose</u>	<u>Amount</u>
Salary	147,390
Health insurance	12,089
Retirement (FICA replacement plan)	2,991
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	406
Travel	-0-
Registration fees	755
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-

Agency Head Name: Phyllis Bryan
Position: Administrator
Time Period: October 1, 2022 to September 30, 2023

<u>Purpose</u>	<u>Amount</u>
Salary	137,900
Health insurance	10,847
Retirement (FICA replacement plan)	6,250
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	200
Conference travel	476
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	337



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Andrew J. Wynn, CPA

Bobby G. Lester, CPA
(1949-2023)

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

Board of Commissioners
Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
Jena, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to group financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Hospital Service District No. 2, Parish of LaSalle ("the District"), a component unit of the LaSalle Parish Police Jury, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's combined financial statements as listed in the table of contents, and have issued our report thereon dated March 27, 2024.

Report on Internal Control over Financial Reporting

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

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

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item: 2023-002 to be a material weakness.

Board of Commissioners
Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
Jena, Louisiana
Page Two

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. We identified certain deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items: 2023-001, 2023-003, 2023-004, and 2023-006 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*. We consider the instance of noncompliance described in the accompanying schedule of findings and questioned costs as item: 2023-005.

The District's Response to Findings

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

Purpose of This Report

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

This report is intended solely for the information and the use of the Board of Commissioners, management, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Alexandria, Louisiana

March 27, 2024





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

Board of Commissioners
Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
Jena, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hospital Service District No. 2's (the "District"), a component unit of the LaSalle Parish Police Jury, compliance with the types of compliance requirements identified as subject to audit described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibility for the Audit of Compliance

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

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

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

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



Other Matters

The results of our auditing procedures did not disclose any instances of noncompliance which is required to be reported in accordance with the Uniform Guidance.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questions costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform



Board of Commissioners
Hospital Service District No. 2
Parish of LaSalle, State of Louisiana
Jena, Louisiana
Page Four

Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Loftis, Mallett & Wicks

Certified Public Accountants
Alexandria, Louisiana

March 27, 2024



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

<u>Federal Grantor/Program Name/Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services COVID-19 Provider Relief Fund	93.498	\$ 1,259,641
U.S. Department of Health and Human Services Delta Region Community Health Systems Development Program Passed-through Delta Regional Authority	90.201	35,375
U.S. Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>63,867</u>
Total Expenditures of Federal Awards		\$ <u><u>1,358,883</u></u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Hospital Service District No. 2, d/b/a LaSalle General Hospital and LaSalle Nursing Home (referred to as "the District"), a component unit of the LaSalle Parish Police Jury, Jena, Louisiana, under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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

NOTE D - SUBRECIPIENTS

The District had no subrecipients in 2023.

NOTE E - RECONCILIATION OF PROVIDER RELIEF FUND GRANT REVENUE IN THE FINANCIAL STATEMENTS TO THE SEFA

During the fiscal year ended September 30, 2022 and 2021, the District received Provider Relief Funds (PRF) from the U.S. Department of Health and Human Services (HHS) under Assistance Listing Number 93.498. The funds are to be utilized for expenditures to prevent, prepare for, and respond to coronavirus. Additionally, the funds are for lost revenues attributable to coronavirus pandemic. The District recognized the amounts in the financial statements in the table below based on meeting the requirements of the program. The amounts received and expended are reported in the SEFA according to HHS's periods of availability.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

NOTE E - RECONCILIATION OF PROVIDER RELIEF FUND GRANT REVENUE IN THE FINANCIAL STATEMENTS TO THE SEFA (Continued)

Accordingly, \$879,997 was expended in "Period 2" and reported on the September 30, 2022 SEFA, \$1,093,608 expended in "Period 3" was reported on the September 30, 2023 SEFA and the \$166,033 was expended in "Period 4" and reported on the September 30, 2023 SEFA.

<u>Reporting Period</u>	<u>Total PRF Funding Received</u>	<u>Amount Recognized as Revenue</u>	<u>Amount Recognized as Deferred Revenue</u>	<u>Reported as Federal Expenditure on SEFA</u>
FYE September 30, 2022	\$ 1,093,608	\$ 1,167,396	\$ 18,029	\$ 1,458,233
FYE September 30, 2023	\$ 166,033	\$ 1,259,641	\$ 18,029	\$ 1,358,883

NOTE F - FEDERAL IDENTIFICATION NUMBERS ASSOCIATED WITH FEDERAL AWARDS

Below is a schedule of COVID-19 awards by federal identification numbers.

	<u>#93.498 COVID-19 Provider Relief Fund</u>	<u>#90.201 Delta Region Community Health Systems Development Program</u>	<u>#97.036 Disaster Grants Program</u>
LaSalle General Hospital (72-0690217)	\$ -0-	\$ 35,375	\$ 63,837
LaSalle Nursing Home (52-2309007)	<u>166,033</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures of Federal Awards	<u>\$ 166,033</u>	<u>\$ 35,375</u>	<u>\$ 63,837</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Current Year Findings and Questioned Costs
Year Ended September 30, 2023

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified - Yes
- Significant deficiencies identified - Yes

Compliance

- Noncompliance issues noted - Yes

Management letter issued - No

Federal Awards -

- Material weaknesses identified - No
- Significant deficiencies identified - No
- Noncompliance issues noted - No
- Type of auditor's report issued on compliance for major programs: Unmodified
- Any audit findings which are required to be reported under Uniform Guidance - Yes
- Any instances of material noncompliance in major programs disclosed during the audit - No
- Identification of Major Program:
 - Assistance Listing #93.498 U.S. Department of Health and Human Services
COVID-19 Provider Relief Fund
- Dollar threshold to distinguish between Type A and Type B Programs - \$750,000
- Auditee qualified as a low-risk auditee - No

Section II. Financial Statement Findings

FINDING 2023-001 - Segregation of Duties

Criteria: There should be a complete segregation of duties in all accounting, recording and custody functions.

Condition: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Cause: District is small and cannot afford to pay salaries for staff to completely segregate duties.

Effect: Fraud could occur without internal controls detecting it on a timely basis.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Current Year Findings and Questioned Costs
Year Ended September 30, 2023

Section II. Financial Statement Findings (Continued)

FINDING 2023-001 - Segregation of Duties (Continued)

Response: Due to the size of our organization, and the abilities of current staff, we will continue to closely supervise and review the accounting, recording, and custody functions.

FINDING 2023-002 - Estimate of Third-party Payor Settlements

Criteria: Accrual basis accounting should include revenues and receivables when earned rather than when received.

Condition: Management did not record an estimate for the current year Medicare and Louisiana Medicaid cost report settlements.

Cause: Management considered the cost of calculating an estimated cost report settlement to be in excess of the benefit.

Effect: Because an estimated cost report settlement for the current fiscal year was not recorded, the receivables were materially understated at year-end by \$297,000 and contractual adjustments were materially overstated by \$297,000.

Recommendation: Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefits.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end. Management will record differences between interim payments and actual cost report settlements. These differences will be charged against income in future periods when determinable. Contract Chief Financial Officer will review interim adjustments on a monthly basis. District staff will ensure during each month that all third-party payor settlements are recorded to correct general ledger accounts.

FINDING 2023-003 - Leases

Criteria: Leases should be correctly recorded in accordance with the new accounting standard, GASB No. 87, *Leases*. Management should perform oversight duties to verify compliance with standards.

Condition: GASB No. 87, *Leases*, was very complex and difficult to implement.

Cause: Lease agreements were complicated and classifications were difficult to determine. Financed purchase leases were erroneously reclassified to right-of-use liabilities.

Effect: Net depreciable capital assets, including right-of-use assets, and related expenses were not calculated accurately. This resulted in misstatement of interim financial statements and corrections at year-end. Right-of-use liabilities were recorded incorrectly during the year by including the financed purchase leases in this account.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Current Year Findings and Questioned Costs
Year Ended September 30, 2023

Section II. Financial Statement Findings (Continued)

FINDING 2023-003 - Leases (Continued)

Recommendation: Management should read all agreements with lease criteria and correctly record the associated assets, liabilities, and expenses. Accounting staff should be included in training on new GASB statements in the future.

Response: Management has considered the recommendation and will carefully review lease agreements and entries will be recorded to comply with GASB No. 87 in the future. Accounting staff will be included in training in the future.

FINDING 2023-004 - Reconciliations

Criteria: Reconciliations of subsidiary ledgers and general ledger accounts should be performed in a timely manner to present accurate interim financial statements and comply with the District's internal controls.

Condition: The District's subsidiary ledgers and general ledger accounts were not reconciled in a timely manner creating noncompliance with the District's internal controls.

Cause: The District was undergoing a complex computer conversion which created difficulty in accessing and reconciling information. Management oversight was not performed.

Effect: The interim financial statements were incorrect during fiscal year 2023 and internal control procedures were violated.

Recommendation: Management should review the reconciliations of subsidiary ledgers on a monthly basis and correct any errors prior to year-end. They should also comply with the internal control procedures.

Response: In the future management will comply with internal controls and reconciliations will be reviewed by management and performed by staff in a timely manner.

FINDING 2023-005 - Pensions

Criteria: Management should submit employer matching contributions in a timely manner in accordance with plan documents.

Condition: Management did not submit employer matching contributions for fiscal year 2022 in a timely manner in accordance with plan documents.

Cause: Employer was experiencing cash flow problems due to conversion to outside billing and collections company who were behind in collections.

Effect: Management was not in compliance with plan documents.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Current Year Findings and Questioned Costs
Year Ended September 30, 2023

Section II. Financial Statement Findings (Continued)

FINDING 2023-005 - Pensions (Continued)

Recommendation: Employer contributions should be remitted to the plan in accordance with plan documents.

Response: Management has remitted fiscal year 2022's employer contributions after year end. In the future management will comply with plan documents.

FINDING 2023-006 - Credit Balances

Criteria: Credit balances on accounts receivable should be monitored and investigated to determine if a refund is warranted or a correcting adjustment is needed due to errors in posting adjustments.

Condition: Credit balances on accounts receivable grew from \$184,000 at September 30, 2022 to \$588,000 at September 30, 2023.

Cause: A contract was entered into in fiscal year 2023 with an outside billing and collection company. Management oversight was not performed.

Effect: Credit balances on accounts receivable are overstated due to posting errors or patients/third parties not receiving refunds in a timely manner.

Recommendation: We recommend that management assigns the duty of oversight and investigating adjustments and credit balances on patient accounts to a specific person. They should report to management and make necessary adjustments to or timely refunds of the balances as needed on a monthly basis.

Response: Management will perform oversight duties and assign a specific person to investigate and correct credit balances on a monthly basis.

Section III. Federal Awards Findings and Questioned Costs

Not applicable

Section IV. Management Letter

Not applicable

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 2023

Section I. Financial Statement Findings

FINDING 2022-001 - Segregation of Duties

Fiscal Year Initially Reported: September 30, 2007

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: Due to the size of our organization, and the abilities of current staff, we will continue to closely supervise and review the accounting, recording, and custody functions.

Resolution: Not resolved - see finding 2023-001.

FINDING 2022-002 - Third-party Payor Settlements

Fiscal Year Initially Reported: September 30, 2015

Finding: Management is responsible for calculating and recording estimates of interim (Medicare and Medicaid) cost settlements. After preparation of the current year cost report, year-end receivables increased by \$903,000 and contractual adjustments decreased by \$903,000.

Recommendation: Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefits. Establishing separate general ledger accounts for each cost report settlement year should be helpful in managing the settlements.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end. Management will record differences between interim payments and actual cost report settlements. These differences will be charged against income in future periods when determinable. Contract Chief Financial Officer will review interim adjustments on a monthly basis. District staff will ensure during each month that all third-party payor settlements are recorded to correct general ledger accounts.

Resolution: Not resolved - see finding 2023-002.

FINDING 2022-003 - Leases

Criteria: Leases should be correctly recorded in accordance with the new accounting standard, GASB No. 87, *Leases*.

Condition: GASB No. 87, *Leases*, was very complex and difficult to implement.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 2023

Section I. Financial Statement Findings (Continued)

FINDING 2022-003 - Leases (Continued)

Cause: Lease agreements were complicated and classifications were difficult to determine.

Effect: Net depreciable capital assets, including right-of-use assets, and related expenses were not calculated accurately. Financed purchase leases were incorrectly included in right-of-use accounts. This resulted in misstatement of interim financial statements and corrections at year-end.

Recommendation: Management should read all agreements with lease criteria and correctly record the associated assets, liabilities, and expenses

Response: Management has considered the recommendation and will carefully review lease agreements and entries will be recorded to comply with GASB No. 87 in the future.

Resolution: Partially resolved. See finding 2023-003.

FINDING 2022-004 - Late Filing of Report with Louisiana Legislative Auditor

Criteria: Audit, single audit, and agreed-upon procedure reports are to be submitted to the Louisiana Legislative Auditor (LLA) office six months after year-end.

Condition: The District's reports were not submitted timely.

Cause: The COVID-19 emergency rule was still in effect until March 2023 and the District was undergoing a complex computer conversion which created difficulty in accessing information.

Effect: The required reports were not filed timely so the District is out of compliance with the State of Louisiana's rule on timely filing of reports. The District did request three month extension from the LLA's office.

Recommendation: Management should comply with State of Louisiana's rules to file audit and agreed-upon reports timely.

Response: Resolved.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 2023

Section II. Federal Awards Findings and Questioned Costs

FINDING 2022-005 - Internal Control over Compliance

Criteria: Internal controls over compliance for allowed costs were not complied with in every instance for costs reported on the Provider Relief Fund portal.

Condition: All salaries and benefits for allowed hours were not approved by either a department manager or the administrator as required by the District's internal controls.

Cause: Proper level of management was not on-site to approve hours for the allowable cost of salaries and benefits. The allowable hours were approved electronically however, no support exists.

Effect: The allowable cost for salaries and benefits was not approved since the related hours were paid without written approval. This could have resulted in non-allowable costs being included in the allowable cost reported on the PRF portal.

Recommendation: Management should comply with internal controls and provide support for compliance with internal controls in order to comply with grant requirements.

Response: Resolved.

Section III. Management Letter

Not applicable



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(1949-2023)

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of Hospital Service District No. 2 of the Parish of LaSalle (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 01, 2022 through September 30, 2023. Management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period October 01, 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 as follows:

1) *Written Policies and Procedures*

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

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

Exceptions: The new payroll policy and procedures does not address maintenance and approval of pay rates.

Management's Response: We will update the policy to include maintenance and approval of pay rates.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*



- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

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

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exceptions: Three reconciliations were not completed. Two of the reconciliations that were completed did not balance and contained no notes for unreconciled balances or items. None of the reconciliations had any evidence (initials, dates) of them being completed within 60 days, nor any evidence of review by management or board member.

Management's Response: Management will update and enforce policies and procedures to correct the deficiencies.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:



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

Exceptions: Multiple employees have access to the cash box in the Admitting/Outpatients office. Also, employees responsible for collecting cash are also responsible for preparing and posting deposits.

Management's Response: Management has enacted policies and procedures to address the control and compliance areas identified. However, due to small staff, there will always be a segregation of duties issue at the Nursing Home.

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

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to



employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Exceptions: The employee who is responsible for processing payments is also authorized to sign checks and mail them. Also, there is no evidence of segregation of duties on non-payroll disbursements.

Management's Response: Management has enacted policies and procedures to address the control and compliance areas identified. However, due to small staff, there will always be segregation of duties issues at the Nursing Home.

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

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for



each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and:

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Exceptions: One credit card statement contained finance charges. Six of ten (6 of 10) transactions for that same card did not have written documentation of business purpose. Another credit card had no written documentation of the business purpose for the receipts tested.

Management's Response: Management will update and enforce policies and procedures to correct the deficiencies.

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

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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



8) Contracts

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

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

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:
- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's



authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

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

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and:
 - i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

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

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

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

12) Fraud Notice

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



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

Exceptions: The fraud notice is not posted on the Nursing Home's website.

Management's Response: We will post a link to the fraud notice on our website.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

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

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;



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

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

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

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

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

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

Lester, Mable & Wall

Certified Public Accountants
Alexandria, Louisiana

March 27, 2024



<u>Procedure Name</u>	Exception(s) to the Procedures?		
	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Written policies and procedures	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LGH – The payroll policy and procedures do not address maintenance and approval of pay rates.			
2. Board or finance committee	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. Bank reconciliations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LGH – One reconciliation (General Operating – their main account) was not completed. Two of the reconciliations that were “completed” did not balance and contained no notes for unreconciled balances or items. None of the reconciliations had any evidence (initials, dates) of them being completed within 60 days, nor any evidence of review by management or board member.			
LNH – Two of two (2 of 2) reconciliations were not completed within two months and did not contain written (initials, dates) of review by management or board member.			
4. Collections (<i>excluding electronic funds transfers</i>)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LGH – Multiple employees have access to the cash box in the Admitting/Outpatients office.			
LNH – The person responsible for collecting cash is also responsible for preparing and posting deposits.			
5. Non-payroll disbursements (<i>excluding card purchases, travel reimbursements, and petty cash purchases</i>)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LNH – The person responsible for processing payments is also authorized to sign checks and mail them. Also, there is no evidence (initials, dates) of segregation of duties on non-payroll disbursements.			
6. Credit cards, debit cards, fuel cards, purchase cards (<i>Cards</i>)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LGH – One credit card (Capital One -Walmart) statement contained finance charges. Six of ten (6 of 10) transactions for that same credit card did not contain written documentation of business purpose.			
LNH – There was no written documentation of the business purpose on any of the receipts tested for one card.			
7. Travel and travel-related expense reimbursements (<i>excluding card transactions</i>)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8. Contracts	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Hospital Service District No. 2
 Parish of LaSalle
 FYE 09/30/23
 LLA SAUP Summary

<u>Procedure Name</u>	Exception(s) to the Procedures?		
	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. Payroll and personnel	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10. Ethics	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11. Debt service	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
12. Fraud notice	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LNH – The fraud notice is not posted on the Nursing Home’s website.			
13. Information Technology Disaster Recovery / Business Continuity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
14. Prevention of sexual harassment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>



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P.O. Box 2780, Jena, LA 71342

187 Ninth Street

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www.lasallegeneralhospital.com

March 27, 2024

Legislative Audit Advisory Council

P.O. Box 94397

Baton Rouge, LA 70804-9397

RE: Hospital Service District No. 2 – d/b/a LaSalle General Hospital
FYE 9/30/2023 Financial Statement Audit
Management Corrective Action Plan

Dear Council Members:

Management has taken the following action in response to the finding of our auditors, Lester, Miller & Wells, CPAs for the fiscal year ended September 30, 2023.

Finding 2023-001 – Segregation of Duties

Position(s) of Agency Personnel taking correction action:

Chief Executive Officer

Chief Financial Officer

Corrective Action:

The District is limited in its resources. The benefits of having a complete segregation of duties are not feasible. However, management closely supervises and reviews the accounting, recording, and custody functions.

Date Corrective Action Complete:

September 30, 2024

Finding 2023-002 – Estimate of Third-Party Payor Settlements

Position(s) of Agency Personnel taking correction action:

Chief Financial Officer

Corrective Action:

Management has considered the cost and considered the implementation is greater than the benefit derived from preparing interim cost reports. They will continue to depend on external cost report preparers to prepare cost reports at year-end.

Date Corrective Action Complete:

September 30, 2024

Finding 2023-003 – Leases

Position(s) of Agency Personnel taking correction action:

Chief Financial Officer

more than just a hospital

Acute Outpatient Ambulance Physician Clinics Rural Health Clinics Home Health Therapies Wellness

Corrective Action:

Management has implemented GASB 87, *Leases*, and will correctly record the effects on future financial statements.

Finding 2023-003 – Leases (Continued)

Date Corrective Action Complete:

September 30, 2024

Finding 2023-004 – Reconciliations

Position(s) of Agency Personnel taking correction action:

Chief Financial Officer

Corrective Action:

Management has implemented procedures to ensure all internal controls over monthly reconciliations will be performed in such a way to ensure reconciliations are completed and approved.

Date Corrective Action Complete:

September 30, 2024

Finding 2023-005 – Pensions

Position(s) of Agency Personnel taking correction action:

Chief Executive Officer

Chief Financial Officer

Corrective Action:

Management has submitted employer contributions after year end for fiscal year 2022.

Date Corrective Action Complete:

September 30, 2024

Finding 2023-006 – Credit Balances

Position(s) of Agency Personnel taking correction action:

Chief Financial Officer

Corrective Action:

Management will perform oversight duties and assign staff to investigate and refund credit balances on a monthly basis.

Date Corrective Action Complete:

September 30, 2024

If you should require additional information please call (318) 992-9200.

Sincerely,



Lana Francis
Chief Executive Officer