

**HOSPITAL SERVICE DISTRICT NO. 1**  
Parish of Vermilion, State of Louisiana  
Kaplan, Louisiana

Financial Report

Years Ended September 30, 2022 and 2021

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Hospital Service District No. 1  
Parish of Vermilion, State of Louisiana  
Kaplan, Louisiana

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, (the District), as a component unit of the Vermilion Parish Police Jury, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, as of September 30, 2022 and 2021, and the respective changes in financial position and, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Hospital Service District No. 1, Parish of Vermilion, State of Louisiana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana'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 Hospital Service District No. 1, Parish of Vermilion, State of Louisiana's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana's financial statements as a whole. The accompanying information on pages 18 through 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated February 20, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

## ***Darnall, Sikes & Frederick***

A Corporation of Certified Public Accountants

Eunice, Louisiana  
February 20, 2023

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Statements of Net Position  
September 30, 2022 and 2021

ASSETS

	2022	2021
<b>CURRENT ASSETS</b>		
Cash	\$ 2,011,148	\$ 4,561,508
Certificates of deposit	11,675,125	10,010,818
Investment securities, at market	8,294,408	7,578,920
Sales tax receivable	275,427	224,902
Accrued interest receivable	131,739	120,504
Note receivable, current portion	326,700	326,700
Lease receivable, current portion	253,549	244,494
Prepaid expenses	<u>83,857</u>	<u>74,088</u>
Total current assets	<u>23,051,953</u>	<u>23,141,934</u>
<b>NONCURRENT ASSETS</b>		
Note receivable, net of current portion	331,054	657,754
Lease receivable, net of current portion	<u>1,315,800</u>	<u>1,569,086</u>
	<u>1,646,854</u>	<u>2,226,840</u>
<b>ASSETS WHOSE USE IS LIMITED BY THE BOARD FOR CAPITAL IMPROVEMENTS</b>		
Cash	59	49
Certificates of deposit	1,664,771	2,063,990
Investment securities, at market	<u>166,824</u>	<u>198,029</u>
	<u>1,831,654</u>	<u>2,262,068</u>
<b>PROPERTY, PLANT, AND EQUIPMENT, net</b>		
Land	58,893	58,893
Depreciable assets, net accumulated depreciation	<u>6,295,234</u>	<u>6,639,585</u>
Total capital assets, net of accumulated depreciation	<u>6,354,127</u>	<u>6,698,478</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 32,884,588</u></u>	<u><u>\$ 34,329,320</u></u>

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Statements of Net Position  
September 30, 2022 and 2021

LIABILITIES AND NET POSITION

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES		
Accounts payable	\$ 290,424	\$ 235,858
Other payables	<u>1,111</u>	<u>1,111</u>
Total current liabilities	<u>291,535</u>	<u>236,969</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources related to leases	<u>1,569,349</u>	<u>1,813,580</u>
NET ASSETS		
Invested in capital assets, net of related debt	6,354,127	6,698,478
Unrestricted	<u>24,669,577</u>	<u>25,580,293</u>
Total net position	<u>31,023,704</u>	<u>32,278,771</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$32,884,588</u>	<u>\$34,329,320</u>

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended September 30, 2022 and 2021

	2022	2021
<b>OPERATING REVENUES</b>		
Sales tax revenue	\$ 1,559,282	\$ 1,418,098
Millage revenue	458,783	458,297
Rental revenue	244,494	259,258
Other revenue	33,634	34,954
Total operating revenues	2,296,193	2,170,607
<b>OPERATING EXPENSES</b>		
Salaries and payroll taxes	36,368	34,921
Contract fees	16,300	16,486
Professional fees	6,085	17,389
Contract services	2,018,065	1,876,395
Insurance	137,342	128,778
Board fees	25,200	22,000
Office	1,158	41,332
Depreciation	344,351	361,310
Total operating expenses	2,584,869	2,498,611
<b>OPERATING LOSS</b>	(288,676)	(328,004)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	376,220	399,101
Unrealized gain (loss) on investment securities	(1,342,611)	(162,638)
Total non-operating revenues (expenses)	(966,391)	236,463
<b>INCREASE (DECREASE) IN NET POSITION</b>	(1,255,067)	(91,541)
<b>NET POSITION</b>		
Balance, beginning of year	32,278,771	32,370,312
Balance, end of year	<u>\$31,023,704</u>	<u>\$32,278,771</u>

The accompanying notes are an integral part of this statement.



HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Statements of Cash Flows  
Years Ended September 30, 2022 and 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net position	\$(1,255,067)	\$ (91,541)
Adjustments to reconcile decrease in net position to net cash provided by operating activities		
Unrealized loss on investment securities	1,342,611	162,638
Depreciation	344,351	361,310
(Increase) decrease in assets -		
Receivables	264,940	473,912
Prepaid expenses	(9,769)	(808)
Increase (decrease) in liabilities -		
Accounts payable	54,566	(85,655)
Other payables	-	(1,201)
Net cash provided by operating activities	741,632	818,655
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemption (purchase) of certificates of deposit, net	(1,265,088)	462,722
Redemption (purchase) of investment securities, net	(2,026,894)	(461,367)
Purchase of property, plant, and equipment	-	-
Net cash provided (used) by investing activities	(3,291,982)	1,355
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,550,350)	820,010
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	4,561,557	3,741,547
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 2,011,207</u>	<u>\$4,561,557</u>
<b>RECONCILIATION OF CASH TO BALANCE SHEET</b>		
Cash - unrestricted	\$ 2,011,148	\$4,561,508
Cash - restricted	59	49
	<u>\$ 2,011,207</u>	<u>\$4,561,557</u>

The accompanying notes are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 1 PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Hospital Service District No. 1 (referred to as the "District") is a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the government body with oversight authority.

Nature of Business

The District leases its facility and equipment to Kaplan General Hospital, a subsidiary of Lafayette General Medical Center, Inc., to provide healthcare services.

Basis of Accounting

The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual method. The District accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide* and standards established by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Method of Accounting

GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures* which establish financial reporting standards for state and local governments. These statements establish that the financial statements should consist of management's discussion and analysis (MD&A) to provide an analytical overview of the entity's financial activities, basic financial statements, and required supplementary information (RSI) as required by other GASB statements.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which include a statement of net position, a statement of revenue, expenses, and changes in net position; and a direct method statement of cash flows. It requires the classification of net position into three components – invested in capital assets, net of related debt, restricted, and unrestricted.

These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net position consists of 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 improvements of those assets.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
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Notes to Financial Statements

NOTE 1 PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There were no restricted assets for year ended September 30, 2022.
- Unrestricted – This component of net position consists of net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. The caption “cash and cash equivalents” does not include amounts whose use is limited.

Income Taxes

The District is a political subdivision and has been ruled exempt from federal and state income taxes; therefore, no provision for income taxes is necessary.

Property, Plant, and Equipment

Purchased fixed assets are stated at cost and donated fixed assets are stated at fair market value at the time of donation. Depreciation is computed on the double declining balance method for assets purchased prior to January 1, 1970, and on the straight-line method for assets purchased after January 1, 1970. The estimated useful lives, as recommended by the American Hospital Association, are as follows:

Buildings and Land Improvements	10-50 years
Equipment	5-25 years

Use of Estimates

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

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 1 PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principles and Restatement

As of September 30, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the District's financial statements and had no effect on net position.

The implementation of GASB Statement No. 87 resulted in the recognition of a lease receivable of \$1,569,349 and \$1,813,580 and deferred inflow of resources related to leases of \$1,569,349 and \$1,813,580 as of September 30, 2022 and 2021, respectively.

Subsequent Events

We have evaluated events subsequent to the balance sheet through February 20, 2023, the date the financial statements were available to be issued.

NOTE 2 ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consists of funds designated by the Board of Directors to be used for capital asset acquisitions and improvements.

NOTE 3 CASH AND INTEREST-BEARING DEPOSITS

Under state laws, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2022 and 2021, the District has cash and interest-bearing deposits, including certificates of deposit, (book balances) totaling \$15,351,103 and \$16,636,365, respectively.

These deposits are stated at cost, which approximates market. Under state laws, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at September 30, 2022, are as follows:

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 3 CASH AND INTEREST-BEARING DEPOSITS (Continued)

	B1 Bank	Vermilion Bank	Various National Banks
Statement balances	<u>\$ 7,042,859</u>	<u>\$4,847,112</u>	<u>\$2,777,679</u>
Federal deposit insurance	\$ 250,000	\$ 250,000	\$2,777,679
Pledged securities (category 3)	<u>10,095,594</u>	<u>5,067,353</u>	<u>-</u>
Total	<u>10,345,594</u>	<u>5,317,353</u>	<u>2,777,679</u>
Excess of coverage	<u>\$ 3,302,735</u>	<u>\$ 470,241</u>	<u>\$ -</u>

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 4 CERTIFICATES OF DEPOSIT

The District held the following certificates of deposit at September 30, 2022:

	Amount	Interest Rate	Maturity
<u>Current Assets:</u>			
Edward Jones			
Ally Bank	\$ 245,000	1.95%	03/28/24
American Express National Bank	100,000	1.60%	03/04/24
American Express National Bank	100,000	2.00%	03/09/27
American Express National Bank	30,000	1.80%	03/10/25
Bank of China	200,000	3.00%	08/17/23
BMW Bank	200,000	0.40%	02/26/25
Capital One Bank National Association	200,000	3.55%	08/03/27
Citibank National Association	100,000	3.30%	05/30/25
Citibank National Association	50,000	3.45%	08/24/28
Citibank National Association	95,270	3.15%	04/02/29
Discover Bank	175,000	2.25%	02/03/23
GE Capital Retail Bank	87,000	3.30%	02/14/24
Goldman Sachs Bank	70,000	3.00%	08/08/23
Goldman Sachs Bank	227,000	1.00%	12/22/25
Morgan Stanley Bank	100,000	3.35%	06/06/28
Morgan Stanley Bank	50,000	3.10%	05/12/25
Sallie Mae Bank	100,000	1.60%	03/17/31
State Bank India	48,000	1.10%	12/10/25
State Bank India	100,410	0.91%	07/30/27
State Bank India	100,000	1.95%	12/05/24
UBS Bank	200,000	3.00%	08/17/23
Wells Fargo Bank	200,000	3.25%	06/06/23
	<u>2,777,680</u>		

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 4 CERTIFICATES OF DEPOSIT (Continued)

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
<u>Current Assets:</u>			
B1 Bank	\$ 728,630	0.25%	10/07/22
	728,630	0.25%	10/07/22
	702,565	0.30%	11/09/22
	777,453	0.30%	11/09/22
	752,748	0.30%	11/09/22
	300,985	0.30%	12/06/22
	300,985	0.30%	12/06/22
	300,985	0.30%	12/06/22
	275,903	0.30%	12/06/22
	100,321	0.35%	02/23/23
	100,321	0.35%	02/23/22
	100,321	0.35%	02/23/23
	100,321	0.35%	02/23/23
	100,321	0.35%	02/23/23
	<u>150,948</u>	1.26%	07/06/23
	<u>5,521,437</u>		
Vermilion Bank & Trust Co.	\$ 750,000	0.20%	10/23/22
	774,615	0.20%	10/26/22
	275,000	0.20%	11/11/22
	200,000	0.20%	03/07/23
	200,000	0.35%	04/20/23
	200,000	0.35%	04/29/23
	150,000	1.25%	06/25/23
	100,000	3.95%	09/19/23
	<u>726,393</u>	3.95%	09/28/23
	<u>3,376,008</u>		
	<u>\$ 11,675,125</u>		
<u>Assets whose use is limited:</u>			
	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
B1 Bank	<u>\$ 200,733</u>	0.30%	11/09/22
	<u>200,733</u>		
Vermilion Bank & Trust Co.	\$ 11,251	0.35%	04/23/23
	726,393	2.95%	08/16/23
	<u>726,394</u>	2.95%	08/16/23
	<u>1,464,038</u>		
	<u>\$ 1,664,771</u>		

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 5 INVESTMENT SECURITIES

Investments are reported at their fair values in the statement of net position. Unrealized gains and losses are included in the change in net position in the statement of revenues, expenses, and changes in net position.

Investments consisted of the following as of September 30, 2022:

	Cost	Market Value
Government Bonds	\$ 3,748,610	\$ 3,618,616
Municipal Bonds	<u>5,549,373</u>	<u>4,675,792</u>
Total	<u>\$ 9,297,983</u>	<u>\$ 8,294,408</u>
 <u>Assets whose use is limited:</u>		
Municipal Bonds	<u>\$ 193,690</u>	<u>\$ 166,824</u>
Total	<u>\$ 193,690</u>	<u>\$ 166,824</u>

Fair Values of Financial Instruments

FASB Accounting Standards Codification Topic 820, “Fair Value Measurements (Topic 820) requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements.

These levels are:

- Level 1 - inputs are based upon adjusted quoted prices for identical instruments traded in active markets.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Fair Value of Assets Measured on a Recurring Basis

The District’s investments in securities with readily determinable fair values are recorded at fair value based on quoted market prices. For those investments, where quoted prices are unavailable, management estimates fair value based on quoted prices for similar instruments with consideration of actively quoted interest rates, credit ratings and spreads, prepayment models, and collateral data.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 5 INVESTMENT SECURITIES (Continued)

The District relies on the valuation procedures and methodologies of the external managers hired specifically to invest in such securities or in strategies which employ such securities. The following table presents the fair value at September 30, 2022 and 2021, for each of the fair value hierarchy levels:

As of September 30, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Government/Agency Obligations	\$ -	\$ 3,618,616	\$ -
Municipal Bonds	-	<u>4,842,616</u>	-
Total	<u>\$ -</u>	<u>\$ 8,461,232</u>	<u>\$ -</u>
As of September 30, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Government/Agency Obligations	\$ -	\$ 2,380,352	\$ -
Municipal Bonds	-	<u>5,396,597</u>	-
Total	<u>\$ -</u>	<u>\$ 7,776,949</u>	<u>\$ -</u>

NOTE 6 NOTE RECEIVABLE

Note receivable represents the amount due from Kaplan General Hospital (KGH) for financial assets transferred under the lease agreement. (See Note 11) The balance as of September 30, 2022 and 2021 is \$657,754 and \$984,454, respectively, and is payable in monthly installments of \$27,225.

NOTE 7 LEASE RECEIVABLE

Lease receivable represents the amount due from Kaplan General Hospital (KGH) for right to use lease assets under the lease agreement. (See Note 11) The balance as of September 30, 2022 and 2021 is \$1,569,349 and \$1,813,580, respectively, and is payable in monthly installments of \$27,225.



HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 8 PROPERTY, PLANT, AND EQUIPMENT

The following is a summary of property, plant, and equipment and related accumulated depreciation for the year ended September 30, 2022:

	September 30, 2021	Additions	Deletions	September 30, 2022
Land	\$ 58,893	\$ -	\$ -	\$ 58,893
Land improvements	132,841	-	-	132,841
Buildings	6,875,161	-	-	6,875,161
Building Improvements	1,048,904	-	-	1,048,904
Fixed equipment	2,533,160	-	-	2,533,160
Major moveable equipment	3,812,549	-	-	3,812,549
Other moveable equipment	<u>205,664</u>	<u>-</u>	<u>-</u>	<u>205,664</u>
Total	14,667,172	-	-	14,667,172
Accumulated depreciation	<u>7,968,694</u>	<u>344,351</u>	<u>-</u>	<u>8,313,045</u>
Net	<u>\$ 6,698,478</u>	<u>\$ (344,351)</u>	<u>\$ -</u>	<u>\$ 6,354,127</u>

NOTE 9 REVENUE RECOGNITION - PROPERTY TAX

The District receives funds from a property tax which was adopted by the voters of Vermilion Parish. The parish tax is levied each year by the Vermilion Parish Tax Assessor on November 15 based upon the assessed value on the previous January 1 of all real and business personal property within the Parish. The assessed value of the property on the tax rolls as of January 1, 2022 was approximately \$69 million.

The tax becomes due on November 15 and is considered delinquent if not paid by December 31. Most of the property tax revenues are collected during the months of December, January, and February. During May of the subsequent year, properties with delinquent taxes are advertised for auction by the Parish Sheriff. The auction is normally scheduled for June or July. It is at this time a lien is placed on the property. Properties not sold at the auction are adjudicated to the State of Louisiana.

After considering tax exemptions, the net amount of property taxes received by the District was \$458,783 and \$458,297 for the year ended September 30, 2022 and 2021, respectively.

NOTE 10 SALES TAX REVENUE

A one percent sales tax proposition was approved by voters for a 10-year period effective April 1, 2021. Proceeds of this sales tax are dedicated towards the costs associated with operating, maintaining, and improving the facilities of the District related to providing emergency medical service. Revenue for the years ended September 30, 2022 and 2021 totaled \$1,559,282 and \$1,418,098, respectively.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Notes to Financial Statements

NOTE 11 RENTAL INCOME FROM OPERATING LEASE

The District began leasing property and equipment to Kaplan General Hospital (KGH) under an operating lease effective June 1, 2015. Under the lease, KGH will make 156 monthly payments of \$22,775.

Effective November 30, 2015, the District began a ground lease to Acadian Ambulance Service, Inc. under an operating lease. The lease requires 120 monthly payments of \$46.

Effective April 1, 2016, the District began leasing property and equipment to Dr. Faulk under an operating lease. The lease requires 146 monthly payments of \$500.

Effective April 1, 2020, the District began leasing property and equipment to KGH under an operating lease. The lease requires 98 monthly payments of \$1,401.

Effective June 1, 2021, the District began leasing property and equipment to KGH under an operating lease. The lease requires 84 monthly payments of \$950.

The following is a schedule by year of minimum future rentals to be received on non-cancelable operating leases as of September 30, 2022:

<u>Year ending, September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 253,549	\$ 54,522	\$ 308,071
2024	263,222	44,849	308,071
2025	273,264	34,807	308,071
2026	283,222	24,388	307,610
2027	293,933	13,586	307,519
2028	<u>202,159</u>	<u>2,853</u>	<u>205,012</u>
Total minimum future rentals	<u>\$ 1,569,349</u>	<u>\$ 175,005</u>	<u>\$ 1,744,354</u>

Rental income for the fiscal year ended September 30, 2022 and 2021 totaled \$244,494 and \$259,258, respectively.

**ADDITIONAL INFORMATION**

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Commissioners, Meetings Attended and Compensation  
Year Ended September 30, 2022

<u>Name of Commissioner</u>	<u>Meetings Attended</u>	<u>Compensation</u>
Ronald Menard	9	\$ 1,800
Carl Hollier	11	2,200
Crystal A Marceaux	3	600
Ivan J Bourque Jr.	5	1,000
Mary B. Melancon	12	2,400
Winnie Broussard	19	3,800
James Hargrave	12	2,400
Mona Hebert	18	3,600
Jagdish C Gupta	7	1,400
Scott Bergeaux	18	3,600
Marcell Broussard	12	2,400
		<u>\$ 25,200</u>

See independent auditor's report.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Compensation, Benefits, and Other Payments to Chairperson  
Year Ended September 30, 2022

<b>Mona Hebert</b>	
<u>Purpose</u>	<u>Amount</u>
Board Fees	\$ 3,600

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE**



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

The Board of Commissioners  
Hospital Service District No. 1  
Parish of Vermilion, State of Louisiana  
Kaplan, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, a component unit of the Vermilion Parish Police Jury, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 20, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

## ***Darnall, Sikes & Frederick***

A Corporation of Certified Public Accountants

Eunice, Louisiana

February 20, 2023



HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Prior Year Findings  
Year Ended September 30, 2022

This section is not applicable.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2022

Part I: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unmodified opinion has been issued on the District's financial statements as of and for the year ended September 30, 2022.

Deficiencies and Material Weaknesses in Internal Control - Financial Reporting

No deficiencies or material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements.

Material Noncompliance - Financial reporting

There were no instances of noncompliance material to the financial statements disclosed during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended September 30, 2022.

Part II: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

This section is not applicable.

Part III: Findings and Questioned Costs Relating to Federal Programs

This section is not applicable.

Part IV: Management Letter

The auditor did not issue a management letter this year.

HOSPITAL SERVICE DISTRICT NO. 1  
Parish of Vermilion  
State of Louisiana

Management Corrective Action Plan  
Year Ended September 30, 2022

This section is not applicable.



**DARNALL SIKES  
& FREDERICK**

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PUBLIC ACCOUNTANTS

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Governing Board of the Hospital Service District No. 1, Parish of Vermilion, State of Louisiana, (the "District") and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2021 through September 30, 2022. The District's management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period October 1, 2021 through September 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

### *Written Policies and Procedures*

---

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

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Written policies and procedures were obtained and do address the functions noted above with the exception of amending the budget.

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

Written policies and procedures were obtained and do address the functions noted above with the exception of (4) controls to ensure compliance with the Public Bid Law and (5) documentation required to be maintained for all bids and price quotes.

- c) **Disbursements**, including processing, reviewing, and approving.

Written policies and procedures were obtained and do address the functions noted above.

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

Written policies and procedures were obtained and do address the functions noted above.

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

Written policies and procedures were obtained and do address the functions noted above with the exception of (2) reviewing and approving time and attendance records, including leave and overtime worked.

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

Written policies and procedures were obtained and do address the functions noted above.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

This section is not applicable. The District does not maintain any credit cards, debit cards, fuel cards or P-Cards.

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

Written policies and procedures were obtained and do address the functions noted above with the exception of (1) allowable expenses, (2) dollar thresholds by category of expense, and (3) documentation requirements.

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

Written policies and procedures were obtained and do not address the functions noted above.

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

This section is not applicable. The District does not have any debt.

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software

patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Written policies and procedures were obtained and do address the functions noted above with the exception of (2) storage of backups in a separate physical location isolated from the network, (4) use of antivirus software on all systems, and (5) timely application of all available system and software patches/updates.

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

Written policies and procedures were obtained and do not address the functions noted above.

### ***Board or Finance Committee***

---

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

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

Obtained and inspected minutes of the board for the fiscal period noting that the board met at least monthly in accordance with the District's policy.

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

Minutes include monthly budget-to-actual comparisons on the general fund. No other funds noted.

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

Obtained the prior year audit report and observed the unassigned fund balance in the general fund noting that the ending balance was positive.

### ***Bank Reconciliations***

---

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

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

Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Bank reconciliations do not include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

One reconciling item that has been outstanding for more than 12 months from the statement closing date was noted and did not include documentation that a member of management researched that reconciling item; however, that check were immaterial.

#### ***Collections (excluding electronic funds transfers)***

---

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

Obtained a listing of deposit sites for the fiscal period, and management provided representation that the listing is complete. Selected all deposit sites as there were less than 5.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

EmployeeS 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.

Employee responsible for collecting cash is not responsible for preparing/making bank deposits.

- 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.

Employee responsible for collecting cash is not responsible for posting collection entries to the general ledger.

- 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/official verifies the reconciliation.

Employees responsible for reconciling cash collections to the general ledger is not responsible for collecting cash.

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

Employees who have access to cash are covered by a bond.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Not applicable as all collections tested were noncash and are checks through the mail.

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

Traced supporting documentation to the deposit slip noting no exceptions.

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

Traced the deposit slip totals to the actual deposit per the bank statement noting no exceptions.

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

Observed that the deposits were made within one business day of receipt at the collection location.

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

Traced the actual deposits per the bank statement to the general ledger noting no exceptions.

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

---

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

Obtained a listing of locations that process payments for the fiscal period, and management provided representation that the listing is complete. Selected all locations that process payments as there were less than 5.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee



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

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

Obtained written policies and procedures and observed that job duties are properly segregated regarding the functions noted above.

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

Obtained written policies and procedures and observed that job duties are properly segregated regarding the functions noted above.

- 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.

Obtained written policies and procedures and observed that job duties are properly segregated regarding the functions noted above.

- 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.

The employee responsible for processing payments is the same employee responsible for mailing signed checks.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

Observed that the disbursements matched the related original itemized invoice and that supporting documentation indicates that deliverables on the invoice were received by the District.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Observed that the disbursement documentation included evidence of segregation of duties tested.

### **Credit Cards/Debit Cards/Fuel Cards/P-Cards**

---

This section is not applicable. Management asserted that the District did not have any active credit cards, bank debit cards, fuel cards, and P-cards for the fiscal period.

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

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

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
  - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

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

---

This section is not applicable. Management asserted that the District did not have any travel and travel-related expense reimbursements during the fiscal period.

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

#### ***Contracts***

---

This section is not applicable. Management asserted that the District did not have any agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period.

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.*

Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law.
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

### ***Payroll and Personnel***

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

Obtained a listing of employees and officials employed during the fiscal period, and management provided representation that the listing is complete. Randomly selected 5 officials, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

Observed that all selected employees documented their daily attendance and leave.

- b) Observe that supervisors approved the attendance and leave of the selected employees or officials.

Observed that supervisors approved the attendance and leave of the selected employees and officials.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No leave was accrued or taken during the pay period tested.

- d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Observed that the rate paid to the officials agree to the authorized salary/pay rate found within the personnel file.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination

payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Management asserted that the District did not have any employees or officials that received termination payments during the fiscal period.

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

Management provided representation that employer and employee portions of third-party payroll related amounts have been paid, and any associated forms have been filed, by required deadlines.

### ***Ethics***

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

The five employees selected for testing did have documentation to demonstrate that the required ethics training was completed.

- b) Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

No changes were made to the entity's ethics policy during the fiscal year.

### ***Debt Service***

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This section is not applicable. Management asserted that the District did not have any bond/notes and other debt instruments issued during the fiscal period or outstanding at the end of the fiscal period.

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

### ***Fraud Notice***

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the Government attorney of the parish in which the entity is domiciled.

Management asserted that there were no misappropriations of public funds and assets during the fiscal period.

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

Observed that the District has posted on its premises the required notice. The District does not have a website.

### ***Information Technology Disaster Recovery/Business Continuity***

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

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

We performed the procedure and discussed the results with management.

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

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

We performed the procedure and discussed the results with management.

### ***Sexual Harassment***

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26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

There was no sexual harassment training completed for the 5 selected employees/officials during the calendar year.

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

The District does not have a sexual harassment policy and complaint procedure posted on it's premises.

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

The District did not complete an annual sexual harassment report for the current fiscal period.

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

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

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

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

***Darnall, Sikes & Frederick***

A Corporation of Certified Public Accountants

Eunice, Louisiana  
February 20, 2023



HOSPITAL SERVICE DISTRICT NO. 1  
OF THE PARISH OF VERMILION, STATE OF LOUISIANA d/b/a  
**ABROM KAPLAN MEMORIAL HOSPITAL**

1310 W. 7<sup>TH</sup> STREET • KAPLAN, LOUISIANA 70548  
337.643.5236 • 337.643.8300 • 337.643.5309 (FAX)

February 28, 2023

Darnell, Sikes & Frederick  
A Corporation of Certified Public Accountants  
Eunice, Louisiana

The following is management's response to the 2022 AUP report submitted for the Board of Directors of Hospital Service District No. 1.

Written Policies and Procedures

1. a) Budgeting: Written policies and procedures do not include:

- amending the budget

Response: Written policies and procedures will be updated to include the required language.

1. b) Purchasing: Written policies and procedures do not include:

- (4) controls to ensure compliance with the Public Bid Law
- (5) documentation required to be maintained for all bids and price quotes

Response: Written policies and procedures will be updated to include the required language.

1. e) Payroll/Personnel: Written policies and procedures do not include:

- (2) reviewing and approving time and attendance records, including leave and overtime worked

Response: Written policies and procedures will be updated to include the required language.

1. h) Travel and Expense Reimbursement: Written policies and procedures do not include:

- (1) allowable expenses
- (2) dollar thresholds by category of expense
- (3) documentation requirements

Response: Written policies and procedures will be updated to include the required language.

1. i) Ethics: Written policies and procedures do not include:

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

Response: Written policies and procedures will be updated to include the required language.

1. k) Information Technology Disaster Recovery/Business Continuity: Written policies and procedures do not include:

- (2) storage of backups in a separate physical location isolated from the network
- (4) use of antivirus software on all systems
- (5) timely application of all available system and software patches/updates

Response: Written policies and procedures will be updated to include the required language.

1. l) Sexual Harassment: Written policies and procedures do not include R.S. 42:342-344 requirements for:

- (1) agency responsibilities and prohibitions
- (2) annual employee training
- (3) annual reporting

Response: Written policies and procedures will be updated to include the required language.

#### Bank Reconciliations

3. b) Bank reconciliations do not include evidence that a member of management/board member who does handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

Response: A member or management/board member who does not handle cash, post ledgers, or issue checks will review each bank reconciliation and include evidence of review.

#### Non-Payroll Disbursements

9. d) The employee responsible for processing payments is the same employee responsible for mailing signed checks.

Response: Checks will be mailed by an employee who is not responsible for processing payments.

#### Sexual Harassment

26.) There was no sexual harassment training completed for the 5 selected employees/officials during the calendar year.

Response: Management will ensure going forward that each calendar year all employees/officials complete at least one hour of sexual harassment training.

27.) The District does not have a sexual harassment policy and complaint procedure.

Response: Written policies and procedures will be updated to include a sexual harassment policy and complaint procedure and will include it on the premises.

28.) There was no annual sexual harassment report completed for the current fiscal period.

Response: Management will ensure going forward that each fiscal period a sexual harassment report is completed.