

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2021 AND 2020



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Financial Statements
And
Independent Auditors' Report
Years Ended September 30, 2021 and 2020

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

This section of the Hospital Service District's (the District) annual financial report presents background information and management's analysis of the Hospital Service District's financial performance during the fiscal year that ended on September 30, 2021. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The District's total assets decreased by \$2,575,096, mainly because of decrease in cash of \$7,650,807. In fiscal year (FY) 2020 the District's total assets increased by \$14,532,721 due to CARES Act cash received to mitigate the effects of the Coronavirus pandemic which began in March 2020. A decrease of \$1,845,296 occurred during fiscal year (FY) 2019. In FY 2021 Accounts Receivable, net, increased by \$1,272,501, due to slower collections. Accounts receivable, net, decreased by \$1,030,561 and \$414,330 in fiscal years 2020 and 2019, respectively.
- During the year, the District's total operating revenues increased by \$2,172,164. Bad debts decreased by \$790,000 and gross patient revenue increased by \$725,000. In FY 2020, the response to the Covid-19 pandemic caused a decrease in outpatient revenue. In 2019 there was a decrease of \$1,173,149 due to "clean up" of older claims and updates to the percentages used for the contractual allowance calculation.
- Total operating expenses increased by \$217,681 or 1%, \$2,329,853 or 8%, and \$1,483,392 or 6%, in fiscal years 2021, 2020, and 2019, respectively. Increases in salaries and benefits of \$1,569,898 and \$432,757, occurred in FYs 2020 and 2019, respectively. The FY 2020 increase was mainly due to raises given to staff during the coronavirus pandemic and \$500,000 increase in employee health insurance claims. Other expenses increased also.
- The District had a loss from operations of \$2,011,340 in fiscal year 2021, mainly due to increase in patient service revenues compared to fiscal year 2020's loss of \$3,965,823 which followed a loss of \$1,880,061 in fiscal year 2019. The novel Coronavirus pandemic was declared in FY 2020. Loss in volume was the cause of sharp decreases in revenue from all areas of the District in FY 2020.

Required Financial Statements

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

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

Required Financial Statements (Continued)

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

Financial Analysis of the Hospital Service District

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

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

Net Position

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

TABLE 1
Condensed Statements of Net Position

	<u>2021</u>	September 30, <u>2020</u>	<u>2019</u>
Total current assets	\$ 11,675,177	\$ 17,774,506	\$ 6,049,525
Nondepreciable capital assets	3,857,781	822,485	321,203
Depreciable capital assets - net	12,362,958	11,377,146	11,135,152
Assets limited to use	2,594,321	3,088,918	1,022,176
Other assets	<u>11,414</u>	<u>13,692</u>	<u>15,970</u>
 Total Assets	 \$ <u>30,501,651</u>	 \$ <u>33,076,747</u>	 \$ <u>18,544,026</u>
 Current liabilities	 \$ 6,334,281	 \$ 13,480,797	 \$ 3,876,776
Long-term debt	4,369,462	7,443,300	3,141,610
Invested in capital assets, net of related debt	11,145,671	6,827,856	7,902,041
Restricted: debt reserve fund	2,605,080	3,088,918	1,022,176
Unrestricted	<u>6,047,157</u>	<u>2,235,876</u>	<u>2,601,423</u>
 Total Liabilities and Net Position	 \$ <u>30,501,651</u>	 \$ <u>33,076,747</u>	 \$ <u>18,544,026</u>

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

Summary of Revenues, Expenses, and Changes in Net Position

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

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

	<u>2021</u>	September 30, <u>2020</u>	<u>2019</u>
Revenues			
Net patient service revenue	\$ 25,309,418	\$ 24,181,870	\$ 24,284,999
Operating grants & IGT	1,764,615	1,168,178	1,489,350
Other operating revenue	1,403,342	955,163	286,771
Total Revenues	<u>28,477,375</u>	<u>26,305,211</u>	<u>26,061,120</u>
Expenses			
Salaries and benefits	15,518,404	15,815,045	14,245,147
Other expenses	13,930,583	13,448,812	12,625,985
Depreciation and amortization	1,039,728	1,007,177	1,070,049
Total Expenses	<u>30,488,715</u>	<u>30,271,034</u>	<u>27,941,181</u>
Operating Income (Loss)	<u>(2,011,340)</u>	<u>(3,965,823)</u>	<u>(1,880,061)</u>
Nonoperating Revenues (Expenses)			
Property taxes	288,090	282,015	266,969
Interest income	22,634	21,775	12,740
Interest expense	(207,266)	(164,163)	(175,918)
Covid-19 grants and loan forgiveness	9,421,311	3,715,413	-0-
Hurricane evacuees	10,000	-0-	-0-
Gain on disposal of assets	(12,457)	-0-	313
Changes in Net Position before Capital Grants	7,510,972	(110,783)	(1,775,957)
Capital grants	<u>134,286</u>	<u>737,793</u>	<u>-0-</u>
Increase (Decrease) in Net Position	7,645,258	627,010	(1,775,957)
Net Position at Beginning of Year	<u>12,152,650</u>	<u>11,525,640</u>	<u>13,301,597</u>
Net Position at End of Year	\$ <u>19,797,908</u>	\$ <u>12,152,650</u>	\$ <u>11,525,640</u>

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

Sources of Revenue

Operating Revenue

During fiscal year 2021, the District derived the majority of its total revenue from patient services. Patient service revenue includes revenue from the Medicare and Medicaid programs, commercial insurance, other various third-party payors, and patients who receive care in the District's facilities. Reimbursement for the Medicare and Medicaid programs, commercial insurance, and other third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance.

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

**TABLE 3
Payor Mix by Percentage**

LaSalle General Hospital
September 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicare	37%	41%	44%
Medicaid	26%	27%	25%
Commercial Insurance	35%	31%	29%
Self Pay	2%	1%	2%

LaSalle Nursing Home
September 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicare	14%	27%	26%
Medicaid	72%	62%	59%
Commercial Insurance	N/A	N/A	N/A
Self Pay	14%	11%	15%

Non-operating Income

The District has funds invested primarily in a Certificate of Deposit (CD) of \$972,200 held during FY 2021 with Sabine State Bank which has a security interest in the CD which is collateral for a loan of \$593,158. The difference is secured by pledged securities and FDIC insurance. Limited use assets at year-end include the above restricted CD and bond proceeds of \$1,392,080 to be used for equipment or facilities renovation.

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

Non-operating Income (Continued)

In FY 2021 the remainder of the PRF funds was earned and recognized as non-operating income, \$6,750,146. The Paycheck Protection loan was forgiven and recognized as non-operation income also in the amount of \$2,671,165. During FY 2020, the District received Provider Relief Funds (PRF) of \$9,593,780 for the Hospital and \$714,322 for the Nursing Home. This money was from the CARES Act in response to the Coronavirus pandemic. Of these funds \$3,715,413 was used in preparing, preventing and responding to the Coronavirus in FY 2020.

Operating and Financial Performance

The following summarizes the District's Statements of Revenues, Expenses, and Changes in Net Position between 2021, 2020, and 2019:

Overall activity at the Hospital, as measured by acute (including new unit) patient discharges, was 717, 707, and 943, in 2021, 2020, and 2019, respectively. Acute patient days were 6,131 in 2021, 5,159 in 2020, compared to 6,812 in 2019. In fiscal year 2020, the Coronavirus pandemic resulted in a large decrease in patient days. The overall operating loss in FY 2020 of \$3,965,823 was the result of the pandemic. Average length of stay was 8.55 for 2021, compared to 7.30 in 2020, and 7.22 in 2019.

For Swing Bed activity at the Hospital, discharges were 17, 23, and 13 for 2021, 2020, and 2019, respectively. Swing Bed patient days were 201, 311, and 129, in 2021, 2020, and 2019, respectively.

The Nursing Home average census decreased from 62 to 61 residents compared to 74 residents in fiscal year 2019. The Nursing Home continues to suffer from the results of the pandemic.

Net Patient Service Revenue (NPSR) for the District increased by \$1,127,548 compared to the small decrease of \$103,129 in fiscal year 2020, compared to a decrease of \$1,852,695 or 7% in fiscal year 2019. The pandemic's effect on the District resulted in lower volumes in all areas of the Hospital and Nursing Home in FY 2020 and the District is still feeling the effects of the pandemic. The District is actively recruiting additional physicians for the rural health clinic.

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

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

Capital Assets

Table 4 presents a condensed schedule of capital assets.

**TABLE 4
Capital Assets**

	<u>2021</u>	September 30, <u>2020</u>	<u>2019</u>
Nondepreciable capital assets			
Land	\$ 278,893	\$ 278,893	\$ 278,893
Construction in progress	<u>3,578,888</u>	<u>543,592</u>	<u>42,310</u>
Total nondepreciable capital assets	3,857,781	822,485	321,203
Depreciable capital assets			
Land improvements	416,711	343,621	326,878
Buildings and fixed equipment	20,505,900	19,274,717	18,389,253
Moveable equipment	<u>10,750,198</u>	<u>10,375,369</u>	<u>10,030,685</u>
Total depreciable capital assets	31,672,809	29,993,707	28,746,816
Less: accumulated depreciation	<u>19,309,851</u>	<u>18,616,561</u>	<u>17,611,664</u>
Total depreciable capital assets, net	\$ <u>12,362,958</u>	\$ <u>11,377,146</u>	\$ <u>11,135,152</u>

The District's net capital assets (depreciable and non-depreciable) increased in 2021 by \$985,812 from the completion of some projects. In 2020 they increased by \$241,994, in 2019, they increased by \$1,796,818. Construction in Progress increased by \$3,035,296 due to the ER project of approximately \$1,000,000 and negative pressure project of approximately \$2,000,000. The District completed projects in FY 2021 and reclassified projects from construction in process to Buildings and Equipment.

Long-term Debt

At year-end, the District had \$5,075,068 in long-term debt. In fiscal year 2020 the District borrowed \$2,000,000 in bonds to perform needed repairs and renovations on the Hospital. A balance of \$1,869,000 remains at year-end. The Paycheck Protection Plan loan entered into in FY 2020 in the amount of \$2,671,165 was forgiven in FY 2021. The District took out a \$2,500,000 loan in 2009 for construction of the Physician Office Building, which opened September 1, 2009. This loan was refinanced in fiscal year 2018 at Sabine State Bank with a balloon payment due March 23, 2023. The balance at year end is \$593,158. Capital leases totaling \$335,562 were entered into in fiscal year 2021. More detailed information about the District's long-term debt is presented in Note 11 to the combined financial statements.

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

Contacting the Hospital Service District's Financial Manager

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



LESTER, MILLER & WELLS

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying combined financial statements of Hospital Service District No. 2, Parish of LaSalle, State of Louisiana (the "District"), a component unit of the LaSalle Parish Police Jury, Jena, Louisiana, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's combined financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 2, Parish of LaSalle as of September 30, 2021 and 2020, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the combined financial statements present only the financial information of Hospital Service District No. 2 and do not purport to, and do not, present fairly the financial position of the LaSalle Parish Police Jury as of September 30, 2021 and 2020, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

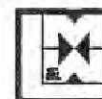
Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also a required part of the combined financial statements.



The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the combined 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 June 27, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Alexandria, Louisiana

June 27, 2022



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

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents (Note 3)	\$ 4,826,432	\$ 12,477,239
Limited use assets - required for current liabilities (Note 4)	10,759	22,750
Accounts receivable, net (Note 5)	4,026,100	2,753,599
Estimated third-party payor settlements	1,508,916	1,425,611
Other receivables	805,960	532,092
Inventory	317,291	283,873
Prepaid expenses	179,719	279,342
Total Current Assets	<u>11,675,177</u>	<u>17,774,506</u>
Non-Current Assets		
Nondepreciable capital assets (Note 6)	3,857,781	822,485
Depreciable capital assets, net (Note 6)	12,362,958	11,377,146
Limited use assets (Note 4)	2,594,321	3,088,918
Other assets (Note 7)	11,414	13,692
 Total Assets	 <u>\$ 30,501,651</u>	 <u>\$ 33,076,747</u>
 <u>LIABILITIES AND NET POSITION</u>		
Current Liabilities		
Accounts payable	\$ 1,254,637	\$ 1,483,594
Accrued expenses and withholdings (Note 8)	1,318,520	1,229,199
Estimated third-party payor settlements	622,379	272,340
Deferred revenue	-0-	6,389,839
Medicare advance payments (Note 19)	2,016,449	2,872,499
Limited use assets	10,759	225,600
Retirement plan payable	405,931	408,086
Current portion of long-term debt (Note 11)	705,606	599,640
Total Current Liabilities	<u>6,334,281</u>	<u>13,480,797</u>
 Long-term debt, net of current maturities (Note 11)	 <u>4,369,462</u>	 <u>7,443,300</u>
 Total Liabilities	 <u>\$ 10,703,743</u>	 <u>\$ 20,924,097</u>

See accompanying notes to financial statements.

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

	<u>2021</u>	<u>2020</u>
Net Position		
Invested in capital assets, net of related debt	\$ 11,145,671	\$ 6,827,856
Restricted (Note 4)	2,605,080	3,088,918
Unrestricted	<u>6,047,157</u>	<u>2,235,876</u>
Total Net Position	<u>19,797,908</u>	<u>12,152,650</u>
Total Liabilities and Net Position	\$ <u>30,501,651</u>	\$ <u>33,076,747</u>

See accompanying notes to financial statements.

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

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Net patient service revenue (Note 12)	\$ 25,309,418	\$ 24,181,870
Operating grants	82,163	89,150
Intergovernmental transfer grants	1,682,452	1,079,028
Other operating revenue	<u>1,403,342</u>	<u>955,163</u>
 Total Operating Revenues	 <u>28,477,375</u>	 <u>26,305,211</u>
Operating Expenses		
Salaries and benefits	15,518,404	15,815,045
Medical supplies and drugs	2,111,074	1,798,565
Insurance	518,824	403,570
Professional fees	3,110,755	2,853,890
Other expenses	8,189,930	8,392,787
Depreciation and amortization	<u>1,039,728</u>	<u>1,007,177</u>
 Total Operating Expenses	 <u>30,488,715</u>	 <u>30,271,034</u>
 Operating Income (Loss)	 <u>(2,011,340)</u>	 <u>(3,965,823)</u>
Nonoperating Revenues (Expenses)		
Property taxes	288,090	282,015
Interest income	22,634	21,775
Interest expense	(207,266)	(164,163)
Loan forgiveness	2,671,165	-0-
Covid-19 grants	6,750,146	3,715,413
Hurricane evacuees	10,000	-0-
Gain (loss) on disposal of assets	<u>(12,457)</u>	<u>-0-</u>
 Changes in Net Position before Capital Grants	 7,510,972	 (110,783)
Capital grants	<u>134,286</u>	<u>737,793</u>
 Increase (Decrease) in Net Position	 7,645,258	 627,010
 Net Position at Beginning of Year	 <u>12,152,650</u>	 <u>11,525,640</u>
 Net Position at End of Year	 \$ <u>19,797,908</u>	 \$ <u>12,152,650</u>

See accompanying notes to financial statements.

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

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 23,447,601	\$ 27,511,962
Other receipts from operations	2,894,089	1,880,572
Cash payments to employees and for employee-related cost	(15,431,238)	(15,750,586)
Cash payments for other operating expenses	<u>(14,093,332)</u>	<u>(13,755,940)</u>
Net cash provided (used) by operating activities	<u>(3,182,880)</u>	<u>(113,992)</u>
Cash flows from investing activities:		
Proceeds (invested) from limited use assets	(5,329)	202,855
Interest income	<u>22,634</u>	<u>21,775</u>
Net cash provided (used) by investing activities	<u>17,305</u>	<u>224,630</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	288,090	282,015
Proceeds from hurricane evacuees	10,000	-0-
Proceeds from Paycheck Protection Plan	-0-	2,671,165
Proceeds from Covid-19 grants	360,307	10,105,252
Proceeds (used) from limited use assets	<u>(310,844)</u>	<u>-0-</u>
Net cash provided (used) by non-capital financing activities	<u>347,553</u>	<u>13,058,432</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,723,000)	(1,475,473)
Proceeds from bond issuance	-0-	2,000,000
Principal payments on long-term debt	(632,268)	(455,239)
Interest expense on long-term debt	(207,266)	(164,163)
Proceeds from limited use assets	607,920	(2,066,742)
Proceeds from capital grants	134,286	737,793
Proceeds (loss) from disposal of capital assets	<u>(12,457)</u>	<u>-0-</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (4,832,785)</u>	<u>\$ (1,423,824)</u>

See accompanying notes to financial statements.

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

	<u>2021</u>	<u>2020</u>
Net increase (decrease) in cash and cash equivalents	\$ (7,650,807)	\$ 11,745,246
Beginning cash and cash equivalents	<u>12,477,239</u>	<u>731,993</u>
Ending cash and cash equivalents	\$ <u>4,826,432</u>	\$ <u>12,477,239</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ <u>207,266</u>	\$ <u>164,163</u>
Equipment acquired under capital lease	\$ <u>335,562</u>	\$ <u>272,700</u>
Forgiveness of Paycheck Protection Plan loan	\$ <u>2,671,165</u>	\$ <u>-0-</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income (loss)	\$ (2,011,340)	\$ (3,965,823)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,039,731	1,007,175
Change in current assets (increase) decrease:		
Net patient accounts receivable	(1,272,501)	1,030,561
Other receivables	(273,868)	(242,769)
Estimated third-party payor settlements	266,734	(572,968)
Inventory	(33,418)	(45,156)
Prepaid expenses	99,623	(145,410)
Change in current liabilities (increase) decrease:		
Accounts payable	(228,957)	(47,958)
Cash overdraft	-0-	(68,602)
Accrued expenses and withholdings payable	89,321	38,989
Medicare advance payments	(856,050)	2,872,499
Retirement plan payable	<u>(2,155)</u>	<u>25,470</u>
Net cash provided (used) by operating activities	\$ <u>(3,182,880)</u>	\$ <u>(113,992)</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2021 and 2020

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

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

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

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

Nature of Business

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

Basis of Accounting

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

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

Principles of Combination

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

Cash and Cash Equivalents

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

Credit Risk

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

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Accordingly, changes in federal and state legislation or interpretations of rules have a significant impact on the District.

Inventory

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue

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

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

Patient Accounts Receivable

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

Capital Assets

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

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

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

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

Revenues and Expenses

The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the District's principal activity. Non exchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

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

Restricted Revenues

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

Advertising

The District expenses advertising cost as incurred. Advertising expense for the years ended September 30, 2021 and 2020 totaled \$187,557 and \$183,513, respectively.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Environmental Matters

The Hospital is subject to laws and regulations relating to the protection of the environment. The Hospital's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the Hospital's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the District. At September 30, 2021 and 2020, management is not aware of any liability resulting from environmental matters.

Use of Estimates

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

Reclassifications

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

Resident Deposits

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

Charity Care

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

Risk Management

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

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87 (GASB 87). The objective of GASB Statement No. 87, Leases, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is still evaluating the potential impact of adoption on the Hospital's financial statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2021.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Account balances according to bank's records at September 30, 2021, for the District are as follows:

Cash in banks	\$ <u>5,387,994</u>	\$ <u>972,200</u>
Insured by FDIC	\$ <u>500,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>4,887,994</u>	\$ <u>276,135</u>
Collateralized by note payable	\$ <u>-0-</u>	\$ <u>446,065</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2021 and 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured, entirely collateralized by securities held by the pledging bank's trust department in the District's name, or collateralized by the note payable, at September 30, 2021 and 2020.

Concentration of Credit Risks - The District has 85% of its cash and cash equivalents at The Community Bank in checking accounts. The District has 15% of its cash and cash equivalents at Sabine State Bank in a certificate of deposit.

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

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

	<u>2021</u>	<u>2020</u>
Carrying amounts		
Deposits	\$ 4,826,432	\$ 12,477,239
Limited use cash	<u>2,605,080</u>	<u>3,314,518</u>
Total	<u>\$ 7,431,512</u>	<u>\$ 15,791,757</u>
Included in the following balance sheet captions:		
Cash and cash equivalents	\$ 4,826,432	\$ 12,477,239
Limited use assets - required for current liabilities	10,759	225,600
Limited use assets	<u>2,594,321</u>	<u>3,088,918</u>
Total	<u>\$ 7,431,512</u>	<u>\$ 15,791,757</u>

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2021 and 2020

NOTE 4 - LIMITED USE ASSETS

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

<u>By Third Parties</u>	<u>2021</u>	<u>2020</u>
Debt reserve fund	\$ 972,200	\$ 966,871
Restricted cash - grants	230,041	122,047
Series 2020 proceeds to be disbursed	1,392,080	2,000,000
Provider relief fund - testing	-0-	202,850
Patient trust funds	10,759	22,750
Required for current liabilities	<u>(10,759)</u>	<u>(225,600)</u>
Limited use assets	<u>\$ 2,594,321</u>	<u>\$ 3,088,918</u>

A certificate of deposit is being used to collateralize the refinancing of the Medical Office Building debt. It is included as part of the debt reserve fund. According to debt covenants, this amount must remain on deposit to fully collateralize the amount borrowed until the loan is paid in full. Bond proceeds of \$607,920 were used in fiscal year 2021, remaining balance of \$1,392,080 at September 30, 2021 is restricted for certain projects. Provider Relief Funds of \$202,850 for the Nursing Home were used in fiscal year 2021 for Covid related testing.

NOTE 5 - ACCOUNTS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Patient accounts receivable	\$ 5,934,045	\$ 4,903,072
Estimated uncollectibles	<u>(1,907,945)</u>	<u>(2,149,473)</u>
Net accounts receivable	<u>\$ 4,026,100</u>	<u>\$ 2,753,599</u>

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2021 and 2020

NOTE 5 - ACCOUNTS RECEIVABLE (Continued)

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

	<u>2021</u>	<u>2020</u>
Medicare	22%	32%
Medicaid	24%	19%
Blue Cross	8%	8%
Commercial and other third-party payors	31%	30%
Patients	<u>15%</u>	<u>11%</u>
	<u>100%</u>	<u>100%</u>

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

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2021 and 2020

NOTE 6 - CAPITAL ASSETS

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

	<u>2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2021</u>
Nondepreciable capital assets					
Land	\$ 278,893	\$ -0-	\$ -0-	\$ -0-	\$ 278,893
Construction in progress	<u>543,592</u>	<u>3,681,184</u>	<u>-0-</u>	<u>(645,888)</u>	<u>3,578,888</u>
Total nondepreciable capital assets	<u>\$ 822,485</u>	<u>\$ 3,681,184</u>	<u>\$ -0-</u>	<u>\$ (645,888)</u>	<u>\$ 3,857,781</u>
Depreciable capital assets					
Land improvements	\$ 343,621	\$ 73,090	\$ -0-	\$ -0-	\$ 416,711
Buildings and fixed equipment	19,274,717	585,295	-0-	645,888	20,505,900
Moveable equipment	<u>10,375,369</u>	<u>731,448</u>	<u>356,619</u>	<u>-0-</u>	<u>10,750,198</u>
Total depreciable capital assets	29,993,707	1,389,833	356,619	645,888	31,672,809
Accumulated depreciation	<u>18,616,561</u>	<u>1,037,452</u>	<u>344,162</u>	<u>-0-</u>	<u>19,309,851</u>
Total depreciable capital assets, net	<u>\$ 11,377,146</u>	<u>\$ 352,381</u>	<u>\$ 12,457</u>	<u>\$ 645,888</u>	<u>\$ 12,362,958</u>

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2021 and 2020

NOTE 6 - CAPITAL ASSETS (Continued)

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

	<u>2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>2020</u>
Nondepreciable capital assets					
Land	\$ 278,893	\$ -0-	\$ -0-	\$ -0-	\$ 278,893
Construction in progress	<u>42,310</u>	<u>501,282</u>	<u>-0-</u>	<u>-0-</u>	<u>543,592</u>
Total nondepreciable capital assets	<u>\$ 321,203</u>	<u>\$ 501,282</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 822,485</u>
Depreciable capital assets					
Land improvements	\$ 326,878	\$ 16,743	\$ -0-	\$ -0-	\$ 343,621
Buildings and fixed equipment	18,389,253	885,464	-0-	-0-	19,274,717
Moveable equipment	<u>10,030,685</u>	<u>344,684</u>	<u>-0-</u>	<u>-0-</u>	<u>10,375,369</u>
Total depreciable capital assets	28,746,816	1,246,891	-0-	-0-	29,993,707
Accumulated depreciation	<u>17,611,664</u>	<u>1,004,897</u>	<u>-0-</u>	<u>-0-</u>	<u>18,616,561</u>
Total depreciable capital assets, net	<u>\$ 11,135,152</u>	<u>\$ 241,994</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 11,377,146</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2021 and 2020

NOTE 7 - OTHER ASSETS

Other assets at September 30, consists of the following:

	<u>2021</u>	<u>2020</u>
Start up costs for Behavioral Health Unit, net of straight-line amortization over 120 months	\$ 11,389	\$ 13,667
Deposits	25	25
Total	\$ 11,414	\$ 13,692

NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

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

	<u>2021</u>	<u>2020</u>
Accrued employee insurance payable (net of accrued stop loss receivable)	\$ 172,771	\$ 173,757
Accrued interest payable	324,120	290,360
Accrued salaries and fees payable	330,968	285,968
Accrued compensated absences	451,126	442,986
Payroll withholdings	22,099	15,672
Provider tax payable	17,436	20,456
Total	\$ 1,318,520	\$ 1,229,199

NOTE 9 - COMPENSATED ABSENCES

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

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2021 and 2020

NOTE 10 - RETIREMENT PLAN

The Hospital has a qualified contributory defined contribution plan "LaSalle General Hospital Money Purchase Pension Plan" under Internal Revenue code of 1986, including any later amendments to the code providing retirement benefits for substantially all of its employees. The plan was restated August 15, 2013. The Plan administrator is the Hospital. The Hospital expects to continue the plan indefinitely but reserves the right to terminate the plan in whole or in part at any time upon giving written notice to all parties concerned. Annually, the Hospital contributes 5.1 percent of the aggregate compensation of eligible employees to the Plan. The liability recorded as "Retirement Plan Payable" on the Combined Statements of Net Position includes employer matching contributions for fiscal year 2021. Mandatory contributions by the employee consist of 6.2 percent of their compensation. An employee must be age 18 or older to participate in the plan. An employee is 100 percent vested upon entry to the plan with normal retirement age being 65 years of age. The Principal is the plan trustee.

The Hospital also has a deferred compensation plan "LaSalle General Hospital Deferred Compensation Plan". The plan was intended to meet the requirements of Section 457 of the Internal Revenue Code of 1986, including any later amendments. The plan was restated, effective August 15, 2013. The Plan administrator is the Hospital. Employee voluntary salary contributions have a discretionary match of up to 2.5 percent by the employer. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 1/2 years of age. The employer discretionary match is determined by the employer and can be amended by the employer at their discretion. For the years ended September 30, 2021 and 2020, the amount of pension expense was \$151,904 and \$144,401, respectively. The Principal is the plan trustee.

Employee and employer contributions were as follows:

	<u>2021</u>	<u>2020</u>
Employee	\$ <u>862,683</u>	\$ <u>780,359</u>
Employer	\$ <u>613,543</u>	\$ <u>566,592</u>

The Nursing Home sponsors a tax-deferred annuity arrangement "Security Benefits 457 Deferred Compensation Plan", exempt under Section 457 of the Internal Revenue Code that covers all employees who have completed at least 1,000 hours of service per year. The employees must be 21 years of age or older to participate. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 1/2 years of age. Employees may elect to make contributions of up to \$10,000 to the annuity through a salary reduction agreement. The Nursing Home pays participating employees 50% of their contributions currently. This percentage is at the Board's discretion and is reviewed each year. For the years ended September 30, 2021 and 2020, the amount of pension expense was \$20,910 and \$16,440, respectively. Security Benefits administers the above plan.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2021 and 2020

NOTE 11 - LONG-TERM DEBT

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

	<u>2020</u>	<u>Additions</u>	<u>Payments</u>	<u>2021</u>	<u>Due Within One Year</u>
Lease Purchase	\$ 1,916,473	\$ -0-	\$ 92,671	\$ 1,823,802	\$ 100,656
Note Payable - SSB	768,908	-0-	175,750	593,158	192,744
Bond Payable	2,000,000	-0-	131,000	1,869,000	136,000
SBA Paycheck Protection	2,671,165	-0-	2,671,165	-0-	-0-
Capital Leases	<u>686,394</u>	<u>335,562</u>	<u>232,848</u>	<u>789,108</u>	<u>276,206</u>
Total	\$ <u>8,042,940</u>	\$ <u>335,562</u>	\$ <u>3,303,434</u>	\$ <u>5,075,068</u>	\$ <u>705,606</u>

	<u>2019</u>	<u>Additions</u>	<u>Payments</u>	<u>2020</u>	<u>Due Within One Year</u>
Lease Purchase	\$ 1,995,900	\$ -0-	\$ 79,427	\$ 1,916,473	\$ 92,672
Note Payable - SSB	973,709	-0-	204,801	768,908	196,597
Bond Payable	-0-	2,000,000	-0-	2,000,000	81,000
SBA Paycheck Protection	-0-	2,671,165	-0-	2,671,165	-0-
Capital Leases	<u>584,705</u>	<u>272,700</u>	<u>171,011</u>	<u>686,394</u>	<u>229,371</u>
Total	\$ <u>3,554,314</u>	\$ <u>4,943,865</u>	\$ <u>455,239</u>	\$ <u>8,042,940</u>	\$ <u>599,640</u>

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

- Capital lease with GE at 7.45% due in monthly payments of \$2,110 until March 1, 2026, secured with radiology equipment.
- Capital lease with GE at 7.45% due in monthly payments of \$507 until March 1, 2026, secured with radiology equipment.
- Capital lease with GE at 8.05% due in monthly payments of \$1,691 until March 1, 2026, secured with portable radiology equipment.
- Capital lease with GE at 8.26% due in monthly payments of \$745 until March 1, 2026, secured with an ultrasound machine.
- Capital lease with Kansas State Bank at 6.66% due in monthly payments of \$1,669 until July 1, 2026, secured with nuclear camera equipment.
- Limited Tax Bonds, Series 2020 at a combined rate of 3.57% collateralized by a pledge and dedication of hospital revenue, with principal annually and interest semi-annually, starting September 1, 2020 through March 1, 2032.

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2021 and 2020

NOTE 11 - LONG-TERM DEBT (Continued)

- Paycheck Protection Program (PPP) loan was used to pay employee payroll expenses. The Hospital received \$2,040,350 and the Nursing Home received \$630,815. Loans and interest were forgiven April 2021.
- Capital lease with GE at 6.03% due in monthly payments of \$4,578 until February 2, 2025, secured with mammography machine.
- Capital lease with Tri Tech Medical at 2.48% due in monthly payments of \$667 until March 29, 2025, secured with telemetry machines.
- Capital lease with GE Capital at 1.825%, due in monthly payments of \$700 until July 1, 2022, secured by bone density equipment.
- Capital lease with GE at 6.25%, due in monthly payments of \$6,964 until June 1, 2023, secured by cat scan equipment.
- Secured Note Payable (MOB) at 1.4%, secured by certificate of deposit of \$972,200, due in monthly payments of \$16,807 until March 23, 2023, when a balloon payment of \$298,169 is due. This note was refinanced with the Secured Note Payable at Sabine State Bank.
- Lease Purchase Energy Savings agreement with Siemens at 4.6%, entered into May 24, 2018, due in variable quarterly payments until May 24, 2033, secured by various equipment. Energy savings should be available to pay lease payments.
- Capital lease with Siemens at interest rate of 7.8%, due in monthly payments of \$3,500 until September of 2023, secured by laboratory equipment.
- Capital lease with Bancorp South at interest rate of 3.8%, due in monthly payments of \$1,810 until August 2023, secured by radiology equipment.

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

Year Ending September 30,	Long-Term Debt		Capital Lease	
	Principal	Interest	Principal	Interest
2022	\$ 328,744	\$ 69,795	\$ 376,862	\$ 126,169
2023	542,414	60,725	367,222	103,742
2024	148,000	53,503	247,381	86,453
2025	154,000	48,525	222,692	72,421
2026	161,000	43,292	168,785	61,205
2027 - 2031	917,000	97,328	855,138	195,430
2032 and thereafter	211,000	4,167	374,830	17,592
Totals	\$ <u>2,462,158</u>	\$ <u>377,335</u>	\$ <u>2,612,910</u>	\$ <u>663,012</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2021 and 2020

NOTE 11 - LONG-TERM DEBT (Continued)

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$381,393 is included in the depreciation expense. Net book value of capital leases is \$2,748,187 in 2021.

NOTE 12 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2022, as extended by Congress. The additional payments received under the Medicare low volume add-on were approximately \$330,500 and \$312,112, for the years ended September 30, 2021 and 2020. The District qualifies as a Medicare Dependent Hospital. This designation provides for enhanced Medicare reimbursement rates, including increased reimbursement for decreases in volume greater than 5%. This designation was extended by Congress to September 30, 2022. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors. Inpatient behavioral health services are reimbursed based upon a prospective methodology based upon length of stay, diagnosis, and other factors. Home health services are paid by Medicare under a per episode prospective payment system (PPS). The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

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

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates. Blue Cross is the largest commercial provider. Blue Cross charges were 9% and 10% of total charges for the years ended September 30, 2021 and 2020, respectively.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2021 and 2020

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

The Hospital experienced material differences between the amounts initially recorded on its cost settlements with Medicaid and the finalized amounts for fiscal years 2010, 2011, and 2014, totaling \$278,351, \$157,171 and \$225,741, respectively.

The Hospital's previous reimbursements are also subject to secondary review by Medicare and Medicaid representatives. These representatives have several initiatives in progress. No material liabilities have been identified to date under these review programs; however, the potential exists for future claims. These will be recognized in the year the amounts are determined, if any.

The District d/b/a LaSalle Nursing Home entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of the "Non-State Governmental Organization Nursing Facilities Medicaid Upper Payment Limit Program (SPA)". This Medicaid supplemental payment is to be used as a match within the Medicaid program. In fiscal year 2021 the District received a total of \$988,752 of which \$396,312 was submitted to LDH as an IGT. In fiscal year 2020 the District received a total of \$1,361,752 of which \$560,580 was submitted to LDH as an IGT.

The District d/b/a LaSalle General Hospital entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health (LDH) as part of Louisiana Physician IPA, Inc. which is a physician supplemental program. In fiscal year 2021 the District received a total of \$1,446,773 of which \$760,117 was submitted to LDH as an IGT. In fiscal year 2020 the District received a total of \$1,034,774 of which \$629,674 was submitted to LDH as an IGT.

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

	<u>2021</u>	<u>2020</u>
Gross charges	\$ 54,092,668	\$ 53,378,711
Less charges associated with charity patients	<u>(8,439)</u>	<u>(20,268)</u>
Gross patient service revenue	54,084,229	53,358,443
Less deductions from revenue:		
Contractual adjustments	(28,878,434)	(27,410,590)
Nursing Home Intergovernmental Transfer	988,752	1,361,752
Physician supplemental revenue	1,446,763	1,034,774
Policy and other discounts	<u>(1,260,929)</u>	<u>(2,301,676)</u>
Patient service revenue (net of contractual adjustments and discounts)	26,380,381	26,042,703
Less provision for bad debts	<u>(1,070,963)</u>	<u>(1,860,833)</u>
Net patient service revenue less provision for bad debts	\$ <u>25,309,418</u>	\$ <u>24,181,870</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2021 and 2020

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

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

	<u>2021</u>	<u>2020</u>
Medicare and Medicaid gross patient charges	\$ 35,243,877	\$ 35,824,690
Contractual adjustments	<u>(15,140,214)</u>	<u>(16,787,593)</u>
Program patient service revenues	\$ <u>20,103,663</u>	\$ <u>19,037,097</u>
Percent of total gross patient charges	<u>65%</u>	<u>67%</u>
Percent of total net patient revenue	<u>79%</u>	<u>79%</u>

NOTE 13 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

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

NOTE 14 - WORKMEN'S COMPENSATION RISK

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2021 and 2020

NOTE 14 - WORKMEN'S COMPENSATION RISK (Continued)

and expenses are prorated to member hospitals. The District has included these allocations or equity amounts assigned to the District by the trust fund in its financial statements.

NOTE 15 - EMPLOYEE MEDICAL BENEFIT PLAN

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

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

	<u>2021</u>	<u>2020</u>
Beginning of the year	\$ 173,757	\$ 261,754
Plus: Claims incurred and changes in estimate, net of reinsurance	841,581	1,184,870
Less: Claims paid	<u>842,567</u>	<u>1,272,867</u>
End of the year	\$ <u>172,771</u>	\$ <u>173,757</u>

NOTE 16 - CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 12) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2021 and 2020

NOTE 16 - CONTINGENCIES (Continued)

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

The healthcare industry is subject to numerous laws and regulations of Federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, privacy, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 13) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk (Note 14) - The district is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Self-Funded Health Insurance Risk (Note 15) - The Hospital has a self-funded health insurance plan administered by Insurance Management Services. Provision has been made for incurred but non-reported claims in the amount of \$300,000. Accordingly, the Hospital is contingently liable for claims that may be reported subsequent to the balance sheet date. The Hospital has acquired stop-loss insurance to cover individual claims exceeding \$75,000.

NOTE 17 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a per-diem based on the patient's level of income. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the cost associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The cost of caring for charity care patients was approximately \$5,000 and \$12,000 in 2021 and 2020, respectively. The amount of charges

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2021 and 2020

NOTE 17 - CHARITY CARE (Continued)

for services and supplies furnished under the District's charity care policy aggregated approximately \$8,000 and \$20,000 in 2021 and 2020, respectively.

NOTE 18 - PROVIDER RELIEF FUNDS

The District received approximately \$157,467 in Provider Relief Funds (the funds) via the Coronavirus Aid, Relief, and Economic Security (CARES) Act during the fiscal year ending September 30, 2021. The District received approximately \$10,105,252 in Provider Relief Funds (the funds) via the Coronavirus Aid, Relief, and Economic Security (CARES) Act during the fiscal year ending September 30, 2020. The funds were issued by the U.S. Department of Health & Human Services (HHS) in response to the Coronavirus pandemic to be utilized for healthcare related expenses and lost revenues attributable to coronavirus. The District recognized approximately \$6,750,146 and \$3,715,413 as nonoperating grant revenue in the fiscal years ending September 30, 2021 and 2020, respectively. The District will submit a report of healthcare related expenses and lost revenues attributable to coronavirus from inception through June 30, 2021. Funds received in excess of the reported expenses and lost revenues, if any, will be owed to HHS. As a result, the amount recorded in the financial statements compared to the District's Provider Relief Fund reporting could differ. This difference could be materially different from the current estimates.

NOTE 19 - DEFERRED REVENUE

The spent portion of the above PRF has been recorded as Covid-19 grants in the amount of \$6,750,146 for the District. The deferred revenue has all been spent as of September 2021 and has been recognized as nonoperating revenue. Recoupment of advance payments through Medicare claims began in May of 2021. As of September 30, 2021, a total of \$856,050 has been recouped with the remaining \$2,016,449, expected to be collected within one year.

NOTE 20 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2021 and 2020

NOTE 20 - OPERATING LEASES (Continued)

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2021, that have initial or remaining lease terms in excess of one year.

Year Ending September 30,	<u>Amount</u>
2021	\$ 10,842
2022	<u>2,718</u>
Total minimum future lease payments	<u>\$ 13,560</u>

NOTE 21 - PROPERTY TAXES

The District levies a property tax on all property subject to taxation in the service district. A 10-year 10.45 mill tax was effective thru 2012, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. This tax was renewed for a maximum of 5.0 mills for 10 years in October 2012 and will be effective until the year 2022. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15 each year, are due by December 31, and become delinquent on January 31.

NOTE 22 - INTERGOVERNMENTAL TRANSFER GRANTS

The District entered into a cooperative endeavor agreement with a regional hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant ("IGT") to be used solely to provide adequate and essential medically necessary and available healthcare services to the District's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$1,682,482 and \$1,079,028, for the fiscal years 2021 and 2020, respectively.

NOTE 23 - SUBSEQUENT EVENTS

Events have been evaluated through June 27, 2022 for subsequent event disclosure, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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

	<u>2021</u>	<u>2020</u>
Routine services:		
Adult and pediatric	\$ 5,919,782	\$ 6,107,017
Swing bed	402,000	628,500
Behavioral health unit	6,987,400	7,295,375
Nursing home services	<u>5,165,430</u>	<u>5,845,956</u>
Total routine services	<u>18,474,612</u>	<u>19,876,848</u>
Other professional services:		
Radiology	5,554,951	5,274,372
Laboratory and blood	9,744,421	9,323,425
IV therapy	1,363,465	813,356
Respiratory therapy, EEG, & EKG	2,641,056	2,242,236
Physical therapy	1,006,811	934,059
Occupational therapy	446,550	362,221
Speech therapy	421,355	289,934
Medical supply	466,366	476,009
Pharmacy	1,829,511	1,809,100
Wellness center	7,756	7,912
Emergency service	4,171,751	4,345,768
Observation room	1,299,950	862,625
Ambulance service	2,566,578	2,804,846
Home health services	502,413	554,330
Rural health clinic	3,562,940	3,386,113
Industrial medicine	<u>32,182</u>	<u>15,557</u>
Total other professional services	<u>35,618,056</u>	<u>33,501,863</u>
Gross charges	54,092,668	53,378,711
Less charges associated with charity patients	<u>(8,439)</u>	<u>(20,268)</u>
Gross patient service revenue	\$ <u>54,084,229</u>	\$ <u>53,358,443</u>

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

	<u>2021</u>	<u>2020</u>
Less deductions from revenue:		
Medicare and Medicaid contractual adjustments	\$ (17,575,729)	\$ (19,184,119)
Nursing home intergovernmental transfer	988,752	1,361,752
Physician supplemental revenue	1,446,763	1,034,774
Other contractual adjustments	(11,302,705)	(8,226,471)
Policy and other discounts	<u>(1,260,929)</u>	<u>(2,301,676)</u>
Patient service revenue (net of contractual adjustments and discounts)	26,380,381	26,042,703
Less provision for bad debts	<u>(1,070,963)</u>	<u>(1,860,833)</u>
Net patient service revenue	\$ <u>25,309,418</u>	\$ <u>24,181,870</u>

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

	<u>2021</u>	<u>2020</u>
Purchase discounts taken	\$ 5,744	\$ 5,518
Cafeteria	114,750	113,052
Medical record abstracts	506	1,588
Vending	776	1,191
Ambulance reimbursement	200,439	168,261
Medical office rent	15,424	16,693
Pharmacy 340B	1,046,597	622,579
Miscellaneous revenue	<u>19,106</u>	<u>26,281</u>
 Total other operating revenue	 \$ <u>1,403,342</u>	 \$ <u>955,163</u>

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

	<u>2021</u>	<u>2020</u>
Salaries:		
Administration	\$ 1,257,771	\$ 1,212,916
Plant operations and maintenance	235,414	232,371
Laundry	22,525	22,006
Housekeeping	433,187	474,901
Dietary and cafeteria	463,920	457,203
Nursing administration	466,355	432,909
Medical records	237,771	269,719
Social services	123,482	90,114
Nursing services - acute	1,379,358	1,301,366
Nursing services - long-term care	2,036,963	2,341,894
Behavioral health	-0-	53,334
Wellness center	10,643	27,457
Radiology	597,050	527,655
Laboratory	388,346	362,634
Respiratory therapy	350,565	338,581
Physical therapy	255,565	215,303
Occupational therapy	118,165	109,711
Speech therapy	100,564	87,873
Central supply	114,766	117,773
Pharmacy	269,874	249,436
Emergency room	1,167,831	1,117,744
Ambulance	745,941	719,738
Home health	355,705	326,161
Rural health clinic	1,971,879	1,884,389
Industrial medicine	<u>29,778</u>	<u>65,407</u>
 Total salaries	 <u>13,133,418</u>	 <u>13,038,595</u>
Benefits:		
Payroll taxes	475,953	484,977
Health insurance	1,045,059	1,510,218
Other	<u>863,974</u>	<u>781,255</u>
 Total benefits	 <u>2,384,986</u>	 <u>2,776,450</u>
 Total salaries and benefits	 \$ <u>15,518,404</u>	 \$ <u>15,815,045</u>

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

	<u>2021</u>	<u>2020</u>
Nursing services	\$ 187,532	\$ 95,967
Behavioral health	13,313	9,714
Wellness center	1,058	554
Radiology	98,389	79,360
Laboratory and blood	327,267	345,587
Respiratory therapy	86,106	49,968
Physical therapy	5,130	5,476
Occupational therapy	969	1,524
Central supply	311	576
Pharmacy	455,688	338,835
Pharmacy 340B	192,460	229,178
Emergency room	101,821	84,979
Ambulance	30,094	34,651
Home health	11,030	15,734
Rural health clinic	244,753	168,986
Industrial medicine	2,516	-0-
Nursing home supplies	<u>352,637</u>	<u>337,476</u>
 Total medical supplies and drugs	 \$ <u>2,111,074</u>	 \$ <u>1,798,565</u>

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

	<u>2021</u>	<u>2020</u>
Radiology	\$ 198,548	\$ 208,634
Laboratory	377,328	251,285
Physical therapy	544,139	619,245
Speech therapy	-0-	6,449
EKG, EEG	8,735	3,510
Emergency room	1,236,150	1,115,868
Pharmacy	6,900	6,900
Rural health clinic	<u>738,955</u>	<u>641,999</u>
 Total professional fees	 <u>\$ 3,110,755</u>	 <u>\$ 2,853,890</u>

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

	<u>2021</u>	<u>2020</u>
Contract services	\$ 151,443	\$ 154,617
Consultants	1,629,066	1,547,117
Behavioral health unit consultants	1,728,601	1,994,155
Legal and accounting	115,455	92,617
Supplies	735,470	744,216
Laundry contract services	271,838	236,308
Repairs and maintenance	760,889	676,063
Utilities	444,969	419,356
Telephone	90,628	124,930
Travel	66,458	96,866
Rentals	120,273	152,211
Advertising	187,557	183,513
Recruitment	84,387	62,174
Dues and subscriptions	289,531	306,759
Inter-governmental transfer expense	1,156,429	1,190,254
Miscellaneous	102,507	88,684
Provider tax	<u>254,429</u>	<u>322,947</u>
 Total other expenses	 \$ <u>8,189,930</u>	 \$ <u>8,392,787</u>

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

	<u>LaSalle General Hospital</u>	<u>LaSalle Nursing Home</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 3,439,551	\$ 1,386,881	\$ -0-	\$ 4,826,432
Assets whose use is limited - required for current liabilities	-0-	10,759	-0-	10,759
Accounts receivable, net of estimated uncollectibles	3,567,664	458,436	-0-	4,026,100
Estimated third-party payor settlements	1,496,060	12,856	-0-	1,508,916
Other receivables	481,050	5,597,475	(5,272,565)	805,960
Inventory	317,291	-0-	-0-	317,291
Prepaid expenses	136,603	43,116	-0-	179,719
Total Current Assets	<u>9,438,219</u>	<u>7,509,523</u>	<u>(5,272,565)</u>	<u>11,675,177</u>
Non-Current Assets				
Nondepreciable capital assets (Note 5)	3,829,216	28,565	-0-	3,857,781
Depreciable capital assets (Note 5)	11,155,776	1,207,182	-0-	12,362,958
Assets limited as to use	2,594,321	-0-	-0-	2,594,321
Other assets	11,389	25	-0-	11,414
Total Assets	<u>\$ 27,028,921</u>	<u>\$ 8,745,295</u>	<u>\$ (5,272,565)</u>	<u>\$ 30,501,651</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 1,112,698	\$ 141,939	\$ -0-	\$ 1,254,637
Accrued expenses and withholdings payable	1,153,640	198,640	(33,760)	1,318,520
Estimated third-party payable	622,379	-0-	-0-	622,379
Deferred revenue (Note 19)	-0-	-0-	-0-	-0-
Medicare advance payments	1,802,390	214,059	-0-	2,016,449
Limited use assets	-0-	10,759	-0-	10,759
Retirement plan payable	405,931	-0-	-0-	405,931
Current maturities of long-term debt	705,606	-0-	-0-	705,606
Total Current Liabilities	<u>5,802,644</u>	<u>565,397</u>	<u>(33,760)</u>	<u>6,334,281</u>
Long-term debt, net of current maturities	<u>9,608,267</u>	<u>-0-</u>	<u>(5,238,805)</u>	<u>4,369,462</u>
Total Liabilities	<u>15,410,911</u>	<u>565,397</u>	<u>(5,272,565)</u>	<u>10,703,743</u>
Net Position				
Invested in capital assets, net of related debt	4,671,119	1,235,747	5,238,805	11,145,671
Restricted	2,594,321	10,759	-0-	2,605,080
Unrestricted	4,352,570	6,933,392	(5,238,805)	6,047,157
Total Net Position	<u>11,618,010</u>	<u>8,179,898</u>	<u>-0-</u>	<u>19,797,908</u>
Total Liabilities and Net Position	<u>\$ 27,028,921</u>	<u>\$ 8,745,295</u>	<u>\$ (5,272,565)</u>	<u>\$ 30,501,651</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position
September 30, 2020

	<u>LaSalle General Hospital</u>	<u>LaSalle Nursing Home</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 10,272,251	\$ 2,204,988	\$ -0-	\$ 12,477,239
Assets whose use is limited - required for current liabilities	-0-	22,750	-0-	22,750
Accounts receivable, net of estimated uncollectibles	2,345,815	407,784	-0-	2,753,599
Estimated third-party payor settlements	1,398,800	26,811	-0-	1,425,611
Other receivables	240,847	5,563,810	(5,272,565)	532,092
Inventory	283,873	-0-	-0-	283,873
Prepaid expenses	214,158	65,184	-0-	279,342
Total Current Assets	<u>14,755,744</u>	<u>8,291,327</u>	<u>(5,272,565)</u>	<u>17,774,506</u>
Non-Current Assets				
Nondepreciable capital assets (Note 5)	793,920	28,565	-0-	822,485
Depreciable capital assets (Note 5)	10,078,075	1,299,071	-0-	11,377,146
Assets limited as to use	2,886,068	202,850	-0-	3,088,918
Other assets	13,667	25	-0-	13,692
Total Assets	<u>\$ 28,527,474</u>	<u>\$ 9,821,838</u>	<u>\$ (5,272,565)</u>	<u>\$ 33,076,747</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 1,338,236	\$ 145,358	\$ -0-	\$ 1,483,594
Accrued expenses and withholdings payable	1,063,813	199,146	(33,760)	1,229,199
Estimated third-party payable	272,340	-0-	-0-	272,340
Deferred revenue	6,389,839	-0-	-0-	6,389,839
Medicare advance payment	2,458,314	414,185	-0-	2,872,499
Limited use assets	-0-	225,600	-0-	225,600
Retirement plan payable	408,086	-0-	-0-	408,086
Current maturities of long-term debt	599,640	-0-	-0-	599,640
Total Current Liabilities	<u>12,530,268</u>	<u>984,289</u>	<u>(33,760)</u>	<u>13,480,797</u>
Long-term debt, net of current maturities	<u>12,051,290</u>	<u>630,815</u>	<u>(5,238,805)</u>	<u>7,443,300</u>
Total Liabilities	<u>24,581,558</u>	<u>1,615,104</u>	<u>(5,272,565)</u>	<u>20,924,097</u>
Net Position				
Invested in capital assets, net of related debt	261,415	1,327,636	5,238,805	6,827,856
Restricted	2,886,068	202,850	-0-	3,088,918
Unrestricted	798,438	6,676,243	(5,238,805)	2,235,876
Total Net Position	<u>3,945,921</u>	<u>8,206,729</u>	<u>-0-</u>	<u>12,152,650</u>
Total Liabilities and Net Position	<u>\$ 28,527,479</u>	<u>\$ 9,821,833</u>	<u>\$ (5,272,565)</u>	<u>\$ 33,076,747</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2021

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Revenues				
Net patient service revenue	\$ 20,143,988	\$ 5,165,430	\$ -0-	\$ 25,309,418
Operating grants	82,163	-0-	-0-	82,163
Intergovernmental transfer grants	1,682,452	-0-	-0-	1,682,452
Other operating revenue	<u>1,894,950</u>	<u>1,245</u>	<u>(492,853)</u>	<u>1,403,342</u>
 Total Revenues	 <u>23,803,553</u>	 <u>5,166,675</u>	 <u>(492,853)</u>	 <u>28,477,375</u>
Expenses				
Salaries and benefits	12,085,316	3,433,088	-0-	15,518,404
Medical supplies and drugs	1,758,437	352,637	-0-	2,111,074
Insurance	458,688	60,136	-0-	518,824
Professional fees	2,559,731	551,024	-0-	3,110,755
Other expenses	7,332,202	1,350,581	(492,853)	8,189,930
Depreciation and amortization	<u>917,537</u>	<u>122,191</u>	<u>-0-</u>	<u>1,039,728</u>
 Total Expenses	 <u>25,111,911</u>	 <u>5,869,657</u>	 <u>(492,853)</u>	 <u>30,488,715</u>
 Operating Income (Loss)	 <u>(1,308,358)</u>	 <u>(702,982)</u>	 <u>-0-</u>	 <u>(2,011,340)</u>
Nonoperating Revenues				
Ad valorem taxes	288,090	-0-	-0-	288,090
Interest income	22,359	35,334	(35,059)	22,634
Interest expense	(242,325)	-0-	35,059	(207,266)
Loan forgiveness	2,040,350	630,815	-0-	2,671,165
Covid-19 grants	6,547,296	202,850	-0-	6,750,146
Hurricane evacuees	-0-	10,000	-0-	10,000
Gain (loss) on disposal of assets	<u>(12,457)</u>	<u>-0-</u>	<u>-0-</u>	<u>(12,457)</u>
 Changes in Net Position before Capital Grants	 <u>7,334,955</u>	 <u>176,017</u>	 <u>-0-</u>	 <u>7,510,972</u>
Capital grants	<u>134,286</u>	<u>-0-</u>	<u>-0-</u>	<u>134,286</u>
 Changes in Net Position	 <u>7,469,241</u>	 <u>176,017</u>	 <u>-0-</u>	 <u>7,645,258</u>
 Beginning Net Position	 <u>4,148,768</u>	 <u>8,003,882</u>	 <u>-0-</u>	 <u>12,152,650</u>
 Ending Net Position	 <u>\$ 11,618,009</u>	 <u>\$ 8,179,899</u>	 <u>\$ -0-</u>	 <u>\$ 19,797,908</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2020

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Revenues				
Net patient service revenue	\$ 18,393,396	\$ 5,788,474	\$ -0-	\$ 24,181,870
Operating grants	89,150	-0-	-0-	89,150
Intergovernmental transfer grants	1,079,028	-0-	-0-	1,079,028
Other operating revenue	1,549,360	1,012	(595,209)	955,163
Total Revenues	<u>21,110,934</u>	<u>5,789,486</u>	<u>(595,209)</u>	<u>26,305,211</u>
Expenses				
Salaries and benefits	12,081,545	3,733,500	-0-	15,815,045
Medical supplies and drugs	1,461,089	337,476	-0-	1,798,565
Insurance	335,715	67,855	-0-	403,570
Professional fees	2,227,865	626,025	-0-	2,853,890
Other expenses	7,453,925	1,534,071	(595,209)	8,392,787
Depreciation and amortization	882,833	124,344	-0-	1,007,177
Total Expenses	<u>24,442,972</u>	<u>6,423,271</u>	<u>(595,209)</u>	<u>30,271,034</u>
Operating Income (Loss)	<u>(3,332,038)</u>	<u>(633,785)</u>	<u>-0-</u>	<u>(3,965,823)</u>
Nonoperating Revenues				
Ad valorem taxes	282,015	-0-	-0-	282,015
Interest income	21,402	35,432	(35,059)	21,775
Interest expense	(199,222)	-0-	35,059	(164,163)
Loan forgiveness	-0-	-0-	-0-	-0-
Covid-19 grants	3,203,941	511,472	-0-	3,715,413
Hurricane evacuees	-0-	-0-	-0-	-0-
Gain (loss) on disposal of assets	-0-	-0-	-0-	-0-
Changes in Net Position before Capital Grants	<u>(23,902)</u>	<u>(86,881)</u>	<u>-0-</u>	<u>(110,783)</u>
Capital grants	737,793	-0-	-0-	737,793
Changes in Net Position	<u>713,891</u>	<u>(86,881)</u>	<u>-0-</u>	<u>627,010</u>
Beginning Net Position	<u>3,434,877</u>	<u>8,090,763</u>	<u>-0-</u>	<u>11,525,640</u>
Ending Net Position	<u>\$ 4,148,768</u>	<u>\$ 8,003,882</u>	<u>\$ -0-</u>	<u>\$ 12,152,650</u>

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Schedules of Per Diem and
 Other Compensation Paid to Board Members
 Years Ended September 30, 2021 and 2020

Board Members	Term <u>Expires</u>	<u>-Compensation-</u>	
		<u>2021</u>	<u>2020</u>
Janice Doshier	April 2026	None	None
Steve Crooks	April 2023	None	None
Sandra Webster	April 2022	None	None
Robert Kendrick, M.D.	April 2024	None	None
Tom Watkins	April 2024	None	None

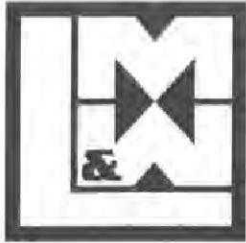
Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Schedule of Compensation, Benefits, and Other Payments
 to Chief Executive Officers
 Year Ended September 30, 2021

Agency Head Name: Lana Francis
 Position: Chief Executive Officer
 Time Period: October 1, 2020 to September 30, 2021

<u>Purpose</u>	<u>Amount</u>
Salary	135,414
Health insurance	11,508
Retirement (FICA replacement plan)	2,948
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-

Agency Head Name: Phyllis Bryan
 Position: Administrator
 Time Period: October 1, 2020 to September 30, 2021

<u>Purpose</u>	<u>Amount</u>
Salary	126,500
Health insurance	16,335
Retirement (FICA replacement plan)	9,200
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	2,338
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-



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Bobby G. Lester, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Hospital Service District No. 2, Parish of LaSalle, the ("District"), a component unit of the LaSalle Parish Police Jury, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's combined financial statements as listed in the table of contents, and have issued our report thereon dated June 27, 2022.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a material weakness.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's combined financial statements are free of 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 statement. 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 that is required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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



Certified Public Accountants
Alexandria, Louisiana

June 27, 2022





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

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

Report on Compliance for Each Major Federal Program

We have audited Hospital Service District No. 2 (the "District"), a component unit of the LaSalle Parish Police Jury's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above.

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 Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the District's major federal programs. However, our audit does not provide a legal determination of the District's compliance.

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

Opinion on Compliance for Each Major Federal Program

In our opinion, the District 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 September 30, 2021.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountants
Alexandria, Louisiana
June 27, 2022



Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Schedule of Expenditures of Federal Awards
 Year Ended September 30, 2021

<u>Federal Grantor/Program Name/Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services COVID-19 Provider Relief Fund	93.498	\$ 9,468,031
U.S. Department of Health and Human Services COVID-19 Testing for Rural Health Clinics	93.697	100,000
U.S. Department of Health and Human Services COVID-19 National Bioterrorism Hospital Preparedness Program Passed-through Louisiana Hospital Association	93.889	57,467
Delta Regional Authority Delta Area Economic Development	90.201	70,106
U.S. Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>152,315</u>
Total Expenditures of Federal Awards		\$ <u><u>9,847,919</u></u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Hospital Service District No. 2, d/b/a LaSalle General Hospital and LaSalle Nursing Home (referred to as "the District"), a component unit of the LaSalle Parish Police Jury, Jena, Louisiana, under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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

NOTE D - SUBRECIPIENTS

The District had no subrecipients in 2021.

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

During the fiscal year ended September 30, 2020, the District received Provider Relief Funds from the U.S. Department of Health and Human Services (HHS) under Assistance Listing Number 93.498. The funds are to be utilized for expenditures to prevent, prepare for, and respond to coronavirus. Additionally, the funds are for lost revenues attributable to coronavirus pandemic. The District recognized the amounts in the financial statements in the table below based on meeting the requirements of the program. The amounts received and expended are reported in the SEFA according to HHS's periods of availability. Accordingly, the \$9,468,031 expended in "Period 1" is reported on the September 30, 2021 SEFA, while the unknown amount that will be expended in "Period 2" will be reported on the September 30, 2022 SEFA.

<u>Reporting Period</u>	<u>Total PRF Funding Received</u>	<u>Amount Recognized as Revenue</u>	<u>Amount Recognized as Deferred Revenue</u>	<u>Reported as Federal Expenditure on SEFA</u>
FYE September 30, 2020	\$ 10,308,101	\$ 3,715,413	\$ 6,389,839	\$ -0-
FYE September 30, 2021	\$ -0-	\$ 6,592,688	\$ -0-	\$ 9,468,031

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Notes to Schedule of Expenditures of Federal Awards
 Year Ended September 30, 2021

NOTE F - FEDERAL IDENTIFICATION NUMBERS ASSOCIATED WITH FEDERAL AWARDS

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

	#93.498 COVID-19 Provider Relief Fund	#93.697 COVID-19 Testing for Rural Health Clinics	#93.889 COVID-19 National Bioterrorism Hospital Preparedness Program	#90.201 Delta Area Economic Development	#97.036 Disaster Grants Program
LaSalle General Hospital (72-0690217)	\$ 8,956,559	\$ 100,000	\$ 57,467	\$ 70,106	\$ 130,629
LaSalle Nursing Home (52-2309007)	<u>511,472</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>21,686</u>
Total Expenditures of Federal Awards	<u>\$ 9,468,031</u>	<u>\$ 100,000</u>	<u>\$ 57,467</u>	<u>\$ 70,106</u>	<u>\$ 152,315</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Current Year Findings and Questioned Costs
Year Ended September 30, 2021

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Compliance

- Noncompliance issues noted - No

Management letter issued - No

Federal Awards -

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

Section II. Financial Statement Findings

FINDING 2021-001 - Segregation of Duties

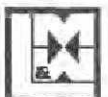
Criteria: There should be a complete segregation of duties in all accounting, recording and custody functions.

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

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

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

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



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Current Year Findings and Questioned Costs
Year Ended September 30, 2021

Section II. Financial Statement Findings (Continued)

FINDING 2021-001 - Segregation of Duties (Continued)

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

FINDING 2021-002 - Estimate of Third-party Payor Settlements

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

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

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

Effect: Because an estimated cost report settlement for the current fiscal year was not recorded, the receivables were materially understated at year-end by \$903,000 and contractual adjustments were materially overstated by \$903,000.

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

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

FINDING 2021-003 - Contractual Allowances

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

Condition: Contractual allowances were not recorded for Medicaid Psych.

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

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



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Current Year Findings and Questioned Costs
Year Ended September 30, 2021

Section II. Financial Statement Findings (Continued)

FINDING 2021-003 - Contractual Allowances (Continued)

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

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

Section III. Federal Awards Findings and Questioned Costs

Not applicable

Section IV. Management Letter

Not applicable



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 2021

Section I. Financial Statement Findings

FINDING 2020-001 - Segregation of Duties

Fiscal Year Initially Reported: September 30, 2007

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

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

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

Resolution: Not resolved - see finding 2021-001.

FINDING 2020-002 - Third-party Payor Settlements

Fiscal Year Initially Reported: September 30, 2015

Finding: Management is responsible for calculating and recording estimates of interim (Medicare and Medicaid) cost settlements. After preparation of the current year cost report, year-end receivables increased by \$992,000 and contractual adjustments decreased by \$992,000.

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

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

Resolution: Not resolved - see finding 2021-002.



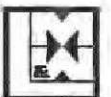
Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Prior Year Findings and Questioned Costs
Year Ended September 30, 2021

Section II. Federal Awards Findings and Questioned Costs

Not applicable

Section III. Management Letter

Not applicable





rural. comprehensive.healthcare.

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187 Ninth Street

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www.lasallegeneralhospital.com

June 27, 2022

Legislative Audit Advisory Council
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Hospital Service District No. 2 – d/b/a LaSalle General Hospital
FYE 9/30/2021 Financial Statement Audit
Management Corrective Action Plan

Dear Council Members:

Management has taken the following action in response to the finding of our auditors, Lester, Miller & Wells, CPAs for the fiscal year ended September 30, 2021.

Finding 2021-001 – Segregation of Duties

Position(s) of Agency Personnel taking correction action:

Chief Executive Officer
Chief Financial Officer

Corrective Action:

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

Date Corrective Action Complete:

September 30, 2022

Finding 2021-002 – Estimate of Third-Party Payor Settlements

Position(s) of Agency Personnel taking correction action:

Chief Financial Officer

Corrective Action:

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

Date Corrective Action Complete:

September 30, 2022

more than just a hospital

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

Legislative Audit Advisory Council

June 27, 2022

Page 2

Finding 2021-003 – Contractual Allowances for Patient Receivables

Position(s) of Agency Personnel taking correction action:

Chief Financial Officer

Corrective Action:

An estimate for allowances on accounts receivable related to the Medicaid allowance for Psych will be included in the total allowances and reported by the CFO. The CFO will also review each allowance calculation to ensure all types of receivables are included.

Date Corrective Action Complete:

September 30, 2022

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

Sincerely,



Lana Francis

Chief Executive Officer

