HOSPITAL SERVICE DISTRICT NO. 1 OF EAST BATON ROUGE PARISH, LOUISIANA d/b/a LANE REGIONAL MEDICAL CENTER

Zachary, Louisiana

Audited Financial Statements

June 30, 2023 and 2022

LAPORTE
CPAs & BUSINESS ADVISORS

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Independent Auditor's Report

To the Board of Commissioners
Hospital Service District No. 1 of
East Baton Rouge Parish, Louisiana
d/b/a Lane Regional Medical Center
Zachary, Louisiana

Opinions

We have audited the financial statements of the business-type activities which is the major fund of Hospital Service District No.1 of East Baton Rouge Parish, Louisiana d/b/a Lane Regional Medical Center (the Organization), a component unit of the City-Parish of Baton Rouge, and Lane Regional Medical Center Retirement Plan (a fiduciary fund of the Organization) (the Plan) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Organization and the Plan as of June 30, 2023 and 2022, and the respective changes in its financial position and, where applicable, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization's and the Plan's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, on pages 50 - 54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's and the Plan's basic financial statements taken as a whole. The accompanying 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* (Uniform Guidance), is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of board of commissioners and salaries, as required by Louisiana Revised Statute (R.S.) 24:513 is also presented for the purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of compensation, benefits, and other payments to agency head is also presented for the purposes of additional analysis.

The schedule of expenditures of federal awards, the schedule of compensation, benefits, and other payments to agency head, and the schedules of board of commissioners and salaries are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of compensation, benefits, and other payments to agency head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2023 on our consideration of the Hospital Service District No. 1 of East Baton Rouge Parish, Louisiana d/b/a Lane Regional Medical Center's and Lane Regional Medical Center Retirement Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Organization's and the Plan'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 Organization's and the Plan's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Metairie, LA
November 29, 2023

HOSPITAL SERVICE DISTRICT NO. 1
OF EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE REGIONAL MEDICAL CENTER
Statements of Net Position - Proprietary Fund
June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 9,826,161**	$ 6,198,739
Investments	**9,954,414**	28,048,152
Assets Limited as to Use, Current Portion	**-**	397,680
Patient Accounts Receivable, Net of Allowances for Uncollectible Accounts of $6,259,604 and $6,828,180 in 2023 and 2022, Respectively	**7,927,143**	8,636,943
Inventory	**2,384,723**	2,355,496
Prepaid Expenses	**1,441,392**	1,625,253
Current Portion of Leases Receivable	**86,236**	84,920
Estimated Third-Party Payor Settlements	**1,010,416**	-
Other Current Assets	**26,832,023**	23,632,125
Total Current Assets	**59,462,508**	70,979,308
Assets Limited as to Use		
Held by Trustee under Debt Agreements	**9,129,244**	397,680
Less: Portion Required for Current Liabilities	**-**	(397,680)
Total Assets Limited as to Use	**9,129,244**	-
Capital Assets, Net	**45,558,007**	41,879,166
Leases, Right-of-Use Assets	**361,172**	620,347
Leases Receivable, Non-Current	**277,884**	364,129
Other Assets	**438,362**	472,296
Total Assets	**115,227,177**	114,315,246
Deferred Outflows of Resources		
Deferred Amounts Related to Pensions	**1,367,722**	2,161,734
Total Assets and Deferred Outflows of Resources	**$ 116,594,899**	$ 116,476,980

The accompanying notes are an integral part of the basic financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE REGIONAL MEDICAL CENTER
Statements of Net Position - Proprietary Fund (Continued)
June 30, 2023 and 2022

Liabilities		
Current Liabilities		
Accounts Payable	**$ 17,094,990**	$ 13,274,525
Accrued Payroll and Other Expenses	**4,726,342**	4,853,511
Medicare Advances	**-**	1,629,940
Current Portion of Lease Liabilities	**260,922**	315,078
Current Maturities of Long-Term Debt	**-**	1,180,000
Estimated Third-Party Payor Settlements	**-**	305,041
Total Current Liabilities	**22,082,254**	21,558,095
Long-Term Debt, Less Current Maturities	**14,207,420**	11,655,000
Lease Liabilities, Non-Current	**139,601**	400,523
Net Pension Liability	**465,531**	867,850
Total Noncurrent Liabilities	**14,812,552**	12,923,373
Total Liabilities	**36,894,806**	34,481,468
Deferred Inflows of Resources		
Deferred Amounts Related to Lease Receivables	**346,361**	432,916
Total Deferred Inflows of Resources	**346,361**	432,916
Net Position		
Net Investment in Capital Assets	**30,864,618**	28,328,565
Restricted	**9,129,244**	397,680
Unrestricted	**39,359,870**	52,836,351
Total Net Position	**79,353,732**	81,562,596
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 116,594,899**	$ 116,476,980

The accompanying notes are an integral part of the basic financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE REGIONAL MEDICAL CENTER
Statements of Revenues, Expenses, and
Changes in Net Position - Proprietary Fund
For the Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues		
Net Patient Service Revenue	$ 76,511,737	$ 77,010,489
Other Operating Revenue	58,460,487	47,908,631
Total Operating Revenues	134,972,224	124,919,120
Operating Expenses		
Contracted Services and IGT's	48,518,257	46,235,896
Salaries	43,540,218	37,381,858
Supplies	17,626,191	17,477,590
Fringe Benefits	8,132,721	7,346,910
Depreciation and Amortization	5,514,559	5,627,953
Professional Fees	5,815,226	4,770,767
Repairs and Maintenance	2,763,108	2,441,505
Insurance	1,877,470	1,730,433
Utilities	1,665,885	1,525,922
Other	3,067,764	1,258,098
Rents	75,866	82,533
Total Operating Expenses	138,597,265	125,879,465
Operating Loss	(3,625,041)	(960,345)
Non-Operating Revenue (Expense)		
Investment Income (Loss)	995,950	(3,084,036)
Cares Act/Provider Relief Fund	-	2,038,332
Other Non-Operating Revenue	1,000,722	1,052,040
Interest Expense	(580,495)	(434,751)
Net Non-Operating Revenue (Expense)	1,416,177	(428,415)
Changes in Net Position	(2,208,864)	(1,388,760)
Net Position, Beginning of Year	81,562,596	82,951,356
Net Position, End of Year	$ 79,353,732	$ 81,562,596

The accompanying notes are an integral part of the basic financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE REGIONAL MEDICAL CENTER
Statements of Cash Flows - Proprietary Fund
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Receipts from and on Behalf of Patients	**$ 134,366,567**	$ 119,715,396
Payments to Suppliers and Contractors	**(82,293,488)**	(79,865,481)
Payments to Employees	**(51,408,415)**	(44,233,051)
Net Cash Provided by (Used in) Operating Activities	**664,664**	(4,383,136)
Cash Flows from Non-Capital Financing Activities		
Other Non-Operating Revenues	**1,317,718**	3,629,571
Net Cash Provided by Non-Capital Financing Activities	**1,317,718**	3,629,571
Cash Flows from Capital and Related Financing Activities		
(Increase) Decrease in Assets Held by Trustee under Debt Agreements	**(8,731,564)**	9,440
Proceeds from Issuance of Long-term Debt	**14,207,420**	-
Principal Paid on Long-Term Debt	**(12,835,000)**	(1,180,000)
Interest Paid on Long-Term Debt	**(580,495)**	(434,751)
Proceeds from Sale of Capital Assets	**-**	52,729
Purchase of Capital Assets	**(8,962,771)**	(4,703,932)
Net Cash Used in Capital and Related Financing Activities	**(16,902,410)**	(6,256,514)
Cash Flows from Investing Activities		
Capital Invested in Affiliated Entities	**(33,000)**	(25,050)
Purchase of Investments	**(7,793,310)**	(14,237,958)
Proceeds from Sale of Investments	**26,373,760**	14,634,659
Net Cash Provided by Investing Activities	**18,547,450**	371,651
Increase (Decrease) in Cash and Cash Equivalents	**3,627,422**	(6,638,428)
Cash and Cash Equivalents, Beginning of Year	**6,198,739**	12,837,167
Cash and Cash Equivalents, End of Year	**$ 9,826,161**	$ 6,198,739

The accompanying notes are an integral part of the basic financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE REGIONAL MEDICAL CENTER
Statements of Cash Flows - Proprietary Fund (Continued)
For the Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of Operating Loss to Net		
Cash Provided by (Used in) Operating Activities		
Operating Loss	**$ (3,625,041)**	$ (960,345)
Adjustments to Reconcile Operating Loss		
to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	**5,514,559**	5,627,953
Pension Expense	**391,693**	486,554
Loss (Gain) on Disposal of Property and Equipment	**28,547**	(32,390)
Provision for Bad Debts	**5,286,140**	4,398,400
Changes in:		
Patient Accounts Receivable	**(4,576,340)**	(5,084,135)
Inventory, Prepaids, and Other Current Assets	**(3,045,264)**	(5,155,721)
Right-of-Use Asset	**259,175**	259,175
Lease Receivable	**84,929**	83,608
Accounts Payable	**3,820,465**	752,323
Lease Liability	**(315,078)**	(315,692)
Deferred Inflow Related to Leases	**(86,555)**	(86,554)
Accrued Payroll and Other Expenses	**(127,169)**	343,680
Medicare Advances	**(1,629,940)**	(5,117,788)
Estimated Third-Party Payor Settlements	**(1,315,457)**	417,796
Net Cash Provided by (Used In) Operating Activities	**$ 664,664**	$ (4,383,136)
Supplemental Disclosures of Non-Cash Investing Activities		
Increase (Decrease) in Fair Value of Investments	**$ 486,713**	$ (3,084,036)
Equity in Net Earnings (Loss) of Associated Companies	**$ (63,634)**	$ (87,740)

The accompanying notes are an integral part of the basic financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE REGIONAL MEDICAL CENTER
Statements of Fiduciary Net Position - Pension Trust Fund
For the Years Ended June 30, 2023 and 2022

	2023	2022
Assets		
Cash and Cash Equivalents	$ 938,934	$ 499,526
Investments		
Equity Securities		
Common Stock	8,945,394	8,551,186
Equity Funds	5,685,143	5,699,820
Exchange Traded Funds	1,990,978	2,193,408
Real Estate Investment Trusts	85,752	311,545
Fixed Income Securities		
Government	4,381,441	4,633,089
Corporate	2,962,386	2,784,881
Total Investments	24,051,094	24,173,929
Total Assets	$ 24,990,028	$ 24,673,455
Liabilities		
Accounts Payable	$ -	$ 3,500
Total Liabilities	-	3,500
Net Position Restricted for Pensions	$ 24,990,028	$ 24,669,955

The accompanying notes are an integral part of the basic financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE REGIONAL MEDICAL CENTER
Statements of Changes in Fiduciary Net Position - Pension Trust Fund
For the Years Ended June 30, 2023 and 2022

	2023	2022
Additions		
Investment Income		
Net Change in Fair Value	$ 1,586,719	$ (5,131,524)
Investment and Dividend Income	718,945	1,561,868
	2,305,664	(3,569,656)
Less: Investment Expense	(79,668)	(91,484)
Net Investment Income (Loss)	2,225,996	(3,661,140)
Total Additions, Net	2,225,996	(3,661,140)
Deductions		
Benefit Payments	1,884,923	1,779,756
Administrative Expenses	21,000	22,250
Total Deductions	1,905,923	1,802,006
Increase (Decrease) in Net Position	320,073	(5,463,146)
Net Position Restricted for Pensions, Beginning of Year	24,669,955	30,133,101
Net Position Restricted for Pensions, End of Year	$ 24,990,028	$ 24,669,955

The accompanying notes are an integral part of the basic financial statements.

Note 1. Nature of Business

Reporting Entity

Lane Regional Medical Center (the Hospital) is organized as Hospital Service District No. 1 of East Baton Rouge Parish, Louisiana and is exempt from federal and state income taxes. The Hospital, which was created by the Metropolitan Council of the City of Baton Rouge and the Parish of East Baton Rouge (the City-Parish) on June 12, 1957, under the provisions of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, operates an acute care facility and physician practices and owns certain medical office buildings, providing inpatient, outpatient, and emergency care services for residents of southern Louisiana and Mississippi. The Hospital is a component unit of East Baton Rouge Parish, Louisiana for financial reporting purposes and is included in the basic financial statements of East Baton Rouge Parish together with its component units, which are described below.

The Hospital sponsors the Lane Regional Medical Center Retirement Plan (the Plan), a contributory defined benefit pension plan. The Plan is administered through a trust agreement where employer contributions are irrevocable, plan assets are dedicated to provide pensions to plan members, and pension plan assets are legally protected from contributors, administrators, and plan members. Therefore, management has included the Plan as a fiduciary fund (Pension Trust Fund) within the basic financial statements of the Hospital. The Plan does not issue separate financial statements.

The component units discussed below are included because the nature and significance of their relationship to the Hospital are such that exclusion would cause the reporting entity's financial statements to be incomplete under criteria set forth by the Governmental Accounting Standards Board (GASB).

Blended Component Units

The following component units are legally separate organizations which the Hospital has determined should be presented as blended component units. The Hospital appoints the voting majority of the component units' Boards of Directors (the Board), and each has a specific benefit to the Hospital. Accordingly, these organizations are blended component units of the Hospital.

Lane RMC Service Corporation (the Corporation) is a not-for-profit entity established to operate exclusively for the support and benefit of the Hospital, to carry out the goals, objectives, and purposes of the Hospital, to develop and facilitate various health services activities, including joint venture activities, for the benefit of the Hospital, as expressly authorized by Louisiana statutes and regulations, and to engage in any lawful act or activity for which a corporation may be organized under Louisiana Non-Profit Corporation Law.

Note 1. Nature of Business (Continued)

Blended Component Units (Continued)
Lane RMC Foundation (the Foundation), a tax-exempt organization as of 2016, was formed to, among other things, sustain the healing work of the physicians and staff of Lane Regional Medical Center. The Board of the Foundation is self-perpetuating and consists primarily of citizens of East Baton Rouge Parish. Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds are to be, or have been, contributed to the Hospital.

The Hospital, the Pension Trust Fund, the Corporation, and the Foundation are collectively referred to as the Organization. There are no other organizations or agencies whose financial statements should be included and presented with these financial statements.

Note 2. Summary of Significant Accounting Policies

Accounting Standards
These financial statements have been prepared in accordance with the GASB codification. The financial statements of the component units are also prepared in accordance with the GASB codification, as they are established for the direct benefit of the Hospital.

Basis of Accounting and Presentation
The Organization uses fund accounting to report its financial position and results of operations. The proprietary fund and the pension trust fund financial statements are reported using the accrual basis of accounting. The operations of each fund are accounted for with a set of self-balancing accounts that compromise its assets, liabilities, net position, revenue, and expenses. A further explanation of the funds and their reporting classifications follows:

<u>Proprietary Fund</u>
Enterprise Fund - Enterprise funds are used to account for operations: (a) 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 and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Hospital, the Corporation, and the Foundation are collectively referred to as the Enterprise Fund.

Accordingly, the Organization maintains the Enterprise Fund records on the accrual basis of accounting. Revenue from operations, investments, and other sources are recorded when earned. Revenue received in advance is reflected as deferred revenue. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred.

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Presentation (Continued)

Fiduciary Fund

The Pension Trust Fund is used to account for the accumulation of contributions for a defined benefit, single employer pension plan providing retirement benefits to qualified employees.

The Plan's financial statements are prepared on the accrual basis of accounting. Contributions from the Hospital and its employees are recognized as revenue in the period in which employees provide service to the Hospital. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows/ inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In particular, laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

Cash and Cash Equivalents

Cash and cash equivalents include all checking and depository accounts, and certain investments in highly liquid debt instruments with original maturities of three months or less. As of June 30, 2023 and 2022, the Organization's cash and cash equivalents were entirely insured or collateralized with securities or lines of credit held by its agent in the Organization's name.

Patient Accounts Receivable

Patient accounts receivable are reported at net realizable value, after deduction of allowances for estimated uncollectible accounts and third-party contractual discounts. The allowance for uncollectible accounts is based on historical losses and an analysis of currently outstanding amounts. This account is generally increased by charges to a provision for uncollectible accounts, and decreased by write-offs of accounts determined by management to be uncollectible. The allowances for third-party discounts are based on the estimated differences between the Organization's established rates and the actual amounts to be received under each contract or regulatory agreement. Changes in estimates by material amounts are reasonably possible in the near-term.

Note 2. Summary of Significant Accounting Policies (Continued)

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

Investments and Investment Income
Investments in debt and equity securities are reported at fair value. Short-term investments consist primarily of equity, fixed income securities, fixed income funds, and mutual funds. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

Investments Held by Trustees
The Organization has investments held by a trustee under a bond indenture agreement. These investments are held for future debt service.

Prepaid Expenses
Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

Capital Assets
The Organization's capital assets are reported at historical cost. Donated property is recorded at its estimated fair value on the date of receipt, which is then treated as cost. Additions, renewals, and betterments that extend the lives of assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Depreciation has been provided using the straight-line method over the estimated useful lives of the related assets, which range from 2 to 40 years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are recognized in the Hospital's operations.

Compensated Absences
The Organization's policy is to compensate employees for absences due to earned vacation. Accumulated vacation is accrued at the statements of net position date because it is payable upon termination of employment.

Note 2. Summary of Significant Accounting Policies (Continued)

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position by the Organization that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Net Position

Net position consists of net investment in capital assets (property and equipment), restricted net position, and unrestricted net position. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets.

Restricted net position includes assets that are externally restricted by creditors, grantors, contributors (including those assets with the Foundation), or laws and regulations, or those restricted by constitutional provisions and enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Operating Revenues and Expenses

The Organization’s statements of revenues, expenses, and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services - the Organization’s principal activity. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs. Joint venture equity transactions, rental income, and interest and investment income are considered non-operating revenues.

Net Patient Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates-per-discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Net patient service revenue is also reported net of provision for bad debts of $5,286,140 and $4,398,400 for the years ended June 30, 2023 and 2022, respectively. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined. See Note 12.

Note 2. Summary of Significant Accounting Policies (Continued)

Charity Care

The Organization, as part of its mission, routinely provides care to individuals regardless of their ability to pay. Beginning on the effective date of the Affordable Care Act and Medicaid Expansion, coverage was made available to all individuals and, accordingly, the Organization pursued collection either under the applicable coverage or directly from the patient if no coverage had been obtained. Amounts billed to patients or third-party payors were posted to the allowance for uncollectible accounts if and when deemed uncollectible. As a result, charity care charges forgone for the year ended June 30, 2021 were $-0-.

Effective September 1, 2021, the Organization no longer pursues collection of amounts determined to qualify as charity care. Such amounts are recorded as gross patient service revenue and written off through contractual allowances. As such, these charges are not reported as net patient service revenue on the statements of revenues, expenses, and changes in net position. Charity care charges forgone for the years ended June 30, 2023 and 2022 were $756,466 and $71,621, respectively.

Pension

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Lane Regional Medical Center Retirement Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Recently Adopted Accounting Pronouncements

Government Accounting Standards Board Statement No. 96 (GASB 96)

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB 87, *Leases*, as amended. The Organization adopted the Statement during the fiscal year ended June 30, 2023 and after analysis of existing contracts and agreements determined no material impact to the financial statements. Because of replacement of some existing IT arrangements, its anticipated recordation of right of use assets and subscription liabilities may be required in fiscal year ended June 30, 2024.

Note 2. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements Not Yet Adopted

Government Accounting Standards Board Statement No. 100 (GASB 100)
The GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62.* The primary objective of the Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections. Management is still evaluating the potential impact of adoption on the Organization's financial statements. The Statement is effective for fiscal years beginning after June 15, 2023.

Government Accounting Standards Board Statement No. 101 (GASB 101)
The GASB issued Statement No. 101, *Compensated Absences.* The Statement updates the recognition and measurement guidance for compensated absences. Management is still evaluating the potential impact of adoption on the Organization's financial statements. The Statement is effective for fiscal years beginning after December 15, 2023.

Note 3. Deposits and Investments

The Enterprise Fund and the Pension Trust Fund investments generally are reported at fair value, as discussed in Note 2. At June 30, 2023, the Enterprise Fund and the Pension Trust Fund had the following deposits and investments, all of which were held in the Hospital's or the Plan's name by a custodial bank or trust that is an agent of the Hospital or the Plan:

June 30, 2023	Proprietary Enterprise Fund	Fiduciary Pension Trust Fund	Total
Cash and Cash Equivalents	$ 9,826,161	$ 938,934	$ 10,765,095
Investments			
Equity			
Common Stock	4,468,533	8,945,394	13,413,927
Equity Funds	346,447	5,685,143	6,031,590
Exchange Traded Funds	166,460	1,990,978	2,157,438
Real Estate Investment Trusts	98,734	85,752	184,486
Fixed Income Securities			
Government	2,197,611	4,381,441	6,579,052
Corporate	2,676,629	2,962,386	5,639,015
Total Investments	9,954,414	24,051,094	34,005,508
Investments Held by Trustee			
Under Debt Agreements			
Cash and Cash Equivalents	9,129,244	-	9,129,244
Total	$ 28,909,819	$ 24,990,028	$ 53,899,847

Note 3. Deposits and Investments (Continued)

At June 30, 2022, the Enterprise Fund and the Pension Trust Fund had the following deposits and investments, all of which were held in the Hospital's or the Plan's name by a custodial bank or trust that is an agent of the Hospital or the Plan:

June 30, 2022	Proprietary Enterprise Fund	Fiduciary Pension Trust Fund	Total
Cash and Cash Equivalents	$ 6,198,739	$ 499,526	$ 6,698,265
Investments			
Equity			
Common Stock	10,371,091	8,551,186	18,922,277
Equity Funds	884,962	5,699,820	6,584,782
Exchange Traded Funds	-	2,193,408	2,193,408
Real Estate Investment Trusts	421,899	311,545	733,444
Fixed Income Securities			
Government	10,653,162	4,633,089	15,286,251
Corporate	5,717,038	2,784,881	8,501,919
Total Investments	28,048,152	24,173,929	52,222,081
Investments Held by Trustee			
Under Debt Agreements			
Cash and Cash Equivalents	397,680	-	397,680
Total	$ 34,644,571	$ 24,673,455	$ 59,318,026

Under Louisiana Revised Statutes (R.S.) 39:2957, 46:1073.1, and 11:263, the Enterprise Fund must follow the prudent-man rule to act with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims for investing the Enterprise Fund's funds. The Enterprise Fund may not invest more than 55% of the total portfolio in equities unless not more than 65% of the total portfolio is invested in equities and at least 10% of the total equity portfolio is invested in one or more index funds which seek to replicate the performance of the chosen index or indices.

Note 3. Deposits and Investments (Continued)

The Enterprise Fund's investment portfolio consisted of 25% equity investments and 25% fixed income investments included in investments on the statements of net position, and 50% cash and cash equivalents included in cash and cash equivalents and investments held by trustee for debt service on the statements of net position at June 30, 2023. The Enterprise Fund's investment portfolio consisted of 34% equity investments and 47% fixed income investments included in investments on the statements of net position, and 19% cash and cash equivalents included in cash and cash equivalents and investments held by trustee for debt service on the statement of net position at June 30, 2022.

Louisiana Revised Statutes 33:2955, 33:5161, and 33:5162 list the allowed investment types for the Pension Trust Fund. The Pension Trust Fund did not hold any prohibited investment types at June 30, 2023 or 2022.

Louisiana statutes require that all of the Enterprise Fund's and the Pension Trust Fund's deposits be protected by insurance or collateral. The Enterprise Fund's and the Plan's bylaws require that all bank balances be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Hospital.

Credit Risk: All fixed income securities and fixed income funds for the Enterprise Fund's investment portfolio with ratings are rated between Aaa and Baa1 by Moody's. Credit ratings were not available for nine investments in the Enterprise Fund's investment portfolio. All fixed income securities and fixed income funds for the Pension Trust Fund's investment portfolio with ratings are rated between Aaa and Baa1 by Moody's. Credit ratings were not available for fifteen investments in the Pension Trust Fund's investment portfolio.

Concentration of Credit Risk: The Enterprise Fund and the Pension Trust Fund limit the amount it may invest in any one issuer to no more than 5% of the market value of the investment portfolio with the following exceptions: holdings of direct obligations issued or guaranteed by the U.S. government or its agencies. There were no issuers comprising 5% or more of the Enterprise Fund's or the Pension Trust Fund's investments at June 30, 2023 or 2022.

Interest Rate Risk: In accordance with its investment policy, the Enterprise Fund and the Pension Trust Fund manage exposure to declines in fair values by limiting the weighted average maturity of the fixed income portion of the investment portfolio to within 20% of its stated index's weighted average portfolio. As a means of limiting its exposure to declines in fair values arising from rising interest rates, the Enterprise Fund's and the Pension Trust Fund's investment policy limits the mutual funds section of its investment portfolio to maturities of less than 397 days.

Note 3. Deposits and Investments (Continued)

Interest income totaled $-0-, while investment gains and (losses), net, on the investment portfolio totaled $995,950 and $(3,084,036) for the Enterprise Fund for the years ended June 30, 2023 and 2022, respectively. Interest and dividend income totaled $718,945 and $1,586,719, while investment gains and (losses), net, on the investment portfolio totaled $1,507,051 and $(5,223,008) for the Pension Trust Fund for the years ended June 30, 2023 and 2022, respectively. Fluctuation in the investment gains and losses is related to market valuations throughout the course of the fiscal year.

Note 4. Investment in Affiliates

The Hospital holds an equity ownership interest in Surgery Center of Zachary, LLC (the Center). As of June 30, 2023 and 2022, the Hospital owned 25% of the Center. The Center was formed in accordance with the Louisiana Limited Liability Company Law on April 16, 2016 to operate an 8,300-square foot ambulatory care health facility performing ambulatory surgery procedures in Zachary, Louisiana. The Center provides same-day surgeries at a reasonable cost and savings to patients and private and commercial payors. The Center is fully licensed as a hospital by the Louisiana Department of Health. The Center is Medicare certified and provides inpatient and outpatient surgical services for the following specialties: gastroenterology, orthopedics, pain management, podiatry, and spine-related procedures.

The balance of its equity interest at June 30, 2023 and 2022, totaled $-0-, due to the recognition of an impairment in a prior year due to reoccurring losses, and is included in other assets on the statements of net position. The Hospital made no contribution to the Center during the years ended June 30, 2023 and 2022.

Summarized financial information for the Center is presented below:

	As of and for the Year Ended	
	June 30, 2023	June 30, 2022
Total Assets	**$ 923,537**	$ 1,019,593
Total Liabilities	**$ 310,311**	$ 303,928
Members' Equity	**$ 613,226**	$ 715,665
Net Loss	**$ (102,439)**	$ (102,644)

Note 4. Investment in Affiliates (Continued)

The Hospital also holds an equity ownership interest in PCC of Zachary, LLC (PCC) which is a radiation oncology center that began operations in March 2014, serving residents of the Zachary area. As of June 30, 2023 and 2022, the Hospital owned 30% of PCC. The balance of its equity interest at June 30, 2023 and 2022, totaled $438,362 and $472,296, respectively, and is included in other assets on the statements of net position. For the years ended June 30, 2023 and 2022, the Hospital recognized a loss associated with its investment in PCC in the amount of $63,634 and $87,739, respectively. This loss is included in other non-operating revenue on the statements of revenues, expenses, and changes in net position. For the years ended June 30, 2023 and 2022, the Hospital made equity contributions of $33,000 and $25,050, respectively. PCC leases its operational space from the Hospital at an annual rental of approximately $60,000, which is included in other non-operating revenue.

Summarized financial information for PCC is presented below:

	As of and for the Year Ended	
	June 30, 2023	June 30, 2022
Total Assets	**$ 1,530,897**	$ 1,718,827
Total Liabilities	**$ 89,960**	$ 144,510
Members' Equity	**$ 1,440,937**	$ 1,574,317
Net Loss	**$ (28,380)**	$ (200,840)

During the year ended June 30, 2021, the Hospital contributed $9,000 to the Louisiana Independent Hospital Network Coalition, LLC (LIHN) for a 7.89% ownership percentage. LIHN is a joint venture with other regional healthcare providers to increase access and quality of care and improving operational efficiencies between its members. The Hospital carries this investment at cost.

Summarized financial information for LIHN, is presented below:

	As of and for the Year Ended	
	June 30, 2023	June 30, 2022
Total Assets	**$ 228,200**	$ 89,914
Total Liabilities	**$ 38,485**	$ 750
Members' Equity	**$ 189,715**	$ 89,164
Net Income	**$ 37,914**	$ 9,435

Note 5. Capital Assets

Capital asset additions, retirements and transfers, and balances for the years ended June 30, 2023 and 2022, were as follows:

	Balance June 30, 2022	Additions	Retirements and Transfers	Balance June 30, 2023
Capital Assets				
Land and Land Improvements	$ 5,430,872	$ 974,783	$ -	$ 6,405,655
Construction in Progress	3,283,115	4,498,052	(337,160)	7,444,007
Buildings	66,590,134	343,671	283,976	67,217,781
Movable and Other Equipment	65,761,847	3,146,265	(402,889)	68,505,223
Total Capital Assets	141,065,968	8,962,771	(456,073)	149,572,666
Less Accumulated Depreciation for:				
Land Improvements	1,020,710	72,919	-	1,093,629
Buildings	42,599,163	2,087,136		44,686,299
Movable and Other Equipment	55,566,929	3,091,376	(423,574)	58,234,731
Total Accumulated Depreciation	99,186,802	5,251,431	(423,574)	104,014,659
Total Capital Assets, Net	$ 41,879,166	$ 3,711,340	$ (32,499)	$ 45,558,007

	Balance June 30, 2021	Additions	Retirements and Transfers	Balance June 30, 2022
Capital Assets				
Land and Land Improvements	$ 5,430,872	$ -	$ -	$ 5,430,872
Construction in Progress	760,161	2,522,954	-	3,283,115
Buildings	66,549,931	44,309	(4,106)	66,590,134
Movable and Other Equipment	64,138,863	2,136,669	(513,685)	65,761,847
Total Capital Assets	136,879,827	4,703,932	(517,791)	141,065,968
Less Accumulated Depreciation for:				
Land Improvements	955,460	65,250	-	1,020,710
Buildings	40,411,794	2,189,657	(2,288)	42,599,163
Movable and Other Equipment	52,948,221	3,113,872	(495,164)	55,566,929
Total Accumulated Depreciation	94,315,475	5,368,779	(497,452)	99,186,802
Total Capital Assets, Net	$ 42,564,352	$ (664,847)	$ (20,339)	$ 41,879,166

Note 5. Capital Assets (Continued)

During the year ended June 30, 2022 the Hospital began construction of a new 82,000 square foot four story tower and 37,000 square feet of interior renovations including but not limited to new patient and ICU rooms, expanded and improved surgical facilities, and other modernizations and improvements. In accordance with the improvements and expansion plans, the Hospital demolished a portion of its existing west wing and the former nursing home facility. Total budgeted costs associated with the project are expected to approximate $90 million upon completion, currently anticipated in 2025. The project is funded in part from the Hospital's own funds and from the debt financing detailed in Note 8.

Note 6. Fair Value Measurement

The Enterprise Fund's and the Pension Trust Fund's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 Investments reflect prices quoted in active markets.

Level 2 Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt and equity investments classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

Note 6. Fair Value Measurement (Continued)

The valuation of the Enterprise Fund's investments measured at fair value at June 30, 2023 and 2022 are as follows:

June 30, 2023	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 9,826,161	$ -	$ -	$ 9,826,161
Investments				
Equity				
Common Stock	4,468,533	-	-	4,468,533
Equity Funds	346,447	-	-	346,447
Exchange Traded Funds	166,460	-	-	166,460
Real Estate Investment Trusts	98,734	-	-	98,734
Fixed Income Securities				
Government	1,807,646	389,965	-	2,197,611
Corporate	2,676,629	-	-	2,676,629
Total Investments	9,564,449	389,965	-	9,954,414
Investments Held by Trustee for Debt Service				
Cash and Cash Equivalents	9,129,244	-	-	9,129,244
Total	$ 28,519,854	$ 389,965	$ -	$ 28,909,819

June 30, 2022	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 6,198,739	$ -	$ -	$ 6,198,739
Investments				
Equity				
Common Stock	10,371,091	-	-	10,371,091
Equity Funds	884,962	-	-	884,962
Exchange Traded Trusts	-	-	-	-
Real Estate Investment Trusts	421,899	-	-	421,899
Fixed Income Securities				
Government	8,920,435	1,732,727	-	10,653,162
Corporate	5,717,038	-	-	5,717,038
Total Investments	26,315,425	1,732,727	-	28,048,152
Investments Held by Trustee for Debt Service				
Cash and Cash Equivalents	397,680	-	-	397,680
Total	$ 32,911,844	$ 1,732,727	$ -	$ 34,644,571

Note 6. Fair Value Measurement (Continued)

The valuation of the Pension Trust Fund's investments measured at fair value at June 30, 2023 and 2022 are as follows:

June 30, 2023	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 938,934	$ -	$ -	$ 938,934
Investments				
Equity				
Common Stock	8,945,394	-	-	8,945,394
Equity Funds	5,685,143	-	-	5,685,143
Exchange Traded Trusts	1,990,978	-	-	1,990,978
Real Estate Investment Trusts	85,752	-	-	85,752
Fixed Income Securities				
Government	2,927,843	1,453,598	-	4,381,441
Corporate	2,685,773	276,613	-	2,962,386
Total Investments	22,320,883	1,730,211	-	24,051,094
Total	$ 23,259,817	$ 1,730,211	$ -	$ 24,990,028

June 30, 2022	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 499,526	$ -	$ -	$ 499,526
Investments				
Equity				
Common Stock	8,551,186	-	-	8,551,186
Equity Funds	5,699,820	-	-	5,699,820
Exchange Traded Trusts	2,193,408	-	-	2,193,408
Real Estate Investment Trusts	311,545	-	-	311,545
Fixed Income Securities				
Government	3,118,699	1,514,390	-	4,633,089
Corporate	2,784,881	-	-	2,784,881
Total Investments	22,659,539	1,514,390	-	24,173,929
Total	$ 23,159,065	$ 1,514,390	$ -	$ 24,673,455

Note 7. Leases

Lease Receivable and Deferred Inflow of Resources

During fiscal year 2020, the Organization began leasing a suite to PCC. The lease term is for 6 years with a renewal option at the end of the lease term. The Organization will receive monthly payments of $7,268. The Organization recognized $83,202 and $81,956 in lease revenue and $4,017 and $5,263 in interest revenue for the years ended June 30, 2023 and 2022, respectively, related to this lease. As of June 30, 2023 and 2022, the Organization's receivables for lease payments were $220,841 and $304,042, respectively. Also, the Organization has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023 and 2022, the balances of the deferred inflow of resources were $215,548 and $298,990, respectively.

During fiscal year 2015, the Organization began leasing land to CBC Zachary, LLC. The lease term is for 50 years with no option to renew. The Organization will receive monthly payments of $417. The Organization recognized $1,368 and $1,327 in lease revenue and $3,632 and $3,673 in interest revenue during fiscal years 2023 and 2022, respectively, related to this lease. As of June 30, 2023 and 2022, the Organization's receivables for lease payments were $117,324 and $118,692 respectively. Also, the Organization has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023 and 2022, the balances of the deferred inflow of resources were $106,845 and $109,388, respectively.

During fiscal year 2015, the Organization began leasing land to the City of Baton Rouge, Parish of East Baton Rouge. The lease term is for 50 years with no option to renew. The Organization will receive monthly payments of $83. The Organization recognized $350 and $342 in lease revenue and $650 and $658 in interest revenue for the years ended June 30, 2023 and 2022, respectively, related to this lease. As of June 30, 2023 and 2022, the Organization's receivables for lease payments were $25,957 and $26,315, respectively. Also, the Organization has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023 and 2022, the balances of the deferred inflow of resources were $23,968 and $24,538.

Note 7. Leases (Continued)

Right-of Use-Assets and Lease Liabilities
During fiscal year 2020, the Organization entered into a five-year lease agreement as lessee for equipment with CareFusion Solutions, LLC. The Organization is required to make monthly principal and interest payments of $11,809. The lease has an interest rate of .16%.

During fiscal year 2020, the Organization entered into a five-year lease agreement as lessee for the use of facilities with Victoria Investment Properties, LLC. The Organization is required to make monthly principal and interest payments of $5,575. The lease has an interest rate of 1.53%. While the lease does have a renewal option available to the Organization, management does not believe it is probable that they will renew it.

During fiscal year 2019, the Organization entered into a five-year lease agreement as lessee for equipment with Siemens Financial Services, Inc. The Organization is required to make monthly principal and interest payments of $4,960. The lease has an interest rate of 2.797%. Additionally, the Organization has a Fair Market Value Purchase Option (FMV Option) to purchase the asset at the end of the lease term. Management has not made a determination on the likelihood of exercising this option at this time.

During fiscal year 2018, the Organization entered into a five-year lease agreement as a lessee for equipment with Xerox Financial Services, LLC. The Organization is required to make monthly principal and interest payments of $4,786. The lease has an interest rate of 2.65%. Additionally the Organization has a FMV Option to purchase the asset at the end of the lease term. Management has not made a determination on the likelihood of exercising this option at this time. The value of the right-of-use asset as of the end of the current fiscal year was $179,650 and had accumulated amortization of $161,685.

Note 7. Leases (Continued)

Right-of Use-Assets and Lease Liabilities (Continued)

The following table presents the components of the Organization's right-of-use assets and accumulated amortization at June 30, 2023 and 2022:

June 30, 2023	Asset Amount	Accumulated Amortization	Net Value
Equipment	**$ 850,123**	**$ (585,142)**	**$ 264,981**
Facilities	**288,573**	**(192,382)**	**96,191**
Total	**$ 1,138,696**	**$ (777,524)**	**$ 361,172**

June 30, 2022	Asset Amount	Accumulated Amortization	Net Value
Equipment	$ 850,123	$ (390,094)	$ 460,029
Facilities	288,573	(128,255)	160,318
Total	$ 1,138,696	$ (518,349)	$ 620,347

A schedule of changes in the Organization's lease liabilities during 2023 and 2022 is as follows:

	June 30, 2022	Additions/ Changes	Retirements/ Payments	June 30, 2023	Due Within One Year
Lease Liabilities	**$ 715,601**	**$ -**	**$ (315,078)**	**$ 400,523**	**$ 260,922**
	$ 715,601	**$ -**	**$ (315,078)**	**$ 400,523**	**$ 260,922**

	June 30, 2021	Additions/ Changes	Retirements/ Payments	June 30, 2022	Due Within One Year
Lease Liabilities	$ 1,031,293	$ -	$ (315,692)	$ 715,601	$ 315,078
	$ 1,031,293	$ -	$ (315,692)	$ 715,601	$ 315,078

Note 7. Leases (Continued)

Right of Use Assets and Lease Liabilities (Continued)

Principal and interest payments due on lease liabilities over the next five years and thereafter are as follows:

Year Ending June 30,	Principal	Interest
2024	$ 260,922	$ 1,550
2025	139,601	130
Total	$ 400,523	$ 1,680

Note 8. Long-Term Debt

A schedule of changes in the Hospital's long-term debt for 2023 and 2022 follows:

	Balance June 30, 2022	**Additions**	**Reductions**	**Balance June 30, 2023**	**Amount Due Within One Year**
Bond Anticipation Notes:					
Series 2022A	**$ -**	**$ 13,983,545**	**$ -**	**$ 13,983,545**	**$ -**
Series 2022B	**-**	**223,875**	**-**	**223,875**	**-**
Bonds Payable:					
Series 2013A	**5,920,000**	**-**	**5,920,000**	**-**	**-**
Series 2013B	**6,915,000**	**-**	**6,915,000**	**-**	**-**
Total Long-Term Debt	**$ 12,835,000**	**$ 14,207,420**	**$ 12,835,000**	**$ 14,207,420**	**$ -**

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amount Due Within One Year
Bonds Payable					
Series 2013A	$ 6,520,000	$ -	$ 600,000	$ 5,920,000	$ 600,000
Series 2013B	7,495,000	-	580,000	6,915,000	580,000
Total Long-Term Debt	$ 14,015,000	$ -	$ 1,180,000	$ 12,835,000	$ 1,180,000

Note 8. Long-Term Debt (Continued)

The terms and due dates of the Hospital's long-term debt at June 30, 2023 and 2022 follows:

The Hospital has been approved for a USDA Community Development loan to facilitate the refunding of the Series 2013A and Series 2013 notes and to finance the construction of the expansion project detailed more fully in Note 5. Pursuant to the Community Development Program Terms the Hospital entered into the following bond anticipation notes payable for interim construction financing in December 2022:

- Bond Anticipation Note Payable (Series 2022A) Authorized by Resolution dated August 29, 2022 for the purposes of providing interim financing for the project at an aggregate principal amount of $80,880,000. The note is held by the Greater Nevada Credit Union and is dated December 15, 2022. The note bears interest at 5.57% and matures December 15, 2025. Interest is payable monthly. Secured by net revenues and further secured by a mortgage of the immovable property of the Hospital (as defined in the Bond Resolution), and/or a security agreement on moveable property and equity.
- Bond Anticipation Note Payable (Series 2022B) Authorized by Resolution dated August 29, 2022 for the purposes of providing interim financing for the project at an aggregate principal amount of $9,950,000. The note is held by the Bank of Zachary, is dated December 15, 2022 and issued on a parity with the Series 2022A note. The note bears interest at 4.25% and matures December 15, 2025. Interest is payable monthly. Secured by net revenues and further secured by a mortgage of the immovable property of the Hospital (as defined in the Bond Resolution), and/or a security agreement on moveable property and equity.

The Series 2022A and 2022B notes are expected to be settled with the proceeds of the 2025 Bond issue.

The bond anticipation notes and continuing covenant agreements, require the Hospital to comply with various restrictive covenants. The covenants consist primarily of required deposits to stipulated funds, reporting requirements, insurance coverage, restrictions on additional debt, capital assets, debt service coverage ratio maintenance, and other administrative requirements. For the year ended June 30, 2023, the Hospital was in compliance with all covenants.

Note 8. Long-Term Debt (Continued)

Refunded Bonds Payable:

- Hospital Revenue and Refunding Bonds (Series 2013A), with an original principal of $12,155,000, a fixed interest rate of 3.2%, principal and interest payable quarterly effective October 1, 2013 through maturity of July 1, 2033, secured by operating revenues and property of the Hospital as defined in the trust indenture. These bonds were issued for the purpose of refunding the Series 2007 and Series 2010 bonds, and were themselves refunded with the proceeds of the 2022 Bond Anticipation Notes
- Hospital Revenue Bonds (Series 2013B), with an original principal of $10,770,000, a fixed interest rate of 3.2% payable quarterly effective October 1, 2013, principal payable quarterly effective October 1, 2015 through maturity on July 1, 2033, secured by operating revenues and property of the Hospital as defined in the trust indenture. The bonds were issued for the purpose of financing the costs of acquisition and construction of capital improvements and equipment of the Hospital and certain other healthcare facilities of the Organization, including, but not limited to, the expansion, renovation, improvement, and replacement of equipment in the Radiology Department and Cardiac Catheterization Laboratory of the Hospital. These bonds were refunded with the proceeds of the 2022 Bond Anticipation Notes.

The scheduled principal and interest repayments on long-term debt are as follows:

Year Ended	Long-Term Debt	
June 30,	**Principal**	**Interest**
2024	$ -	$ 788,398
2025	-	788,398
2026	14,207,420	394,199
Total	$ 14,207,420	$ 1,970,995

Note 9. Insurance Programs

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employees' injuries and illnesses; natural disasters; and medical malpractice.

The Hospital participates in the Louisiana Patients' Compensation Fund (the Fund) for medical malpractice claims. As a participant, the Hospital has a statutory limitation of liability, which provides that no award can be rendered against it in excess of $500,000, plus interest and costs, including future medical costs. The Fund provides coverage on an occurrence basis for claims over $100,000, and up to $500,000. In addition, the Hospital is a participant in the Louisiana Hospital Association Malpractice and General Liability Trust (the Trust). As a participant in the Trust, the Hospital is fully insured against professional liability and general liability claims, with specific loss and aggregate loss limits of $9,500,000 for professional liability claims and $4,500,000 for general liability claims, subject to a $50,000 per claim deductible.

The Hospital participates in the Louisiana Hospital Association Workers' Compensation Inter-Local Risk Management Agency. As a participant, the Hospital is insured for workers' compensation claims, subject to a $50,000 per claim deductible.

The Hospital is also self-insured for medical and dental claims up to predetermined stop-loss amounts. Claims in excess of the stop-loss amounts are insured through commercial insurance carriers. The Hospital has reflected its estimate of the ultimate liability for known and incurred but not reported claims in the accompanying basic financial statements as other current liabilities on the statements of net position.

The claims liabilities, which are included in accrued payroll and other expenses on the statements of net position at June 30, 2023 and 2022, are reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Changes in the Hospital's claims liability amount during the years ended June 30, 2023 and 2022 are reflected below:

	2023	2022
Claims Liability, Beginning of Year	**$ 238,033**	$ 218,508
Current Year Claims and Changes in Estimates	**4,070,455**	3,609,813
Current Year Claims Payments	**(4,069,218)**	(3,590,288)
Total	**$ 239,270**	$ 238,033

Note 10. Pension Plan

Plan Description

The Hospital sponsors the Lane Regional Medical Center Retirement Plan (the Plan), a contributory defined benefit pension plan. During 2002, the Board of Commissioners approved an amendment to freeze the plan with respect to new employees hired on or after July 1, 2002. Benefits will continue to accrue for all participants or potential participants employed as of June 30, 2002. The Board also approved amending the vesting schedule to provide for full vesting at five years, as well as to fully vest employees who may be included in any reduction in workforce. During 2017, the Board of Commissioners approved an amendment to freeze accrual of all benefits under the plan as of midnight June 30, 2017.

Eligibility - Prior to July 1, 2002, all employees, classified as part-time or full-time, who had at least two years of continuous service and have worked an average of 20 or more hours a week were eligible to join the Plan on its next anniversary date. Employees classified as PRN or SNAP were not eligible to participate, effective January 1, 1999.

As of June 30, 2023 and 2022, pension plan membership consisted of the following:

	2023	2022
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	**116**	117
Inactive Plan Members Entitled to but not yet Receiving Benefits	**76**	76
Active Plan Members	**0**	0
Active Frozen Plan Members	**47**	47
Total	**239**	240

Benefits Provided - The Plan provides retirement, termination, and death benefits.

Normal Retirement:
Date: Age 62 and the completion of 10 years of continuous service.

Benefit: 1.5% of Average monthly earnings times credited service.

Early Retirement:
Eligibility: Age 55 and the completion of 15 years of continuous service.

Benefit: Accrued benefit reduced 4.0% for each year prior to age 62.

Note 10. Pension Plan (Continued)

Plan Description (Continued)

Vesting:
Eligibility: Effective July 1, 2002, participants terminating prior to retirement with 5 years of service will be vested in their accrued benefits.

Benefit Amount: Accrued benefit at normal (unreduced basis) retirement date.

Death Benefits:
Pre-Retirement: The greater of (a) 60 monthly payments of the participant's projected normal retirement benefit, assuming continued service and no increase in monthly earnings to age 62, or (b) the actuarial present value of the participant's vested accrued benefit on the date of death.

Post-Retirement: Benefits payable to beneficiary in accordance with option selected at retirement. Sum of benefits paid are subject to a minimum equal to the participant's contribution account.

Funding - Prior to January 1, 2013, participants were required to contribute three percent (3%) of their monthly earnings. Effective January 1, 2013, participants are required to contribute six percent (6%) of their monthly earnings. The Hospital is required to contribute the actuarially determined amounts necessary to fund normal costs plus an additional amount necessary to amortize unfunded past service costs over a 20-year period (from the date that the past service cost was first recognized). The Hospital, however, is not allowed to contribute more than the amount necessary to achieve a ratio of "actuarial value of assets" to the "present value of accrued benefits" of 150 percent (150%), determined as of the beginning of the plan year.

Contributions - Contributions are established based upon an actuarially determined rate recommended by an independent actuary. The Annual Required Contribution (ARC) is equal to the sponsor normal cost plus an amount sufficient to amortize the unfunded actuarial accrued liability (UAAL) over 20 years. The required amount is adjusted for interest according to the timing of sponsor contributions during the year. The Hospital is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees.

Contribution Refunds - In the event an employee's employment is terminated for any reason other than retirement, the employee is entitled to a refund of his employee contributions plus interest at 3% per annum. Once an employee terminates and withdraws his employee contributions, he forfeits any right to the accrued benefit derived from employer contributions

Net Pension Liability - The Hospital's net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Note 10. Pension Plan (Continued)

Actuarial Methods and Assumptions

The total pension liability is based on the pure unit credit actuarial cost method as described in GASB 67 and GASB 68. Calculations were made as of June 30, 2023 and were based on July 1, 2022 data. The current year actuarial assumptions utilized are based on the assumptions used in the July 1, 2022 actuarial funding valuation which was based on the results of an actuarial experience study for the period 2005 - 2014. All assumptions selected were determined to be reasonable and represent expectations of future experience for the pension.

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation:	2.50%
Salary Increases, Including Inflation and Merit Increases:	N/A
Investment Rate of Return (Discount Rate):	7.25%
Municipal Bond Rate:	N/A

Mortality Rates - The mortality tables used for active, retiree, and vested terminated lives are from the PubG-2010 mortality table for healthy lives. The mortality tables used for contingent survivor lives from the PubG-2010 mortality table for contingent survivors (sex distinct) with mortality improvements projected five (5) years beyond the valuation date using scale MP-2021 and a base year of 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 10. Pension Plan (Continued)

Actuarial Methods and Assumptions (Continued)

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 are summarized in the following tables:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	6.49%
International Equity	6.55%
Domestic Fixed Income	2.65%
International Fixed Income	3.25%

Asset Class	Target Allocations
Domestic Equity	54%
International Equity	9%
Domestic Fixed Income	32%
International Fixed Income	5%

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 10. Pension Plan (Continued)

Changes in Net Pension Liability (Asset)

The components of the net pension liability (asset) reported in the Organization's statements of net position as of June 30, 2023 and 2022, are as follows:

	2023	2022
Total Pension Liability	**$ 25,455,559**	$ 25,537,805
Plan Fiduciary Net Position	**24,990,028**	24,669,955
Net Pension Liability (Asset)	**$ 465,531**	$ 867,850
Plan Fiduciary Net Position as a Total Percentage of the Total Pension Liability	**98.17%**	96.60%

The change in the net pension liability (asset) for 2023 is as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension (Asset) Liability (a) - (b)**
Balances at June 30, 2022	$ 25,537,805	$ 24,669,955	$ 867,850
Changes for the Year			
Service Cost	87,811	-	87,811
Interest	1,790,479	-	1,790,479
Changes in Assumptions	-	-	-
Differences Between Expected and Actual Experience	(101,830)	-	(101,830)
Contributions - Employer	-	-	-
Contributions - Employee	-	-	-
Net Investment Income (Loss)	-	2,195,529	(2,195,529)
Benefit Payments, Including Refunds of Employee Contributions	(1,858,706)	(1,858,706)	-
Administrative Expense	-	(16,750)	16,750
New Changes	(82,246)	320,073	(402,319)
Balances at June 30, 2023	$ 25,455,559	$ 24,990,028	$ 465,531

Note 10. Pension Plan (Continued)

Changes in Net Pension Liability (Asset) (Continued)

The change in the net pension (asset) liability for 2022 is as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at June 30, 2021	$ 25,205,943	$ 30,133,101	$ (4,927,158)
Changes for the Year			
Service Cost	109,060	-	109,060
Interest	1,770,822	-	1,770,822
Changes in Assumptions	-	-	-
Differences Between Expected and Actual Experience	231,736	-	231,736
Contributions - Employer	-	-	-
Contributions - Employee	-	-	-
Net Investment Income	-	(3,661,140)	3,661,140
Benefit Payments, Including Refunds of Employee Contributions	(1,779,756)	(1,779,756)	-
Administrative Expense	-	(22,250)	22,250
New Changes	331,862	(5,463,146)	5,795,008
Balances at June 30, 2022	$ 25,537,805	$ 24,669,955	$ 867,850

Sensitivity to Changes in the Discount Rate

The following presents the net pension asset of the Hospital as of June 30, 2023 calculated using the discount rate of 7.25%, as well as what the Hospital's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (assuming all other assumptions remain unchanged):

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability (Asset)	$ 2,882,453	$ 465,531	$ (1,616,446)

Note 10. Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2023 and 2022, the Hospital recognized a pension expense of $391,693 and $486,554, respectively. On June 30, 2023 and 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

June 30, 2023	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	**$ 1,367,722**	**$ -**
Total	**$ 1,367,722**	**$ -**

June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	$ 2,161,734	$ -
Total	$ 2,161,734	$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2022 will be recognized in pension expense as follows:

Year Ended June 30,	**Amount**
2024	$ 277,106
2025	124,501
2026	1,061,104
2027	(94,989)

Payable to the Plan - There were payables in the amount of $-0- and $3,500 for years ending June 30, 2022 and 2021, respectively.

Note 10. Pension Plan (Continued)

Other Plans

The Hospital maintains qualified defined contribution retirement and deferred compensation plans which provide benefits for eligible employees. Beginning in 2014, the Hospital reinstated plans previously established for all full-time employees.

The Hospital may make discretionary employer matches to the executive defined contribution plan. Vesting in the Hospital's contribution is based on years of service. Employees vest 20% per year for the first five years until fully vested.

The Hospital may make discretionary employer contributions equal to 50% of the pre-tax contributions up to 5% of eligible compensation. Vesting in the Hospital's contribution is based on years of service. After 60 months of service, the employee is 100% vested. Prior to that time, the employee is 0% vested.

During the years ended June 30, 2023 and 2022, the Hospital made required contributions to the plans of $523,318 and $630,702, respectively.

Note 11. Business and Credit Concentrations

Financial instruments that potentially subject the Hospital to concentrations of credit risk consist principally of unsecured accounts receivable.

The Hospital grants credit to patients, substantially all of whom are local residents. The Hospital generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, and commercial insurance policies).

The mix of net receivables from patients and third-party payors at June 30, 2023 and 2022, was as follows:

	2023	2022
Medicare	**36%**	43%
Medicaid	**11%**	13%
Commercial Insurance Companies, Health Maintenance Organizations, and Other	**40%**	35%
Self-Pay Patients	**13%**	9%
Total	**100%**	100%

Note 12. Net Patient Service Revenue and Accounts Receivable

As discussed in Note 2, patient service revenue is reported net of contractual adjustments arising from various third-party arrangements. A summary of the basis of reimbursement with third-party payors follows:

Medicare
The Hospital is paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

The prospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization which is under contract with the Hospital to perform such reviews.

Cost reimbursed outpatient services were paid at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital, and audits thereof by the Medicare fiscal intermediary. Outpatient services subject to the outpatient prospective payment system are not subject to cost report settlement with several exceptions, and without regard to the transitional corridor.

The Hospital's Medicare cost reports have been audited and finalized by the Medicare fiscal intermediary through June 30, 2018.

Medicaid
Inpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined rate per diem that includes capital costs. Certain types of outpatient services are paid based upon a cost reimbursement methodology. The Hospital is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital, and an audit thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited and finalized by the Medicaid fiscal intermediary through June 30, 2013.

Revenue from the Medicare and Medicaid programs accounted for approximately 63% of the Hospital's net patient revenue for the years ended June 30, 2023 and 2022, respectively. The laws and regulations under which Medicare and Medicaid programs operated are complex, and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Other
The Hospital has also entered into agreements with certain other commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined daily rates.

Note 13. Other Operating Revenue

Other operating revenue recognized during the years ended June 30, 2023 and 2022, consists of the following:

	2023	2022
Collaboration and Cooperative Endeavor Agreement Distributions	**$ 53,468,030**	$ 45,052,620
Medicaid Managed Care Quality Incentive Program	**2,057,514**	667,813
340B Program and Retail Pharmacy Revenues	**1,993,416**	1,082,084
Interest Income	**14,305**	9,594
Cafeteria Revenues	**565,708**	640,234
Other	**361,514**	456,286
Total Other Operating Revenues	**$ 58,460,487**	$ 47,908,631

Note 14. Commitments and Contingencies

The Hospital is involved in various legal actions and claims that arose as a result of events that occurred in the normal course of operations. The ultimate resolution of these matters is not ascertainable at this time; however, management is of the opinion that any liability or loss in excess of insurance coverage resulting from such litigation will be adequately reflected in its provisions for uninsured losses included in accrued expenses on the statements of net position.

In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance provisions for businesses and individuals. Under certain provisions in the CARES Act, the Hospital received benefits of $-0- and $2,038,332 related to provider relief funding which was recognized through other income in the statements of revenues, expenses, and changes in net position for the years ended June 30, 2023 and 2022, respectively.

Under the CARES Act, the Organization also received $7,057,577 in advances under the Medicare Accelerated and Advance Payments Program (AAPP) in April 2020. Through the Continuing Appropriations Act, 2021 and Other Extensions Act (the CA Act) that was enacted October 1, 2020, the Hospital will not be subject to recoupment of their Medicare payments for a period of one year from the date they received their AAPP payments. Starting on the date that is one year from their receipt of the AAPP payments, repayment will be made out of the Hospital’s future Medicare payments.

Note 14. Commitments and Contingencies (Continued)

The schedule for such repayments is as follows:

- Twenty five percent (25%) of the Hospital's Medicare payments will first offset against the outstanding AAPP balance for the next eleven (11) months beginning one year from the date of receipt.
- Fifty percent (50%) of the Hospital's Medicare payments will first offset against the outstanding AAPP balance for the next six (6) months.
- The Hospital will receive a letter setting forth their remaining balance and will have thirty (30) days to pay the balance in full.
- Any unpaid balance after the thirty (30) days will accrue interest at a rate of four percent (4.00%).

Recoupments totaled $1,629,940 and $5,117,788 during the years ended June 30, 2023 and 2022, respectively. The balance has been paid in full as June 30, 2023. The Hospital had classified these advances as Medicare advances on its statements of net position.

Recovery Audit Contractors
To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement Recovery Audit Contractor (RAC) and Medicaid Integrity Contractor (MIC) programs on a permanent and nationwide basis.

The programs use RACs and MICs to search for potentially improper Medicare and Medicaid payments that may have been made to healthcare providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year prior but not longer than three years. Once a RAC or MIC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare or Medicaid reimbursement in an amount estimated to equal the overpayment.

The Hospital will deduct from revenue amounts assessed under the RAC and MIC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. RAC and MIC assessments are anticipated; however, the outcome of such assessments is unknown and cannot be reasonably estimated. Management's experience has determined that RAC and MIC assessments have been insignificant to date.

Note 14. Commitments and Contingencies (Continued)

Approval for Bond Issuance and Facilities Expansion and Renovation Project
As mentioned in Note 5, in November 2020, the Organization received approval from the United States Department of Agriculture (USDA) for a bond issue (see Note 8) to renovate 37,000 square feet of the hospital and add an 82,000-square-foot, four-story medical tower. A portion of the proceeds from the bond issuance associated with the USDA's Community Facilities Direct Loan and Grant Program to update public facilities in rural areas was used in December 2022 to retire the existing Series 2013A and 2013B bonds. Construction on this project is progressing. The project is currently slated for completion during calendar year 2025 with expected total costs approximating $90 million.

Note 15. Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. The reclassifications have no effect on previously reported net income.

Note 16. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements

To improve or expand allowable healthcare services for Medicaid beneficiaries or low-income, uninsured patients, during the fiscal years ended June 30, 2023 and 2022, the Hospital entered into a series of collaborative agreements and cooperative endeavors designed to allow additional Medicaid funds for providing these services in the community.

During the fiscal year ended June 30, 2023, in accordance with the funding provisions of the these agreements, the Organization recognized $53,468,030 as other operating revenue, of which approximately $25,346,794 is included as a receivable in other current assets on the Organization's statement of net position at June 30, 2023. The Organization recognized $29,768,305 as operating expenses for the intergovernmental transfer (IGT) funds paid or payable to LDH under the terms of the agreements during fiscal year 2023, as income was recognized from the Medicaid supplemental payments, of which approximately $10,208,299 is included as a payable in accounts payable on the Organization's statement of net position at June 30, 2023.

During the fiscal year ended June 30, 2022, in accordance with the funding provisions of the above agreements, the Organization recognized $45,052,620 as other operating revenue, of which approximately $21,650,000 is included as a receivable in other current assets on the Organization's statement of net position at June 30, 2022. During fiscal year 2022, no payments were made to the LDH under the terms of the Low Income and Needy Care Collaborative Agreement. The prior year prepaid amount was fully amortized into expense through December 31, 2021. The Organization recognized $29,388,974 as operating expenses for the intergovernmental transfer (IGT) funds paid or payable to LDH under the terms of the agreements during fiscal year 2022, as income was recognized from the Medicaid supplemental payments, of which approximately $8,400,000 is included as a payable in accounts payable on the Organization's statement of net position at June 30, 2022.

Note 17. Blended Component Unit Condensed Financial Information

GASB 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and 34*, requires certain financial information about blended component units to be presented. The Organization's financial statements, which include the Hospital, Lane RMC Service Corporation, and Lane RMC Foundation, are presented in a blended format.

The table below individually discloses the net position and changes in net position for each blended entity as of and for the year ended June 30, 2023. Material inter-entity transactions are eliminated in the presentation below:

	2023				
	The Hospital	Lane RMC Service Corp	Lane RMC Foundation	Eliminations	Total
Current Assets	$ 59,293,008	$ 30,822	$ 138,678	$ -	$ 59,462,508
Capital Assets, Net	45,558,007	-	-	-	45,558,007
Other Assets	10,206,662	-	-	-	10,206,662
Deferred Outflows of Resources	1,367,722	-	-	-	1,367,722
Total Assets and Deferred Outflows of Resources	$ 116,425,399	$ 30,822	$ 138,678	$ -	$ 116,594,899
Current Liabilities	$ 21,576,792	$ 31,053	$ 474,409	$ -	$ 22,082,254
Long-Term Liabilities	14,812,552	-	-	-	14,812,552
Deferred Inflows of Resources	346,361	-	-	-	346,361
Net Position	79,689,694	$ (231)	$ (335,731)	-	79,353,732
Total Liabilities Deferred Inflows of Resources and Net Position	$ 116,425,399	$ 30,822	$ 138,678	$ -	$ 116,594,899

	2023				
	The Hospital	Lane RMC Service Corp	Lane RMC Foundation	Eliminations	Total
Operating Revenues	$ 134,860,040	$ 42,458	$ 69,726	$ -	$ 134,972,224
Depreciation	8,132,721	-	-	-	8,132,721
Other Operating Expenses	130,299,289	37,256	127,999	-	130,464,544
Operating Income	(3,571,970)	5,202	(58,273)	-	(3,625,041)
Non-Operating Revenues	1,416,177	-	-	-	1,416,177
(Deficiency) Excess of Revenues Over Expenses	(2,155,793)	5,202	(58,273)	-	(2,208,864)
Change in Net Position	$ (2,155,793)	$ 5,202	$ (58,273)	$ -	$ (2,208,864)

Note 17. Blended Component Unit Condensed Financial Information (Continued)

The table below individually discloses the net position and changes in net position for each blended entity as of and for the year ended June 30, 2022. Material inter-entity transactions are eliminated in the presentation below:

	2022				
	The Hospital	Lane RMC Service Corp	Lane RMC Foundation	Eliminations	Total
Current Assets	$ 70,870,141	$ 17,979	$ 91,188	$ -	$ 70,979,308
Capital Assets, Net	41,879,166	-	-	-	41,879,166
Other Assets	1,456,772	-	-	-	1,456,772
Deferred Outflows of Resources	2,161,734	-	-	-	2,161,734
Total Assets and Deferred Outflows of Resources	$ 116,367,813	$ 17,979	$ 91,188	$ -	$ 116,476,980
Current Liabilities	$ 21,166,037	$ 23,412	$ 368,646	$ -	$ 21,558,095
Long-Term Liabilities	12,923,373	-	-	-	12,923,373
Deferred Inflows of Resources	432,916	-	-	-	432,916
Net Position	81,845,487	$ (5,433)	$ (277,458)	-	81,562,596
Total Liabilities Deferred Inflows of Resources and Net Position	$ 116,367,813	$ 17,979	$ 91,188	$ -	$ 116,476,980

	2022				
	The Hospital	Lane RMC Service Corp	Lane RMC Foundation	Eliminations	Total
Operating Revenues	$ 124,791,557	$ 81,875	$ 45,688	$ -	$ 124,919,120
Depreciation	7,346,910	-	-	-	7,346,910
Other Operating Expenses	118,306,058	78,467	148,030	-	118,532,555
Operating Income	(861,411)	3,408	(102,342)	-	(960,345)
Non-Operating Revenues	(428,415)	-	-	-	(428,415)
(Deficiency) Excess of Revenues Over Expenses	(1,289,826)	3,408	(102,342)	-	(1,388,760)
Change in Net Position	$ (1,289,826)	$ 3,408	$ (102,342)	$ -	$ (1,388,760)

Cash flows generated by the aggregate blended components separately from the Hospital were not material and are not presented.

Note 18. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 29, 2023, and determined that the no events have occurred that required disclosure. No events occurring after the date above have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 1
OF EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE REGIONAL MEDICAL CENTER
Required Supplementary Information Under
GASB Statement No. 67
Schedule of Changes in Net Pension (Asset) Liability and Related Ratios
June 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Schedule I

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	$ 87,811	$ 109,060	$ 137,091	$ 205,586	$ 202,761	$ 165,735	$ 177,889	$ 263,541	$ 302,320	$ 281,883
Interest	1,790,479	1,770,822	1,799,596	1,755,782	1,675,044	1,658,781	1,646,656	1,877,100	1,731,263	1,708,315
Changes of Benefit Terms	-	-	-	-	-	-	(3,875,840)	-	-	-
Differences Between Expected and Actual Experience	(101,830)	231,736	(447,855)	393,517	(314,845)	(29,635)	(241,157)	(302,113)	-	-
Changes of Assumptions	-	-	-	-	1,082,703	-	-	-	-	-
Benefit Payments, Including Refund of Employee Contributions	(1,858,706)	(1,779,756)	(1,935,628)	(1,428,487)	(1,641,225)	(1,573,972)	(1,233,991)	(877,170)	(795,012)	(887,539)
Other	-	-	-	-	-	-	-	-	-	-
Net Change in Total Pension Liability	(82,246)	331,862	(446,796)	926,398	1,004,438	220,909	(3,526,443)	961,358	1,238,571	1,102,659
Total Pension Liability - Beginning	25,537,805	25,205,943	25,652,739	24,726,341	23,721,903	23,500,994	27,027,437	26,066,079	24,827,508	23,724,849
Total Pension Liability - Ending [a]	$ 25,455,559	$ 25,537,805	$ 25,205,943	$ 25,652,739	$ 24,726,341	$ 23,721,903	$ 23,500,994	$ 27,027,437	$ 26,066,079	$ 24,827,508
Plan Fiduciary Net Position										
Contributions - Member	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 435,251
Contributions - Employer	-	-	-	-	-	-	261,111	286,162	330,784	359,293
Net Investment Income (Loss)	2,195,529	(3,661,140)	6,469,468	1,069,355	1,618,065	1,544,579	2,386,303	(231,606)	684,951	3,549,170
Benefit Payments, Including Refund of Employee Contributions	(1,858,706)	(1,779,756)	(1,935,628)	(1,428,487)	(1,641,225)	(1,573,972)	(1,233,991)	(877,170)	(795,012)	(887,539)
Administrative Expenses	(16,750)	(22,250)	(18,500)	(23,100)	(18,875)	(34,000)	(41,024)	(21,250)	-	-
Other	-	-	-	-	-	-	-	(113,975)	-	-
Net Change in Plan Fiduciary Net Position	320,073	(5,463,146)	4,515,340	(382,232)	(42,035)	(63,393)	1,372,399	(957,839)	220,723	3,456,175
Plan Fiduciary Net Position - Beginning	24,669,955	30,133,101	25,617,761	25,999,993	26,042,028	26,105,421	24,733,022	25,690,861	25,470,138	22,013,963
Plan Fiduciary Net Position - Ending [b]	$ 24,990,028	$ 24,669,955	$ 30,133,101	$ 25,617,761	$ 25,999,993	$ 26,042,028	$ 26,105,421	$ 24,733,022	$ 25,690,861	$ 25,470,138
Net Pension Liability (Asset) Ending [a-b]	$ 465,531	$ 867,850	$ (4,927,158)	$ 34,978	$ (1,273,652)	$ (2,320,125)	$ (2,604,427)	$ 2,294,415	$ 375,218	$ (642,630)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.17%	96.60%	119.55%	99.86%	105.15%	109.78%	111.08%	91.51%	98.56%	102.59%
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	$ 4,280,358	$ 4,280,358	$ 4,542,786	$ 5,104,694	$ 6,061,360
Net Pension (Asset) Liability as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	-54.20%	-60.85%	50.51%	7.35%	-10.60%

This schedule is intended to show information for 10 years.

See independent auditor’s report.

HOSPITAL SERVICE DISTRICT NO. 1
OF EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE REGIONAL MEDICAL CENTER
Required Supplementary Information Under
GASB Statement No. 68
Schedule of Employer Contributions
For the Years Ended June 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Schedule II

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution (Determined as of the Prior Fiscal Year)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 435,251
Contributions in Relation to the Actuarially Determined Contribution	-	-	-	-	-	-	-	-	-	435,251
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	$ 4,280,358	$ 4,280,358	$ 4,542,786	$ 5,104,694	$ 6,061,360
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	0.00%	0.00%	0.00%	0.00%	7.18%

This schedule is intended to show information for 10 years.

See independent auditor’s report.

HOSPITAL SERVICE DISTRICT NO. 1
OF EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE REGIONAL MEDICAL CENTER
Required Supplementary Information Under
GASB Statement No. 67
Schedule of Investment Returns
For the Years Ended June 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Schedule III

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	9.21%	-12.49%	26.12%	4.22%	6.40%	6.09%	9.83%	-0.92%	2.74%	16.23%

This schedule is intended to show information for 10 years.

See independent auditor's report.

The supplementary information presented in Schedules I, II, and III above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date: June 30, 2023

Methods and Assumptions

Actuarial Cost Method: The Pure Unit Credit Method

Asset Valuation Method: All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by the actual market value investment return against expected market value investment return) over a five-year period.

Actuarial Assumptions:

Salary Increases: Not applicable for Frozen Plan.

Interest Rate: 7.25% per year compounded annually, net of investment-related expenses.

Marital Status: 100% of active participants are assumed to be married at benefit commencement. Males are assumed to be 3 years older than females.

Payment Form: 20% of active participants are assumed to elect lump-sum benefits at retirement.

Retirement Rates:

Attained Age	Rate of Retirement
55 - 61	7.5%
62	25%
63	25%
64	50%
65	100%

Methods and Assumptions (Continued)

Actuarial Assumptions (Continued):

Termination Rates:

Attained Age	Rate of Retirement
All Ages	4.00%

Mortality:

Active, Retiree, and Vested Terminated Lives:
PubG-2010 Mortality Table for healthy lives.

Contingent Survivor Lives:
PubG-2010 Mortality Table for Contingent Survivors.

The mortality assumptions for all participants are sex distinct with mortality improvement projected 5 years beyond the valuation date using scale MP-2021 and a base year of 2010. We feel these assumptions sufficiently accommodate anticipated future mortality improvements.

OTHER SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 1
OF EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE REGIONAL MEDICAL CENTER
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended June 30, 2023

Agency Head
Lawrence R. Meese, Chief Executive Officer

Purpose	Amount
Salary	$390,296
Benefits - Insurance	$701
Benefits - Retirement	$8,151
Benefits - Other	$1,587
Car Allowance	$0
Vehicle Provided by Government	$0
Per Diem	$0
Reimbursements	$580
Travel	$0
Registration Fees	$0
Conference Travel	$0
Continuing Professional Education Fees	$0
Housing	$0
Unvouchered Expenses	$0
Special Meals	$0
Incentive Payments	$359,861

See independent auditor’s report.

HOSPITAL SERVICE DISTRICT NO. 1
OF EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE REGIONAL MEDICAL CENTER
Schedule of Board of Commissioners and Salaries
For the Years Ended June 30, 2023 and 2022

	2023	2022
Jordan Charlet	**$ 100**	$ 175
Thomas Scott, Jr.	**100**	150
Donna Kline	**75**	175
Reagan Elkins	**75**	200
Gaynell Young	**75**	150
Darnell Waites	**75**	175
Deborah Brian	**100**	175
David Bowman	**75**	150
Nakeisha Cleveland	**75**	150
Total	**$ 750**	$ 1,500

See independent auditor’s report.

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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*

Independent Auditor's Report

To the Board of Commissioners
Hospital Service District No. 1 of
East Baton Rouge Parish, Louisiana
d/b/a Lane Regional Medical Center
Zachary, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Hospital Service District No. 1 of East Baton Rouge Parish, Louisiana, d/b/a Lane Regional Medical Center (the Organization), a component unit of the City-Parish of Baton Rouge, and the Lane Regional Medical Center Retirement Plan (the Plan) (a fiduciary fund of the Organization) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated November 29, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Organization'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 Organization's and the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's or the Plan's internal control.

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

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

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

Organization's Response to Findings
Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs). The Organization'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 results of that testing, and not to provide an opinion on the effectiveness of the Organization's or the Plan'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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
November 29, 2023

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

Independent Auditor's Report

To the Board of Commissioners
Hospital Service District No. 1 of
East Baton Rouge Parish, Louisiana
d/b/a Lane Regional Medical Center
Zachary, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hospital Service District No. 1 of East Baton Rouge Parish, Louisiana, d/b/a Lane Regional Medical Center's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Organization and to meet our 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 Organization'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, regulations, contracts, and grants applicable to the Organization's federal programs.

Auditor's 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 Organization'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 Organization'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 Organization'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 Organization'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

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

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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

LaPorte

A Professional Accounting Corporation

Metairie, LA
November 29, 2023

HOSPITAL SERVICE DISTRICT NO. 1
OF EAST BATON ROUGE PARISH, LOUISIANA
d/b/a LANE REGIONAL MEDICAL CENTER
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Grantor/Program Title/ Pass-Through Grantor's Number	Listing Number	Contract Period	Federal Expenditures
U.S. Department of Agriculture			
Community Facilities Loans and Grants (Loan)	10.766	12/15/2022-12/15/2025	$ 14,207,420
U.S. Department of Health and Human Services:			
COVID-19 - Provider Relief Fund	93.498	1/1/2020-12/31/2022	2,130,356
U.S. Department of Health and Human Services:			
Louisiana Hospital Association			
National Bioterrorism Hospital Preparedness Program	93.889	09/01/2022-8/31/2023	18,786
Total Expenditures of Federal Awards			$ 16,356,562

Note 1. Basis of Accounting

The Schedule of Expenditures of Federal Awards (SEFA) is prepared using the accrual basis of accounting.

Complete Assistance Listing Numbers are presented for those programs for which such numbers were available. Assistance Listing Number prefixes and other identifying numbers are presented for programs for which a complete Assistance Listing Number is not available.

Note 2. Indirect Cost Rate

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

Note 3. Reconciliation of Provider Relief Fund Grant Revenue Recognized in the Financial Statements to Federal Award Expended on the SEFA

During fiscal year 2020, the U. S. Department of Health and Human Services (HHS) began providing COVID-19 related Funding under Assistance Listing Number 93.498. The funds are to be utilized to offset eligible COVID-19 expenditures and lost revenues related to COVID-19 as defined in the program regulations. The Organization recognized amounts received as the programs requirements were met as shown in the table below. The amounts received and expended are reported in the SEFA according to HHS periods of availability (also known as the "period of performance"). Accordingly, the $2,130,356 expended in “Period 4” is reported on the June 30, 2023 SEFA.

Reporting Period	Total Funding Received	Amount Recognized as Revenue in the Statement of Activities	Amount Recognized as Deferred Revenue	Amount Reported as Federal Expenditure on SEFA
FYE June 30, 2022	$ 2,038,332	$ 2,038,332	$ -	$ 5,142,024
FYE June 30, 2023	**$ -**	**$ -**	**$ -**	**$ 2,130,356**

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None Reported
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards Section

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the *Uniform Guidance*?	No

Identification of Major Programs:
10.766 Community Facilities Loans and Grants (Loan)
93.498 COVID-19 Provider Relief Fund

Dollar threshold used to determine Type A programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

2023-001 Bank Reconciliation Timing

Criteria: The functioning of established processes, controls, and monitoring, including the timely preparation of monthly bank reconciliations of the Medical Center's cash accounts to help ensure accurate and up to date financial reporting.

Condition: The Medical Center experienced delays in completing the reconciliation process during certain months during FYE 2023 and at year end.

Cause: The condition has not been observed in the past and it appears this instance resulted from the ongoing implementation of new systems, staff turnover, and related training necessary during the fiscal year and period thereafter.

Effect: The condition resulted in a delay in the assurance that all transactions were recorded to the general ledger properly and in the correct period. We did note that when complete no significant entries resulted from the reconciliation process.

Recommendation: We recommend that management consider establishing a predetermined date by which the reconciliation process should be complete each month and that this date be no more than thirty days after receipt of or access to the statements. As roles and responsibilities change amongst accounting personnel, we also recommend that management also revisit the monitoring role assignments to ensure that the bank reconciliations are reviewed by someone not involved in the reconciliation process itself and that such review be documented.

Views of Responsible Officials and Planned Corrective Actions: The Medical Center concurs with recommendation, and continues to evaluate and revise existing processes as necessary throughout its currently ongoing IT systems implementation process.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2023

None.

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AGREED-UPON PROCEDURES REPORT

Hospital Service District No. 1 of East Baton Rouge
Parish, Louisiana d/b/a Lane Regional Medical Center

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period July 1, 2022 - June 30, 2023

To the Board of Commissioners
Hospital Service District No. 1 of East Baton Rouge
Parish, Louisiana d/b/a Lane Regional Medical Center
And the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the Hospital Service District No. 1 of East Baton Rouge Parish, Louisiana d/b/a Lane Regional Medical Center's (the Organization) control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year July 1, 2022 through June 30, 2023. The Organization's management is responsible for those C/C areas identified in the SAUPs.

The Organization 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 the LLA's SAUPs for the fiscal year July 1, 2022 through June 30, 2023. Additionally, the 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 results are as follows:

1. *Written Policies and Procedures*

A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

   i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

   ii. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

iii. ***Disbursements***, including processing, reviewing, and approving.

iv. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

v. ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

vi. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

vii. ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

viii. ***Credit Cards (and debit cards, fuel cards, 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).

ix. ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

x. ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

xi. ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

xii. ***Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: Exception noted for the following procedures:

xi) Policy does not address the use of antivirus software on systems or the application of system and software updates.

xii) Policy does not include information relating to employee training or annual reporting

2) Board or Finance Committee

A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

   i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

   ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

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

   iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

   Results: No exceptions were found as a result of this procedure.

3) Bank Reconciliations

A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

   i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

   ii. Bank reconciliations include 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

   iii. 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.

   Results: We noted bank reconciliations did not contain an indication that they were prepared within 2 months of the related statement closing date.

4) Collections (excluding electronic funds transfers)

A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: We obtained management's representation that the listing provided is complete.

B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (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:

i. Employees that are responsible for cash collections do not share cash drawers/registers.

ii. 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.

iii. 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.

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

Results: No exceptions were found as a result of this procedure.

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

Results: No exceptions were found as a result of this procedure.

D. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3A 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:

i. Observe that receipts are sequentially pre-numbered.

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

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

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

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

Results: No exceptions were found as a result of this procedure.

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

A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: No exceptions were found as a result of this procedure.

B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties) and observe that job duties are properly segregated such that:

i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

ii. At least two employees are involved in processing and approving payments to vendors.

iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Results: No exceptions were found as a result of this procedure.

C. 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:

i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

Results: No exceptions were found as a result of this procedure.

D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: No exceptions were found as a result of this procedure.

6) Credit Cards/Debit Cards/Fuel Cards/P-Cards

A. 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.

Results: We obtained management's representation that the listing provided is complete.

B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

i. Observe that 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.]

ii. Observe that finance charges and late fees were not assessed on the selected statements.
iii.
Results: We noted that finance charges and late charges were assessed on the statement of one of our selections.

C. Using the monthly statements or combined statements selected under #6B above, <u>excluding fuel cards</u>, 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.

Results: We noted that two of the selected transactions did not contain documentation of the business/public purpose.

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

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

   i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

   ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

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

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

   Results: No exceptions were found as a result of this procedure.

8) Contracts

A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *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:

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

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

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

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

   Results: No exceptions were found as a result of this procedure.

9) Payroll and Personnel

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

Results: No exceptions were found as a result of this procedure.

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

  i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
  ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials.
  iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
  iv. Observe whether the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Results: No exceptions were found as a result of this procedure.

C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Results: No exceptions were found as a result of this procedure.

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

Results: We obtained management's representation that the employer and employee portions of third-party payroll related amounts have been paid, and any associated forms have been filed, by required deadlines.

10) Ethics

A. Using the 5 randomly selected employees/officials from procedure #9A under "Payroll and Personnel" above, obtain ethics documentation from management, and:

   i. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

   ii. 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.

   Results: One randomly selected employee in a supervisory role did not take the ethics training.

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

   Results: No exceptions were found as a result of this procedure.

11) Debt Service

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

   Results: No exceptions were found as a result of this procedure.

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

   Results: No exceptions were found as a result of this procedure.

12) Fraud Notice

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

   Results: No exceptions were found as a result of this procedure.

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

Results: No exceptions were found as a result of this procedure.

13) Information Technology Disaster Recovery/Business Continuity

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

   i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if 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.

   ii. 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.

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

Results: We performed the procedure and discussed the results with management.

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: We performed the procedure and discussed the results with management.

14) Sexual Harassment

A. Using the 5 randomly selected employees/officials from procedure #9 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Results: No exceptions were found as a result of this procedure.

B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Results: No exceptions were found as a result of this procedure.

C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that it includes the applicable requirements of R.S. 42:344:

   i. Number and percentage of public servants in the agency who have completed the training requirements;

   ii. Number of sexual harassment complaints received by the agency;

   iii. Number of complaints which resulted in a finding that sexual harassment occurred;

   iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

   v. Amount of time it took to resolve each complaint.

   <u>Results</u>: We noted that the sexual harassment report was not completed on or before February 1st during fiscal year 2023.

We were engaged by the Council 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 Council 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 on those C/C areas identified in Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, and the results 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 Louisiana Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Baton Rouge, LA
November 30, 2023

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RE: SAUP Agreed-Upon Procedures

The management of Hospital Service District No. 1 of East Baton Rouge Parish, Louisiana wishes to provide the following responses relative to the results of the 2023 statewide agreed-upon procedures engagement:

1) In response to the results of the Written Policies and Procedures section, the Medical Center will review and amend its written policies and procedures for the exceptions noted in items v) xi) and xii).

2) In response to the exception detailed in item 3A., we will establish a predetermined date by which the reconciliation process will be completed each month and have that date be no more than thirty days after receipt of or access to the statements to ensure we are compliant in this area in fiscal year 2024.

3) In relation to the exception noted in item 6B. where finance charges and late charges were noted on the October credit card statement, we believe this is an isolated incidence involving a small amount of finance charges. Our existing policy is to pay the statement balance in full each month once all documentation and approvals have been maintained and assembled.

4) In response to item 6C we note that we have existing policies in place requiring the documentation of business purpose for credit card purchases and will continue to emphasize the need that documentation must be maintained.

5) Regarding the requirement for public servants to take one hour of ethics training in item 10A., we will have our Staff Development department ensure that all employees who act in a supervisory role to take annual ethics training to ensure we are compliant in this area in fiscal year 2024.

Sincerely,

Michael Devall, CPA
Chief Financial Officer