# HOSPITAL SERVICE DISTRICT NO. 1
# OF THE PARISH OF TANGIPAHOA,
# STATE OF LOUISIANA

Hammond, Louisiana

## Report on Compliance in
## Accordance with the Uniform Guidance

For the Year Ended June 30, 2023

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Hospital Service District No. 1 of the Parish
of Tangipahoa, State of Louisiana
Hammond, Louisiana

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

We have audited the Hospital Service District No. 1 of the Parish of Tangipahoa, State of Louisiana (the "District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. 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.

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 June 30, 2023.

### *Basis for Opinion on Each Major Federal Program*

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

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

### *Responsibilities of Management for Compliance*

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

*Auditor's Responsibilities for the Audit of Compliance*

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

In performing an audit in accordance with GAAS, GAS, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

### Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the District as of and for the year ended June 30, 2023 and have issued our report thereon dated October 25, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Horne LLP

Ridgeland, Mississippi
October 25, 2023

HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Assistance Listing Number | Award/Pass-Through Entity Identifying Number | Total Federal Expenditures |
|---|---|---|---|
| U.S. Department of Health and Human Services | | | |
| COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution | 93.498 | | $ 1,520,046 |
| *Total U.S. Department of Health and Human Services* | | | 1,520,046 |
| U.S. Department of Homeland Security | | | |
| Disaster Grants – Public Assistance (Presidentially Declared Disasters) | 97.036 | 4484-DR-LA; 4611-DR-LA | 6,292,920 |
| *Total U.S. Department of Homeland Security* | | | 6,292,920 |
| **Total Expenditures of Federal Awards** | | | $ 7,812,966 |

See notes to schedule of expenditures of federal awards.

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Hospital Service District No. 1 of the Parish of Tangipahoa, State of Louisiana (the "District") under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative 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 positions or cash flows of the District.

### Note 2. 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 3. Indirect Cost Rate

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

### Note 4. Disaster Grants – Public Assistance

Disaster Grants – Public Assistance (97.036) expenditures included in the Schedule for the year ended June 30, 2023, were incurred in previous years. The project worksheets for these expenditures were approved in the current fiscal year and have been reported on the Schedule in accordance with the reporting requirements outlined in the Compliance Supplement.

HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

## Section I - Summary of Auditor's Results

### Financial Statements

| | |
|---|---|
| Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | No |

### Federal Awards

| | |
|---|---|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? | No |

Identification of major programs:

| Assistance Listing Numbers | Name of Federal Program or Cluster |
|---|---|
| 93.498 | COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution |
| 97.036 | Disaster Grants – Public Assistance |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs | $750,000 |
| Auditee qualified as low-risk auditee? | No |

## Section II – Financial Statement Findings

No matters were reported.

## Section III – Findings and Questioned Costs for Federal Awards

No matters were reported.

There were no findings in the prior year single audit.

# MANAGEMENT'S DISCUSSION AND ANALYSIS
# AND BASIC FINANCIAL STATEMENTS

**Hospital Service District No. 1 of the**
**Parish of Tangipahoa, State of Louisiana**

As of and for the Years Ended
June 30, 2023 and 2022
With Report of Independent Auditors

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Hospital Service District No. 1 of the
Parish of Tangipahoa, State of Louisiana

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of the business-type activities of Hospital Service District No. 1 of the Parish of Tangipahoa, State of Louisiana (the "District"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective net position of the business-type activities of the District as of June 30, 2023 and 2022 and the respective changes in net position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Emphasis of Matter*

As explained in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements ("SBITA"),* during the year ended June 30, 2023, which is applied retroactively by restating balances in the financial statements as of July 1, 2021 and for the period ended June 30, 2022. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS, we:

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

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

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages four through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Report on Other Reporting Required by Governmental Auditing Standards

In accordance with GAS, we have also issued our report dated October 25, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering the District's internal control over financial reporting and compliance.

Horne LLP

Ridgeland, Mississippi
October 25, 2023

This section of the annual financial report of Hospital Service District No. 1 of the Parish of Tangipahoa, State of Louisiana (the "District" or the "System") presents background information and management's analysis of the District's financial performance. Please read it in conjunction with the basic financial statements in this report.

## Required Financial Statements

The basic 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 the District's activities. The statements of net position include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. All of the current year's revenues and expenses are accounted for in the statements of revenue, expenses and changes in net position. This statement measures changes in the District's operations over the past year 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. The final required financial statements are 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 questions such as, where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

## District Statements of Net Position

A summary of the District's statements of net position for years June 30, 2023 through 2021, is presented in Table 1 below:

**TABLE 1**
**Condensed Statements of Net Position**

| | June 30, 2023 | June 30, 2022 | June 30, 2021 |
|---|---|---|---|
| Total current assets | $ 312,465,002 | $ 300,799,224 | $ 280,455,202 |
| Capital assets, net | 197,231,835 | 203,869,673 | 203,099,504 |
| Subscription assets, net | 6,745,115 | 7,694,797 | - |
| Other assets, including board-designated investments | 1,829,063 | 1,727,090 | 22,122,230 |
| Total assets and deferred outflows | $ 518,271,015 | $ 514,090,784 | $ 505,676,936 |
| Current liabilities | $ 48,346,418 | $ 69,770,073 | $ 63,824,098 |
| Long-term debt outstanding and other long-term liabilities | 155,603,187 | 159,105,546 | 164,948,394 |
| Total liabilities | 203,949,605 | 228,875,619 | 228,772,492 |
| Net position: | | | |
| Net investment in capital assets | 47,432,121 | 52,141,503 | 33,904,443 |
| Restricted net position | - | - | 22,032,683 |
| Unrestricted net position | 266,889,289 | 233,073,662 | 220,967,318 |
| Total liabilities and net position | $ 518,271,015 | $ 514,090,784 | $ 505,676,936 |

## Summary of the District's Income

The following table contains a summary of income and changes in net position of the District for the years ended June 30, 2023 through 2021:

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

| | Year Ended June 30, 2023 | 2022 | 2021 |
|---|---|---|---|
| Revenue: | | | |
| Net patient service revenue | $ 317,024,949 | $ 298,347,531 | $ 309,524,792 |
| Other | 110,087,866 | 76,479,517 | 73,728,656 |
| Total operating revenue | 427,112,815 | 374,827,048 | 383,253,448 |
| Expenses: | | | |
| Salaries and employee benefits | 236,008,323 | 224,197,580 | 213,597,858 |
| Supplies, contract services, equipment and fees | 122,802,355 | 100,426,259 | 86,640,682 |
| Other operating expenses | 20,996,189 | 16,857,649 | 16,760,050 |
| Depreciation and amortization | 19,637,176 | 18,499,745 | 15,713,934 |
| Interest | 3,906,255 | 10,507,313 | 10,343,871 |
| Total operating expenses | 403,350,298 | 370,488,546 | 343,056,395 |
| Operating income | 23,762,517 | 4,338,502 | 40,197,053 |
| Investment income (loss) | 9,549,312 | (7,493,079) | 10,673,978 |
| Other nonoperating income (loss) | (4,205,584) | 11,465,298 | 4,728,710 |
| Increase in net position | 29,106,245 | 8,310,721 | 55,599,741 |
| Net position at beginning of year | 285,215,165 | 276,904,444 | 221,304,703 |
| Net position at end of year | $ 314,321,410 | $ 285,215,165 | $ 276,904,444 |

The District is located primarily in Hammond, Louisiana within the Parish of Tangipahoa. The District primarily serves Tangipahoa Parish and the surrounding areas. The District has a Level II Trauma Center. Future population growth is expected along the I-12 corridor where the facilities are located. The District includes North Oaks Medical Center, North Oaks Rehabilitation Hospital and the North Oaks Physician Group.

## Service Area, Competition, and Market Share

Among the total procedures performed by the System, 42 percent of the patients reside in Tangipahoa Parish, which is the definition of the System's Primary Service Area ("PSA"). The PSA uses the entire previous calendar year's inpatient and outpatient admissions and registrations. Tangipahoa Parish is located on the southeastern border of the state of Louisiana.

## Service Area, Competition, and Market Share (continued)

The System's Secondary Service Area ("SSA") includes portions of Tangipahoa's neighboring parishes, 13.3 percent of St. Helena Parish, 10.7 percent of Livingston Parish, and smaller portions of St. Tammany and Washington Parishes. In addition to Louisiana-based parishes, a small group of patients residing in Amite County and Walthall County, Mississippi received services by the System.

Physician recruiting has continued to be successful and aggressive. Currently, the District is supported by a medical staff of 391 as of June 30, 2023.

## Overview of the Financial Statements

Operating results were supported by the $-0- and $1.5 million in Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") funding received in fiscal years 2023 and 2022, respectively. The District did not elect to receive any Medicare Advance Payments under the CARES Act given its strong underlying liquidity. The improvements in operations and management initiatives as well as limited capital spending have driven balance sheet strength and provided some financial flexibility of the District going forward. The District expects performance to remain positive in the future.

The District has been focusing on strengthening the balance sheet for the last few fiscal years. As of June 30, 2023, the District had $222.2 million in unrestricted cash reserves, up from $194.8 million in 2022, an increase of 14.1 percent. Days of cash on hand have moved up to 211 days in 2023 from 202 in 2022. We expect to see continued improvements through fiscal year 2024.

During fiscal year 2022, the District issued $127,670,000 of Hospital Revenue Bonds, Series 2021 ("Series 2021 Bonds"). The purpose of these bonds was to refinance all outstanding bonds: the Series 2003A Bonds, Series 2003B Bonds, Series 2009A Bonds, Series 2011 Bonds, Series 2013A Bonds, and Series 2015 Bonds. The advance refunding reduced total debt service payments over the next 21 years by approximately $102,171,000. This resulted in an economic gain of approximately $43,471,000.

<u>Sources of Revenue</u>

*Operating Revenue*

During fiscal year 2023, the District derived the majority, approximately 74 percent, of its total revenue from patient service revenue. During fiscal years 2022 and 2021, approximately 81 percent of the District's revenue was derived from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs, other third-party payors and patients. Reimbursement for the Medicare and Medicaid programs and other third-party payors is based upon established rates and contracts. The difference between the billed charges and the established contract rates is recognized as a contractual allowance.

*Other Revenues*

In 2023, other revenues increased to $110.1 million from $76.5 million in 2022.

*Investment Income*

As a Hospital Service District governed by the State of Louisiana, the District is authorized by Louisiana statutes to invest in obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal offices in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions and certain investments with qualifying mutual or trust fund institutions.

**Overview of the Financial Statements (continued)**

The District holds designated funds that are invested primarily in money market funds, certificates of deposit, securities issued by the U.S. Treasury and other federal agencies. These investments had a total return of approximately $9,549,000, ($7,493,000) and $10,674,000 during fiscal years 2023, 2022 and 2021, respectively.

*Other Nonoperating Income*

In 2023, other nonoperating income (loss) decreased to approximately ($4.2) million from $11.5 million in 2022. The large decrease is due to a reduction of the business insurance proceeds to $1.0 million. In 2022, other nonoperating income included $5.3 million in business insurance proceeds, $4.8 million in FEMA Public Assistance, and $1.5 million in provider relief funds received via the CARES Act. GASB presents this funding as other nonoperating income whereas Financial Accounting Standards Board ("FASB") presents these same funds as operating income.

Allowances and Expense

The following summarizes the District's statements of revenue, expenses and changes in net position between 2023 and 2022:

- The District reports net patient service revenue in the statements of revenue, expenses and changes in net position. Net patient service revenue represents gross patient revenue, net of allowances.
- In 2023, net patient service revenue increased to $317.0 million from $298.3 million in 2022 due to increases in inpatient and outpatient volumes.
- Salaries expense increased approximately $11,850,000 or 6.2 percent to $203,340,000 in 2023 from $191,489,000 in 2022. The primary driver of the increase year-over-year is related to more manhours worked and the continued merit increases resulting from employees' annual evaluations.
- Contract services, equipment and fees increased approximately $10,708,000 or 29.8 percent from the prior year. The District is facing similar staffing issues for nurses as most of the healthcare facilities in the United States.
- As a percentage of salaries expense, employee benefit expense was approximately 16.1 percent and 17.1 percent for the fiscal years ended June 30, 2023 and 2022, respectively.
- Supplies increased approximately $11,668,000 or 18.1 percent, from the prior year. During the fiscal year, the District experienced a general increase in supplies cost resulting from the strains put on the supply chain, the inflationary environment, and new services such as cardiovascular procedures and oncology services.
- Depreciation and amortization expense increased approximately $1,137,000 or 6.1 percent, from the prior year. This increase in the fiscal year was due to depreciation on new additions to capital and SBITA assets.
- Total operating expenses increased approximately $32,862,000 or 8.9 percent, for the year ended June 30, 2023, for the reasons discussed above. The District continues cost reduction measures to control expenses.
- Investment income consists of interest earnings on funds and realized and net unrealized gain or loss on fair market value adjustments. Total investment income (loss) for the year ended June 30, 2023 was approximately $9,549,000. Investments are expected to fluctuate with market conditions.

**Overview of the Financial Statements (continued)**

The following summarizes the District's statements of revenue, expenses and changes in net position between 2022 and 2021:

- The District reports net patient service revenue in the statements of revenue, expenses and changes in net position. Net patient service revenue represents gross patient revenue, net of allowances.
- In 2022, net patient service revenue decreased to $298.3 million from $309.5 million in 2021 due to decreases in inpatient and outpatient volumes.
- Salaries expense increased approximately $10,833,000 or 6.0 percent to $191,489,000 in 2022 from $180,656,000 in 2021. The primary driver of the increase year-over-year is related to incentives for nurses to work an extra shift on a weekly basis and the planned merit increases resulting from employees' annual evaluations.
- Contract services, equipment and fees increased approximately $6,902,000 or 23.8 percent from the prior year. The District is facing similar staffing issues for nurses as most of the healthcare facilities in the United States. Surges in COVID-19 hospitalizations combined with staffing shortages increased the reliance on travel nurses while the rates for these nurses climbed during 2022.
- As a percentage of salaries expense, employee benefit expense was approximately 17.1 percent and 18.2 percent for the fiscal years ended June 30, 2022 and 2021, respectively.
- Supplies increased approximately $6,884,000 or 11.9 percent, from the prior year. During the fiscal year, the District experienced a general increase in supplies cost resulting from the strains put on the supply chain during the ongoing pandemic and the inflationary environment.
- Depreciation expense increased approximately $2,786,000 or 17.7 percent, from the prior year. This increase in the fiscal year was due to the retroactive adoption of GASB 96.
- Total operating expenses increased approximately $27,432,000 or 8.0 percent, for the year ended June 30, 2022, for the reasons discussed above. The District continues cost reduction measures to control expenses.
- Investment income consists of interest earnings on funds and realized and net unrealized gain or loss on fair market value adjustments. Total investment income (loss) for the year ended June 30, 2022 was approximately ($7,493,000). Investments are expected to fluctuate with market conditions. During the prior fiscal year, the System rebalanced the portfolio and held most assets as cash. This decision was in response to high volatility during the onset of the COVID-19 pandemic. In the current fiscal year, funds were reinvested.

## Overview of the Financial Statements (continued)

Capital Assets

During fiscal years 2023, 2022 and 2021, the District invested approximately $10,436,000, $18,467,000 and $15,446,000, respectively, in a broad range of property and equipment included in Table 3 below.

**TABLE 3**
**Capital Assets**

| | June 30, | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| Land | $ 8,287,726 | $ 8,100,369 | $ 7,457,774 |
| Building and equipment | 386,835,749 | 380,407,327 | 372,448,876 |
| Lease assets | 351,242 | 608,996 | 1,504,372 |
| Subtotal | 395,474,717 | 389,116,692 | 381,411,022 |
| Less accumulated depreciation | 202,494,609 | 190,789,035 | 178,686,298 |
| Construction in progress | 4,251,727 | 5,542,016 | 374,780 |
| Net capital assets | $ 197,231,835 | $ 203,869,673 | $ 203,099,504 |

Long-Term Debt

At June 30, 2023, the District had approximately $156,972,000 in short-term and long-term debt, including lease and subscription liabilities. Total debt, including lease and subscription liabilities, decreased by approximately $2,973,000 in fiscal year 2023 from $159,945,000 in fiscal year 2022. The amortization of premium on long term debt for fiscal year 2023 was approximately $1,928,000.

At June 30, 2022, the District had approximately $159,945,000 in short-term and long-term debt, including lease and subscription liabilities. Total debt, including lease and subscription liabilities, decreased by approximately $9,978,000 in fiscal year 2022 from $169,923,000 in fiscal year 2021. In 2022, the issuance of the Series 2021 Bonds was used to refinance all outstanding bonds.

More detailed information about the District's long-term debt is presented in the notes to basic financial statements.

Earnings Before Interest, Taxes, Depreciation and Amortization

Adjusted EBITDA is defined as income before depreciation and amortization, interest expense, losses (gains) on sales of facilities, losses on retirement of debt, and net income attributable to noncontrolling interests. Adjusted EBITDA is commonly used as an analytical indicator within the health care industry and also serves as a measure of leverage capacity and debt service ability.

Adjusted EBITDA should not be considered as a measure of financial performance under generally accepted accounting principles, and the items excluded from adjusted EBITDA are significant components in understanding and assessing financial performance. Because adjusted EBITDA is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies.

## Overview of the Financial Statements (continued)

For the adjusted EBITDA numbers represented below, the District is recognizing the CARES Act Funds, FEMA Public Assistance and business insurance proceeds received. Additionally, for the presentation below, the District is also including investment income (loss), net.

Adjusted EBITDA, plus other items identified above, as of the year ended June 30, 2023 was approximately $52,650,000 and increased $15,332,000 or 41.1 percent from 2022 adjusted EBITDA of approximately $37,318,000. The increase is due to the reasons noted above in the summary of the District's statements of revenue, expenses and changes in net position between 2023 and 2022. Adjusted EBITDA, plus other items identified above, as of the year ended June 30, 2022 was approximately $37,318,000 and decreased $44,340,000 or 54.3 percent from 2021 adjusted EBITDA of approximately $81,658,000. The decrease is due to the reasons noted above in the summary of the District's statements of revenue, expenses and changes in net position between 2022 and 2021.

**TABLE 4**
**Condensed Summary of Adjusted EBITDA**

| | June 30, 2023 | June 30, 2022 | June 30, 2021 |
|---|---|---|---|
| Net patient service revenue | $ 317,024,949 | $ 298,347,531 | $ 309,524,792 |
| Other revenues | 115,431,594 | 80,451,736 | 89,131,344 |
| Total revenues | 432,456,543 | 378,799,267 | 398,656,136 |
| Operating expenses, excluding interest, depreciation and amortization | 379,806,867 | 341,481,488 | 316,998,590 |
| EBITDA | $ 52,649,676 | $ 37,317,779 | $ 81,657,546 |

## Contacting the District's Financial Officer

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

# BASIC FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Statements of Net Position
June 30, 2023 and 2022

| | 2023 | 2022 (As Restated) |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 16,353,888 | $ 56,834,585 |
| Short-term investments | 205,818,065 | 137,966,671 |
| Patient accounts receivable, net of allowance for doubtful accounts of $29,260,025 and $26,418,211 in 2023 and 2022, respectively | 52,382,000 | 45,534,395 |
| Estimated third-party payor settlements | 13,271,447 | 19,907,539 |
| Inventories | 11,138,076 | 11,277,833 |
| Prepaid expenses and other current assets | 13,501,526 | 29,278,201 |
| Total current assets | 312,465,002 | 300,799,224 |
| Capital assets, net | 197,231,835 | 203,869,673 |
| Subscription assets, net | 6,745,115 | 7,694,797 |
| Deferred compensation plan investments | 1,826,317 | 1,723,558 |
| Other long-term assets | 2,746 | 3,532 |
| Total assets | $ 518,271,015 | $ 514,090,784 |

See accompanying notes.

HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Statements of Net Position
June 30, 2023 and 2022

| | 2023 | 2022 (As Restated) |
|---|---|---|
| **LIABILITIES** | | |
| Current liabilities | | |
| Accounts payable | $ 15,384,870 | $ 16,161,776 |
| Accrued salaries and payroll-related costs | 19,822,253 | 17,596,026 |
| Accrued interest payable | 2,306,125 | 2,246,847 |
| Accrued self-insurance claims | 7,536,536 | 5,470,719 |
| Estimated third-party payor settlements | 101,366 | 470,279 |
| Current maturities of lease liabilities | 162,577 | 166,187 |
| Current maturities of subscription liabilities | 3,032,691 | 2,396,738 |
| Deferred revenue | - | 25,261,501 |
| Total current liabilities | 48,346,418 | 69,770,073 |
| Long-term debt, less current maturities | 149,799,714 | 151,728,170 |
| Lease liabilities, less current maturities | 53,818 | 221,067 |
| Subscription liabilities, less current maturities | 3,923,338 | 5,432,751 |
| Deferred compensation plan obligations | 1,826,317 | 1,723,558 |
| Total liabilities | 203,949,605 | 228,875,619 |
| **NET POSITION** | | |
| Net investment in capital assets | 47,432,121 | 52,141,503 |
| Unrestricted net position | 266,889,289 | 233,073,662 |
| Total net position | 314,321,410 | 285,215,165 |
| Total liabilities and net position | $ 518,271,015 | $ 514,090,784 |

See accompanying notes.

HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2023 and 2022

| | 2023 | 2022 (As Restated) |
|---|---|---|
| Revenue | | |
| Net patient service revenue | $ 357,074,790 | $ 326,092,661 |
| Provision for doubtful accounts | (40,049,841) | (27,745,130) |
| Total net patient service revenue | 317,024,949 | 298,347,531 |
| Other revenues | 110,087,866 | 76,479,517 |
| Total operating revenue | 427,112,815 | 374,827,048 |
| Expenses | | |
| Salaries and wages | 203,339,845 | 191,489,364 |
| Employee benefits | 32,668,478 | 32,708,216 |
| Supplies | 76,178,526 | 64,510,198 |
| Contract services, equipment and fees | 46,623,829 | 35,916,061 |
| Other operating expenses | 20,996,189 | 16,857,649 |
| Depreciation and amortization | 19,637,176 | 18,499,745 |
| Interest | 3,906,255 | 10,507,313 |
| Total expenses | 403,350,298 | 370,488,546 |
| Income from operations | 23,762,517 | 4,338,502 |
| Nonoperating revenues (expenses) | | |
| Investment income (loss), net | 9,549,312 | (7,493,079) |
| Grants and recoveries (write-offs) | (4,205,584) | 9,945,252 |
| CARES Act relief funding | - | 1,520,046 |
| Total nonoperating revenues | 5,343,728 | 3,972,219 |
| Increase in net position | 29,106,245 | 8,310,721 |
| Beginning net position | 285,215,165 | 276,904,444 |
| Ending net position | $ 314,321,410 | $ 285,215,165 |

See accompanying notes.

**HOSPITAL SERVICE DISTRICT NO. 1 OF THE**
**PARISH OF TANGIPAHOA, STATE OF LOUISIANA**
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

| | 2023 | 2022 (As Restated) |
|---|---|---|
| Cash flows from operating activities | | |
| Cash collected from patients and third-party payors | $ 328,908,717 | $ 316,562,458 |
| Cash payments to employees and for employee-related costs | (231,716,279) | (223,064,619) |
| Cash payments for supplies, services and other prepaid expenses | (134,777,562) | (121,945,870) |
| Cash received from supplemental programs | 72,362,171 | 71,998,418 |
| Net cash provided by operating activities | 34,777,047 | 43,550,387 |
| Cash flows from noncapital financing activities | | |
| Noncapital grants and contributions | 103,183 | 81,782 |
| Proceeds from CARES Act relief funding | - | 1,520,046 |
| Net cash provided by noncapital financing activities | 103,183 | 1,601,828 |
| Cash flows from capital and related financing activities | | |
| Purchases of capital assets | (10,350,067) | (17,151,260) |
| Proceeds from issuance of long-term debt | - | 153,067,377 |
| Principal payments on long-term debt | - | (169,170,000) |
| Payments related to lease liabilities | (170,859) | (341,464) |
| Payments related to subscription liabilities | (2,622,600) | (2,016,943) |
| Interest and bond issuance payments on long-term debt | (5,534,700) | (8,478,493) |
| Net cash used in capital and related financing activities | (18,678,226) | (44,090,783) |
| Cash flows from investing activities | | |
| Investment income (loss) | 6,203,440 | (7,938,233) |
| Purchases of designated cash and investments | (62,886,141) | (8,726,973) |
| Proceeds from sales and maturities of designated cash and investments | - | 47,625,270 |
| Net cash provided by (used in) investing activities | (56,682,701) | 30,960,064 |
| Net change in cash and cash equivalents | (40,480,697) | 32,021,496 |
| Cash and cash equivalents, beginning of year | 56,834,585 | 24,813,089 |
| Cash and cash equivalents, end of year | $ 16,353,888 | $ 56,834,585 |

See accompanying notes.

HOSPITAL SERVICE DISTRICT NO. 1 OF THE
PARISH OF TANGIPAHOA, STATE OF LOUISIANA
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

| | 2023 | 2022 (As Restated) |
|---|---|---|
| Reconciliation of income from operations to net cash provided by operating activities | | |
| Income from operations | $ 23,762,517 | $ 4,338,502 |
| Adjustments to reconcile income from operations to net cash provided by operating activities | | |
| Depreciation and amortization | 19,637,176 | 18,499,745 |
| Provision for doubtful accounts | 40,049,841 | 27,745,130 |
| Disposal of property and equipment | 49,551 | 17,447 |
| Amortization of prepaid bond issuance costs | - | 3,282,999 |
| Amortization of premium on long-term debt | (1,928,456) | (1,364,268) |
| Amortization of deferred outflows of resources | - | 38,911 |
| Interest expense on long-term debt and lease liabilities | 5,593,978 | 6,803,632 |
| Changes in operating assets and liabilities | | |
| Patient accounts receivable | (46,897,446) | (27,267,584) |
| Inventories and prepaid expenses | 11,607,665 | (6,628,990) |
| Estimated third-party payor settlements | 6,267,179 | 4,577,209 |
| Deferred revenue | (25,261,501) | 8,661,626 |
| Accounts payable and accrued expenses | 3,515,138 | 3,694,714 |
| Other assets and liabilities | (1,618,595) | 1,151,314 |
| Net cash provided by operating activities | $ 34,777,047 | $ 43,550,387 |

See accompanying notes.

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 1. Organization and Significant Accounting Policies

Organization

Hospital Service District No. 1 of the Parish of Tangipahoa, State of Louisiana (the "District") is a political subdivision of the State of Louisiana created by ordinance of the Tangipahoa Parish Police Jury, which is now the Parish Council, adopted on May 17, 1955, pursuant to Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The District is governed by a Board of Commissioners consisting of seven members appointed by the Parish Council.

Founded in 1954 by the citizens of Tangipahoa Parish and opening its doors on April 20, 1960, as a 60-bed, nonprofit public hospital service district facility, the former "Seventh Ward General Hospital" has evolved into what is now commonly known as the North Oaks Health System (the "System").

The System completed a restructuring in 2012 that resulted in the formation of the following subsidiaries: (i) North Oaks Medical Center, L.L.C. ("NOMC"), a wholly-owned subsidiary of the System whose sole member is the District, whose purpose is to manage and operate the System's acute-care hospital known as North Oaks Medical Center pursuant to a Management Services Agreement between the District and the NOMC Affiliate; North Oaks Medical Center is currently licensed for 330 beds; (ii) North Oaks Rehabilitation Hospital, L.L.C. ("NORH"), a wholly-owned subsidiary of the System whose sole member is the District, whose purpose is to manage and operate the System's comprehensive medical rehabilitation hospital known as North Oaks Rehabilitation Hospital pursuant to a Management Services Agreement between the District and the NORH Affiliate; North Oaks Rehabilitation Hospital is currently licensed for 27 beds; and (iii) North Oaks Physician Group, L.L.C. ("NOPG"), a wholly-owned subsidiary of the System whose sole member is the District, whose purpose is to manage and operate the System's network of multispecialty physician clinics known as North Oaks Physicians Group pursuant to a Management Services Agreement between the District and the NOPG Affiliate. NOPG currently has 13 active clinics. As of June 30, 2023, 19 on-campus clinics were licensed as provider-based clinics and became outpatient clinics of NOMC. Additionally, in 2009 in connection with the acquisition of the North Oaks Surgery Center, the System formed Gold Leaf Holdings, L.L.C. ("GLH"), a wholly-owned subsidiary of the System whose members are the District and Gold Leaf Holdings II, L.L.C. Each of the Affiliated Entities is governed by a separate Board of Managers that is subject to the power of the Board of Commissioners of the District and whose members are appointed by the Board of Commissioners of the District.

Basis of Accounting

The District reports in accordance with accounting principles generally accepted in the United States in accordance with accounting principles promulgated by the Governmental Accounting Standards Board ("GASB"). The accompanying financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and highly liquid investments with maturities of three months or less when purchased, excluding amounts whose use is limited by the Board of Commissioners' designation or under trust agreements.

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 1. Continued

Investments

All investments are stated at fair value based on quoted market prices. Changes in the difference between the cost and the fair market value of the investments are included in investment income. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments.

Investment income is reported as nonoperating revenues.

Inventories

Inventories are valued at the lower of cost or market.

Capital Assets

The District records all capital asset acquisitions at cost except for assets donated to the District. Donated assets are recorded at appraised value at the date of donation. The District provides for depreciation of its capital assets using the straight-line method based on the estimated useful lives of the assets as suggested by the American Hospital Association.

Subscription Assets and Liabilities

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

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

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

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

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

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 1. Continued

Self-Insurance Claims

Accrued self-insurance claims represent the District's best estimate of incurred but unpaid expenses for professional and general liability, workers' compensation and employees' health insurance expense.

Net Position

The District's net position is classified into three components: invested in capital assets, net of related debt, restricted and unrestricted. These components are defined as follows:

- *Net Investment in Capital Assets* – This component reports capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted* – This component reports those net positions with externally imposed constraints on their use by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component reports net positions that do not meet the definition of either of the other two components: "restricted" or "net investment in capital assets, related debt".

Statements of Revenue, Expenses and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are included in operating revenue or expenses. All peripheral transactions are reported as a component of nonoperating revenues.

Other nonoperating revenues include revenue recognized related to relief funds received from the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), Federal Emergency Management Association ("FEMA"), and other grants and reimbursements. Additional information is disclosed in Notes 14 and 15.

Net Patient Service Revenue and Related Receivables

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.

Net patient service revenue is reported at the estimated amounts realizable from patients, third-party payors and others for services rendered. Settlements under reimbursement agreements with Medicare are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final cost report settlements are determined. These adjustments resulted in a decrease to net patient service revenue of approximately $291,000 in 2023 and a decrease to net patient service revenue of approximately $178,000 in 2022.

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 1. Continued

The District recorded State Directed Payment Program ("SDPP") revenue for Hospital Supplemental payments of $81,457,000 during the year ended June 30, 2023. These amounts were recorded as other operating revenue on the accompanying statements of revenue, expenses, and changes in net position. The SDPP is the new supplemental payment program in Louisiana that had an effective beginning date of July 1, 2022.

The District recorded Full Medicaid Payout ("FMP") revenue for Physician Supplemental payments of approximately $19,184,000 and District Upper Payment Limit ("UPL") revenue of approximately $1,288,000 during the year ended June 30, 2023. These amounts were recorded as other operating revenue on the accompanying statements of revenue, expenses and changes in net position. Deferred revenue is recognized over the term of the supplemental payment program. In fiscal year 2023, the District did not receive a Medicaid NICU outlier. The UPL supplemental payment programs were terminated effective June 30, 2022 and replaced by the SDPP beginning July 1, 2022.

The District recorded FMP revenue for Physician Supplemental payments of approximately $18,398,000 and District Upper Payment Limit ("UPL") revenue of approximately $25,423,000 during the year ended June 30, 2022. These amounts were recorded as other operating revenue on the accompanying statements of revenue, expenses and changes in net position. Deferred revenue is recognized over the term of the supplemental payment program. In fiscal year 2022, the District also received approximately $225,000 for a Medicaid NICU outlier, which offset Medicaid contractual adjustments.

To provide for accounts receivable that could be uncollectible in the future, the District established an allowance for doubtful accounts to reduce the carrying value of patient receivables to their estimated net realizable value. The primary uncertainty related to collection is related to uninsured patient receivables, insured patient deductibles and co-payments and other amounts due from individual patients. There are various factors that can affect collection trends, such as economic changes, which can affect unemployment rates and the number of uninsured and underinsured patients, the volume of emergency room visits, high deductible plans and business practices related to collection efforts. These factors are monitored continuously and can affect collection trends and the estimation process. The provision for bad debts is based on management's assessment of historical and expected net collections, considering business and economic conditions, trends in health care coverage and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based on these trends. The results in this review are then used to make any modifications to the provision for bad debts and to establish an appropriate estimate allowance for uncollectible accounts.

The District's allowance for doubtful accounts for self-pay patients decreased from 88 percent of self-pay accounts receivable at June 30, 2022, to 87 percent of self-pay accounts receivable at June 30, 2023. The District has not changed its charity care or uninsured discount policies during fiscal years 2023 or 2022.

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, the District estimates a significant portion of uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided.

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 1. Continued

The composition of net patient service revenue as of June 30 includes:

| | 2023 | 2022 |
|---|---|---|
| Gross patient service revenue | $ 2,524,027,632 | $ 2,087,444,252 |
| Less provision for contractual and doubtful accounts | (2,207,002,683) | (1,789,096,721) |
| Net patient service revenue | $ 317,024,949 | $ 298,347,531 |

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 net patient service revenue. Records of charges forgone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided.

Grants and Contributions

From time to time, the District receives grants from other governmental entities as well as contributions from individuals and private 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. Nonexchange transactions, incidental transactions or transactions not considered to be central to providing healthcare services, regardless of whether the amounts are unrestricted or restricted to a specific operating purpose, are reported as nonoperating revenues. Amounts restricted to capital acquisition are reported after nonoperating revenue and expenses.

Uncompensated Care

Uncompensated care cost includes cost of care provided to uninsured and indigent patients for which the District is not compensated, care provided to patients who have the financial capacity to pay, but are unwilling to settle the claim, and care provided to Title XIX Medicaid patients, for whom the District is not adequately covered by the payments. The Balanced Budget Refinement Act ("BBRA") requires that short-term acute care hospitals submit the uncompensated care cost data on the District's cost reports each year.

The District estimated uncompensated care cost amounts to $41,852,000 and $33,482,000 in 2023 and 2022, respectively.

Medicare and Medicaid Reimbursement

The District is reimbursed under the Medicare Prospective Payment System, which reimburses the District a predetermined amount for Medicare inpatient acute services rendered based, for the most part, on the MS Diagnosis Related Group assigned to the patient. Medicaid inpatient services are paid on a prospective per diem basis.

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 1. Continued

The District is reimbursed for Medicare outpatient services under the Ambulatory Payment Classification based on fixed rates per outpatient procedure.

Medicaid outpatient services such as laboratory, outpatient surgery and rehabilitation are reimbursed under fee schedule payment methodology, while other outpatient services are reimbursed based on an average of 85.84 percent of total cost for 2023 and 2022, respectively.

Medicare bad debts, Medicare Disproportionate Share Hospital payments and Medicaid nonfee schedule outpatient services were reimbursed on a tentative basis during the year and are subject to a retroactive payment adjustment determined in accordance with appropriate Medicare or Medicaid program regulations. Retroactive cost settlements are accrued on an estimated basis in the period the related services are rendered and adjusted as necessary in future periods as final settlements are determined. Medicare and Medicaid settlements have been determined following the principles of reimbursement applicable to each program.

The District's percentage of gross patient revenue derived from Medicare and Medicaid program beneficiaries was 78 percent and 77 percent for the years ended June 30, 2023 and 2022, respectively.

#### Income Taxes

The District is exempt from federal income taxation as a political subdivision of the State of Louisiana and, accordingly, the accompanying basic financial statements do not include any provision for income taxes.

#### Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In particular, laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates related to these programs will change by a material amount in the near term.

#### New Accounting Standards Adopted

*Governmental Accounting Standards Board Statement No. 96 ("GASB 96")*

The District adopted GASB 96, *Subscription-Based Information Technology Arrangements ("SBITA"),* in fiscal year 2023. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As required, the audit standard was applied retroactively, effective July 1, 2021. The retroactive application resulted in a restatement of prior period net position.

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 1. Continued

The District's adoption of GASB 96 resulted in the addition of subscription assets and related subscription liabilities of $1,749,140 and $9,846,432, respectively, for the years ended June 30, 2023 and 2022. The subscription assets and related liabilities are recorded on the District's statement of net position.

The impact of the retroactive adoption of GASB 96 on June 30, 2022 net position was a decrease of $134,692.

### Note 2. Cash, Investments and Designated Cash and Investments

At June 30, cash and investment balances were as follows:

| | Maturity | Fair Value |
|---|---|---|
| **2023** | | |
| Securities type: | | |
| U.S. Government-backed obligations | 2023-2051 | $ 23,197,768 |
| Fixed income | | 12,371,757 |
| Equity securities | | 50,830,483 |
| Cash and cash equivalents, certificates of deposit and accrued interest receivable | | 135,771,945 |
| | | $ 222,171,953 |
| **2022** | | |
| Securities type: | | |
| U.S. Government-backed obligations | 2022-2051 | $ 23,562,284 |
| Fixed income | | 13,493,246 |
| Equity securities | | 46,569,736 |
| Cash and cash equivalents, certificates of deposit and accrued interest receivable | | 111,175,990 |
| | | $ 194,801,256 |

NOTES TO BASIC FINANCIAL STATEMENTS

Note 2. Continued

The table below reconciles the cash, investments and designated cash and investments by security type to the amounts recorded on the statements of net position at June 30:

| | Statement of Net Position Classification | | |
|---|---|---|---|
| | Cash and Equivalents | Short-Term Investments | Total |
| **2023** | | | |
| U.S. Government-backed obligations | $ - | $ 23,197,768 | $ 23,197,768 |
| Fixed income | - | 12,371,757 | 12,371,757 |
| Equity securities | - | 50,830,483 | 50,830,483 |
| Cash and cash equivalents, certificates of deposit and accrued interest receivable | 16,353,888 | 119,418,057 | 135,771,945 |
| | $ 16,353,888 | $ 205,818,065 | $ 222,171,953 |

| | Statement of Net Position Classification | | |
|---|---|---|---|
| | Cash and Equivalents | Short-Term Investments | Total |
| **2022** | | | |
| U.S. Government-backed obligations | $ - | $ 23,562,284 | $ 23,562,284 |
| Fixed income | - | 13,493,246 | 13,493,246 |
| Equity securities | - | 46,569,736 | 46,569,736 |
| Cash and cash equivalents, certificates of deposit and accrued interest receivable | 56,834,585 | 54,341,405 | 111,175,990 |
| | $ 56,834,585 | $ 137,966,671 | $ 194,801,256 |

Louisiana statutes authorize the District to invest in obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal offices in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions and certain investments with qualifying mutual or trust fund institutions.

The cash and cash equivalents, certificates of deposit and accrued interest receivable are all secured with pledged collateral from the financial institution.

Credit Risk – Investments

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 2. Continued

Concentration of Credit Risk

As required under GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3* ("GASB 40"), concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than 5 percent of the fair value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments from the disclosure requirement. At June 30, 2023 and 2022, the District had no investments requiring concentration of credit risk disclosure.

Custodial Credit Risk – Deposits

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 Federal Deposit Insurance Corporation ("FDIC") insurance or collateral. The fair value of the collateral pledged must equal 100 percent of the deposits not covered by FDIC insurance. As of June 30, 2023, $16,266,237 of the District's bank balances of $16,516,237 were collateralized with securities held by the pledging financial institutions to cover any exposure to credit risk as uninsured. The remaining balance was protected by FDIC insurance.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2023 and 2022, the District was not exposed to custodial credit risk for its investments, as all were registered in the name of the District.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Interest rate risk inherent in the portfolio is measured by monitoring the segmented time distribution of the investments in the portfolio. The table below summarizes the District's segmented time distribution investment maturities in years by investment type as of June 30, 2023 and 2022. The District has the ability to liquidate the U.S. Government-backed obligations on demand.

| | | Years | | |
|---|---|---|---|---|
| Investment Type | Fair Value | < 1 | 1–5 | > 5 |
| **2023** | | | | |
| U.S. Government-backed obligations | $ 23,197,768 | $ 3,870,466 | $ 9,714,854 | $ 9,612,448 |
| **2022** | | | | |
| U.S. Government-backed obligations | $ 23,562,284 | $ 5,279,405 | $ 9,495,522 | $ 8,787,357 |

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 2. Continued

The District's group purchasing organization, Premier Healthcare Solutions, Inc. ("PHSI"), completed an initial public offering on September 26, 2013. This resulted in the District's 9,518 shares of PHSI stock being converted into 225,090 shares of Class B units in the public company. The District's initial ownership interest in PHSI was recorded as an equity-based investment of $75,000 at June 30, 2013. In conjunction with the offering, PHSI sold 35,985 shares of the District's stock at $25.38 per share. This resulted in the District recognizing a realized gain of approximately $844,000 in October 2013. The remaining 189,105 shares were converted into Class B common shares. These shares were exchangeable pro rata over seven years into Class A common shares or to retain as Class B shares. The carrying value of the Premier investment was approximately $5,231,000 and $6,747,000 as of June 30, 2023 and 2022, respectively, in accordance with the fair value hierarchy (Note 13). The District accounts for this investment in short-term investments.

### Note 3. Concentration of Credit Risk

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at June 30 was as follows:

| | 2023 | 2022 |
|---|---|---|
| Medicare | 25% | 29% |
| Medicaid | 10 | 10 |
| Self-pay | 8 | 8 |
| Other (managed care, commercial) | 57 | 53 |
| | 100% | 100% |

The relative percentages of gross charges billed for patient services by payor at June 30 was as follows:

| | 2023 | 2022 |
|---|---|---|
| Medicare | 49% | 50% |
| Medicaid | 29 | 27 |
| Managed care | 16 | 16 |
| Commercial insurance | 5 | 6 |
| Uninsured | 1 | 1 |
| Total patient revenues | 100% | 100% |

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 4. Capital Assets

The District's investment in capital assets consisted of the following as of June 30, 2023:

| | Beginning Balance | Additions | Transfers | Retirements | Ending Balance |
|---|---|---|---|---|---|
| Land and land improvements | $ 8,100,000 | $ 188,000 | $ - | $ - | $ 8,288,000 |
| Buildings and fixed equipment | 255,036,000 | 1,063,000 | 958,000 | (4,737,000) | 252,320,000 |
| Equipment | 125,371,000 | 4,221,000 | 4,923,000 | - | 134,515,000 |
| Lease assets | 609,000 | - | - | (258,000) | 351,000 |
| Construction in progress | 5,544,000 | 4,964,000 | (5,881,000) | (373,000) | 4,254,000 |
| | 394,660,000 | 10,436,000 | - | (5,368,000) | 399,728,000 |
| Less accumulated depreciation | 190,790,000 | 16,678,000 | - | (4,972,000) | 202,496,000 |
| Capital assets, net | $ 203,870,000 | $ (6,242,000) | $ - | $ (396,000) | $ 197,232,000 |

The District's investment in capital assets consisted of the following as of June 30, 2022:

| | Beginning Balance | Additions | Transfers | Retirements | Ending Balance |
|---|---|---|---|---|---|
| Land and land improvements | $ 7,458,000 | $ 672,000 | $ - | $ (30,000) | $ 8,100,000 |
| Buildings and fixed equipment | 257,113,000 | 557,000 | 445,000 | (3,079,000) | 255,036,000 |
| Equipment | 115,334,000 | 10,866,000 | | (829,000) | 125,371,000 |
| Lease assets | 1,504,000 | | - | (895,000) | 609,000 |
| Construction in progress | 378,000 | 6,372,000 | (445,000) | (761,000) | 5,544,000 |
| | 381,787,000 | 18,467,000 | - | (5,594,000) | 394,660,000 |
| Less accumulated depreciation | 178,687,000 | 16,332,000 | - | (4,229,000) | 190,790,000 |
| Capital assets, net | $ 203,100,000 | $ 2,135,000 | $ - | $ (1,365,000) | $ 203,870,000 |

### Note 5. Subscription Assets

The District has subscription-based information technology arrangements for intangible assets such as their electronic health record software, enterprise resource planning software, human resources software, and various other software. As of June 30, 2023 and 2022, the District had subscription assets of $11,595,572 and $9,846,432, respectively. The related accumulated amortization of the subscription assets as of June 30, 2023 and 2022 was $4,850,456 and $2,151,635, respectively.

NOTES TO BASIC FINANCIAL STATEMENTS

## Note 6. Employee Retirement Plan

The District has a defined contribution plan for employees. Under the plan, the District is required to contribute a specified percentage of eligible employees' salaries based on years of service. Participants may contribute up to the maximum level allowed by the Internal Revenue Code ("IRC") or 25 percent of gross salary, whichever is less. The participants vest immediately in all participant contributions and vest 100 percent over a five-year cliff vesting schedule in all District contributions. The retirement benefits received by the participants will depend upon the accumulated value of their accounts at distribution upon termination, attaining age 59.5, severe financial hardship or death. Retirement expense included in employee benefit expense was approximately $5,443,000 and $5,059,000 in 2023 and 2022, respectively, representing the required contributions in both years. The District also sponsors deferred compensation plans 415(m) and 457 of the IRC. The District reports the plan assets and a corresponding liability in the accompanying basic financial statements. Accordingly, the District has recorded an asset and a corresponding liability of approximately $1,826,000 and $1,724,000 as of June 30, 2023 and 2022, respectively.

The District participates in the State of Louisiana Patient Compensation Fund (the "Fund"). The Fund provides malpractice coverage to the District for claims in excess of $100,000, up to $500,000. According to current state law, medical malpractice liability (exclusive of future medical care awards) is limited to $500,000 per occurrence. District management has no reason to believe that the District will be prevented from continuing its participation in the Fund.

## Note 7. Risk Management

The District is involved in litigation arising in the ordinary course of business. Claims alleging general and malpractice liability have been asserted against the District and are currently in various stages of litigation. The District accrued approximately $3,783,000 and $2,690,000 as of June 30, 2023 and 2022, respectively, for the estimated losses and expenses related to general and malpractice liability claims for which the District is self-insured. Claims have been filed alleging damages in excess of the amount accrued for estimated malpractice costs. It is the opinion of management that estimated malpractice costs accrued are adequate to provide for probable losses resulting from pending or threatened litigation. Additional claims may be asserted against the District arising from services provided to patients. The District has made an accrual on estimates for these claims.

The District is self-insured for its workers' compensation and employee health claims. The District has commercial insurance that provides coverage for workers' compensation and employee health claims in excess of certain self-insured limits. The District accrued approximately $963,000 and $1,255,000 at June 30, 2023 and 2022, respectively, for employee health insurance claims. The District accrued approximately $2,791,000 and $1,526,000 at June 30, 2023 and 2022, respectively, for workers' compensation claims.

The following table summarizes the changes in the self-insurance liability:

| Year Ended June 30, | Beginning of Fiscal Year Liability | Current-Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year-End |
|---|---|---|---|---|
| 2023 | $ 5,471,000 | $ 16,393,000 | $ (14,327,000) | $ 7,537,000 |
| 2022 | $ 5,086,000 | $ 16,170,000 | $ (15,785,000) | $ 5,471,000 |

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 8. Long-Term Debt

The District's long-term debt consisted of the following:

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| Bonds, Series 2021 | $ 127,670,000 | $ 127,670,000 |
| Lease liabilities | 216,395 | 387,254 |
| Subscription liabilities | 6,956,029 | 7,829,489 |
| Total | 134,842,424 | 135,886,743 |
| Plus unamortized bond premium on 2021 bonds | 22,129,714 | 24,058,170 |
| | 156,972,138 | 159,944,913 |
| Less current maturities | 3,195,268 | 2,562,925 |
| Long-term debt, less current maturities | $ 153,776,870 | $ 157,381,988 |

On September 21, 2021, the District issued $127,670,000 of Hospital Revenue Bonds, Series 2021 ("Series 2021 Bonds"). The purpose of these bonds was to refinance all outstanding bonds: the Series 2003A Bonds, Series 2003B Bonds, Series 2009A Bonds, Series 2011 Bonds, Series 2013A Bonds, and Series 2015 Bonds. The Series 2021 Bonds mature annually in amounts ranging from $5,520,000 to $10,630,000, bearing interest at 5 percent with a reduction in the interest rate beginning in 2035. Principal payments are due from years 2027 through 2042. The Series 2021 Bonds have no contractual restriction on reserve funds for debt service. The Series 2021 Bonds resulted in issuance costs of approximately $1,181,000 that were included in interest expense in 2022. Under the terms of the bond indenture, the District is required to maintain, among other provisions, a certain debt service coverage ratio. The District was in compliance with these provisions of the bond indenture at June 30, 2023. The advance refunding reduced total debt service payments over the next 21 years by approximately $102,171,000 and resulted in an economic gain of approximately $43,471,000.

The District began recognizing capital lease liabilities related to the adoption of GASB 87 during fiscal year 2021. The lease liabilities relate to property and equipment, with maturity dates ranging from 2023 through 2025.

The District began recognizing subscription lease liabilities related to the adoption of GASB 96 during fiscal year 2023. The subscription lease liabilities related to subscription-based IT arrangements, with maturity dates ranging from 2024 through 2028.

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 8. Continued

The estimated debt service requirements on the Hospital Revenue Bonds and Lease Liabilities at June 30, 2023, were as follows:

| | Long-Term Debt | | Lease Liabilities | | Subscription Liabilities | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | $ - | $ 5,534,700 | $ 162,577 | $ 7,343 | $ 3,032,691 | $ 223,339 |
| 2025 | - | 5,534,700 | 53,818 | 888 | 2,741,998 | 103,990 |
| 2026 | - | 5,534,700 | - | - | 780,967 | 30,303 |
| 2027 | 5,520,000 | 5,534,700 | - | - | 391,572 | 8,595 |
| 2028 | 5,800,000 | 5,258,700 | - | - | 8,801 | 41 |
| 2029–2033 | 33,635,000 | 21,644,000 | - | - | - | - |
| 2034–2038 | 42,395,000 | 12,872,350 | - | - | - | - |
| 2039–2042 | 40,320,000 | 3,904,900 | - | - | - | - |
| | $ 127,670,000 | $ 65,818,750 | $ 216,395 | $ 8,231 | $ 6,956,029 | $ 366,268 |

Long-term debt activity for the year ended June 30, 2023 was as follows:

| | Balance June 30, 2022 | Additions | Reductions | Balance June 30, 2023 | Amount Due within One Year |
|---|---|---|---|---|---|
| Bonds Payable | | | | | |
| Bonds, Series 2021 | $ 127,670,000 | $ - | $ - | $ 127,670,000 | $ - |
| Lease liabilities | 387,254 | - | (170,859) | 216,395 | 162,577 |
| Subscription liabilities | 7,829,489 | 1,749,140 | (2,622,600) | 6,956,029 | 3,032,691 |
| Total long-term debt | 135,886,743 | 1,749,140 | (2,793,459) | 134,842,424 | 3,195,268 |
| Unamortized bond premium | 24,058,170 | - | (1,928,456) | 22,129,714 | - |
| Long-term debt, net | $ 159,944,913 | $ 1,749,140 | $ (4,721,915) | $ 156,972,138 | $ 3,195,268 |

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 8. Continued

Long-term debt activity for the year ended June 30, 2022 was as follows:

| | Balance June 30, 2021 | Additions | Reductions | Balance June 30, 2022 | Amount Due within One Year |
|---|---|---|---|---|---|
| Bonds Payable | | | | | |
| Hospital Revenue Bonds, Series 2003A | $ 21,825,000 | $ - | $ (21,825,000) | $ - | $ - |
| Hospital Revenue Bonds, Series 2003B | 15,400,000 | - | (15,400,000) | - | - |
| Hospital Revenue Bonds, Series 2009A | 99,000,000 | - | (99,000,000) | - | - |
| Bonds, Series 2011 | 12,510,000 | - | (12,510,000) | - | - |
| Bonds, Series 2013 | 13,960,000 | - | (13,960,000) | - | - |
| Bonds, Series 2015 | 6,475,000 | - | (6,475,000) | - | - |
| Bonds, Series 2021 | - | 127,670,000 | - | 127,670,000 | - |
| Lease liabilities | 728,718 | - | (341,464) | 387,254 | 166,187 |
| Subscription liabilities | - | 9,846,432 | (2,016,943) | 7,829,489 | 2,396,738 |
| Total long-term debt | 169,898,718 | 137,516,432 | (171,528,407) | 135,886,743 | 2,562,925 |
| Unamortized bond premium | 25,061 | 25,397,377 | (1,364,268) | 24,058,170 | - |
| Long-term debt, net | $ 169,923,779 | $ 162,913,809 | $ (172,892,675) | $ 159,944,913 | $ 2,562,925 |

### Note 9. Charity Care

The estimated amount of cost foregone for services and supplies furnished under the District's charity care policy aggregate to approximately $33,000 and $16,000 for the years ended June 30, 2023 and 2022, respectively. This estimate is based on the cost-to-charge ratio of patient care costs, including salaries and benefits, supplies, other operating expenses and depreciation to gross patient charges.

### Note 10. Governmental Regulations

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, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers in recent years. 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 laws and regulations, 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.

## Note 11. Commitments

At June 30, 2023 and 2022, the District had various commitments totaling approximately $6,993,000 and $2,877,000, respectively. These commitments relate to various capital equipment purchases.

## Note 12. Louisiana Medicaid Supplemental Payment Programs

The District has entered into a series of collaborative agreements and cooperative endeavors designed to provide additional Medicaid funds to help improve or expand allowable healthcare services for Medicaid beneficiaries or low-income, uninsured patients in the community.

Cooperative Endeavor Agreement

On November 30, 2015, the District entered into a cooperative endeavor agreement with a designated Hospital Service District ("HSD"). The Centers for Medicare and Medicaid Services ("CMS") have previously approved Medicaid State Plan Amendments ("SPA"), submitted by the Louisiana Department of Health ("LDH"), which provides for reimbursement to nonrural, nonstate public hospitals up to the Medicaid inpatient upper payment limit. Under this agreement, a designated HSD has agreed to cooperate in the establishment of a funding program by negotiating with all Medicaid Managed Care Organizations ("MCOs") to receive a specific portion of Full Medicaid Pricing ("FMP") payments LDH made to MCOs. The designated HSD shall make supplemental payments to the other HSDs for the purpose of ensuring that adequate and essential healthcare services are accessible and available to low-income and/or indigent citizens and medically underserved nonrural populations in Louisiana in a manner defined in the agreement. Funding for each participating HSD is based upon a formula utilizing each district's reported Medicaid patient days and Medicaid losses. The term of this agreement is one year with automatic renewals for additional terms of one year each unless previously terminated. This program was terminated and replaced by the SDPP.

For this agreement, the District recognized total revenue of approximately $1,288,000 and $25,423,000 in 2023 and 2022, respectively. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenue, expenses and changes in net position.

Physician Rate Enhancement Agreement

On June 1, 2016, the HSD and the NOPG entered into a Physician Rate Enhancement Funds ("PREFs") Assignment Agreement with LDH. Under the program, LDH increased the Per Member Per Month ("PMPM") rate for reimbursement of physician services to include the FMP for safety-net physicians to receive enhanced rates. The PREFs can only be paid to an HSD that elects to provide the state match for the federal funding associated with these Physician Rate Enhancement Funds payments. NOPG has to contract with or be employed by the HSD to provide inpatient and outpatient physician services to be eligible to receive the funds. Under the agreement, NOPG assigns all rights and authorities to HSD to contract for and to collect payment of PREFs.

For this agreement, the District recognized total revenue of approximately $19,184,000 and $18,398,000 in 2023 and 2022, respectively. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenue, expenses and changes in net position.

## NOTES TO BASIC FINANCIAL STATEMENTS

### Note 12. Continued

Professional Services Agreement

NOPG and NOMC entered into agreements with a private healthcare provider. Under the terms of this agreement, the private healthcare provider agrees to work cooperatively with the NOPG and NOMC to improve access to healthcare for low-income and/or indigent citizens. The agreement may be terminated by either party with 30 days' written notice.

The District recorded approximately $-0- and $25,213,000 as deferred revenues as of June 30, 2023 and 2022, respectively. The District also recognized approximately $25,213,000 and $21,457,000 during the years ended June 30, 2023 and 2022, respectively, as other operating revenue on the accompanying statements of revenue, expenses and changes in net position.

Managed Care Incentive Program

The District entered into an agreement with Louisiana State University to participate as a member of the Louisiana Quality Network ("LQN"). Under LQN, healthcare providers participate in the Managed Care Incentive Program to improve the quality of healthcare provided while eliminating inefficiencies and costs in the Medicaid delivery systems of their state. The initial period of the agreement is for five years and shall be extended and renewed automatically for successive one-year terms, but the agreement may be terminated by either party with 30 days' written notice.

Louisiana State Directed Payment Program

Effective July 1, 2022, Louisiana Medicaid implemented a new SDPP model for in-state hospitals licensed and enrolled in Medicaid. The SDP arrangement utilizes a uniform percentage increase directed fee schedule in accordance with 42 CFR Section 438.6(c)(1)(iii)(c). The fee schedule provides a uniform percentage increase for payments to qualifying hospitals within specified tiered provider classes for Medicaid managed care contracted inpatient and outpatient services provided to Medicaid enrolled individuals. Qualifying hospitals receive interim lump-sum quarterly directed payments from MCOs, as directed by LDH. Within 12 months after the end of the MCO contract rating period, LDH will conduct a reconciliation process based on actual utilization during the MCO contract rating period and the MCOs will make payment adjustments, as directed by LDH.

The District recognized total SDP revenue of approximately $81,457,000 in 2023. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenue, expenses and changes in net position.

### Note 13. Fair Value Measurement

The District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the District's mission, the District determined that the disclosures related to these investments only need to be disaggregated by major type. The District elected a narrative format for the fair value disclosures.

## Note 13. Continued

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements:

- Fixed income and equity securities of $63,202,240 and $60,062,982 as of June 30, 2023 and 2022, respectively, are valued using prices quoted in active markets for those securities (Level 1 inputs).
- Government agency bond obligations of $23,197,768 and $23,562,284 as of June 30, 2023 and 2022, respectively, are valued using significant other observable inputs for those securities (Level 2 inputs).

## Note 14. Contingencies

During fiscal year 2022, the District experienced significant business disruptions caused by Hurricane Ida (the "Hurricane"). At the time of the Hurricane, the District held a business insurance policy in which business income losses, including continuing normal payroll expenses necessary to resume operations, are covered. The District recorded a receivable and recognized the estimated business insurance proceeds of approximately $5,309,000 as nonoperating revenues based on coverage expectation in the accompanying statements of revenue, expenses and changes in net position for the year ended June 30, 2022. As of June 30, 2023 and 2022 the District had a related receivable of approximately $1,000,000 and $5,309,000, respectively.

FEMA established the COVID-19 Public Assistance Program (the "Program") for the purpose of providing support to meet emergency needs during the COVID-19 pandemic. The Program required applicants to submit a request for public assistance ("RPA") to FEMA no later than July 1, 2022. The District completed their FEMA RPA on April 2, 2020. The District recorded the estimated FEMA Program proceeds of approximately $4,774,000 as nonoperating revenues in the accompanying statements of revenue, expenses and changes in net position for the year ended June 30, 2022. As of June 30, 2023 and 2022 the District had a related receivable of approximately $4,774,000.

## Note 15. Coronavirus Aid, Relief, and Economic Security Act

On January 30, 2020, the World Health Organization declared the Coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the Coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The Coronavirus, and actions taken to mitigate the spread of it, have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates.

## Note 15. Continued

In response to the COVID-19 pandemic, Congress passed multiple bills that included funding and operational relief for affected hospitals. The U.S. Department of Health and Human Services ("HHS"), the Centers for Medicare and Medicaid Services and other providers, and the Health Resources and Services Administration all issued various waivers of regulations governing coverage of specific services and conditions of program participation. The Public Health and Social Services Emergency Fund (the "Provider Relief Fund") was among the provisions of the CARES Act, which was signed into law on March 27, 2020. On April 22, 2020, HHS announced a distribution methodology for the $100 billion Provider Relief Fund appropriated as part of the CARES Act. Furthermore, HHS provided $75 billion in addition to the $100 billion provided under the CARES Act. As a condition to receiving distributions, providers had to agree to certain terms and conditions, including, among other things, that the funds would be used for lost operating revenues and COVID-19 related costs. During 2022, the District received and recognized approximately $1,500,000 from the Provider Relief Fund in nonoperating revenues in the accompanying statements of revenues, expenses, and changes in net position. The District recognizes the Provider Relief Fund payments as income when there is reasonable assurance of compliance with the conditions associated with the grant.

The laws and regulations related to the funds provided via the CARES Act are complex and subject to interpretation, as well as frequent changes. Due to the uncertainty, there is a possibility that government authorities may review the District's compliance, which may result in adjustments to funds previously received. The District's management will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the impact of the pandemic on the District's revenues and expenses.

HORNE

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

The Board of Commissioners
Hospital Service District No. 1 of the Parish
of Tangipahoa, State of Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Hospital Service District No. 1 of the Parish of Tangipahoa, State of Louisiana (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2023.

### 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 of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of This Report

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

Horne LLP

Ridgeland, Mississippi
October 25, 2023

HORNE

# INDEPENDENT AUDITOR'S REPORT ON OTHER SUPPLEMENTARY INFORMATION

The Board of Commissioners
Hospital Service District No. 1 of the
Parish of Tangipahoa, State of Louisiana

We have audited the statement of net position of the Hospital Service District No. 1 of the Parish of Tangipahoa, State of Louisiana (the "District"), as of June 30, 2023 and 2022, and the related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and have issued our report thereon dated October 25, 2023. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head are presented for the purpose of additional analysis, as required by Louisiana Revised Statute 24:513 A (3) and is not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head is the responsibility of the Board of Commissioners and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and other Payments to Agency Head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Horne LLP
Ridgeland, Mississippi
October 25, 2023

## HOSPITAL SERVICE DISTRICT NO. 1 OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA

Schedule of Compensation, Benefits, and Other Payments to Agency Head

Year Ended June 30, 2023

**Agency Head:**

Michele Sutton, Chief Executive Officer

| Purpose | | Amount |
|---|---|---|
| Salary | $ | 930,698 |
| Benefits-insurance | | 12,673 |
| Benefits-retirement | | 207,231 |
| Benefits-other | | 80,719 |
| Car allowance | | - |
| Vehicle provided by government | | - |
| Per diem | | - |
| Reimbursements | | - |
| Travel | | - |
| Registration fees | | - |
| Conference travel | | - |
| Housing | | - |
| Unvouchered expenses | | - |
| Special meals | | - |
| Other | | - |

*See Independent Auditor's Report on Supplementary Information.*

# HOSPITAL SERVICE DISTRICT NO. 1
# OF THE PARISH OF TANGIPAHOA,
# STATE OF LOUISIANA

Hammond, Louisiana

## Independent Accountant's Report
## on Applying Agreed-Upon Procedures

For the Reporting Period
July 1, 2022 through June 30, 2023

HORNE

INDEPENDENT AUDITOR'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

The Board of Commissioners
Hospital Service District No. 1 of the
Parish of Tangipahoa, State of Louisiana

We have performed the procedures enumerated below, which were agreed to by Hospital Service District No. 1 of the Parish of Tangipahoa, State of Louisiana, d/b/a North Oaks Health System (the "District") and the Louisiana Legislative Auditor ("LLA") on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures ("SAUPs") for the reporting period July 1, 2022 through June 30, 2023. The District's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

## Written Policies and Procedures

1. Determine whether the District's written policies and procedures address each of the following financial/business functions: budgeting, purchasing, disbursements, receipts/collections, payroll/personnel, contracting, travel and expense reimbursement, credit cards, ethics, debt service, information technology disaster recovery/business continuity and sexual harassment.

   **We obtained and examined the District's policies and procedures documentation for each of the financial/business functions listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.**

## Board/Committee Meetings

2. Determine whether the managing Board meets (with quorum) at least monthly, or on a frequency in accordance with the Board of Commissioners (the "Board") enabling legislation, charter, bylaws or other equivalent document.

3. Observe that the minutes referenced or included financial activity.

4. Obtain the prior year audit report and observe the unrestricted fund balance. If the unrestricted fund balance in the prior year had a negative ending balance, observe that the minutes for at least one meeting during the reporting period referenced or included a formal plan to eliminate the negative unrestricted balance.

5. Observe that the minutes include updates of the progress of resolving audit findings, if applicable.

   **We obtained and examined the District's Board minutes and related documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.**

## Bank Reconciliations

6. Obtain from management a listing of all bank accounts held by the District.

7. Select the District's main operating account and a sample of four other bank accounts provided in the listing obtained from management in SAUP #6. For each sample, randomly select one month from the reporting period, obtain bank statements and corresponding reconciliations for month selected, and determine whether:

   a. Bank reconciliations have been prepared within two months of the related statement closing date;

      **We inspected supporting documentation, including bank statements and reconciliations, for all months related to the accounts sampled. We noted that all months were reconciled to the general ledger within the required time frame.**

   b. Bank reconciliations were properly reviewed by management;

      **We inspected supporting documentation, including bank statements and reconciliations, for all months related to the accounts sampled. We noted that all months were approved by personnel other than the employee responsible for preparing the reconciliation.**

   c. Management has researched reconciling items that have been outstanding for more than twelve months from the statement closing date and documented such research accordingly, if applicable.

      **We inspected supporting documentation for reconciling items per the bank reconciliations, noting no research of reconciling items deemed applicable at this time.**

## Collections

8. Obtain from management a listing of all deposit sites maintained by the District and select a sample of five deposit sites. For each deposit site, obtain from management a listing of all cash collection locations maintained by the District.

9. Select a sample of one collection location for each deposit site provided in the listing obtained from management in SAUP #8. For each sample, obtain and inspect written policies and procedures related to employee job duties. Observe that job duties are properly segregated at each collection location such that:

   a. Employees who are responsible for cash collections do not share cash drawers/registers.

   b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

   c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

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

10. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

11. Select two deposit dates for each of the five bank accounts selected for SAUP #7 and obtain supporting documentation such that:

    a. Observe that receipts are sequentially pre-numbered.

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

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

    d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles or the deposit is less than $100).

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

    **We obtained and examined the District's collections documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.**

Nonpayroll Disbursements

12. Obtain from management a listing of all District disbursements for the reporting period and a listing of all employees involved with nonpayroll purchasing and payment functions.

13. Obtain written policies and procedures related to employee job duties and observe job duties are properly segregated such that:

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

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

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

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

    e. Only employees/officials authorized to sign checks approves the release of electronic reimbursements.

14. Select a sample of five disbursements, excluding credit cards and travel reimbursements, provided in the listing obtained from management in SAUP #12. Obtain supporting documentation for each transaction and:

    a. Observe that the disbursement matched the related original invoice/billing statement.

    b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under SAUP #13, as applicable.

15. Select a sample of five electronic disbursements and observe that the disbursement was approved by the appropriate personnel per the Hospital's policy.

    **We obtained and examined the District's disbursements documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.**

Credit Cards

16. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards maintained by the District.

17. Select a sample of five cards used from the listing obtained from management in SAUP #16 during the reporting period. For each sample, obtain one monthly statement and reconciliation during the reporting period and:

    a. Observe that there is evidence that the monthly statement and supporting documentation (e.g., original receipts for purchases, exception reports, etc.) were reviewed and approved in writing/electronically by someone other than the authorized card holder.

       **We reviewed monthly statements and supporting documentation related to credit card activity selected and noted all items were approved in accordance with written policy.**

    b. Observe that finance charges and/or late fees were not assessed on the selected statements.

       **We reviewed monthly statements and supporting documentation related to credit card activity selected and noted no finance charges or late fees were assessed on the selected statements.**

18. Using the monthly statements obtained from management in SAUP #17, excluding fuel cards, select 10 transactions from each statement and obtain supporting documentation including:

    a. An itemized receipt that identifies precisely what was purchased,

    b. Written documentation of the business/public purpose, and

    c. Documentation of individuals participating in meals, if applicable.

       **We reviewed supporting documentation related to credit card activity selected and noted all items were properly documented as defined by LLA's SAUPs.**

Travel and Expense Reimbursement

19. Obtain from management a listing of all travel and related expense reimbursements for the reporting period.

20. Select a sample of five reimbursements from the listing obtained from management in SAUP #19. For each sample, obtain the related expense reimbursement forms or prepaid expense documentation, as well as supporting documentation, and determine:

    a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

       **We reviewed management's travel and expense reimbursement policy and noted that mileage is reimbursed per the IRS standard mileage rates. We also noted that lodging is set not to exceed the single occupancy rate available. We noted that the District has a set per diem rate as well as language to address any event where the rate could exceed the GSA rates. If expenses are higher than the allowed per diem, administrative approval is required.**

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

       **We performed inquiries and reviewed supporting documentation related to the reimbursement sample and noted all expenses reimbursed (or prepaid) had original receipts identifying what was purchased.**

c. Observe that each reimbursement is supported by documentation for the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy.

**We performed inquiries and reviewed supporting documentation related to the reimbursement sample and noted all expenses reimbursed (or prepaid) had documentation regarding the business/public purpose of the travel.**

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

**We reviewed supporting documentation related to each reimbursement and noted all were approved in accordance with written policy.**

## Contracts

21. Obtain from management a listing of all contracts in effect during the reporting period.

22. Select a sample of five contracts during the reporting period, excluding payments to practitioners, provided in the listing obtained from management in SAUP #21. Obtain the related contracts, paid invoices and:

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

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

    c. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.

    d. Select one payment from the reporting period for each of the five contracts selected, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

    **We obtained and examined the District's contracts documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.**

## Payroll and Personnel

23. Obtain from management a listing of all employees employed during the reporting period. Select a sample of five employees, obtain their paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates within their personnel files.

24. Select one pay period during the reporting period and, for the five employees selected above in SAUP #23, obtain attendance leave records and leave documentation, and:

    a. Observe that all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).

    b. Observe that supervisors approved the attendance and leave of the selected employees.

    c. Observe that any leave accrued or taken for those selected employees is reflected in the District's cumulative leave records.

    d. Observe the rate paid to the employees agrees to the authorized salary/pay rate found within the personnel file.

25. Obtain from management a listing of all employees that received termination payments during the reporting period. Select a sample of two employees and obtain related documentation of the hours and pay rates used in termination payment calculations. Agree hours to the employees' cumulative leave records and agree pay rates to the employees' authorized pay rates per their personnel files.

26. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid and associated forms were submitted to the applicable agencies by the required deadlines.

    **We obtained and examined the District's payroll and personnel documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.**

## Ethics

27. Using the sample of five employees from the listing provided in SAUP #23, obtain ethics compliance documentation from management and determine whether the District maintained documentation to demonstrate:

    a. Each employee completed one hour of required ethics training during the reporting period.

    b. Each employee attested through signature verification that they have read the District's ethics policy during the reporting period.

       **We obtained and examined the District's ethics documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.**

28. Inquire and/or observe whether the agency has appointed an ethics designee.

    **We confirmed with the Louisiana Ethics Administration Program that the District had not submitted an ethics designee as of the reporting period ended June 30, 2023.**

    **Management's Response: The District has appointed an ethics designee.**

## Debt Service

29. If debt was issued during the reporting period, obtain supporting documentation from the District, and determine whether approval was obtained from the State Bond Commission.

30. If the District had outstanding debt during the reporting period, obtain from management a listing of all bonds/notes outstanding. Select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

    **We obtained and examined the District's debt service documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.**

## Fraud Notice

31. Inquire of management whether the District had any misappropriations of public funds or assets during the reporting period. If applicable, review supporting documentation and determine whether the District reported the misappropriation to the legislative auditor and the District attorney of the parish in which the District is domiciled.

32. Observe whether the District has posted on its premises and website the notice required by R.S 24:523.1 related to the reporting of misappropriation, fraud, waste or abuse of public funds.

**We obtained and examined the District's fraud notice documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.**

## Information Technology Disaster Recovery/Business Continuity

33. Obtain and inspect the District's most recent documentation that it has backed up its critical data. Observe evidence that such back up occurred within the past week, was not maintained on local servicer/network, and was encrypted.

34. Obtain and inspect the District's most recent documentation that it has tested/verified that its backups can be restored. Confirm that the test/verification was successfully performed within the past three months.

35. Obtain a listing of the District's computers currently in use. Select a sample of five computers and observe that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

36. Using the listing of terminated employees provided in SAUP #25, select five terminated employees and observe evidence that they have been removed or disabled from the network.

**We obtained and examined the District's information technology documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs. We performed the procedures and discussed the results with management.**

## Prevention of Sexual Harassment

37. Using the five employees selected above in SAUP #23, obtain sexual harassment training documentation demonstrating at least one hour of training during the calendar year.

**We reviewed training documentation for all employees selected and noted one employee had not completed training within a year.**

**Management's Response: The one employee identified during the review of training documentation was on leave of absence during the period. The employee was instructed to complete the mandatory training upon return to work.**

38. Observe the District has posted its sexual harassment policy and complaint procedure on its website.

**We examined the District's website and confirmed the inclusion of all necessary sexual harassment policy and complaint procedure documentation as defined by LLA's SAUPs.**

39. Obtain the District's annual sexual harassment report for the current fiscal period, confirm that it was dated on or before February 1, and observe it includes the following:

   a. Number and percentage of public servants in the District who have completed the training requirements;

   b. Number of sexual harassment complaints received by the District;

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

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

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

**We obtained and examined the District's sexual harassment documentation for the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.**

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Horne LLP

Ridgeland, Mississippi
October 25, 2023