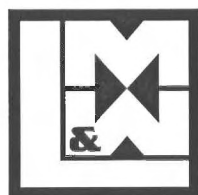


HOSPITAL SERVICE DISTRICT NO. 2
D/B/A
LASALLE GENERAL HOSPITAL
AND
LASALLE NURSING HOME

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2022 AND 2021



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, 2022 and 2021

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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

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, 2022. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The District's total assets decreased by \$3,016,791, mainly because of decrease in cash of \$3,489,225 in 2022. This followed a decrease in cash of \$7,650,807 in fiscal year (FY) 2021. In fiscal year 2020 the District's total assets increased by \$14,532,721 due to CARES Act cash received to mitigate the effects of the Coronavirus pandemic which began in March 2020. Continuing slow collections in FY 2022 and 2021, Accounts Receivable, net, increased by \$1,394,477 and \$1,272,501, respectively.
- During the year, the District's total operating revenues increased by \$905,303 due to increase in net patient service revenue and grants. Net patient revenue increased by \$980,276 following an increase of \$1,088,559 in FY 2021. Nursing home days and rural health clinic visits increased in FY 2022 by 2,622 and 2,691, respectively. In FY 2020, the response to the Covid-19 pandemic caused a decrease in outpatient revenue.
- Total operating expenses increased by \$953,618 or 3%, \$217,681 or 1%, and \$2,329,853 or 8%, in fiscal years 2022, 2021, and 2020, respectively. Increases in salaries and benefits of \$798,180 occurred in FY 2022 with a decrease of \$296,641 in FY 2021 from FY 2020. The FY 2020 increase was mainly due to raises given to staff during the coronavirus pandemic and \$500,000 increase in employee health insurance claims. Other expenses increased also.
- The District had a loss from operations of \$2,091,822 and \$2,043,507 in fiscal years 2022 and 2021, due to a rise in expenses and recoupment of Medicare Advance Payments of \$2,016,449.
- The District implemented GASB No. 87, *Leases*, in fiscal year 2022. 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

		September 30,	
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total current assets	\$ 9,075,053	\$ 11,675,177	\$ 17,774,506
Nondepreciable capital assets	509,572	3,857,781	822,485
Depreciable capital assets - net	15,789,418	11,830,589	10,875,821
Right-of-use capital assets, net	567,245	821,313	592,055
Assets limited to use	1,823,380	2,594,321	3,088,918
Other assets	<u>9,136</u>	<u>11,414</u>	<u>13,692</u>
 Total Assets	 \$ <u>27,773,804</u>	 \$ <u>30,790,595</u>	 \$ <u>33,167,477</u>
 Current liabilities	 \$ 4,670,874	 \$ 6,451,482	 \$ 13,361,471
Lease liabilities	318,642	555,576	382,875
Long-term debt	3,298,115	3,910,988	7,173,236
Invested in capital assets, net of related debt	12,325,675	11,220,269	4,247,826
Restricted: debt reserve fund	1,834,254	2,605,080	3,314,518
Unrestricted	<u>5,326,244</u>	<u>6,047,200</u>	<u>4,687,551</u>
 Total Liabilities and Net Position	 \$ <u>27,773,804</u>	 \$ <u>30,790,595</u>	 \$ <u>33,167,477</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

	<u>2022</u>	September 30, <u>2021</u>	<u>2020</u>
Revenues			
Net patient service revenue	\$ 23,854,179	\$ 22,873,903	\$ 21,785,344
Operating grants & IGT	2,621,040	1,764,615	1,168,178
Other operating revenue	<u>2,907,459</u>	<u>3,838,857</u>	<u>3,351,689</u>
Total Revenues	<u>29,382,678</u>	<u>28,477,375</u>	<u>26,305,211</u>
Expenses			
Salaries and benefits	16,316,584	15,518,404	15,815,045
Other expenses	13,850,596	13,920,518	13,448,812
Depreciation and amortization	<u>1,307,320</u>	<u>1,081,960</u>	<u>1,007,177</u>
Total Expenses	<u>31,474,500</u>	<u>30,520,882</u>	<u>30,271,034</u>
Operating Income (Loss)	<u>(2,091,822)</u>	<u>(2,043,507)</u>	<u>(3,965,823)</u>
Nonoperating Revenues (Expenses)			
Property taxes	294,182	288,090	282,015
Interest income	10,049	22,634	21,775
Interest expense	(203,254)	(207,266)	(164,163)
Covid-19 grants and loan forgiveness	1,348,805	9,421,311	3,715,413
Hurricane evacuees	-0-	10,000	-0-
Gain on disposal of assets	<u>317</u>	<u>(12,457)</u>	<u>-0-</u>
Changes in Net Position			
before Capital Grants	(641,723)	7,478,805	(110,783)
Capital grants	<u>255,347</u>	<u>134,286</u>	<u>737,793</u>
Increase (Decrease) in Net Position	(386,376)	7,613,091	627,010
Prior Period Adjustment	-0-	106,808	-0-
Net Position at Beginning of Year	<u>19,872,549</u>	<u>12,152,650</u>	<u>11,525,640</u>
Net Position at End of Year	\$ <u>19,486,173</u>	\$ <u>19,872,549</u>	\$ <u>12,152,650</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 2022, 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>2022</u>	<u>2021</u>	<u>2020</u>
Medicare	36%	37%	41%
Medicaid	26%	26%	27%
Commercial Insurance	10%	35%	31%
Self Pay	2%	2%	1%

	LaSalle Nursing Home September 30,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Medicare	14%	14%	27%
Medicaid	70%	72%	62%
Commercial Insurance	N/A	N/A	N/A
Self Pay	16%	14%	11%

Non-operating Income

The District has funds invested primarily in a Certificate of Deposit (CD) of \$977,558 held during FY 2022 with Sabine State Bank which has a security interest in the CD which is collateral for a loan of \$381,024. The difference is secured by pledged securities and FDIC insurance. Limited use assets at year-end include the above restricted CD and bond proceeds of \$815,781 to be used for equipment or facilities renovation.

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)

Grant awards in the amount of \$1,348,805 were recognized as non-operating revenue in FY 2022. These grants included federal awards such as, Provider Relief Funds (PRF) and American Recovery Plan funds. In FY 2021 the remainder of the PRF funds was earned and recognized as non-operating income, \$6,750,146. The Paycheck Protection loan was forgiven and recognized as non-operating income in the amount of \$2,671,165. 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 \$3,715,413 was used in preparing, preventing, and responding to the Coronavirus in FY 2020 and \$6,750,146 was recognized in FY 2021.

Operating and Financial Performance

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between 2022, 2021, and 2020:

Overall activity at the Hospital, as measured by acute (including new vision and behavioral health) patient discharges, was 770, 717, and 707, in 2022, 2021, and 2020, respectively. Acute patient days were 5,837 in 2022, 6,131 in 2021, and 5,159 in 2020. Average length of stay was 7.58 for 2022, compared to 8.55 in 2021, and 7.30 in 2020.

For Swing Bed activity at the Hospital, discharges were 36, 17, and 23, for 2022, 2021, and 2020, respectively. Swing Bed patient days were 581, 201, and 311, in 2022, 2021, and 2020, respectively.

The Nursing Home average census increased to 66 from 62 residents at the end of FY 2021. The Nursing Home continues to suffer from the results of the pandemic.

Net Patient Service Revenue (NPSR) for the District increased by \$980,276 and \$1,088,559 in fiscal years 2022 and 2021, respectively. Volumes have recovered from the decrease in the pandemic years. The pandemic's effect on the District resulted in lower volumes in all areas of the Hospital and Nursing Home in FY 2020.

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.

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) increased in 2022 by \$1,183,216. Projects were reclassified from Construction in Progress to Buildings and Equipment. Also in FY 2022, GASB No. 87, *Leases*, was implemented and capital leases that met the criteria were reclassified to right-of-use assets. See schedule below for new category of assets.

	<u>2022</u>	September 30, <u>2021</u>	<u>2020</u>
Nondepreciable capital assets			
Land	\$ 278,893	\$ 278,893	\$ 278,893
Construction in progress	<u>230,679</u>	<u>3,578,888</u>	<u>543,592</u>
Total nondepreciable capital assets	\$ <u>509,572</u>	\$ <u>3,857,781</u>	\$ <u>822,485</u>
Depreciable capital assets			
Land improvements	\$ 685,193	\$ 416,711	\$ 343,621
Buildings and fixed equipment	23,024,660	20,400,459	19,274,717
Moveable equipment	<u>8,986,639</u>	<u>9,714,329</u>	<u>9,484,926</u>
Total depreciable capital assets	32,696,492	30,531,499	29,103,264
Less: accumulated depreciation	<u>16,907,074</u>	<u>18,700,910</u>	<u>18,227,443</u>
Total depreciable capital assets, net	\$ <u>15,789,418</u>	\$ <u>11,830,589</u>	\$ <u>10,875,821</u>
Right-of-use capital assets			
Total right-of-use capital assets, net	\$ <u>567,245</u>	\$ <u>821,313</u>	\$ <u>592,055</u>

Long-term Debt

At year-end, the District had \$3,959,444 in long-term debt and \$581,116 in lease liabilities. Finance purchase leases of \$112,256 were entered into in fiscal year 2021. Long-term debt was reclassified to lease liability for balances on former capital leases in the amount of \$832,819 and \$592,055 for FY 2021 and 2020, respectively. In fiscal year 2020 the District borrowed \$2,000,000 in bonds to perform needed

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)

repairs and renovations on the Hospital. A balance of \$815,781 remains at year-end. The Paycheck Protection Plan loan that was entered in FY 2020 in the amount of \$2,671,165 was forgiven in FY 2021.

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 March 23, 2023. The balance at year end is \$381,024. Per the CEO this will be refinanced in FY 2023. 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.



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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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Certified Public Accountants
Alexandria, Louisiana

June 27, 2023



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>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents (Note 3)	\$ 1,337,207	\$ 4,826,432
Limited use assets - required for current liabilities (Note 4)	10,874	10,759
Accounts receivable, net (Note 5)	5,420,577	4,026,100
Estimated third-party payor settlements	1,113,862	1,508,916
Other receivables	737,482	805,960
Inventory	292,122	317,291
Prepaid expenses	<u>162,929</u>	<u>179,719</u>
 Total Current Assets	 <u>9,075,053</u>	 <u>11,675,177</u>
Non-Current Assets		
Nondepreciable capital assets (Note 6)	509,572	3,857,781
Depreciable capital assets, net (Note 6)	15,789,418	11,830,589
Right-of-use capital assets, net (Note 6)	567,245	821,313
Limited use assets (Note 4)	1,823,380	2,594,321
Other assets (Note 7)	<u>9,136</u>	<u>11,414</u>
 Total Assets	 <u>\$ 27,773,804</u>	 <u>\$ 30,790,595</u>

LIABILITIES AND NET POSITION

Current Liabilities		
Accounts payable	\$ 1,830,694	\$ 1,254,594
Accrued expenses and withholdings (Note 8)	1,421,199	1,318,520
Estimated third-party payor settlements	26,449	622,379
Deferred revenue	37,997	-0-
Medicare advance payments (Note 20)	-0-	2,016,449
Limited use assets	10,874	10,759
Retirement plan payable	419,858	405,931
Current portion of lease liability (Note 12)	262,474	277,243
Current portion of long-term debt (Note 11)	<u>661,329</u>	<u>545,607</u>
 Total Current Liabilities	 <u>\$ 4,670,874</u>	 <u>\$ 6,451,482</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>2022</u>	<u>2021</u>
Long-term Liabilities		
Lease liability, net of current maturities (Note 12)	\$ 318,642	\$ 555,576
Long-term debt, net of current maturities (Note 11)	<u>3,298,115</u>	<u>3,910,988</u>
Total Liabilities	<u>8,287,631</u>	<u>10,918,046</u>
Net Position		
Invested in capital assets, net of related debt	12,325,675	11,220,269
Restricted (Note 4)	1,834,254	2,605,080
Unrestricted	<u>5,326,244</u>	<u>6,047,200</u>
Total Net Position	<u>19,486,173</u>	<u>19,872,549</u>
Total Liabilities and Net Position	\$ <u>27,773,804</u>	\$ <u>30,790,595</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>2022</u>	<u>2021</u>
Operating Revenues		
Net patient service revenue (Note 13)	\$ 23,854,179	\$ 22,873,903
Operating grants	43,600	82,163
Intergovernmental transfer grants	2,577,440	1,682,452
Other operating revenue	<u>2,907,459</u>	<u>3,838,857</u>
Total Operating Revenues	<u>29,382,678</u>	<u>28,477,375</u>
Operating Expenses		
Salaries and benefits	16,316,584	15,518,404
Medical supplies and drugs	2,183,865	2,111,074
Insurance	300,282	518,824
Professional fees	3,028,282	3,110,755
Other expenses	8,338,167	8,179,865
Depreciation and amortization	<u>1,307,320</u>	<u>1,081,960</u>
Total Operating Expenses	<u>31,474,500</u>	<u>30,520,882</u>
Operating Income (Loss)	<u>(2,091,822)</u>	<u>(2,043,507)</u>
Nonoperating Revenues (Expenses)		
Property taxes	294,182	288,090
Interest income	10,049	22,634
Interest expense	(203,254)	(207,266)
Loan forgiveness	-0-	2,671,165
Covid-19 grant awards	1,348,805	6,750,146
Hurricane evacuees	-0-	10,000
Gain (loss) on disposal of assets	<u>317</u>	<u>(12,457)</u>
Changes in Net Position before Capital Grants	(641,723)	7,478,805
Capital grants	<u>255,347</u>	<u>134,286</u>
Increase (Decrease) in Net Position	(386,376)	7,613,091
Prior Period Adjustment	-0-	106,808
Net Position at Beginning of Year	<u>19,872,549</u>	<u>12,152,650</u>
Net Position at End of Year	\$ <u>19,486,173</u>	\$ <u>19,872,549</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>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 20,242,377	\$ 21,012,086
Other receipts from operations	5,596,977	5,329,604
Cash payments to employees and for employee-related cost	(13,256,998)	(15,431,238)
Cash payments for other operating expenses	<u>(16,199,978)</u>	<u>(14,109,007)</u>
Net cash provided (used) by operating activities	<u>(3,617,622)</u>	<u>(3,198,555)</u>
Cash flows from investing activities:		
Proceeds (invested) from limited use assets	5,358	(5,329)
Interest income	<u>10,049</u>	<u>22,634</u>
Net cash provided (used) by investing activities	<u>15,407</u>	<u>17,305</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	294,182	288,090
Proceeds from hurricane evacuees	-0-	10,000
Proceeds from unearned revenue	37,997	-0-
Proceeds from COVID-19 grant awards	1,348,805	360,307
Proceeds (used) from limited use assets	<u>-0-</u>	<u>(310,844)</u>
Net cash provided (used) by non-capital financing activities	<u>1,680,984</u>	<u>347,553</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,611,593)	(4,695,437)
Principal payments on lease liability obligations	(277,243)	(209,180)
Principal payments on long-term debt	(497,151)	(434,976)
Interest expense on long-term debt	(203,254)	(207,266)
Proceeds from limited use assets	765,583	607,920
Proceeds from capital grants	255,347	134,286
Proceeds (loss) from disposal of capital assets	<u>317</u>	<u>(12,457)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(1,567,994)</u>	\$ <u>(4,817,110)</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>2022</u>	<u>2021</u>
Net increase (decrease) in cash and cash equivalents	\$ (3,489,225)	\$ (7,650,807)
Beginning cash and cash equivalents	<u>4,826,432</u>	<u>12,477,239</u>
Ending cash and cash equivalents	\$ <u><u>1,337,207</u></u>	\$ <u><u>4,826,432</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ <u><u>203,254</u></u>	\$ <u><u>207,266</u></u>
Equipment acquired under financed purchase lease	\$ <u><u>-0-</u></u>	\$ <u><u>112,256</u></u>
Equipment acquired under right-of-use assets	\$ <u><u>25,540</u></u>	\$ <u><u>449,944</u></u>
Forgiveness of Paycheck Protection Plan loan	\$ <u><u>-0-</u></u>	\$ <u><u>2,671,165</u></u>
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income (loss)	\$ (2,091,822)	\$ (2,043,507)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,000,973	852,074
Amortization right-of-use assets	281,886	220,686
Change in current assets (increase) decrease:		
Net patient accounts receivable	(1,394,477)	(1,272,501)
Other receivables	68,478	(273,868)
Estimated third-party payor settlements	(200,876)	266,734
Inventory	25,169	(33,418)
Prepaid expenses	16,790	99,623
Change in current liabilities (increase) decrease:		
Accounts payable	576,100	(245,494)
Accrued expenses and withholdings payable	102,679	89,321
Medicare advance payments	(2,016,449)	(856,050)
Retirement plan payable	<u>13,927</u>	<u>(2,155)</u>
Net cash provided (used) by operating activities	\$ <u><u>(3,617,622)</u></u>	\$ <u><u>(3,198,555)</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, 2022 and 2021

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, 2022 and 2021

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 13. 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, 2022 and 2021

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, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2022 and 2021 totaled \$178,790 and \$187,557, respectively.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021, 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.

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.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements

On October 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The primary objective of GASB Statement No. 87, *Leases*, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new standard is to be applied to all applicable leases as of the beginning of the earliest period presented; and therefore, the September 30, 2021 financial statements have been restated, as discussed in Note 23.

Recently Issued Accounting Pronouncements

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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 requirements for this statement are effective for fiscal years beginning after June 15, 2022. Management is evaluating the potential impact of adoption on the District's financial statements.

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.

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.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2022 and 2021

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Account balances according to bank's records at September 30, 2022, for the District are as follows:

	<u>The Community Bank</u>	<u>Sabine State Bank</u>
Cash in banks	\$ <u>2,519,115</u>	\$ <u>977,558</u>
Insured by FDIC	\$ <u>500,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>2,019,115</u>	\$ <u>-0-</u>
Collateralized by note payable	\$ <u>-0-</u>	\$ <u>727,558</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, 2022 and 2021.

Concentration of Credit Risks - The District has 72% of its cash and cash equivalents at The Community Bank in checking accounts. The District has 28% 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, 2022 and 2021

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>2022</u>	<u>2021</u>
Carrying amounts		
Deposits	\$ 1,337,207	\$ 4,826,432
Limited use cash	<u>1,834,254</u>	<u>2,605,080</u>
Total	\$ <u>3,171,461</u>	\$ <u>7,431,512</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 1,337,207	\$ 4,826,432
Limited use assets - required for current liabilities	10,874	10,759
Limited use assets	<u>1,823,380</u>	<u>2,594,321</u>
Total	\$ <u>3,171,461</u>	\$ <u>7,431,512</u>

NOTE 4 - LIMITED USE ASSETS

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

<u>By Third Parties</u>	<u>2022</u>	<u>2021</u>
Debt reserve fund	\$ 977,558	\$ 972,200
Restricted cash - grants	30,041	230,041
Series 2020 proceeds to be disbursed	815,781	1,392,080
Patient trust funds	10,874	10,759
Required for current liabilities	<u>(10,874)</u>	<u>(10,759)</u>
Limited use assets	\$ <u>1,823,380</u>	\$ <u>2,594,321</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 \$576,299 and \$607,920 were used in fiscal years 2022 and 2021, respectively. The remaining balance of \$815,781 at September 30, 2022 is restricted for certain projects.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2022 and 2021

NOTE 5 - ACCOUNTS RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
Patient accounts receivable	\$ 7,358,087	\$ 5,934,045
Estimated uncollectibles	<u>(1,937,510)</u>	<u>(1,907,945)</u>
Net accounts receivable	\$ <u>5,420,577</u>	\$ <u>4,026,100</u>

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

	<u>2022</u>	<u>2021</u>
Medicare	26%	22%
Medicaid	19%	24%
Blue Cross	7%	8%
Commercial and other third-party payors	40%	31%
Patients	<u>8%</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, 2022 and 2021

NOTE 6 - CAPITAL ASSETS

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>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2022 and 2021

NOTE 6 - CAPITAL ASSETS (Continued)

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

	<u>2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2021</u>
Nondepreciable capital assets					
Land	\$ 278,893	\$ -0-	\$ -0-	\$ -0-	\$ 278,893
Construction in progress	<u>543,592</u>	<u>3,681,184</u>	<u>-0-</u>	<u>(645,888)</u>	<u>3,578,888</u>
Total nondepreciable capital assets	\$ <u>822,485</u>	\$ <u>3,681,184</u>	\$ <u>-0-</u>	\$ <u>(645,888)</u>	\$ <u>3,857,781</u>
Depreciable capital assets					
Land improvements	\$ 343,621	\$ 73,090	\$ -0-	\$ -0-	\$ 416,711
Buildings and fixed equipment	19,274,717	479,854	-0-	645,888	20,400,459
Moveable equipment	<u>9,484,926</u>	<u>586,022</u>	<u>356,619</u>	<u>-0-</u>	<u>9,714,329</u>
Total depreciable capital assets	29,103,264	1,138,966	356,619	645,888	30,531,499
Accumulated depreciation	<u>18,227,443</u>	<u>817,629</u>	<u>344,162</u>	<u>-0-</u>	<u>18,700,910</u>
Total depreciable capital assets, net	\$ <u>10,875,821</u>	\$ <u>321,337</u>	\$ <u>12,457</u>	\$ <u>645,888</u>	\$ <u>11,830,589</u>
Right-of-use capital assets					
Equipment	\$ 592,055	\$ 449,944	\$ -0-	\$ -0-	\$ 1,041,999
Accumulated amortization	<u>-0-</u>	<u>220,686</u>	<u>-0-</u>	<u>-0-</u>	<u>220,686</u>
Total right-of-use capital assets, net	\$ <u>592,055</u>	\$ <u>229,258</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>821,313</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, 2022 and 2021

NOTE 7 - OTHER ASSETS

Other assets at September 30, consists of the following:

	<u>2022</u>	<u>2021</u>
Start up costs for Behavioral Health Unit, net of straight-line amortization over 120 months	\$ 9,111	\$ 11,389
Deposits	<u>25</u>	<u>25</u>
Total	\$ <u>9,136</u>	\$ <u>11,414</u>

NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

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

	<u>2022</u>	<u>2021</u>
Accrued employee insurance payable (net of accrued stop loss receivable)	\$ 172,000	\$ 172,771
Accrued interest payable	357,880	324,120
Accrued salaries and fees payable	379,441	330,968
Accrued compensated absences	468,484	451,126
Payroll withholdings	24,883	22,099
Provider tax payable	<u>18,511</u>	<u>17,436</u>
Total	\$ <u>1,421,199</u>	\$ <u>1,318,520</u>

NOTE 9 - 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.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2022 and 2021

NOTE 10 - 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 2021. 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 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, 2022 and 2021, the amount of pension expense was \$164,200 and \$151,904, respectively. The Principal is the plan trustee.

Employee and employer contributions were as follows:

	<u>2022</u>	<u>2021</u>
Employee	\$ <u>914,219</u>	\$ <u>862,683</u>
Employer	\$ <u>655,679</u>	\$ <u>613,543</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, 2022 and 2021, the amount of pension expense was \$22,300 and \$20,910, respectively. Security Benefits administers the above plan.

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Of the Parish of LaSalle, State of Louisiana
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Notes to Combined Financial Statements
Years Ended September 30, 2022 and 2021

NOTE 11 - LONG-TERM DEBT

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

	<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	1,823,802	-0-	100,657	1,723,145	100,657
SBA Paycheck Protection	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>4,456,595</u>	\$ <u>-0-</u>	\$ <u>497,151</u>	\$ <u>3,959,444</u>	\$ <u>661,329</u>

	<u>2020</u>	<u>Additions</u>	<u>Payments</u>	<u>2021</u>	<u>Due Within One Year</u>
Note Payable - SSB	\$ 768,908	\$ -0-	\$ 175,750	\$ 593,158	\$ 192,744
Bond Payable	2,000,000	-0-	131,000	1,869,000	136,000
Note Payable - Equipment	93,934	112,256	35,555	170,635	116,207
Note Payable - Siemens	1,916,473	-0-	92,671	1,823,802	100,656
SBA Paycheck Protection	<u>2,671,165</u>	<u>-0-</u>	<u>2,671,165</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>7,450,480</u>	\$ <u>112,256</u>	\$ <u>3,106,141</u>	\$ <u>4,456,595</u>	\$ <u>545,607</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.
- Paycheck Protection Program (PPP) loan was used to pay employee payroll expenses. The Hospital received \$2,040,350 and the Nursing Home received \$630,815. Loans and interest were forgiven April 2021.
- 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.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2022 and 2021

NOTE 11 - LONG-TERM DEBT (Continued)

- 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.
- 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>
2023	\$ 661,329	\$ 143,915
2024	296,752	129,090
2025	309,764	116,906
2026	312,731	104,200
2027	315,753	91,901
2028 - 2032	1,876,544	244,751
2033	<u>186,571</u>	<u>3,858</u>
Totals	\$ <u>3,959,444</u>	\$ <u>834,621</u>

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. 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 \$1,756,039 in 2022.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2022 and 2021

NOTE 12 - LEASE LIABILITY

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>277,243</u>	\$ <u>581,116</u>	\$ <u>262,474</u>
Total	\$ <u>832,819</u>	\$ <u>25,540</u>	\$ <u>277,243</u>	\$ <u>581,116</u>	\$ <u>262,474</u>
	<u>2020</u>	<u>Additions</u>	<u>Payments</u>	<u>2021</u>	<u>Due Within One Year</u>
Equipment	\$ <u>592,055</u>	\$ <u>449,944</u>	\$ <u>209,180</u>	\$ <u>832,819</u>	\$ <u>277,243</u>
Total	\$ <u>592,055</u>	\$ <u>449,944</u>	\$ <u>209,180</u>	\$ <u>832,819</u>	\$ <u>277,243</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.

<u>Year Ending September 30,</u>	<u>Lease Liability</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 262,474	\$ 29,333
2024	147,933	16,174
2025	86,945	7,965
2026	37,307	3,341
2027	16,464	1,933
2028 - 2032	<u>29,993</u>	<u>1,587</u>
Totals	\$ <u>581,116</u>	\$ <u>60,333</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, 2022 and 2021

NOTE 13 - 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:

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 \$358,900 and \$330,500, for the years ended September 30, 2022 and 2021. 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 September 30, 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 9% and 10% of total charges for the years ended September 30, 2022 and 2021, respectively.

The Hospital experienced material differences between the amounts initially recorded on its cost settlements with Medicare and the finalized amount for fiscal year 2017, \$64,658, and Medicaid's finalized amounts for fiscal years 2009, 2010, 2012, 2013, 2014, and 2015, totaling \$200,390, \$278,351, \$157,171, \$25,351, \$15,691, and \$3,454, respectively.

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.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2022 and 2021

NOTE 13 - 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>2022</u>	<u>2021</u>
Gross charges	\$ 57,715,889	\$ 54,092,668
Less charges associated with charity patients	<u>(17,078)</u>	<u>(8,439)</u>
Gross patient service revenue	57,698,811	54,084,229
Less deductions from revenue:		
Contractual adjustments	(31,357,810)	(28,878,434)
Policy and other discounts	<u>(1,188,641)</u>	<u>(1,260,929)</u>
Patient service revenue (net of contractual adjustments and discounts)	25,152,360	23,944,866
Less provision for bad debts	<u>(1,298,181)</u>	<u>(1,070,963)</u>
Net patient service revenue less provision for bad debts	\$ <u>23,854,179</u>	\$ <u>22,873,903</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>2022</u>	<u>2021</u>
Medicare and Medicaid gross patient charges	\$ 36,521,257	\$ 35,243,877
Contractual adjustments	<u>(18,426,441)</u>	<u>(17,575,729)</u>
Program patient service revenues	\$ <u>18,094,816</u>	\$ <u>17,668,148</u>
Percent of total gross patient charges	<u>63%</u>	<u>65%</u>
Percent of total net patient revenue	<u>76%</u>	<u>77%</u>

NOTE 14 - 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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
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Years Ended September 30, 2022 and 2021

NOTE 14 - 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 15 - 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 16 - 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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Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2022 and 2021

NOTE 16 - 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>2022</u>	<u>2021</u>
Beginning of the year	\$ 172,771	\$ 173,757
Plus: Claims incurred and changes in estimate, net of reinsurance	837,755	841,581
Less: Claims paid	<u>838,526</u>	<u>842,567</u>
End of the year	\$ <u>172,000</u>	\$ <u>172,771</u>

NOTE 17 - 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 13) - 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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
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Notes to Combined Financial Statements
Years Ended September 30, 2022 and 2021

NOTE 17 - CONTINGENCIES (Continued)

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

Professional Liability Risk (Note 14) - 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 15) - The district is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Self-Funded Health Insurance Risk (Note 16) - 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 18 - 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 \$9,410 and \$4,757 in 2022 and 2021, respectively. The amount of charges for services and supplies furnished under the District's charity care policy aggregated approximately \$17,078 and \$8,439 in 2022 and 2021, respectively.

NOTE 19 - 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 \$1,348,505 and \$6,750,146 as nonoperating grant revenue in the fiscal years ending September 30, 2022 and 2021. The District submitted reports of healthcare related expenses attributable to coronavirus from inception through December 31, 2021 on November 4, 2021 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.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2022 and 2021

NOTE 20 - DEFERRED REVENUE

The spent portion of the above PRF has been recorded as Covid-19 grants in the amount of \$879,997 for the District. Deferred revenue has a balance of \$37,997 as of September 2022. Recoupment of advance payments through Medicare claims began in May of 2021. As of September 30, 2022, recoupment is complete.

NOTE 21 - 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 22 - INTERGOVERNMENTAL TRANSFER GRANTS

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 \$2,577,440 and \$1,682,482, for the fiscal years 2022 and 2021, respectively.

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 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 2022 the District received a total of \$386,204 of which \$211,965 was submitted to LDH as an IGT. In fiscal year 2021 the District received a total of \$988,752 of which \$396,312 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 2022 the District received a total of \$1,237,978 of which \$609,519 was submitted to LDH as an IGT. In fiscal year 2021 the District received a total of \$1,446,773 of which \$760,117 was submitted to LDH as an IGT.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2022 and 2021

NOTE 23 - CHANGE IN METHOD OF ACCOUNTING FOR LEASES

As discussed in Note 2, the District adopted GASB Statement No. 87, Leases on October 1, 2020. This statement is applied retroactively by restating balances in the financial statements as of September 30, 2021 as follows.

	<u>As Previously Reported</u>	<u>As Restated</u>
Depreciable capital assets, net	\$ 12,362,958	\$ 11,830,589
Long-term debt	\$ 5,075,068	\$ 4,456,595
Fund balance	\$ 30,501,651	\$ 30,790,595
Right-of-use capital assets, net	\$ -0-	\$ 821,313
Lease liabilities	\$ -0-	\$ 832,819

NOTE 24 - SUBSEQUENT EVENTS

Events relating to the financial audit and the federal awards/SEFA have been evaluated through June 27, 2023 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>2022</u>	<u>2021</u>
Routine services:		
Adult and pediatric	\$ 6,425,905	\$ 5,919,782
Swing bed	1,162,000	402,000
Behavioral health unit	6,463,600	6,987,400
Nursing home services	<u>5,765,053</u>	<u>5,165,430</u>
 Total routine services	 <u>19,816,558</u>	 <u>18,474,612</u>
Other professional services:		
Radiology	5,871,088	5,554,951
Laboratory and blood	9,953,580	9,744,421
IV therapy	975,778	1,363,465
Respiratory therapy, EEG, & EKG	2,998,551	2,641,056
Physical therapy	1,140,086	1,006,811
Occupational therapy	583,423	446,550
Speech therapy	544,559	421,355
Medical supply	521,720	466,366
Pharmacy	1,875,236	1,829,511
Wellness center	15,397	7,756
Emergency service	4,556,962	4,171,751
Observation room	1,602,100	1,299,950
Ambulance service	2,774,617	2,566,578
Home health services	493,843	502,413
Rural health clinic	3,952,866	3,562,940
Industrial medicine	<u>39,525</u>	<u>32,182</u>
 Total other professional services	 <u>37,899,331</u>	 <u>35,618,056</u>
 Gross charges	 57,715,889	 54,092,668
Less charges associated with charity patients	<u>(17,078)</u>	<u>(8,439)</u>
 Gross patient service revenue	 \$ <u>57,698,811</u>	 \$ <u>54,084,229</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>2022</u>	<u>2021</u>
Less deductions from revenue:		
Medicare and Medicaid contractual adjustments	\$ (18,426,441)	\$ (17,575,729)
Other contractual adjustments	(12,931,369)	(11,302,705)
Policy and other discounts	<u>(1,188,641)</u>	<u>(1,260,929)</u>
Patient service revenue (net of contractual adjustments and discounts)	25,152,360	23,944,866
Less provision for bad debts	<u>(1,298,181)</u>	<u>(1,070,963)</u>
Net patient service revenue	\$ <u>23,854,179</u>	\$ <u>22,873,903</u>

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

	<u>2022</u>	<u>2021</u>
Purchase discounts taken	\$ 6,477	\$ 5,744
Cafeteria	136,199	114,750
Medical record abstracts	157	506
Vending	619	776
Ambulance reimbursement	201,815	200,439
Medical office rent	15,224	15,424
Nursing home intergovernmental transfer	386,204	988,752
Physician supplemental revenue	1,230,206	1,446,763
Pharmacy 340B	886,941	1,046,597
Miscellaneous revenue	<u>43,617</u>	<u>19,106</u>
 Total other operating revenue	 \$ <u>2,907,459</u>	 \$ <u>3,838,857</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>2022</u>	<u>2021</u>
Salaries:		
Administration	\$ 1,318,675	\$ 1,257,771
Plant operations and maintenance	232,238	235,414
Laundry	18,220	22,525
Housekeeping	467,896	433,187
Dietary and cafeteria	474,761	463,920
Nursing administration	485,736	466,355
Medical records	214,170	237,771
Social services	99,698	123,482
Nursing services - acute	1,522,239	1,379,358
Nursing services - long-term care	2,098,797	2,036,963
Behavioral health	-0-	-0-
Wellness center	13,600	10,643
Radiology	629,438	597,050
Laboratory	404,198	388,346
Respiratory therapy	427,841	350,565
Physical therapy	266,133	255,565
Occupational therapy	176,913	118,165
Speech therapy	136,233	100,564
Central supply	156,909	114,766
Pharmacy	274,252	269,874
Emergency room	1,204,956	1,167,831
Ambulance	825,224	745,941
Home health	376,728	355,705
Rural health clinic	2,005,739	1,971,879
Industrial medicine	<u>56,453</u>	<u>29,778</u>
 Total salaries	 <u>13,887,047</u>	 <u>13,133,418</u>
Benefits:		
Payroll taxes	508,689	475,953
Health insurance	1,028,624	1,045,059
Other	<u>892,224</u>	<u>863,974</u>
 Total benefits	 <u>2,429,537</u>	 <u>2,384,986</u>
 Total salaries and benefits	 \$ <u>16,316,584</u>	 \$ <u>15,518,404</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>2022</u>	<u>2021</u>
Nursing services	\$ 59,135	\$ 187,532
Behavioral health	14,580	13,313
Wellness center	1,865	1,058
Radiology	90,317	98,389
Laboratory and blood	479,363	327,267
Respiratory therapy	67,591	86,106
Physical therapy	11,065	5,130
Occupational therapy	3,431	969
Central supply	19,343	311
Pharmacy	456,418	455,688
Pharmacy 340B	267,338	192,460
Emergency room	116,734	101,821
Ambulance	48,181	30,094
Home health	19,639	11,030
Rural health clinic	135,481	244,753
Industrial medicine	7,609	2,516
Nursing home supplies	<u>385,775</u>	<u>352,637</u>
 Total medical supplies and drugs	 \$ <u>2,183,865</u>	 \$ <u>2,111,074</u>

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

	<u>2022</u>	<u>2021</u>
Radiology	\$ 175,630	\$ 198,548
Laboratory	330,648	377,328
Physical therapy	583,354	544,139
EKG, EEG	6,555	8,735
Emergency room	1,085,875	1,236,150
Pharmacy	6,900	6,900
Rural health clinic	<u>839,320</u>	<u>738,955</u>
 Total professional fees	 \$ <u>3,028,282</u>	 \$ <u>3,110,755</u>

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

	<u>2022</u>	<u>2021</u>
Contract services	\$ 115,613	\$ 151,443
Consultants	1,855,406	1,629,066
Behavioral health unit consultants	1,827,160	1,728,601
Legal and accounting	108,511	115,455
Supplies	960,349	735,470
Laundry contract services	276,563	271,838
Repairs and maintenance	826,157	760,889
Utilities	520,899	444,969
Telephone	107,186	90,628
Travel	97,167	66,458
Rentals	49,541	110,208
Advertising	178,790	187,557
Recruitment	38,324	84,387
Dues and subscriptions	168,483	289,531
Inter-governmental transfer expense	821,284	1,156,429
Miscellaneous	102,359	102,507
Provider tax	<u>284,375</u>	<u>254,429</u>
 Total other expenses	 \$ <u>8,338,167</u>	 \$ <u>8,179,865</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position
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
Limited use assets	1,823,380	-0-	-0-	1,823,380
Other assets	<u>9,111</u>	<u>25</u>	<u>-0-</u>	<u>9,136</u>
Total Assets	<u>\$ 24,630,413</u>	<u>\$ 8,415,956</u>	<u>\$ (5,272,565)</u>	<u>\$ 27,773,804</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
Medicare advance payments	-0-	-0-	-0-	-0-
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 long-term debt	661,329	-0-	-0-	661,329
Total Current Liabilities	<u>4,285,176</u>	<u>419,458</u>	<u>(33,760)</u>	<u>4,670,874</u>
Long-term liabilities				
Lease liability, net of current maturities	318,642	-0-	-0-	318,642
Long-term debt, net of current maturities	8,536,920	-0-	(5,238,805)	3,298,115
Total Liabilities	<u>\$ 13,140,738</u>	<u>\$ 419,458</u>	<u>\$ (5,272,565)</u>	<u>\$ 8,287,631</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	\$ 5,940,684	\$ 1,146,186	\$ 5,238,805	\$ 12,325,675
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>11,489,675</u>	<u>7,996,498</u>	<u>-0-</u>	<u>19,486,173</u>
 Total Liabilities and Net Position	 \$ <u>24,630,413</u>	 \$ <u>8,415,956</u>	 \$ <u>(5,272,565)</u>	 \$ <u>27,773,804</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position
September 30, 2021

	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	\$ 3,439,551	\$ 1,386,881	\$ -0-	\$ 4,826,432
Assets whose use is limited - required for current liabilities	-0-	10,759	-0-	10,759
Accounts receivable, net of estimated uncollectibles	3,567,664	458,436	-0-	4,026,100
Estimated third-party payor settlements	1,496,060	12,856	-0-	1,508,916
Other receivables	481,050	5,597,475	(5,272,565)	805,960
Inventory	317,291	-0-	-0-	317,291
Prepaid expenses	136,603	43,116	-0-	179,719
Total Current Assets	<u>9,438,219</u>	<u>7,509,523</u>	<u>(5,272,565)</u>	<u>11,675,177</u>
Non-Current Assets				
Nondepreciable capital assets	3,829,216	28,565	-0-	3,857,781
Depreciable capital assets, net	10,623,407	1,207,182	-0-	11,830,589
Right-of-use capital assets, net	821,313	-0-	-0-	821,313
Limited use assets	2,594,321	-0-	-0-	2,594,321
Other assets	<u>11,389</u>	<u>25</u>	<u>-0-</u>	<u>11,414</u>
Total Assets	<u>\$ 27,317,865</u>	<u>\$ 8,745,295</u>	<u>\$ (5,272,565)</u>	<u>\$ 30,790,595</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 1,112,655	\$ 141,939	\$ -0-	\$ 1,254,594
Accrued expenses and withholdings payable	1,153,640	198,640	(33,760)	1,318,520
Estimated third-party payable	622,379	-0-	-0-	622,379
Deferred revenue	-0-	-0-	-0-	-0-
Medicare advance payment	1,802,390	214,059	-0-	2,016,449
Limited use assets	-0-	10,759	-0-	10,759
Retirement plan payable	405,931	-0-	-0-	405,931
Current portion of lease liabilities	277,243	-0-	-0-	277,243
Current portion of long-term debt	545,607	-0-	-0-	545,607
Total Current Liabilities	<u>5,919,845</u>	<u>565,397</u>	<u>(33,760)</u>	<u>6,451,482</u>
Long-term liabilities				
Lease liability, net of current maturities	555,576	-0-	-0-	555,576
Long-term debt, net of current maturities	<u>9,149,793</u>	<u>-0-</u>	<u>(5,238,805)</u>	<u>3,910,988</u>
Total Liabilities	<u>\$ 15,625,214</u>	<u>\$ 565,397</u>	<u>\$ (5,272,565)</u>	<u>\$ 10,918,046</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position (Continued)
September 30, 2021

	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	\$ 4,745,717	\$ 1,235,747	\$ 5,238,805	\$ 11,220,269
Restricted	2,594,321	10,759	-0-	2,605,080
Unrestricted	<u>4,352,613</u>	<u>6,933,392</u>	<u>(5,238,805)</u>	<u>6,047,200</u>
Total Net Position	<u>11,692,651</u>	<u>8,179,898</u>	<u>-0-</u>	<u>19,872,549</u>
 Total Liabilities and Net Position	 \$ <u>27,317,865</u>	 \$ <u>8,745,295</u>	 \$ <u>(5,272,565)</u>	 \$ <u>30,790,595</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 Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Revenues				
Net patient service revenue	\$ 18,089,126	\$ 5,765,053	\$ -0-	\$ 23,854,179
Operating grants	43,600	-0-	-0-	43,600
Intergovernmental transfer grants	2,577,440	-0-	-0-	2,577,440
Other operating revenue	<u>3,448,601</u>	<u>1,560</u>	<u>(542,702)</u>	<u>2,907,459</u>
Total Revenues	<u>24,158,767</u>	<u>5,766,613</u>	<u>(542,702)</u>	<u>29,382,678</u>
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	7,473,687	1,407,182	(542,702)	8,338,167
Depreciation and amortization	<u>1,190,758</u>	<u>116,562</u>	<u>-0-</u>	<u>1,307,320</u>
Total Expenses	<u>26,032,788</u>	<u>5,984,414</u>	<u>(542,702)</u>	<u>31,474,500</u>
Operating Income (Loss)	<u>(1,874,021)</u>	<u>(217,801)</u>	<u>-0-</u>	<u>(2,091,822)</u>
Nonoperating Revenues				
Ad valorem 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)
Loan forgiveness	-0-	-0-	-0-	-0-
Covid-19 grant awards	1,348,805	-0-	-0-	1,348,805
Hurricane evacuees	-0-	-0-	-0-	-0-
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>(458,322)</u>	<u>(183,401)</u>	<u>-0-</u>	<u>(641,723)</u>
Capital grants	<u>255,347</u>	<u>-0-</u>	<u>-0-</u>	<u>255,347</u>
Changes in Net Position	<u>(202,975)</u>	<u>(183,401)</u>	<u>-0-</u>	<u>(386,376)</u>
Beginning Net Position	<u>11,692,650</u>	<u>8,179,899</u>	<u>-0-</u>	<u>19,872,549</u>
Ending Net Position	<u>\$ 11,489,675</u>	<u>\$ 7,996,498</u>	<u>\$ -0-</u>	<u>\$ 19,486,173</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, 2021

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Revenues				
Net patient service revenue	\$ 17,708,473	\$ 5,165,430	\$ -0-	\$ 22,873,903
Operating grants	82,163	-0-	-0-	82,163
Intergovernmental transfer grants	1,682,452	-0-	-0-	1,682,452
Other operating revenue	4,330,465	1,245	(492,853)	3,838,857
Total Revenues	23,803,553	5,166,675	(492,853)	28,477,375
Expenses				
Salaries and benefits	12,085,316	3,433,088	-0-	15,518,404
Medical supplies and drugs	1,758,437	352,637	-0-	2,111,074
Insurance	458,688	60,136	-0-	518,824
Professional fees	2,559,731	551,024	-0-	3,110,755
Other expenses	7,322,137	1,350,581	(492,853)	8,179,865
Depreciation and amortization	959,769	122,191	-0-	1,081,960
Total Expenses	25,144,078	5,869,657	(492,853)	30,520,882
Operating Income (Loss)	(1,340,525)	(702,982)	-0-	(2,043,507)
Nonoperating Revenues				
Ad valorem taxes	288,090	-0-	-0-	288,090
Interest income	22,359	35,334	(35,059)	22,634
Interest expense	(242,325)	-0-	35,059	(207,266)
Loan forgiveness	2,040,350	630,815	-0-	2,671,165
Covid-19 grant awards	6,547,296	202,850	-0-	6,750,146
Hurricane evacuees	-0-	10,000	-0-	10,000
Gain (loss) on disposal of assets	(12,457)	-0-	-0-	(12,457)
Changes in Net Position before Capital Grants	7,302,788	176,017	-0-	7,478,805
Capital grants	134,286	-0-	-0-	134,286
Changes in Net Position	7,437,074	176,017	-0-	7,613,091
Prior Period Adjustment	106,808	-0-	-0-	106,808
Beginning Net Position	4,148,768	8,003,882	-0-	12,152,650
Ending Net Position	\$ 11,692,650	\$ 8,179,899	\$ -0-	\$ 19,872,549

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, 2022

Board Members	Term <u>Expires</u>	-Compensation-	
		<u>2022</u>	<u>2021</u>
Janice Doshier	April 2026	None	None
Steve Crooks	April 2023	None	None
Sandra Webster	April 2022	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, 2022

Agency Head Name: Lana Francis
Position: Chief Executive Officer
Time Period: October 1, 2021 to September 30, 2022

<u>Purpose</u>	<u>Amount</u>
Salary	140,880
Health insurance	11,508
Retirement (FICA replacement plan)	3,067
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	16
Travel	-0-
Registration fees	-0-
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, 2021 to September 30, 2022

<u>Purpose</u>	<u>Amount</u>
Salary	132,165
Health insurance	17,322
Retirement (FICA replacement plan)	8,700
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	2,338
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-



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Retired 2015
Bobby G. Lester, CPA

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, 2022 and 2021, 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 June 27, 2023.

Report on Internal Control over Financial Reporting

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

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: 2022-002 to be a material weakness.

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: 2022-001, 2022-003, 2022-004, and 2022-005 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 Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item: 2022-005.


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

June 27, 2023





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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, 2022. 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, 2022.

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 disclosed one instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-005. Our opinion on each major federal program is not modified with respect to this matter.

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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-005 to be a significant deficiency.

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
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Jena, Louisiana
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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.

Rosta, Meltz & Wells

Certified Public Accountants
Alexandria, Louisiana

June 27, 2023



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

<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	\$ 879,997
U.S. Department of Health and Human Services COVID-19 Testing for Rural Health Clinics	93.697	49,461
U.S. Department of Health and Human Services COVID-19 Small Rural Hospital Improvement Program Passed-through Louisiana Hospital Association	93.301	255,197
U.S. Department of Health and Human Services Delta Region Community Health Systems Development Program Passed-through Delta Regional Authority	90.201	17,500
U.S. Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>256,078</u>
Total Expenditures of Federal Awards		\$ <u><u>1,458,233</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, 2022

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, 2022. 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 2022.

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, 2022

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

Accordingly, the PRF of \$9,468,031 expended in "Period 1" was reported on the September 30, 2021 SEFA, while \$879,997 was expended in "Period 2" and reported on the September 30, 2022 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, 2021	\$ 89,388	\$ 6,592,688	\$ -0-	\$ 9,468,031
FYE September 30, 2022	\$ 1,093,608	\$ 1,167,396	\$ 18,029	\$ 1,458,233

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>#93.697 COVID-19 Testing for Rural Health Clinics</u>	<u>#93.301 COVID-19 Small Rural Hospital Improvement Grant</u>	<u>#90.201 Delta Region Community Health Systems Development Program</u>	<u>#97.036 Disaster Grants Program</u>
LaSalle General Hospital (72-0690217)	\$ 587,759	\$ 49,461	\$ 255,197	\$ 17,500	\$ 237,318
LaSalle Nursing Home (52-2309007)	292,238	-0-	-0-	-0-	18,029
Total Expenditures of Federal Awards	\$ <u>879,997</u>	\$ <u>49,461</u>	\$ <u>255,197</u>	\$ <u>17,500</u>	\$ <u>255,347</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, 2022

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 - No

Management letter issued - No

Federal Awards -

- Material weaknesses identified - No
- Significant deficiencies identified - Yes
- Noncompliance issues noted - Yes
- 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 2022-001 - 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, 2022

Section II. Financial Statement Findings (Continued)

FINDING 2022-001 - 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 2022-002 - 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 \$380,000 and contractual adjustments were materially overstated by \$380,000.

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 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.

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. 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.



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, 2022

Section II. Financial Statement Findings (Continued)

FINDING 2022-003 - Leases (Continued)

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.

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: Management will comply in future periods.



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, 2022

Section III. 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: Management has considered the recommendation and concluded that approvals should be in formats that support compliance with internal controls in all cases to comply with grant requirements.

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, 2022

Section I. Financial Statement Findings

FINDING 2021-001 - 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 2022-001.

FINDING 2021-002 - 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 2022-002.



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, 2022

Section I. Financial Statement Findings (Continued)

FINDING 2021-003 - Contractual Allowances

Criteria: Accrual basis accounting should include an estimate of contractual allowances and adjustments calculated monthly based on the best available payment information.

Condition: Contractual allowances were not recorded for Medicaid Psych.

Cause: Management inadvertently omitted a portion of the Medicaid allowance from the total allowances estimated at year-end.

Effect: The allowance for Medicaid was understated by approximately \$400,000, which overstated net income by the same amount.

Recommendation: Management should carefully review the calculations to ensure all elements of the allowances are recorded.

Response: Management has considered the recommendation and will carefully review allowance calculations to ensure all allowances are recorded.

Resolution: Resolved.

Section II. Federal Awards Findings and Questioned Costs

Not applicable

Section III. Management Letter

Not applicable





LESTER, MILLER & WELLS

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Andrew J. Wynn, CPA

Retired 2015
Bobby G. Lester, CPA

INDEPENDENT ACCOUNTANT'S 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 1, 2021 through September 30, 2022. 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 1, 2021 through September 30, 2022. 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:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (*if applicable to public funds and the entity's operations*):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.

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

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

Exceptions:

The Purchasing policy does not address maintenance of bids and quotes documentation. The Receipts/Collections policy does not address preparations of deposits and actions to determine completeness.

Management's Response:

Management will update the applicable written policies and procedures to address the missing requirements.



Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that 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. Alternately, for those entities reporting on the non-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.
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Exceptions:

No exceptions noted.

Bank Reconciliations

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

Exceptions:

One account did not include evidence the reconciliation was completed within two months and was reviewed by management or a board member. The reconciliation was completed, but was not signed or dated by anyone.

Management's Response:

Management has enacted policies and procedures to ensure all bank reconciliations are completed, signed, and dated by the preparer and management reviewer within 60 days of the close of all bank statements.



Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (*cash*) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (*i.e., 5 collection locations for 5 deposit sites*), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (*e.g., pre-numbered receipts*) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe 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).
 - e) Trace the actual deposit per the bank statement to the general ledger.



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Exceptions:

Employees responsible for cash collections are also responsible for preparing and posting deposits to the general ledger accounts.

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.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (*or all locations if less than 5*).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (*e.g., initial/date, electronic logging*) of segregation of duties tested under #9, as applicable.

Exceptions:

Employees who are responsible for processing payments also mail the checks. Additionally, there was no evidence of segregation of duties on all non-payroll disbursements that were tested.

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.



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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. *(Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)*
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe 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 note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Exceptions:

One of five cards tested had finance charges on the monthly statement. Additionally, four of six cards tested did not include evidence of documented business purposes for the selected transactions.

Management's Response:

Management has enacted policies and procedures to ensure no finance charges are incurred. Additionally, all employees will be educated on the requirement to clearly identify the business purpose and department on the purchase order or original receipt, whichever is applicable, for each credit card purchase. Credit card purchases made by the administrator will require a secondary approval.

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

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



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

Exceptions:

No exceptions noted.

Contracts

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

Exceptions:

No exceptions noted.

Payroll and Personnel

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



17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). *(Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)*
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Exceptions:

No exceptions noted.

Ethics

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

Exceptions:

Two of five tested employees did not complete Ethics training within the fiscal year.

Management's Response:

Management has enacted policies and procedures to ensure all employees complete one hour of Ethics training annually, which includes initial training during their on-boarding process and annually thereafter.



Debt Service

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

Exceptions:

No exceptions noted.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exceptions:

No exceptions noted.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (*e.g., tapes, CDs*), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.



- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Exceptions:

We performed the procedure and discussed the results with management.

Sexual Harassment

- 26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
- 27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- 28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
 - a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Exceptions:

Eight of ten tested employees did not complete Sexual Harassment training during 2022. Additionally, the sexual harassment policy is not posted in a conspicuous location. Finally, the annual report was not completed.

Management's Response:

Management has enacted policies and procedures to ensure: 1) all employees complete one hour of Prevention of Sexual Harassment training annually, which includes initial training during their on-boarding process and annually thereafter; 2) the Sexual Harassment policy will be posted in a conspicuous location for all employees to observe or access; and 3) the annual report is completed before February 1st of each year.

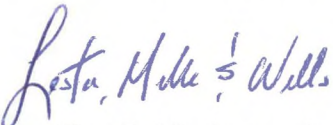


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We were engaged by the District and LLA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards 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.



Certified Public Accountants
Alexandria, Louisiana
June 22, 2023



June 27, 2023

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 9/30/2022 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, 2022.

Finding 2022-001 – 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, 2023

Finding 2022-002 – 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, 2023

Finding 2022-003 – Leases

Position(s) of Agency Personnel taking correction action:

Chief Financial Officer

Corrective Action:

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

Finding 2022-003 – Leases (Continued)

Date Corrective Action Complete:

September 30, 2023

Finding 2022-004 – Late Filing of Report with Louisiana Legislative Auditor

Position(s) of Agency Personnel taking correction action:

Chief Financial Officer

Corrective Action:

Management has completed implementation of new computer system and COVID-19 emergency rule has ended.

Date Corrective Action Complete:

September 30, 2023

Finding 2022-005 – Internal Control over Compliance Federal Awards

Position(s) of Agency Personnel taking correction action:

Chief Financial Officer

Corrective Action:

Management has implemented procedures to ensure all internal controls over compliance will be performed in such a way as to ensure documentation of compliance.

Date Corrective Action Complete:

September 30, 2023

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

Sincerely,

A handwritten signature in black ink that reads "Lana Francis". The signature is written in a cursive, flowing style.

Lana Francis
Chief Executive Officer