

**HOSPITAL SERVICE DISTRICT NO. 2  
OF THE PARISH OF TANGIPAHOA,  
STATE OF LOUISIANA**

Amite, Louisiana

**Financial Statements**

As of and for the Years Ended  
September 30, 2022 and 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Hospital Service District No. 2  
of the Parish of Tangipahoa,  
State of Louisiana  
d/b/a Hood Memorial Hospital  
Amite, Louisiana

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

#### ***Opinion***

We have audited the accompanying financial statements of the business-type activities of Hospital Service District No. 2 of the Parish of Tangipahoa, State of Louisiana (d/b/a Hood Memorial Hospital) (the "Hospital"), as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hospital as of September 30, 2022 and 2021, and the respective changes in financial 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 Opinions***

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 Hospital, 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 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 Hospital'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 Responsibility 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 Hospital'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'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 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.

***Other Supplementary Information***

The Schedule of Compensation, Benefits and Other Payments to Agency Head on page 24 is presented for the purpose of additional analysis, as required by Louisiana Revised Statute 24:513A(3) and is not a required part of the financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head is the responsibility of management 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 net patient service revenues is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Report On Other Reporting Required by Government Auditing Standards**

In accordance with GAS, we have also issued our report dated March 28, 2023, on our consideration of the Hospital'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 Hospital'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 Hospital's internal control over financial reporting and compliance.

*HORNE LLP*

Ridgeland, Mississippi  
March 28, 2023

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA**  
 Statements of Net Position  
 September 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 18,258,670	\$ 11,773,420
Patient receivables, net of allowance for doubtful accounts of \$1,679,783 and \$1,751,771, respectively	1,572,919	1,965,777
Estimated third-party payor settlements	400,695	-
Other receivables	13,900	9,573
Inventories	344,415	361,363
Other current assets	8,722,407	611,450
Total current assets	29,313,006	14,721,583
Restricted and internally designated assets		
Internally designated by Board	-	28,311
Total restricted and internally designated assets	-	28,311
Capital assets, net	3,778,812	3,697,322
Total assets	\$ 33,091,818	\$ 18,447,216
<b>LIABILITIES</b>		
Current liabilities		
Current maturities of long-term debt	\$ -	\$ 90,000
Accounts payable	953,373	1,119,835
Accrued salaries and wages	743,668	614,905
Accrued health benefits	125,586	140,878
Estimated third-party payor settlements	171,890	149,006
Lease liability, current	15,337	137,286
Medicare Accelerated and Advance Payment contractual liability	-	1,213,572
American Rescue Plan Act deferred revenue	100,000	100,000
Total current liabilities	2,109,854	3,565,482
Lease liability, noncurrent	-	15,335
Total liabilities	2,109,854	3,580,817
<b>NET POSITION</b>		
Net investment in capital assets	3,763,475	3,454,701
Restricted by Board	-	28,311
Unrestricted	27,218,489	11,383,387
Total net position	\$ 30,981,964	\$ 14,866,399

See accompanying notes.

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA**  
Statements of Revenues, Expenses and Changes in Net Position  
Years Ended September 30, 2022 and 2021

	2022	2021
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$1,239,989 and \$1,790,933, respectively	\$ 17,579,699	\$ 18,790,288
Other operating revenue	16,647,589	2,461,626
Total operating revenues	<u>34,227,288</u>	<u>21,251,914</u>
Operating expenses		
Salaries and wages	9,248,195	8,516,653
Employee benefits	1,696,819	1,698,848
Physician fees	1,795,090	1,947,205
Professional fees	1,287,114	1,307,203
Purchased services	2,762,326	2,395,888
Supplies and maintenance	1,903,205	2,341,298
Other operating expenses	880,936	800,901
Depreciation	592,897	442,414
Total operating expenses	<u>20,166,582</u>	<u>19,450,410</u>
Income from operations	<u>14,060,706</u>	<u>1,801,504</u>
Nonoperating revenues (expenses)		
Property taxes	215,570	200,479
Investment income	114,843	77,411
Provider Relief Fund revenue	953,341	3,947,669
Coronavirus Relief Fund revenue	-	1,566,489
Gain on Paycheck Protection Program Loan forgiveness	-	1,838,072
Insurance proceeds	294,299	-
Grants and donations	483,694	34,950
Interest expense	(6,888)	(17,753)
Total nonoperating revenues	<u>2,054,859</u>	<u>7,647,317</u>
Increase in net position	16,115,565	9,448,821
Net position, beginning of year	<u>14,866,399</u>	<u>5,417,578</u>
Net position, end of year	<u>\$ 30,981,964</u>	<u>\$ 14,866,399</u>

See accompanying notes.

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA**  
Statements of Cash Flows  
Years Ended September 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 34,242,335	\$ 20,522,603
Payments to suppliers and contractors	(16,893,469)	(8,725,452)
Payments to employees	(10,831,543)	(10,069,788)
Net cash provided by operating activities	6,517,323	1,727,363
Cash flows from noncapital financing activities		
Property taxes	215,570	200,479
Noncapital grants and contributions	483,694	34,950
Medicare Accelerated and Advance Payment recoupments	(1,213,572)	(424,314)
Insurance proceeds	294,299	-
Proceeds from Provider Relief Fund	953,341	-
Proceeds from Coronavirus Relief Fund	-	1,566,489
Proceeds from American Rescue Plan Act	-	100,000
Net cash provided by noncapital financing activities	733,332	1,477,604
Cash flows from capital and related financing activities		
Principal paid on long-term debt	(90,000)	(85,000)
Principal paid on capital lease liability	(137,284)	(145,455)
Interest paid on long-term debt	(6,888)	(17,753)
Purchases of capital assets	(674,387)	(2,316,424)
Net cash used in capital and related financing activities	(908,559)	(2,564,632)
Cash flows from investing activities		
Gain from sale of assets limited as to use	28,311	1,659
Interest on investments	114,843	77,411
Net cash provided by investing activities	143,154	79,070
Net increase in cash and cash equivalents	6,485,250	719,405
Cash and cash equivalents, beginning of year	11,773,420	11,054,015
Cash and cash equivalents, end of year	\$ 18,258,670	\$ 11,773,420
Supplemental disclosure of noncash financing activity		
Debt forgiveness of PPP Loan	\$ -	\$ 1,838,072

See accompanying notes.



**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH TANGIPAHOA, STATE OF LOUISIANA**  
 Statements of Cash Flows  
 Years Ended September 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	\$ 14,060,706	\$ 1,801,504
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation	592,897	442,414
Provision for bad debts	1,239,989	1,790,933
Changes in assets and liabilities		
Patient receivables and third-party settlements	(1,224,942)	(2,520,244)
Inventories	16,948	(65,959)
Other current assets	(8,115,284)	(191,292)
Accounts payable	(166,462)	324,294
Accrued salaries and compensated absences	113,471	145,713
Net cash provided by operating activities	\$ 6,517,323	\$ 1,727,363

See accompanying notes.

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Nature of Operations, Reporting Entity and Summary of Significant Accounting Policies**

Nature of Operations and Reporting Entity

Hospital Service District No. 2 of the Parish of Tangipahoa, State of Louisiana, d/b/a Hood Memorial Hospital (the "Hospital"), is an acute care hospital established in 1964.

Effective April 1, 2003, the Hospital met the Medicare participation requirements to be classified as a critical access hospital. The governing authority of the Hospital is the Tangipahoa Parish Council and accordingly, appoints members to the Hospital Board. The Hospital is considered a component unit of the Tangipahoa Parish Council.

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. The most sensitive estimates included in these financial statements relate to contractual discounts under third-party contracts and the allowance for uncollectible accounts.

Basis of Presentation

The Hospital reports in accordance with accounting principles generally accepted in the United States of America in accordance with accounting principles promulgated by the Governmental Accounting Standards Board ("GASB"). The accompanying financial statements of the Hospital 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.

Patient Receivables

Patient accounts receivable are reported at net realizable value. Interest income is not accrued on any unpaid balances.

Accounts are considered past due at the time that the balance is 30 days delinquent. Accounts are sent to collections when no payment has been received on the account for 120 days and written off when all collection efforts have been exhausted.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for doubtful accounts charged to earnings. Losses are charged against the allowance when management believes the collectability of an account is confirmed. Subsequent recoveries, if any, are recognized as income.

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

The allowance for doubtful accounts is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the accounts in light of historical experience, the nature and volume of the accounts and the agreements with the respective third-party payors.

Inventories

Inventories, consisting primarily of pharmaceuticals and medical supplies, are valued at the lower of cost or market method.

Restricted and Internally Designated Assets

Noncurrent restricted and internally designated assets include investments set aside by the Board of Commissioners for use by Board approval. The Board retains control of the funds set aside and may use them at its discretion.

The Hospital's investments consist of cash and fixed income securities and are carried at fair value. Interest, dividends and gains and losses on investments, both realized and unrealized, are included in nonoperating income when earned.

Capital Assets, Net

Capital asset additions are recorded at cost. Depreciation is computed using the straight-line method with useful lives of the property ranging from five to 40 years. Maintenance, repairs, replacement and improvements of minor importance are expensed. Major replacements and improvements are capitalized. Equipment under capital lease liabilities is amortized on a straight-line method over the shorter period of the lease term or the estimated useful life of the equipment.

Property Taxes

The Hospital receives a five mills property tax, which is levied in August each year, payable by December 31 of that year. The Hospital records the expected revenues to be received based on factors such as previous years' collections to assessments and the estimated taxable assessed value for the current year. Adjustments are made upon final receipts. The millage is in effect through the next parish reassessment scheduled for 2024.

Compensated Absences

The Hospital's employees earn paid time off and extended illness hours at varying rates depending on years of service. Employees may accumulate paid time off and be paid if they leave before they exhaust this accumulation. Employees may accumulate extended illness hours but, upon termination, are not paid for any accumulated extended illness hours.

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

Risk Management

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

Income Taxes

The Hospital 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.

Net Position

The net position of the Hospital is classified into three components which are defined as follows:

- *Net Investment in Capital Assets* – This component reports capital assets net of accumulated depreciation and the outstanding balances of any borrowings used to finance the purchase, improvements or construction of those assets.
- *Restricted Net Position* – This component reflects limitations imposed on the assets use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted funds may also be designated by the Board in order to comply with bond covenants, contracts, or other specific purposes. The Board of Commissioners must authorize use of such Board restricted funds.
- *Unrestricted Net Position* – This component reports the remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments.

Patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are considered in the recognition and accrual of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such reviews may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Management believes it has complied with the requirements of these programs.

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

Charity Care

The Hospital 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 Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Records of charges foregone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided.

Operating Revenue and Expenses

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, which is the Hospital's principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition and interest income are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Grants and Contributions

From time to time, the Hospital 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 are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. In accordance with GASB Technical Bulletin No. 2020-1, the Hospital classified Coronavirus Aid, Relief, and Economic Security ("CARES") Act funds and American Rescue Plan ("ARP") Act funds as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position (discussed further in Note 12).

New Accounting Standards Adopted

*Governmental Accounting Standards Board Statement No. 87 ("GASB 87")*

The Hospital adopted GASB 87, *Leases*. This statement enhances the comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. Under this statement, all leases are required to be recognized as assets and liabilities with associated deferred inflows and outflows of resources on the financial statements. Furthermore, the statement defines a lease and details the considerations for determining the lease term. The adoption of GASB 87 did not have a significant impact on the Hospital's financial position or results of operations.

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

*Governmental Accounting Standards Board Statement No. 89 ("GASB 89")*

The Hospital adopted GASB 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement improves financial reporting by (1) enhancing the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplifying accounting for interest cost incurred before the end of a construction period. This statement will supersede GASB 62, requiring that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost was incurred. The adoption of GASB 89 did not have a significant impact on the Hospital's financial position or results of operations.

Accounting Pronouncements Issued Not Yet Adopted

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

The Hospital will adopt 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.

The Hospital is currently assessing the impact of adopting of this GASB statement and its effect on the Hospital's financial position or results of operations.

**Note 2. Cash Deposits and Investments**

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law, which are to be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Hospital.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to them. As of September 30, 2022, \$18,298,363 of the Hospital's bank balance totaling \$18,548,363 was exposed to custodial credit risk. At each institution, \$250,000 of deposits was secured by federal deposit insurance coverage, which was not exposed to custodial credit risk. The remaining deposits, which were exposed to custodial credit risk, were secured by the pledge of securities owned by the fiscal agent bank.

The Hospital's investments generally are reported at fair value, as discussed in Note 1. The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on 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.

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Continued**

Interest Rate Risk

The Hospital's investment policy does not limit investment maturities, excluding short-term investments, as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk

The Hospital's investment policy, in compliance with Louisiana Revised Statute 33:2955, allows the Hospital to invest in United States Treasuries, United States Agency securities, certificates of deposit and mutual or trust fund institutions registered with the Security and Exchange Commission. As of September 30, 2022 and 2021, the Hospital had no investments requiring credit risk disclosures.

Concentration of Credit Risk

As of September 30, 2022 and 2021, the Hospital had no investments requiring concentration of credit risk disclosures.

**Note 3. Concentration of Credit Risk**

The Hospital 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 as of September 30 was as follows:

	<b>2022</b>	<b>2021</b>
Medicare	26%	34%
Medicaid	19	18
Commercial	55	48
Total	100%	100%

The relative percentages of gross charges billed for patients by payor was as follows:

	<b>2022</b>	<b>2021</b>
Medicare	26%	26%
Medicaid	57	58
Self-Pay	14	13
Commercial	3	3
Total	100%	100%

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Patient Accounts Receivable**

Patient accounts receivable consist of the following:

	2022	2021
Total patient accounts receivable	\$ 4,446,871	\$ 5,149,460
Less: third-party contractual adjustments	(1,194,169)	(1,431,912)
Less: allowance for doubtful accounts	(1,679,783)	(1,751,771)
Patient accounts receivable, net	<u>\$ 1,572,919</u>	<u>\$ 1,965,777</u>

**Note 5. Capital Assets**

Capital assets and depreciation activity for the year ended September 30, 2022 are as follows:

	September 30, 2021	Additions	Disposals	September 30, 2022
Capital assets not being depreciated:				
Land	\$ 87,893	\$ -	\$ -	\$ 87,893
Construction in progress	149,154	631,239	(719,838)	60,555
Total capital assets not being depreciated	237,047	631,239	(719,838)	148,448
Capital assets being depreciated:				
Buildings and improvements	4,382,126	22,132	-	4,404,258
Equipment	5,108,770	740,854	-	5,849,624
Total capital assets being depreciated	9,490,896	762,986	-	10,253,882
Less: total accumulated depreciation	(6,030,621)	(592,897)	-	(6,623,518)
Total capital assets being depreciated, net	3,460,275	170,089	-	3,630,364
Capital assets, net	<u>\$ 3,697,322</u>	<u>\$ 801,328</u>	<u>\$ (719,838)</u>	<u>\$ 3,778,812</u>



**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Continued**

Capital assets and depreciation activity for the year ended September 30, 2021 follows:

	September 30, 2020	Additions	Disposals	September 30, 2021
Capital assets not being depreciated:				
Land	\$ 87,893	\$ -	\$ -	\$ 87,893
Construction in progress	33,304	1,643,898	(1,528,048)	149,154
Total capital assets not being depreciated	121,197	1,643,898	(1,528,048)	237,047
Capital assets being depreciated:				
Buildings and improvements	4,201,400	180,726	-	4,382,126
Equipment	3,226,973	2,154,083	(272,286)	5,108,770
Total capital assets being depreciated	7,428,373	2,334,809	(272,286)	9,490,896
Less: total accumulated depreciation	(5,726,258)	(442,414)	138,051	(6,030,621)
Total capital assets being depreciated, net	1,702,115	1,892,395	(134,235)	3,460,275
Capital assets, net	\$ 1,823,312	\$ 3,536,293	\$ (1,662,283)	\$ 3,697,322

For the years ended September 30, 2022 and 2021, depreciation expense was \$592,897 and \$442,414, respectively.

At September 30, 2022, the Hospital did not have any outstanding construction commitments.

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 6. Long-Term Debt**

A schedule of changes in the Hospital's long-term debt for the year ended September 30, 2022 follows:

	Balance September 30, 2021	Additions	Retirements	Balance September 30, 2022	Due Within One Year
Limited Tax Bonds					
Series 2013	\$ 90,000	\$ -	\$ (90,000)	\$ -	\$ -
Total debt	<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ (90,000)</u>	<u>\$ -</u>	<u>\$ -</u>

A schedule of changes in the Hospital's long-term debt for the year ended September 30, 2021 follows:

	Balance September 30, 2020	Additions	Retirements	Balance September 30, 2021	Due Within One Year
Limited Tax Bonds					
Series 2013	\$ 175,000	\$ -	\$ (85,000)	\$ 90,000	\$ 90,000
Total debt	<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ 90,000</u>	<u>\$ 90,000</u>

On April 22, 2013, the Hospital Board approved a resolution to issue \$700,000 of Limited Tax Bonds. The Hospital issued these bonds on July 3, 2013, for the purpose of constructing, acquiring, and improving the Hospital's facilities and paying the cost of issuance of the bonds. The bonds are collateralized by an irrevocable pledge and dedication of the funds to be derived from the levy and collection of the 5 mils ad valorem tax to be levied each year. The bonds matured on March 1, 2022.

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 7. Capital Leases**

Lease Liability

A schedule of changes in the Hospital's capital lease liability for the year ended September 30, 2022 follows:

	Balance September 30, 2021	Additions	Retirements	Balance September 30, 2022	Due Within One Year
Systemx Analyzers	\$ 25,863	\$ -	\$ (15,960)	\$ 9,903	\$ 9,903
Fuji D-EVO Detectors	26,420	-	(20,986)	5,434	5,434
CT Scan	100,338	-	(100,338)	-	-
Total debt	<u>\$ 152,621</u>	<u>\$ -</u>	<u>\$ (137,284)</u>	<u>\$ 15,337</u>	<u>\$ 15,337</u>

A schedule of changes in the Hospital's capital lease liability for the year ended September 30, 2021 follows:

	Balance September 30, 2020	Additions	Retirements	Balance September 30, 2021	Due Within One Year
Systemx Analyzers	\$ 40,623	\$ -	\$ (14,760)	\$ 25,863	\$ 15,960
Fuji D-EVO Detectors	46,253	-	(19,833)	26,420	20,988
CT Scan	197,346	-	(97,008)	100,338	100,338
Telemetry	13,854	-	(13,854)	-	-
Total debt	<u>\$ 298,076</u>	<u>\$ -</u>	<u>\$ (145,455)</u>	<u>\$ 152,621</u>	<u>\$ 137,286</u>

The Hospital leases medical equipment through capital leases with maturity dates ranging from 2022 through 2023.

Scheduled interest and principal payments on capital leases at September 30, 2022 are as follows:

Year Ending September 30,	Principal	Interest
2023	<u>\$ 15,337</u>	<u>\$ 312</u>
Total	<u>\$ 15,337</u>	<u>\$ 312</u>

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Commitments and Contingencies**

Cooperative Endeavor Agreement with North Oaks Health System

On November 30, 2018, the Hospital entered into a Cooperative Endeavor Agreement ("CEA") with Tangipahoa Parish Hospital Service District No. 1, d/b/a North Oaks Health System ("North Oaks"). The CEA was entered into in order for the Hospital to utilize North Oaks' personnel to assist in the assessment and oversight of operational, financial, regulatory, clinical, facility and technological needs of the Hospital in exchange for a monthly consulting fee of \$50,000 to be paid by the Hospital. The CEA expired on December 31, 2022, and the Hospital entered into a Joint Collaboration Agreement for similar services effective January 1, 2023.

**Note 9. Employee Retirement Plan**

The Hospital sponsors a deferred compensation plan 457(b). These plans are tax-advantaged retirement plans offered by state and local governments. Eligible employees will be able to make salary deferral contributions up to an applicable dollar limit set by the Internal Revenue Service ("IRS") each year. The Hospital also maintains a 401(a) pension plan for employer contributions. Through the 401(a) plan, if the employee contributes a minimum of 3 percent, the Hospital contributes a match of 5 percent of the employee's gross salary (excluding overtime salary). Employer contributions are vested by a percentage determined by the employee's years of service. Total expenses for the years ended September 30, 2022 and 2021 were approximately \$123,000 and \$159,000, respectively.

**Note 10. Patient Service Revenue**

The Hospital has agreements with third-party payors providing payments to the Hospital at amounts different from the Hospital's established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

Since obtaining critical access designation, inpatient and outpatient services rendered to Medicare program beneficiaries are reimbursed under cost reimbursement methodologies. The Hospital is reimbursed by the Medicare fiscal intermediary at a tentative interim rate with final settlement determined with the submission of annual cost reports and audits. The Hospital's Medicare cost reports have been filed with the Medicare fiscal intermediary through September 30, 2022. Desk reviews have been performed on reports issued through September 30, 2018.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been filed with the fiscal intermediary through September 30, 2022. A desk review has been performed on Medicaid reports issued through September 30, 2018.

**TANGIPAHOA PARISH HOSPITAL SERVICE DISTRICT NO. 2**  
**D/B/A HOOD MEMORIAL HOSPITAL**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Continued**

Other

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

A summary of patient service revenue as of September 30 follows:

	<u>2022</u>	<u>2021</u>
Gross patient service revenue	\$ 33,256,138	\$ 34,510,409
Less provisions for		
Contractual adjustments under third-party reimbursement programs and managed care contracts	(14,436,450)	(13,929,188)
Uncollectible accounts	<u>(1,239,989)</u>	<u>(1,790,933)</u>
Net patient service revenue	<u>\$ 17,579,699</u>	<u>\$ 18,790,288</u>

**Note 11. Charity Care**

The number of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated \$14,303 and \$9,550 for the years ended September 30, 2022 and 2021, respectively. The estimated cost of charity care, estimated using a ratio of cost-to-gross charges, totaled approximately \$10,000 and \$7,000 for the years ended September 30, 2022 and 2021, respectively.

**Note 12. COVID-19 Pandemic and related Congressional Acts**

On March 11, 2020, the Governor of the State of Louisiana declared a state of emergency in the State of Louisiana related to the Coronavirus ("COVID-19") pandemic and subsequently issued numerous executive orders in an effort to reduce community spread of the virus and protect Louisiana's most vulnerable citizens. As a result of the executive orders and generally in response to the concern for community spread, elective procedures and other nonemergency visits to the Hospital's facilities were significantly curtailed beginning March 2020.

Provider Relief Fund

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 the Health Resources and Services

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 12. Continued**

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. Additionally, HHS provided \$75 billion in addition to the \$100 billion provided under the CARES Act. As a condition to receiving distributions, providers agreed 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 the years ended September 30, 2022 and 2021, the Hospital received approximately \$953,000 and \$-0-, respectively, from the Provider Relief Fund and recognized approximately \$953,000 and \$3,948,000, respectively, in nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The Hospital recognizes the Provider Relief Fund payments as income when there is reasonable assurance of compliance with the conditions associated with the grant. There were no funds received at September 30, 2022 and 2021.

Coronavirus Relief Fund

Coronavirus Relief Fund was another provision of the CARES Act managed by the U.S. Department of Treasury ("DOT"). The CARES Act appropriated \$150 billion for payments by DOT to states, tribal governments, and certain local governments for specified uses related to the COVID-19 pandemic. In accordance with the State of Louisiana, the Hospital applied for and received reimbursement for allowable expenses of approximately \$-0- and \$1,566,000 during the years ended September 30, 2022 and 2021, respectively, and recognized those amounts in nonoperating revenues in the accompanying statements of revenue, expenses and changes in net position.

Medicare Accelerated and Advance Payment Program

The Hospital also applied for and was paid approximately \$1,638,000 as an advance on six months of its Medicare payments through the Medicare Accelerated and Advanced Payment Program which was expanded to increase cash flow to providers of services impacted by the COVID-19 pandemic.

Recoupment of the advance payments began one year after the advance payments were received. After the first year, Medicare automatically began recouping 25 percent of the Medicare payments otherwise owed to the provider for 11 months. At the end of the 11-month period, recoupment will increase to 50 percent for another six months. If there is an outstanding balance after the 29-month period, Medicare will issue letters requiring repayment, subject to an interest rate of 4 percent. The Hospital has accounted for these funds as a liability of approximately \$-0- and \$1,214,000 at September 30, 2022 and 2021, respectively.

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 12. Continued**

American Rescue Plan Act

On March 11, 2021 Congress passed the American Rescue Plan ("ARP") Act of 2021. This \$1.9 trillion economic stimulus bill was meant to speed up the country's recovery from the economic and health effects of the COVID-19 pandemic and the ongoing recession. The federal government allocated the first ARP payments to be distributed through the Rural Health Clinic COVID-19 Testing and Mitigation ("RHCCTM") Program. This distribution provided \$100,000 to all eligible Rural Health Clinics ("RHC"), which is a special designation given to health care practices in underserved rural areas by the Centers for Medicare and Medicaid Services ("CMS") that helps ensure access to care for rural residents. As a condition to receiving the distribution, providers agreed to certain terms and conditions, including, among other things, that the funds would be used for lost revenues and COVID-19 related costs.

During the year ended September 2021, the Hospital received \$100,000 from the ARP Act and recorded the total amount as deferred revenue in the accompanying statement of net position. The Hospital will recognize the ARP Act funds as income when there is a reasonable assurance of compliance with the conditions associated with the grant.

**Note 13. Insurance Programs**

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self-insurance of (1) hospital professional liability and comprehensive general liability and (2) statutory workers' compensation. The Hospital carries commercial insurance for all other risk of loss.

The trust funds for professional liability/comprehensive general liability and statutory workers' compensation are pooling arrangements whereby there is a sharing of risk among the participants of the trust funds. The Hospital reports its premiums as insurance expenditures and expenses these premiums over the pro rata periods involved.

**Note 14. Louisiana Medicaid Supplemental Payment Program**

The Hospital 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.

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 14. Continued**

Cooperative Endeavor Agreement

In 2020, the Hospital entered into a cooperative endeavor agreement with another provider who delivers supplemental payments to participating hospitals to be used solely to provide adequate and essential medically necessary and available healthcare services to the participant's rural service populations. The term of this agreement is one year with automatic renewals for additional terms of one year each unless previously terminated. The agreement may be terminated by either party with thirty days' written notice.

The Hospital recognized total revenue of approximately \$14,958,000 and \$1,182,000 as other operating revenue during the years ended September 30, 2022 and 2021, respectively. Due to the timing of receipt of payments, the Hospital recognized approximately \$8,000,000 in other receivables in the accompanying statement of net position at September 30, 2022. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenues, expenses and changes in net position.

Physician Rate Enhancement Agreement

Effective January 2020, the Hospital Service Districts (the "HSDs") and the Hospital entered into a Physician Rate Enhancement Funds ("PREFs") Assignment Agreement with Louisiana Department of Health ("LDH"). Under the program, LDH increased the Per Member Per Month rate for reimbursement of physician services to include the Full Medical Pricing 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 the PREFs payments.

For this agreement, the Hospital recognized total revenue of approximately \$884,000 and \$556,000 during the years ended September 30, 2022 and 2021, respectively. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenues, expenses and changes in net position.

Managed Care Quality Incentive Program

The LDH amended its agreements with its contracted Managed Care Organizations ("MCOs") to include quality-based performance measures and quality-based outcomes. With the expected achievement of the defined quality measures, LDH will fund the MCOs, who in turn will fund the network that the hospitals contract with for this Managed Care Incentive Payment. Effective January 2019, the Hospital began participating in this program.

The Hospital recognized total revenue of approximately \$535,000 and \$387,000 during the years ended September 30, 2022 and 2021, respectively. The revenue earned from this agreement is included as a component of other operating revenue in the accompanying statements of revenues, expenses and changes in net position.



**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Years Ended September 30, 2022 and 2021

**NOTES TO FINANCIAL STATEMENTS**

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**Note 15. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 28, 2023, and determined that no events occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

## SUPPLEMENTARY INFORMATION

**HOSPITAL SERVICE DISTRICT NO. 2**  
**OF THE PARISH OF TANGIPAHOA, STATE OF LOUISIANA**  
Schedule of Compensation, Benefits and Other Payments to Agency Head  
For the Year Ended September 30, 2022

**Agency Head**

Michael Whittington, Chief Executive Officer

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 307,107
Travel Expenses	\$ 3,688

The Agency Head is contracted through a third-party provider and not directly employed by Hood Memorial Hospital. The amounts reported above represent the total amount paid to the third-party provider for services for the Hospital's Agency Head.



**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***

To the Board of Commissioners  
Hospital Service District No. 2  
of the Parish of Tangipahoa,  
State of Louisiana  
d/b/a Hood Memorial Hospital  
Amite, Louisiana

We have audited, 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, the financial statements of the business-type activities of Hospital Service District No. 2 of the Parish of Tangipahoa, State of Louisiana (d/b/a Hood Memorial Hospital) (the "Hospital"), as of September 30, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated March 28, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting ("internal control") as a basic for designing to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hospital'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.

*HORNE LLP*

Ridgeland, Mississippi  
March 28, 2023

**HOSPITAL SERVICE DISTRICT NO. 2  
OF THE PARISH OF TANGIPAHOA,  
STATE OF LOUISIANA**  
Amite, Louisiana

**Independent Accountant's Report  
on Applying Agreed-Upon Procedures**  
For the Reporting Period  
October 1, 2021 through September 30, 2022



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

The Board of Commissioners  
Hospital Service District No. 2  
of the Parish of Tangipahoa,  
State of Louisiana  
d/b/a Hood Memorial Hospital  
Amite, Louisiana

We have performed the procedures enumerated below, which were agreed to by Hospital Service District No. 2 of the Parish of Tangipahoa, State of Louisiana, d/b/a Hood Memorial Hospital (the "Hospital") 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 October 1, 2021 through September 30, 2022. The Hospital'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 Hospital's written policies and procedures address each of the following financial/business functions: budgeting, purchasing, disbursements, receipts/collections, payroll/personnel, contracting, credit cards, travel and expense reimbursement, ethics, debt service, information technology disaster recovery/business continuity and sexual harassment.

**We obtained and examined the Hospital's policies and procedures documentation for each of the financial/business functions listed above. HORNE noted that the Hospital was not compliant in maintaining written IT policies and procedures as defined by LLA's SAUPs.**

**Management Response:** The Hospital's IT Department has written policies and procedures in place to cover its daily operations. We have updated the IT Department's written policies and procedures to include a specific policy for information technology disaster recovery/business continuity. The IT policies address: identification of critical data and frequency of data backups, storage of backups in a separate physical location isolated from the network, use and updates of antivirus software on individual workstations and servers, timely application of all software patches/updates, and identification of personnel, processes, and tools needed to recover operations after a critical event.

### **Board/Committee Meetings**

2. Determine whether the managing Board met (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.

**We obtained and examined the Hospital'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**

5. Obtain from management a listing of all bank accounts held by the Hospital.
6. Select the Hospital's main operating account and a sample of four other bank accounts provided in the listing obtained from management in SAUP #5. 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;
  - b. Bank reconciliations were properly reviewed by management;
  - 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 obtained and examined the Hospital's bank reconciliations and related documentation for each of the requirements listed above and confirmed the inclusion of all necessary items as defined by LLA's SAUPs.**

### **Collections**

7. Obtained from management a listing of all deposit sites maintained by the Hospital and select a sample of five deposit sites. For each deposit site, obtained from management a listing of all cash collection locations maintained by the Hospital.
8. Select a sample of one collection location for each deposit site provided in the listing obtained from management in SAUP #7. 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 that are responsible for cash collections do not share cash drawers/registers.
  - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.



- c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
9. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
10. Select two deposit dates for each of the five bank accounts selected for SAUP #6 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 Hospital'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**

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

13. Select a sample of five disbursements, excluding credit cards and travel reimbursements, provided in the listing obtained from management in SAUP #11. 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 #12, as applicable.

**We obtained and examined the Hospital'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**

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards maintained by the Hospital.
15. Select a sample of five cards used from the listing obtained from management in SAUP #14 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 statements related to all credit card activity selected and noted no late fees.**

16. Using the monthly statements obtained from management in SAUP #15, 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**

17. Obtain from management a listing of all travel and related expense reimbursements for the reporting period.
18. Select a sample of five reimbursements from the listing obtained from management in SAUP #17. 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](http://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 noted that lodging is not set with a specific threshold, but an economical room is recommended. We also noted that the Hospital has a set amount for meals under the current policy language for reimbursement of per diem at \$85, which 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 as defined by LLA's SAUPs.**

- 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**

- 19. Obtain from management a listing of all contracts in effect during the reporting period.
- 20. Select a sample of five contracts during the reporting period, excluding payments to practitioners, provided in the listing obtained from management in SAUP #19. 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 Hospital'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**

21. 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.
22. Select one pay period during the reporting period and for the five employees selected above in SAUP #21, 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 Hospital's cumulative leave records.
  - d. Observe the rate paid to the employees agrees to the authorized salary/pay rate found within the personnel file.
23. Obtain from management a listing of all employees that received termination payments during the reporting period. Select a sample of the 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.
24. 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 Hospital'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**

25. Using the sample of five employees from the listing provided in SAUP #21, obtain ethics compliance documentation from management and determine whether the Hospital 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 Hospital's ethics policy during the reporting period.

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

### Debt Service

26. If debt was issued during the reporting period, obtain supporting documentation from the Hospital, and determine whether approval was obtained from the State Bond Commission.
27. If the Hospital 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 Hospital'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

28. Inquire of management whether the Hospital had any misappropriations of public funds or assets during the reporting period. If applicable, review supporting documentation and determine whether the Hospital reported the misappropriation to the legislative auditor and the Hospital attorney of the parish in which the Hospital is domiciled.
29. Observe whether the Hospital 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 Hospital's fraud notice documentation for each of the requirements listed above. HORNE noted the fraud notice had not been posted on the website or in the hospital as required by the LLA's SAUPs.**

**Management Response: Since the auditor's onsite examination, Hood Memorial Hospital has posted the fraud notice inside the hospital on the Administration wing and has been posted the fraud notice on the hospital's website under financial assistance services.**

### Information Technology Disaster Recovery/Business Continuity

30. Obtain and inspect the Hospital's most recent documentation that it has backed up its critical data. If stored on a physical medium, confirm encryption on backups prior to transportation.
31. Obtain and inspect the Hospital'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.
32. Obtain a listing of the Hospital'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.

**We obtained and examined the Hospital's information technology disaster recovery/business continuity documentation for each of the requirements listed above. HORNE noted one out of five computers in the sample had viral software that was outdated. HORNE observed IT perform the update on this computer.**

**Management Response:** The IT department has instituted a monthly process for ensuring computers are checked for current, active antivirus software and brought up to date if necessary. Each hospital computer connected to the hospital's network should automatically update to the latest antivirus software as needed. Through an automated procedure, updates and virus patches are pushed out to individual workstations and servers as they become available. IT department has checked all current computers listed on the hospital's network to ensure they have current and active antivirus software.

### **Sexual Harassment**

33. Using the five employees selected above in SAUP #21, obtain sexual harassment training documentation demonstrating at least one hour of training during the calendar year.
34. Observe the Hospital has posted its sexual harassment policy and complaint procedure on its website.
35. Obtain the Hospital'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 Hospital who have completed the training requirements;
  - b. Number of sexual harassment complaints received by the Hospital;
  - 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 Hospital's sexual harassment documentation for each of 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  
March 28, 2023