

**HOSPITAL SERVICE DISTRICT NO. 2
OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY**

FINANCIAL REPORT

JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Hospital Service District No. 2
and Board of Trustees
Opelousas General Hospital Authority
St. Landry Parish, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Hospital Service District No. 2 of St. Landry Parish, Louisiana (the "District"), a component unit of the St. Landry Parish Government and Opelousas General Hospital Authority (the "Hospital"), a public instrumentality of the State of Louisiana and a component unit of the District, as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the District and Hospital'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 respective financial position of the business-type activities and the discretely presented component unit of the District and the Hospital, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 District and 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District and the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The adoption of GASB Statement No. 96, did not materially impact the change in net position or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 District and the Hospital'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.

Auditors' 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 misstatements, 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 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 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 District and 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 the management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District and 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements, that collectively comprise the District and Hospital's financial statements. The accompanying supplementary schedules on pages 46-56 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of the management and was derived from and relates 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 to 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 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 supplementary schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023, on our consideration of the District and 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 District and Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District and Hospital's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Broussard".

Lafayette, Louisiana
December 19, 2023

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HOSPITAL SERVICE DISTRICT #2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In Thousands)

This section of Opelousas General Health System's (the "Hospital") annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal year that ended June 30, 2023. Please read it in conjunction with the financial statements in this report.

Financial Highlights

The Hospital showed a negative change in excess of expenses of approximately \$9,208 from the prior year. Total decrease in net position for 2023 amounted to \$6,687 as compared to an increase of \$502 for 2022. The decrease was due to the following:

- During 2023, the Hospital has experienced an increase in total operating revenues of \$8,887 or 4.47% offset by an increase in operating expenses of \$18,095 or 8.99%. The Hospital experienced a net operating loss from operations of \$11,559 in 2023 versus an operating loss of \$2,351 in 2022. During 2022, operating revenues increased \$15,240 or 8.30% in addition to an increase in operating expenses of \$5,465 or 2.79%
- During the year, a negative change in net assets of \$6,687 was related to an increase in overall operating expenses partially offset by the increase in total operating revenue. In addition, non-operating income (expenses) increased by a net of \$2,019 in 2023 primarily due to the CARES Act Provider Relief Funds recognized in income during the current year.

During the fiscal year, the Hospital made capital investments for a total of approximately \$3,683 in 2023 and \$8,036 in 2022. The following is a list of significant items for 2023 followed by a list of significant items for 2022:

Arietta 850 Digital Ultrasound System	\$ 525
Avaya Communications Solution	742
	<u>\$ 1,267</u>

The sources of the funding for these projects were derived from the operations of the Hospital.

List of significant capital investments for 2022 were as follows:

Wireless Battery Infusion Pumps	\$ 1,035
Excelsius CPS Robot with Navigation	1,717
	<u>\$ 2,752</u>

The source of the funding for these projects was derived from the operations of the Hospital.

Required Financial Statements

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

statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing, and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Hospital

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

Net Position

A summary of the Hospital's statement of net position is presented in Table 1 below:

TABLE 1
Condensed Statements of Net Position
(In Thousands)

ASSETS	<u>2023</u>	<u>2022</u>	2022 to 2023 Dollar Change
Total current assets	\$ 82,544	\$ 94,802	\$ (12,258)
Property, plant and equipment (less accumulated depreciation)	58,926	56,425	2,501
Other assets	18,322	23,797	(5,475)
Deferred outflows of resources	<u>954</u>	<u>551</u>	<u>403</u>
Total assets and deferred outflows	<u>\$ 160,746</u>	<u>\$ 175,575</u>	<u>\$ (14,829)</u>
 LIABILITIES			
Current liabilities	\$ 49,449	\$ 61,181	\$ (11,732)
Long-term debt outstanding	<u>16,367</u>	<u>12,777</u>	<u>3,590</u>
Total liabilities	<u>\$ 65,816</u>	<u>\$ 73,958</u>	<u>\$ (8,142)</u>
 NET POSITION			
Net investment in capital assets	\$ 29,565	\$ 30,830	\$ (1,265)
Restricted assets	5,095	4,969	126
Unrestricted assets	<u>60,270</u>	<u>65,818</u>	<u>(5,548)</u>
Total net position	<u>\$ 94,930</u>	<u>\$ 101,617</u>	<u>\$ (6,687)</u>
Total liabilities and net position	<u>\$ 160,746</u>	<u>\$ 175,575</u>	<u>\$ (14,829)</u>

As shown in Table 1, total assets and deferred outflows decreased by \$14,829 to \$160,746 in fiscal year 2023, down from \$175,575 in fiscal year 2022. Total liabilities decreased by \$8,142 to \$65,816 in fiscal year 2023, down from \$73,958 in fiscal year 2022, primarily as a result of an decrease in accelerated and advance Medicare payments in the current year.

Summary of Revenue, Expenses, and Changes in Net Position

A summary of the Hospital's historical revenues and expenses for the fiscal years ended June 30, 2023 and 2022 is presented in Table 2 below:

TABLE 2
Condensed Statements of Revenue, Expenses, and
Changes in Net Position
(In Thousands)

	2023	2022	2022 to 2023 Dollar Change
Revenue:			
Net patient service revenue	\$ 130,590	\$ 139,418	\$ (8,828)
Other operating income	<u>77,216</u>	<u>59,501</u>	<u>17,715</u>
Total operating revenue	<u>\$ 207,806</u>	<u>\$ 198,919</u>	<u>\$ 8,887</u>
Expenses:			
Routine services	\$ 17,929	\$ 16,965	\$ 964
Ancillary services	109,129	98,621	10,508
General services	14,218	14,431	(213)
Fiscal and administrative services	35,403	37,723	(2,320)
Intergovernmental transfer	29,187	23,606	5,581
Depreciation	<u>13,499</u>	<u>9,924</u>	<u>3,575</u>
Total operating expenses	<u>\$ 219,365</u>	<u>\$ 201,270</u>	<u>\$ 18,095</u>
Operating loss	\$ (11,559)	\$ (2,351)	\$ (9,208)
Non-operating income (expenses), net	<u>4,872</u>	<u>2,853</u>	<u>2,019</u>
Increase (decrease) in net position	<u>\$ (6,687)</u>	<u>\$ 502</u>	<u>\$ (7,189)</u>
Net position, beginning of year	101,617	101,091	526
Cumulative adjustment for implementation of GASB 87	<u>-</u>	<u>24</u>	<u>(24)</u>
	<u>\$ 101,617</u>	<u>\$ 101,115</u>	<u>\$ 502</u>
Net position, end of year	<u>\$ 94,930</u>	<u>\$ 101,617</u>	<u>\$ (6,687)</u>

Sources of Revenue

Operating Revenue

The Hospital derived the majority of its revenues from inpatient and outpatient services, which translated to approximately 63% of total revenues in 2023 and 70% of total revenues in 2022. Patient service revenues include monies from the Medicare, Medicaid and commercial third-party payors. Reimbursement for Medicare and Medicaid programs and commercial third-party payors is based upon established contracts. The difference between the covered charges or gross revenue and reimbursement or net revenue is referred to as contractual allowance. Other revenue includes cafeteria sales, gift shop sales, rental income and other miscellaneous services. In 2023 and 2022, other revenue also included hospital physician rate enhancement UPL and service district hospital UPL payments.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30, 2023 and 2022.

TABLE 3
Payor Mix by Percentage
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Medicare	27.75%	30.59%
Medicaid	23.66%	24.83%
Medicare HMO	21.78%	18.19%
Commercial/PPO	24.81%	24.58%
Workers Comp	0.58%	0.45%
Self Pay	0.79%	0.92%
Other	<u>0.63%</u>	<u>0.44%</u>
	<u>100.00%</u>	<u>100.00%</u>

Other Revenue

Other revenue includes cafeteria sales, rental income, UPL payments and other miscellaneous services.

TABLE 4
Other Operating Revenue
June 30, 2023 and 2022
(In Thousands)

	<u>2023</u>	<u>2022</u>
Other revenue:		
Cafeteria	\$ 1,199	\$ 1,115
Gift shop	115	136
Rental income	1,067	1,107
Outside housekeeping and laundry services	191	227
Miscellaneous	5,716	6,160
Hospital physician based UPL payment	35,880	33,995
Grant – Service District Hospital UPL	<u>33,048</u>	<u>16,761</u>
	<u>\$ 77,216</u>	<u>\$ 59,501</u>

Investment Revenue

The Hospital holds designated and restricted funds in its statements of net position that are invested primarily in money market funds and securities issued by the U.S. Treasury and other federal agencies. These investments earned \$178 in 2023 and loss \$804 in 2022.

Operating and Financial Performance

The following summarizes the Hospital's operating and financial performance.

Overall activity at the Hospital, as measured by patient discharge, decreased by 8.69% to 6,286 in 2023. The total patient days in 2023 were 23,705 as compared to 25,927 in 2022, for a difference of 2,222 (an decrease of 8.57%). The average length of stay for acute care patients, based on an admit basis (excluding newborn, psychiatric and rehabilitation) was 4.20 days in 2023 and 4.40 days in 2022.

Note: Discharges and patient days include Acute, Psychiatric, Rehabilitation and Newborn days.

TABLE 5
Patient and Hospital Statistical Data
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Discharges:		
Acute care	4,581	5,130
Psychiatric	831	715
Rehabilitation	56	139
Newborn	818	900
Patient days:		
Acute care	15,059	17,536
Psychiatric	6,282	5,056
Rehabilitation	645	1,475
Newborn	1,719	1,860
Operating room I/P visits	1,561	1,682
Outpatient surgeries	5,528	5,129
Emergency room visits	44,298	44,252
Outpatient registrations (including ER)	144,898	148,607
Deliveries	802	878
Procedures:		
Lab	472,967	509,557
Radiology	44,410	45,600
CT scan	15,784	14,812
Nuclear medicine	899	887
MRI	2,774	2,716
Radiation therapy	8,640	10,230
Heart Cath unit cases	1,514	1,471
Hyperbaric oxygen	11,836	12,194
Physical therapy	96,738	105,074
Average daily census:		
Acute care	41	48
Psychiatric	17	14
Rehabilitation	2	4
Newborn	5	5
Average length of stay (excluding newborns):		
Acute care	4.20	4.40
Psychiatric	7.50	7.30
Rehabilitation	12.40	12.20

Total net patient service revenue decreased \$8,828 or 6.33% in 2023 from 2022 as compared to an increase of \$9,484 or 7.30% from 2021 to 2022.

Gross patient revenue increased by \$25,899 or 4.07% as compared to 2022. In 2022, gross patient revenue increased from 2021 by \$42,971 or 7.25%, primarily related to the COVID pandemic in 2020.

Contractual allowances, discounts, and uncollectible accounts increased from prior year as described in Table 6 below:

TABLE 6
Allowance Summary
June 30, 2023 and 2022
(In Thousands)

	<u>2023</u>	<u>2022</u>
Allowances:		
Administrative allowances	\$ 1,122	\$ 1,939
Blue Cross discounts	63,064	58,261
Charity allowances	2,532	1,803
Contractual adjustments – Medicare and Medicaid	266,454	301,777
Managed care allowances	133,070	77,837
Physician discounts	41,640	32,441
Provision for uncollectible accounts	<u>23,131</u>	<u>22,228</u>
Total contractual allowances, discounts, and uncollectible accounts	<u>\$ 531,013</u>	<u>\$ 496,286</u>

Salary expenses increased by \$6,240 or 8.90% from 2023 to 2022 and increased by \$4,758 or 7.28% from 2021 to 2022. Total salaries were \$76,346 in 2023 and \$70,106 in 2022. As a percentage of net patient service revenue, salary expense was approximately 58.46% in 2023 and 50.28% in 2022.

Employee benefit expense decreased in 2023 by \$565 or 4.77% from 2022 and decreased in 2022 by \$1,395 or 10.55% from 2021. Employee benefit expense represented 14.76% of salary expense in 2023 and 16.88% of salary expenses in 2022.

Provision for bad debts increased in 2023 by \$902 or 4.06% from 2022 and increased in 2022 by \$1,519 or 7.33% from 2021.

Depreciation expense increased by \$3,575 or 36.0% from 2022 to 2023 and increased by \$1,666 or 20.2% from 2021 to 2022.

Interest expense increased by \$129 or 13.1% from 2022 to 2023 and increased by \$101 or 11.4% from 2021 to 2022.

Total operating expenses increased by \$18,095 or 9.0% from 2022 to 2023 and increased by \$5,465 or 2.8% from 2021 to 2022.

Investment income consists of interest earnings on funds designated by the board of commissioners and funds held by trustee under bond resolutions. Investment income increased from the prior year primarily due to fluctuations in market values and increasing interest rates.

Capital Assets

During fiscal year 2023, the Hospital invested \$3,683 in the implementation of a broad range of capital assets as compared to \$8,036 in 2022. This information is included in Table 7 below.

TABLE 7
Capital Assets
(In Thousands)

	<u>2023</u>	<u>2022</u>	<u>2022 to 2023 Dollar Change</u>
Non-depreciable capital assets:			
Land	\$ 6,186	\$ 6,186	\$ -
Construction in progress	<u>446</u>	<u>346</u>	<u>100</u>
Total non-depreciable capital assets	<u>\$ 6,632</u>	<u>\$ 6,532</u>	<u>\$ 100</u>
Depreciable assets:			
Land improvements	\$ 1,928	\$ 1,928	\$ -
Automobiles	326	207	119
Buildings	93,736	93,590	146
Equipment	<u>118,627</u>	<u>117,650</u>	<u>977</u>
Total depreciable capital assets	\$ 214,617	\$ 213,375	\$ 1,242
Less: accumulated depreciation	<u>(173,019)</u>	<u>(165,316)</u>	<u>(7,703)</u>
Total depreciable capital assets, net	\$ 41,598	\$ 48,059	\$ (6,461)
Right of use lease assets, net of accumulated amortization	836	1,834	(998)
Right of use subscription asset, net of accumulated amortization	<u>9,860</u>	<u>-</u>	<u>9,860</u>
Total capital assets, net	<u>\$ 58,926</u>	<u>\$ 56,425</u>	<u>\$ 2,501</u>

Net capital assets increased over the prior year, which is due to purchases in 2023, which are offset by the recognition of depreciation and amortization expense during the year.

Long-Term Debt

At year-end for 2023, the Hospital had \$8,466 (net of unamortized bond discounts) in short-term and long-term bonds payable, as compared to \$10,669 in 2022. The bonds payable amount is shown net, in the statements of net position, of the unamortized bond discount of \$4 in 2023 and of \$16 in 2022. Notes payable at the end of 2023 totaled \$5,778 and \$9,644 in 2022, which are included in current and long-term liabilities. Lease liabilities at the end of 2023 totaled \$886 and \$1,834 in 2022, which were included in current and long-term liabilities. Subscription obligations at the end of 2023 totaled \$9,850 and totaled \$14,183 as of July 1, 2022, which are included in current and long-term liabilities. More detailed information about the Hospital's long-term liabilities is presented in the notes to financial statements. Total debt outstanding, excluding other long-term liabilities, represented approximately 15.66% in 2023 and 11.36% in 2022 of total assets.

Contacting the Hospital's Financial Manager

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

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BASIC FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

STATEMENTS OF NET POSITION

June 30, 2023

(In Thousands)

ASSETS	<u>Hospital and District</u>	<u>OGH Foundation</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,460	\$ 1,163
Short-term investments	3,686	-
Patient accounts receivable, net of estimated uncollectible accounts of \$4,514	40,964	-
Other receivables	23,361	82
Inventories	5,566	-
Prepaid expenses	2,447	-
Other current assets	<u>60</u>	<u>-</u>
Total current assets	<u>\$ 82,544</u>	<u>\$ 1,245</u>
OTHER ASSETS		
Restricted cash:		
Held by trustee for debt service	\$ 5,095	\$ -
Cash held in escrow for capital asset purchases	1,688	-
Restricted for cooperative endeavor agreements	361	-
Other long-term investments	7,940	-
Joint venture investments	3,113	-
Deposits	<u>125</u>	<u>-</u>
Total other assets	<u>\$ 18,322</u>	<u>\$ -</u>
CAPITAL ASSETS		
Non-depreciable capital assets	\$ 6,632	\$ -
Depreciable capital assets, net of accumulated depreciation	41,598	-
Right of use lease assets, net of accumulated amortization	836	-
Right of use subscriptions assets, net of accumulated amortization	<u>9,860</u>	<u>-</u>
Total capital assets, net of accumulated depreciation	<u>\$ 58,926</u>	<u>\$ -</u>
DEFERRED OUTFLOWS		
Excess acquisition price over net assets acquired	<u>954</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 160,746</u>	<u>\$ 1,245</u>

See Notes to Financial Statements.

LIABILITIES AND NET POSITION	<u>Hospital and District</u>	<u>OGH Foundation</u>
CURRENT LIABILITIES		
Accounts payable	\$ 17,716	\$ -
Current maturities of notes payable	3,333	-
Current maturities of bonds payable	2,306	-
Current maturities of lease liabilities	661	-
Current maturities of subscription obligations	2,313	-
Accrued payroll and benefits	1,160	-
Estimated third party payor payable	1,216	-
Accelerated and advance payments	554	-
Due to other governmental agencies	12,420	-
Other accrued expenses	<u>7,770</u>	<u>-</u>
Total current liabilities	<u>\$ 49,449</u>	<u>\$ -</u>
LONG-TERM LIABILITIES		
Notes payable, net of current maturities	\$ 2,445	\$ -
Bonds payable, net of current maturities	6,160	-
Lease liabilities, net of current maturities	225	-
Subscription obligation, net of current maturities	<u>7,537</u>	<u>-</u>
Total long-term liabilities	<u>\$ 16,367</u>	<u>\$ -</u>
Total liabilities	<u>\$ 65,816</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 29,565	\$ -
Restricted:		
For debt service	5,095	-
For donor restrictions	-	1,219
Unrestricted	<u>60,270</u>	<u>26</u>
Total net position	<u>\$ 94,930</u>	<u>\$ 1,245</u>
Total liabilities and net position	<u>\$ 160,746</u>	<u>\$ 1,245</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2023
(In Thousands)

	<u>Hospital and District</u>	<u>OGH Foundation</u>
Operating revenues:		
Net patient service revenues (net of contractual adjustments of \$507,882 and provision for bad debts of \$23,131)	\$ 130,590	\$ -
Gifts and contributions	-	410
Other operating revenues	<u>77,216</u>	<u>-</u>
Total operating revenues	<u>\$ 207,806</u>	<u>\$ 410</u>
Operating expenses:		
Routine services	\$ 17,929	\$ -
Ancillary services	109,129	-
General services	14,218	-
Fiscal and administrative services	35,403	191
Intergovernmental transfer – physicians’ UPL	29,187	-
Scholarships, affiliate payments and other	-	289
Depreciation and amortization	<u>13,499</u>	<u>-</u>
Total operating expenses	<u>\$ 219,365</u>	<u>\$ 480</u>
Operating loss	<u>\$ (11,559)</u>	<u>\$ (70)</u>
Non-operating revenues (expenses):		
Gain on disposal of capital assets	\$ 3	\$ -
Investment loss, realized and unrealized gains and losses	178	-
Non-capital grants and donations	1	10
CARES Act Provider Relief Funds	4,817	-
Interest expense	(1,117)	-
Income from joint ventures	<u>990</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>\$ 4,872</u>	<u>\$ 10</u>
Decrease in net position	\$ (6,687)	\$ (60)
Net position, beginning	<u>101,617</u>	<u>1,305</u>
Net position, ending	<u>\$ 94,930</u>	<u>\$ 1,245</u>

See Notes to Financial Statements.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

STATEMENTS OF CASH FLOWS
Year Ended June 30, 2023
(In Thousands)

	<u>Hospital and District</u>	<u>OGH Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of patients and donors	\$ 200,852	\$ 411
Payments to suppliers and contractors	(117,704)	-
Payments for grants and program expenses	-	(607)
Payments to employees	<u>(76,136)</u>	<u>116</u>
Net cash provided by (used in) operating activities	<u>\$ 7,012</u>	<u>\$ (80)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Non-capital donations and grants	\$ 1	\$ 10
CARES Act Provider Relief Funding	<u>(149)</u>	<u>-</u>
Net cash provided by (used in) non-capital financing activities	<u>\$ (148)</u>	<u>\$ 10</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for the purchase of capital assets	\$ (3,114)	\$ -
Principal payments on long-term debt	(2,607)	-
Principal payments on bonds payable	(2,203)	-
Interest paid on debt	(1,117)	-
Principal payments on lease liability	(1,329)	-
Principal payments on subscription obligations	<u>(4,333)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>\$ (14,703)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	\$ 134	\$ -
Joint venture income	761	-
Investment in blended component unit	(565)	-
Purchase of investments	(4,890)	-
Maturities of investments	<u>7,546</u>	<u>-</u>
Net cash provided by investing activities	<u>\$ 2,986</u>	<u>\$ -</u>
Net decrease in cash and cash equivalents	\$ (4,853)	\$ (70)
Cash and cash equivalents at beginning of year	<u>18,457</u>	<u>1,233</u>
Cash and cash equivalents at end of year	<u>\$ 13,604</u>	<u>\$ 1,163</u>

(continued)

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

STATEMENTS OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2023
(In Thousands)

	<u>Hospital and District</u>	<u>OGH Foundation</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	\$ 6,460	\$ 1,163
Restricted cash and cash equivalents –		
Held by trustee for debt service	5,095	-
Cash held in escrow for capital purchases	1,688	-
Restricted for cooperative endeavor agreements	<u>361</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 13,604</u>	<u>\$ 1,163</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ (11,559)	\$ (70)
Adjustments to reconcile operating income to net cash flows provided by operating activities:		
Depreciation and amortization	13,780	-
Provision for bad debts	23,131	-
(Increase) decrease in assets –		
Patient accounts receivable	(22,048)	-
Inventories	668	-
Prepaid expenses	851	-
Estimated third-party settlements	3,291	-
Other receivables	5,921	1
Other current assets	6	-
Increase (decrease) in liabilities –		
Accounts payable	3,578	(11)
Accrued expenses	(360)	-
Accelerated and advance payments	(11,328)	-
Due to other governmental agencies	871	-
Accrued payroll and benefits	<u>210</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 7,012</u>	<u>\$ (80)</u>

See Notes to Financial Statements.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 1. Organization and Significant Accounting Policies

Reporting entity:

Hospital Service District No. 2 of St. Landry Parish, Louisiana (the "District") is a political subdivision of the St. Landry Parish Government, created by an ordinance adopted in 1953 by virtue of the authority of Louisiana Revised Statutes (R.S.) 46:1051 et seq. The purpose of the Hospital Service District is to provide health services to St. Landry Parish. The St. Landry Parish Government appoints the Board of Commissioners. As the governing authority of the Parish, for reporting purposes, the St. Landry Parish Government is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the St. Landry Parish Government. The accompanying basic financial statements present only the Hospital Service District No. 2 and its component units. The component units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

On May 21, 2002, the Hospital, by a vote of its board, changed the name of its operating entity from "Opelousas General Hospital" to "Opelousas General Health System."

Blended Component Units: The Opelousas General Hospital Authority (the "Hospital") was created under the laws of the State of Louisiana pursuant to a Trust Indenture executed on April 6, 1971 for the benefit of the District and is a public instrumentality of the State of Louisiana. The stated purpose of the Hospital is to acquire hospital facilities by lease, purchase, and gift or otherwise and to plan, establish, develop, construct and administer hospital properties for the use and benefit of the residents of the District. The Hospital is reported as a blended component unit because the District's Board of Commissioners also serve on the Board of Trustees of the Hospital.

The Opelousas General Health System Physician Practices, Inc. (the "Physician Practices") is a nonprofit corporation organized to operate the employed physician offices of the Hospital. Although it is legally separate from the Hospital, the Physician Practices is reported as a blended component unit because the Hospital's board also serves as the Physician Practices board.

The Hospital formed Wellsmart Pharmacy South, LLC, which is wholly owned by the Hospital, in and purchased a pharmacy in July 2022. Although it is a legally separate entity, Wellsmart Pharmacy South, LLC is reported as a blended component unit because the entity is wholly owned by the Hospital and the Hospital's board also serves as the entity's board.

Discretely Presented Component Unit: The Opelousas General Hospital Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the Hospital. The purpose of the Foundation is to develop and cultivate philanthropy and collaborative relationships within the community to support and enhance the programs and services offered through the Hospital to improve the health of the communities it serves. Members of the Foundation are those individuals who serve on the Board of Trustees of the Hospital and any appointments to the Foundation Board must be ratified by the Hospital's Trustees. Although the Hospital does not control the timing or amount of receipts from the Foundation, the resources of the Foundation are for the benefit of, to perform the functions of, or to carry out the purposes of the Hospital and to make allocations for charitable, scientific, or educational purposes to tax-exempt organizations provided the activities benefit the Hospital. Because these resources held by the Foundation are to be used by or for the benefit of the Hospital, the Foundation is considered a component unit of the

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Hospital and is discretely presented in the Hospital's financial statements.

Complete financial statements for the Foundation can be obtained from the administrative office at 539 East Prudhomme, Opelousas, Louisiana 70570.

Basis of accounting:

The accompanying basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Statement 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 and expenses and changes in net position; and a direct method statement of cash flows. It requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted.

These classifications are defined as follows:

- Net investment in capital assets – 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 improvement of those assets.
- Restricted – This component of net position consists of constraints 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.
- Unrestricted – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Other significant accounting policies:

Enterprise fund accounting -

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

Use of estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Cash and cash equivalents -

For purposes of the statements of cash flows, the District and Hospital considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fair value measurement -

Investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – investments reflect prices quoted in active markets

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

Level 3 – investments reflect prices based upon unobservable sources

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

Debt securities classified as Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing method due to a lack of information available to the primary vendor. Investments classified in Level 3 are valued based upon unobservable sources.

Patient receivables and allowance for uncollectible accounts -

Patient receivables are carried at the original billed amount, net of contractual adjustments, less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Patient receivables are written-off when deemed uncollectible. Recoveries of patient receivables previously written off are recorded when received.

Inventories -

Inventories are valued at the latest invoice price, which approximates the lower of cost (first-in, first-out method) or market.

Net patient service revenues -

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.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Income taxes -

The District and Hospital are political subdivisions and exempt from taxes.

Capital assets -

The District and Hospital records all capital assets at historical cost, except for capital assets donated to the District or Hospital. Donated capital assets are recorded at fair market value at the date of donation.

The District and Hospital provides for depreciation of its plant and equipment using the straight-line method over the estimated useful lives of each class of depreciable assets. The following estimated useful lives are generally used:

	<u>Years</u>
Land improvements	2 – 25
Automobiles	3 – 10
Buildings	10 – 40
Equipment	3 – 25

Investments -

Investments are reported at fair value with adjustments to fair value recognized in current year earnings. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue.

Investments include certificates of deposit, municipals, and obligations of the U.S. Government, U.S. Government Agencies bonds, mortgage pools and domestic commercial paper with at least A-1 (Moody's) rating or equivalent. It is the District and Hospital's intention to hold debt investments to maturity.

Classification of revenues and expenses -

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

Grants and donations -

Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and donations may be restricted either for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expense.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Restricted resources -

When the District and Hospital has both restricted and unrestricted resources available to finance a particular program, it is the policy to use restricted resources before unrestricted resources.

Compensated absences -

The Hospital's employees earn paid time off (PTO) hours at varying rates depending on years of service and employment status. Employees may accumulate PTO hours to a maximum of 400 hours. When this is reached, further accumulation is ceased until PTO time is used. There is no cash option associated with this maximum bank. Bonus PTO is earned every fifth year beginning with the completion of the tenth year of full-time employment and this bonus amount will be pro-rated for part-time status. Employees with PTO hours remaining upon separation are paid in full.

The estimated amounts of the compensated absences payable is included in other accrued expenses within the financial statements.

Environmental matters -

Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. At this time, management is not aware of potential environmental related issues. The impacts to the financial statements cannot be determined as of the date of this report.

Deferred outflows of resources -

The District reports consumption of net assets that are applicable to future periods as deferred outflows of resources in a separate section on the statement of net position. Deferred outflows reported in this year's financial statements relate primarily to the excess purchase price over the net assets acquired in an acquisition of another hospital in prior years.

Risk management -

The District and Hospital are exposed to various risks of loss from tort; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health. Commercial insurance coverage is purchased for claims arising from such matters.

Charity care -

The Hospital provides care to patients that 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.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Recent accounting pronouncements -

The Governmental Accounting Standards Board (GASB) issued *GASB Statement No. 96 – Subscription-Based Information Technology Arrangements*. The requirements of this Statement were effective for reporting periods beginning after June 15, 2022. The objective of this statement is to better meet the information needs of financial statements users establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITA), improving the comparability of financial statements among governments that have entered into SBITAs and enhancing the understandability, reliability, relevance and consistency of information about SBITAs. Under this Statement, a governmental entity should recognize a right-to-use subscription asset and a corresponding subscription liability. This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months or less. Subscription payments for short-term SBITAs should be recognized as outflows of resources. Any changes related to the adoption of this statement will be applied retroactively by restating any prior periods presented unless not practicable in which case a cumulative effect of application will be reported as a restatement of beginning net position for the earliest period restated. The District adopted this statement effective July 1, 2022. The adoption of this standard did not result in a change in net position.

Note 2. Net Patient Service Revenues

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

- Medicare – Inpatient acute care services (and related capital costs) rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Acute care service rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are reimbursed either on a prospective determined rate or a fee schedule. The Hospital is reimbursed for cost reimbursable items and Medicare bad debts at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2018.
- Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim 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 audited by the Medicaid fiscal intermediary through June 30, 2016.

The Hospital has also entered into payment arrangements 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 rates, and fee schedules.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

During the year ended June 30, 2023, approximately 73% of the Hospital's gross patient service revenues were furnished to Medicare and Medicaid beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The Hospital is not aware of any allegations of noncompliance that could have a material adverse effect on the financial statements and believes that it is in compliance with all applicable laws and regulations.

Note 3. Deposits and Investments

The District's investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit and certificates of deposit accounts which are secured by Federal Deposit Insurance Corporation (FDIC) or a pledge of securities. At June 30, 2023, all of the District's demand deposits or certificates of deposit were secured by FDIC coverage.

The Hospital's investing is performed in accordance with its investment policy. Funds may be invested in money market investment accounts; certificates of deposits with financial institutions insured by the FDIC; direct obligations of the United States Government and its agencies; domestic commercial paper with at least A-1 (Moody's) rating or equivalent and the Louisiana Hospital Investment Pool. All of the securities have fixed maturities and it is the Hospital's intention to hold them until maturity. The Hospital, which is a public trust, is not required to comply with the collateralization requirements of the local depository law (per La. Atty. Gen. Op. No. 89-549).

Investments are reported at fair value, as discussed in Note 1. At June 30, 2023, the District, Hospital and the Foundation's investments consisted of the following, all of which were held in the District, Hospital, and Foundation's name by a custodial agent of the District, Hospital and Foundation:

	<u>Hospital and District</u>	<u>OGH Foundation</u>
Certificates of deposit	\$ 889	\$ -
Equities	302	-
U.S. Treasury and U.S. Government Agency	5,489	-
Municipal bonds	<u>4,946</u>	<u>-</u>
	<u>\$ 11,626</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

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

	<u>Hospital and District</u>	<u>OGH Foundation</u>
Carrying amount:		
Deposits	\$ 13,604	\$ 1,163
Investments	<u>11,626</u>	<u>-</u>
	<u>\$ 25,230</u>	<u>\$ 1,163</u>
	<u>Hospital and District</u>	<u>OGH Foundation</u>
Included in the following balance sheets captions:		
Cash and cash equivalents	\$ 6,460	\$ 1,163
Short-term investments	3,686	-
Held by trustee for debt service –		
Cash and cash equivalents	5,095	-
Cash held in escrow for capital purchases	1,688	-
Restricted for cooperative endeavor agreements	361	-
Other long-term investments	<u>7,940</u>	<u>-</u>
	<u>\$ 25,230</u>	<u>\$ 1,163</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits or investments may not be returned to it. The Hospital's investment policy limits the maximum funds invested with respect to time deposits in any one financial institution to 33-1/3% of total funds available for investment, except for the Hospital's lead bank, which cannot exceed the greater of \$2 million, or 50% of total invested funds. The remaining Hospital investments consist of municipal securities, mortgage pools, and direct obligations of the U.S. Government or its agencies. All of these investments are held by one broker.

Interest Rate Risk. The Hospital's investment policy limits its exposure to fair value losses arising from rising interest rates by placing limits on investment maturities and investing in securities with varying maturities. The policy requires the Hospital to structure the investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities on the open market prior to maturity. Operating funds are placed in short-term investments including money market funds or similar investment pools as well as limiting the average maturity of the overall portfolio. Municipal securities mature between 0 to 3 years. U.S. Treasury and Government Obligations mature over varying maturities up to November 2047, however the vast majority of these investments are mortgage pools which pay down on a monthly basis.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 4. Accounts Receivable

Patient accounts receivable reported as current assets by the Hospital at June 30, 2023 consisted of these amounts:

Receivable from patients and their insurance carriers	\$ 22,693
Receivable from Medicare	18,406
Receivable from Medicaid	<u>4,380</u>
Total patient accounts receivable	\$ 45,479
Less: allowance for uncollectible accounts	<u>(4,515)</u>
 Patient accounts receivable, net	 <u>\$ 40,964</u>

Note 5. Concentrations 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 receivables from patients and third-party payors at June 30, 2023 was as follows:

Medicare	40%
Medicaid	10%
Other third-party payers	34%
Patients	<u>16%</u>
	<u>100%</u>

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 6. Capital Assets

Capital assets, additions, retirements, and balances for the year ended June 30, 2023 was as follows:

	Balance <u>7/1/2022</u>	Additions	Reductions	Transfers	Balance <u>6/30/2023</u>
Non-depreciable capital assets:					
Land	\$ 6,186	\$ -	\$ -	\$ -	\$ 6,186
Construction in progress	<u>346</u>	<u>741</u>	<u>(565)</u>	<u>(76)</u>	<u>446</u>
Total non-depreciable capital assets	<u>\$ 6,532</u>	<u>\$ 741</u>	<u>\$ (565)</u>	<u>\$ (76)</u>	<u>\$ 6,632</u>
Depreciable assets:					
Land improvements	\$ 1,928	\$ -	\$ -	\$ -	\$ 1,928
Automobiles	207	135	(16)	-	326
Buildings	93,590	70	-	76	93,736
Equipment	<u>117,650</u>	<u>2,737</u>	<u>(1,760)</u>	<u>-</u>	<u>118,627</u>
Total depreciable capital assets	\$ 213,375	\$ 2,942	\$ (1,776)	\$ 76	\$ 214,617
Less accumulated depreciation for depreciable assets	<u>\$ (165,316)</u>	<u>\$ (8,220)</u>	<u>\$ 517</u>	<u>\$ -</u>	<u>\$ (173,019)</u>
Total depreciable capital assets, net	<u>\$ 48,059</u>	<u>\$ (5,278)</u>	<u>\$ (1,259)</u>	<u>\$ 76</u>	<u>\$ 41,598</u>
Total non-depreciable and depreciable assets					\$ 48,230
Right of use lease assets, net of accumulated amortization					836
Right of use subscriptions assets, net of accumulated amortization					<u>9,860</u>
Total capital assets, net as reported in the statement of net position					<u>\$ 58,926</u>

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 7. Long-Term Debt

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

	Balance <u>07/01/22</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2023</u>	Amount Due Within <u>One Year</u>
Bonds payable:					
Revenue bonds series – 2003	\$ 3,405	\$ -	\$ (1,655)	\$ 1,750	\$ 1,750
Revenue bonds series – 2009	7,280	-	(560)	6,720	560
Unamortized bond discounts	<u>(16)</u>	<u>-</u>	<u>12</u>	<u>(4)</u>	<u>(4)</u>
Total bonds payable	<u>\$ 10,669</u>	<u>\$ -</u>	<u>\$ (2,203)</u>	<u>\$ 8,466</u>	<u>\$ 2,306</u>
Notes payable:					
Cerner Corporation	\$ 4,405	\$ -	\$ (2,183)	\$ 2,222	\$ 2,222
GE HFS, LLC	433	-	(285)	148	148
Stryker	171	-	(171)	-	-
Stryker	263	-	(263)	-	-
Bank of America	<u>4,372</u>	<u>-</u>	<u>(964)</u>	<u>3,408</u>	<u>963</u>
Total notes payable	<u>\$ 9,644</u>	<u>\$ -</u>	<u>\$ (3,866)</u>	<u>\$ 5,778</u>	<u>\$ 3,333</u>
Total long-term debt	<u>\$ 20,313</u>	<u>\$ -</u>	<u>\$ (6,069)</u>	<u>\$ 14,244</u>	<u>\$ 5,639</u>
Lease liabilities				886	661
Subscription obligations				<u>9,850</u>	<u>2,313</u>
Total				<u>\$ 24,980</u>	<u>\$ 8,613</u>

The terms and due dates of the Hospital's long-term debt at June 30 are as follows:

Hospital revenue bonds – Series 2003

During 2004, the Hospital issued \$22,500 of hospital revenue bonds for purposes of capital additions to the hospital facility. Bonds Series 2003 has an interest rate from 2.15% to 5.75%, collateralized by a first mortgage on the leasehold interest of the facilities and pledge of hospital revenues, due serially to 2023.

Under the terms of the revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included as restricted cash in the statements of net position. The revenue bond indenture also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the bonds are outstanding. At June 30, 2023, the Hospital was not in compliance with certain debt service coverage requirements related to these bonds.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Hospital revenue bonds – Series 2009

During July 2009, the Hospital issued \$14,000 of hospital revenue bonds for the purpose of refinancing the LifePoint note to purchase a local hospital as explained in Note 17 and to finance cash outlays of the Hospital associated with the acquisition of Doctor's Hospital in April 2009. Bonds Series 2009 has an interest rate of 4.50%, collateralized by a first mortgage on the South Campus buildings and a pledge of Hospital revenues, due serially until October 2034.

Under the terms of the revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included as restricted cash in the statements of net position. The revenue bond indenture also places certain requirements regarding cash balances and liquidity of the Hospital and requires that the Hospital satisfy certain measures of financial performance as long as the bonds are outstanding. Collateral for these bonds include the hospital and medical office buildings, equipment and inventory.

Note payable obligation

During 2021, the Hospital entered into an agreement for the purchase of software and equipment upgrades for the Cerner billing system. Total costs associated with this upgrade was \$5,002, which is included in equipment. Total quarterly payments for this obligation are \$664, with an imputed interest rate of 5.50% and a final installment that was due January 1, 2023. As of June 30, 2023, the balance was unpaid.

During 2018, the Hospital entered into an agreement for the purchase of Cantrella Smart Beds. Total costs associated with this purchase was \$1,332, which is included in capital assets. Total monthly payments for this obligation are \$25, with an interest rate of 4.75%, with a final installment due December 1, 2023.

During 2018, the Hospital entered into an agreement for the purchase of a Stryker Robotic Arm System. Total costs associated with this purchase was \$1,250, which is included in capital assets. Total monthly payments for this obligation are \$29, with an interest rate of 5.35%, with a final installment due December 13, 2022. As of June 30, 2023 this note was paid off.

During 2019, the Hospital entered into an agreement for the purchase of stretchers and wheel chairs. Total costs associated with this purchase was \$1,056, which is included in capital assets. Total monthly payments for this obligation are \$25, with an interest rate of 5.35%, with a final installment due May 4, 2023. As of June 30, 2023 this note was paid off.

During 2021, the Hospital entered into an agreement with Banc of America Leasing & Capital, LLC for funding for equipment purchases. The financing was issued in the amount of \$5,000. The funds are held in an escrow account and can be used for capital equipment purchases, such remaining funds are included as restricted cash in the statement of net position. Monthly payments are due in the amount of \$89, including interest at a fixed rate of 2.74% and a final payment due in October 2026.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

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

Years Ending June 30,	Bonds payable			Note payable obligation		Lease liabilities		Subscription Obligations	
	Principal	Discount	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 2,310	\$ (4)	\$ 365	\$ 3,333	\$ 83	\$ 661	\$ 23	\$ 2,313	\$ 319
2025	560	-	290	1,044	53	225	2	2,144	240
2026	560	-	265	1,046	25	-	-	1,917	169
2027	560	-	239	355	3	-	-	1,960	99
2028	560	-	214	-	-	-	-	1,516	27
2029 – 2033	2,800	-	693	-	-	-	-	-	-
2034 – 2035	1,120	-	113	-	-	-	-	-	-
Total	\$ 8,470	\$ (4)	\$ 2,179	\$ 5,778	\$ 164	\$ 886	\$ 25	\$ 9,850	\$ 854

Note 8. Accelerated and Advance Payment Program

In order to provide necessary funds for disruptions in claims submissions and or processing due to the impact of the Coronavirus (COVID-19) pandemic, the Centers for Medicare & Medicaid Services (CMS) accelerated Medicare payments to hospitals and providers to help minimize the effect of revenue shortfalls. The Medicare Accelerated and Advance Payments Program, which existed prior to the pandemic, is designed to help hospitals and other providers facing cash flow disruptions during and emergency. As a response to the pandemic The CARES Act and CMS expanded the current Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers. The Hospital and one of its component units received \$26,976 under this program and initially included in current liabilities on the statement of net position. Under the Continuing Appropriations Act, 2021 and Other Extensions Act, repayment will begin one year from the issuance date of the advance payment. As such, Medicare automatically recouped 25% of Medicare payments otherwise owed to the provider or supplier for eleven months. At the end of the eleven-month period, recoupment increased to 50% for another six months. At the end of that period the balance of all advance payments not repaid became due upon demand and subject to an interest of 4%. In October of 2022, the Hospital and CMS agreed to a 12 month payback period for amounts owed. As of June 30, 2023, the Hospital paid \$283 in interest and had a balance remaining of \$554 which was repaid in full subsequent to year end.

Note 9. CARES Act Provider Relief Funds

The Provider Relief Funds and American Rescue Plan Rural Distributions support American families, workers, and the heroic healthcare providers in the battle against COVID-19 outbreak. The Department of Health & Human Services distributed funds to hospitals and healthcare providers on the front lines of the coronavirus response. Provider Relief Funds provides relief funds to eligible providers of health care services and support for health care-related expenses or lost revenue attributable to coronavirus. American Rescue Plan Rural Distributions addresses the disproportionate impact that COVID-19 has had on rural communities and rural health care providers. Retention and use of these funds are subject to certain terms and conditions. The funds received are only to be used to prevent, prepare for, and respond to coronavirus, and reimburse the Hospital only for health care related expenses or lost revenues that are attributable to coronavirus. If these terms and conditions are met, payments will not need to be repaid at a later date. During 2022, the Hospital received \$886 in Provider Relief Funds and \$6,695 in American Rescue Plan Rural Distribution funds.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

As of June 30, 2022, \$2,615 in eligible expenses was incurred under the provisions of the funding and was recognized as revenue in fiscal year 2022. As of June 30, 2023 the remaining balance of Provider Relief Funds was applied against lost revenues attributable to coronavirus. The Hospital recognized \$4,966 as revenue in the fiscal year ending June 30, 2023, which was offset by the amount paid back from the Provider Relief Funds received in 2020. During 2023, a component unit had to pay back \$149 received in Provider Relief Funds during 2020 due to noncompliance.

Note 10. Employee Retirement Plan

The Hospital maintains a Social Security Replacement Plan and a 401(a) Money Purchase Plan (defined contribution plans) for which employees become immediately eligible to participate. Employees are required to make non-elective contributions in the amount of 7.65% of compensation to the Social Security Replacement Plan, of which the employees are 100% vested. The 401(a) Money Purchase Plan requires the Hospital to make employer contributions ranging from 5 to 13% of the employee's compensation based on credited years of service. The Hospital's contributions vest with employees based on years of service with employees becoming 100% vested after six years of service. Forfeitures in the amount of \$181 were used to reduce future employer contributions under the 401(a) Money Purchase Plan. The Hospital's contributions to the plan for the year ended June 30, 2023 was \$4,582.

The Hospital also offers its employees the option of participating in a 457(b) Retirement Savings Plan (defined contribution plan). The Hospital does not contribute to the 457(b) Retirement Savings Plan on behalf of its employees. Eligible employees may choose to contribute any amount of compensation to the plan, up to the maximum amount allowed by law. Employees are 100% vested in these contributions.

Note 11. Leases

On December 15, 2019, the Hospital entered into a lease with GE HFS, LLC for the lease some hospital equipment. The lease is for a period of 60 months with a monthly payment of \$20, an interest rate of 4.47%, and a maturity date of December 15, 2024.

On January 16, 2017, the Hospital entered into a lease agreement with Philips Medical Capital, LLC for the lease of equipment. The lease is for a period of 64 months with a monthly payment of \$28 starting on the fourth month, an interest rate of 3.25%, and a maturity date of July 1, 2023.

On January 16, 2017, the Hospital entered into a lease agreement with Philips Medical Capital, LLC for the lease of equipment. The lease is for a period of 64 months with a monthly payment of \$11, starting on the fourth month, an interest rate of 3.25%, and a maturity date of June 7, 2023.

On January 16, 2017, the Hospital entered into a lease with Philips Medical Capital, LLC for the lease of equipment. The lease is for a period of 60 months with a monthly payment of \$13, an interest rate of 3.25%, and a maturity date of July 21, 2023.

On December 15, 2017, the Hospital entered into a lease with General Electric Capital Corporation for the lease of equipment. The lease is for a period of 60 months with the first monthly payment of \$15, and 59 monthly payments of \$12, an interest rate of 2.21%, and a maturity date of December 14, 2022.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

On December 20, 2018, the Hospital entered into a lease with General Electric Capital Corporation for the lease of equipment. The lease is for a period of 60 months with the first monthly payment of \$132 and 59 monthly payments of \$12, an interest rate of 2.73%, and a maturity date of December 20, 2023.

On June 28, 2019, the Hospital entered into a lease with Tangi East, LLC for the lease of the Wellsmart Carencro Office building. The lease is for a period of 120 months with monthly payments of \$9 for the first 60 months and \$10 for the remaining 60 months, an interest rate of 3.25%, and a maturity date of June 28, 2024.

On December 8, 2019, the Hospital entered into a lease with Leasing Associates of Barrington, Inc. for the lease of equipment. The lease is for a period of 60 months with a monthly payment of \$10, an interest rate of 3.25%, and a maturity date of December 6, 2024.

The summary of lease asset activity during the year ended June 30, 2023 is as follows:

	<u>Balance</u> <u>7/1/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Balance</u> <u>6/30/2023</u>
Lease assets:					
Buildings	\$ 343	\$ -	\$ -	\$ -	\$ 343
Equipment	<u>2,975</u>	<u>213</u>	<u>(419)</u>	<u>-</u>	<u>2,769</u>
Total lease assets	<u>\$ 3,318</u>	<u>\$ 213</u>	<u>\$ (419)</u>	<u>\$ -</u>	<u>\$ 3,112</u>
Less accumulated amortization:					
Buildings	\$ 114	\$ 115	\$ -	\$ -	\$ 229
Equipment	<u>1,370</u>	<u>1,135</u>	<u>(458)</u>	<u>-</u>	<u>2,047</u>
Total accumulated depreciation	<u>\$ 1,484</u>	<u>\$ 1,250</u>	<u>\$ (458)</u>	<u>\$ -</u>	<u>\$ 2,276</u>
Total lease assets being amortized, net	<u>\$ 1,834</u>	<u>\$ (1,037)</u>	<u>\$ 39</u>	<u>\$ -</u>	<u>\$ 836</u>

The summary of the changes in the lease liabilities during the year ended June 30, 2023 is as follows:

	<u>Balance</u> <u>7/1/2022</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2023</u>	<u>Amounts due</u> <u>within</u> <u>one year</u>
Lease liabilities	<u>\$ 2,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,144)</u>	<u>\$ 886</u>	<u>\$ 661</u>

Note 12. Subscription-Based Information Technology Arrangements

The Hospital has entered into subscription-based information technology arrangements (SBITAs) involving risk and compliance software, electronic medical record software, voice dictation and auto text software, financial reporting, health information exchanges and leader evaluation manager software.

The total costs of the Hospital's subscription assets are recorded as \$10,911, less accumulated amortization of \$1,051.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

The summary of the changes in lease liabilities during the year ended June 30, 2023 is as follows:

	Balance <u>7/1/2022</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	Balance <u>6/30/2023</u>	Amounts due within <u>one year</u>
Subscription obligations	\$ 14,183	\$ -	\$ -	\$ (4,333)	\$ 9,850	\$ 2,313

Note 13. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than their established rates. The Hospital does not pursue collection of amounts determined to qualify as charity care so they are not reported as net patient service revenue. In accordance with the ASU "Measuring Charity Care for Disclosure" which requires all entities to disclose the amount of charity care provided using a cost-based measurement basis; the amounts of direct and indirect costs foregone for services and supplies furnished under the Hospital's charity care policy totaled approximately \$840 for the year ended June 30, 2023. The estimated costs of providing charity care are based on a calculation, which applies a ratio of costs to charges to the gross amount of charges foregone for charity patients. The ratio of costs to charges is calculated based on the Hospital's total expense (excluding provisions for bad debts) divided by gross patient service revenue. The Hospital did not receive any reimbursement for support of charity care in 2023.

Note 14. Joint Ventures

The Hospital is a participant in a joint venture with Acadian Homecare, L.L.C., d/b/a St. Landry Home Care, in order to provide home health services to the patients of the Hospital service area. The Hospital has a 33% participation in the joint venture. The Hospital's equity interest in the joint venture was \$9 at June 30, 2023. The Hospital recognized revenue related to the joint venture in the amount of \$135 in 2023. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in St. Landry Sleep Medicine Real Estate Venture, L.L.C. The Hospital has a 36% participation in the joint venture. The Hospital's equity interest in the joint venture was \$251 at June 30, 2023. The Hospital recognized income related to the joint venture of \$36 in 2023. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in Sunset Healthcare Realty, L.L.C., which owns and lease a building for an outpatient imaging center in Sunset, Louisiana. The Hospital invested \$382 for 51 units of the 100 units available in the joint venture. Sunset Healthcare Realty, L.L.C. leases land from the Hospital, on which a building was constructed, for \$2 per month. The total lease income reported was \$23 in 2023. The building is leased to OGH Imaging, L.L.C., a joint venture in which the Hospital also participates. The Hospital's equity interest in the joint venture was \$985 at June 30, 2023. The Hospital recognized revenue related to the joint venture of \$151 in 2023. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in OGH Imaging, L.L.C., in order to operate an outpatient-imaging center in Sunset, Louisiana to provide imaging services to the patients of the Hospital service area. The Hospital invested \$494 for 52 units of the 100 units available in the joint venture. OGH Imaging, L.L.C. is leasing a

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

building from Sunset Healthcare Realty, L.L.C., a joint venture in which the Hospital also participates. The Hospital's equity interest in the joint venture was \$673 at June 30, 2023. The Hospital recognized income related to the joint venture of \$37 in 2023. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in Opelousas Radiation Therapy, LLC. The Hospital also has a service agreement with Opelousas Radiation Therapy to provide certain administrative and support services to the Cancer Center. The Hospital invested \$50 for 50% share in the joint venture. The Hospital's equity interest in the joint venture was \$548 at June 30, 2023. The Hospital recognized income related to the joint venture of \$336 in 2023. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in Louisiana Hospice Group, LLC, in order to provide hospice services to patients of the Hospital service area. The Hospital has a 40% membership interest in the joint venture. The Hospital's equity interest in the joint venture was \$646 at June 30, 2023. The Hospital recognized income related to the joint venture of \$294 in 2023. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

Note 15. Self Funded Insurance

Health Insurance

The Hospital provides health insurance coverage to its employees under a self-funded plan. The Hospital pays the health insurance claims as they are incurred by the employee. The Hospital records a liability for claims incurred but not reported or paid, which is included in other accrued expenses on the statements of net position. Stop-loss insurance is retained to limit the Hospital's liability to \$275 in 2023, of paid claims per individual on an annual basis. The Hospital purchases commercial insurance for claims in excess of the coverage provided by the Hospital. At June 30, 2023, there were no settled claims that exceeded the stop-loss insured limit that would have been included in other receivables on the statements of net position. Included in accrued expenses is \$374 for claims estimates related to charges incurred before year-end but not yet paid.

Worker's Compensation

The Hospital is also partially self-insured for worker's compensation. The Hospital pays worker's compensation claims as they are incurred. Estimates for claims payable, which includes both reported and unreported claims, are recorded in other accrued expenses, at which time claim expense is also recorded. Stop-loss insurance is retained to limit the Hospital's liability to \$350 per claim for 2023. The Hospital purchases commercial insurance for claims in excess of the coverage provided by the Hospital. Settled claims have not exceeded this commercial coverage in the past year. Included in accrued expenses is \$446 for claims estimates related to cases incurred before year end but not yet paid.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Changes in the Hospital's claim liabilities for these coverages for the year ending June 30, 2023 were as follows:

Liability <u>July 1,</u>	Claims Accrued/ Changes in <u>Estimates</u>	Claim <u>Payments</u>	Liability <u>June 30,</u>
\$ <u>1,006</u>	\$ <u>6,558</u>	\$ <u>6,727</u>	\$ <u>837</u>

Note 16. Professional and General Liability Risk

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

The District and Hospital has acquired additional coverage for professional medical malpractice and general liability through the Louisiana Hospital Association Trust Fund by purchasing a claims-made policy. Losses on medical malpractice and general liability claims are estimated based on deductibles and claims in excess of per-claim or aggregate coverage and incurred but not reported during the claim year. These estimates reflect the District and Hospital's best estimates of the ultimate costs of reported and unreported claims, using the District and Hospital's past experience, industry experience and identified asserted claims and reported incidents. No provision for losses in excess of the deductible amount of the insurance policy has been recorded in the accompanying basic financial statements. Estimated provision for losses on medical malpractice and general liability claims recorded in other accrued expenses amounted to \$1,128 at June 30, 2023.

Note 17. Contingencies

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

The principle contingencies are described below:

Third-Party Government Revenues (Note 2) – Cost reimbursements are subject to examination by agencies administering the programs. The District and Hospital are contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District and Hospital are in compliance with fraud and abuse statutes as well as other applicable governmental laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Litigation and Other Matters - The District and Hospital are involved as defendant in several lawsuits in the ordinary course of business. In the opinion of management and legal counsel, insurance and provision for losses is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

Note 18. Deferred Outflows of Resources

In April 2009, the Hospital purchased a 171 bed acute care facility located in Opelousas, Louisiana (Doctor's Hospital) for a total of \$15,090. As a result total purchase price paid exceeded net assets acquired by \$1,163 at acquisition. This excess (net of amortization) is reflected in the statement of net position as a deferred outflow and is being taken as an expense systematically over 25 years. Total deferred outflow related to this acquisition remaining at June 30, 2023 was \$504, expense in 2023 amounted to \$47.

In July 2022, Wellsmart Pharmacy South, LLC purchased a pharmacy for a total of \$564. As a result, total purchase price paid exceeded assets acquired by \$455 at acquisition. This excess (net of amortization) is reflected in the statement of net position as a deferred outflow and is being taken as an expense systematically over 40 years. Total deferred outflow related to this organization remaining at June 30, 2023 was \$450, expense in 2023 amounted to \$5.

Note 19. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements

The Hospital routinely provides a substantial amount of uncompensated care to patients in its service area. To help improve or expand allowable healthcare services for Medicaid beneficiaries or low-income, uninsured patients, the Hospital entered into a series of collaborative agreements and cooperative endeavors designed to allow additional Medicaid funds for providing these services in the community. These agreements are detailed below:

In July 2020, the service district and hospital entered into certain agreements to establish a funding program by contributing a portion of the Upper Payment Limit (UPL) payments that it receives to the other participating hospital service districts, including the Hospital. The purpose of these UPL payments is to help ensure adequate and essential healthcare services are accessible and available to low income and/or indigent citizens as well as medically underserved non-rural populations in Louisiana. Funding for each participating hospital service district is based on a formula utilizing each district's reported Medicaid patient days. During 2023, the hospital collected and distributed \$27,459 of UPL payments received from certain Medicaid healthcare providers to other hospital service districts participating in the plan. As of June 30, 2023, the hospital had distributed all funds collected.

The Hospital made intergovernmental payments and accrued amounts in conjunction with this agreement totaling \$9,645 in 2023 all of which is recognized as operating expense in the statements of revenues, expenses and changes in net position. The Hospital has accrued a receivable for expected amounts due under this program totaling \$2,757 in 2023, which is recognized as other operating revenue in the statements of revenues, expenses and changes in net position. Total revenue recognized under this program during 2023 amounted to \$33,048.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Physician Rate Enhancement Program – On June 1, 2016, the Hospital entered into an agreement with Amerigroup Community Care and Louisiana Medicaid Physician IPA, Inc. DHH has contracted with prepaid organizational model Medicaid Managed Care Organizations, including Amerigroup, (collectively, “MCOs”), to provide core benefits and services that include inpatient and outpatient physician services for individuals enrolled in Bayou Health Program that are compensated by specified monthly capitation rates on a per member per month basis (“PMPM”).

To ensure uniform reimbursement in the Medicaid Program for physician services, provide greater opportunity and incentives for MCOs to improve recipient health outcomes, add benefits for Medicaid Enrollees, and support the health care safety-net for low income and needy patients, DHH increased Amerigroup’s PMPM rate for reimbursement of physician services to include the Full Medicaid Payment component of the Mercer Rate Methodology for safety-net physicians to receive rates more consistent with their fee-for-service payments.

The Hospital is the Safety Net Hospital for various Physician Groups and each such Physician Group has a contract to provide inpatient and/or outpatient physician services for or at the Safety-Net Hospital, which includes an assignment provision appointing the Hospital as the sole and exclusive agent and assign of Physician Group(s) for all purposes under the Physician Rate Enhancement Program, including contracting with MCOs for, and billing and collection of, Physician Rate Enhancement Payments.

Independent Physician Associations (IPA) contracts with one or more hospitals, including the Hospital, whereby the Hospital appoints IPA to serve as the exclusive agent for the Hospital to take all appropriate action to collect Physician Rate Enhancement Payments, including negotiating and contracting with MCOs.

In order to efficiently effectuate distribution of Physician Rate Enhancement Payments, the parties agree to establish a method of distribution of Physician Rate Enhancement Funds in an amount and manner consistent with Amerigroup’s contract with DHH to ensure the provider’s financial viability so that Amerigroup’s Medicaid Enrollees have access to physician services.

The Hospital made payments and accrued amounts in conjunction with this agreement totaling \$19,542 in 2023 all of which is recognized as an operating expense in the statements of revenues, expenses and changes in net position. The Hospital has accrued a receivable for expected amounts due under this program totaling \$19,547 as of June 30, 2023, which is recognized as other operating revenue in the statements of revenues, expenses and changes in net position. Total revenue recognized under this program during 2023 amounted to \$35,880.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 20. Fair Value Measurement

The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Hospital has the following fair value measurements as of June 30, 2023:

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices In Active Market for Identical Assets/ Liabilities Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Certificates of deposit	\$ 889	\$ -	\$ -	\$ 889
Equities	302	302	-	-
U.S. Treasury and U.S. Government Agency	5,489	5,489	-	-
Municipal bonds	<u>4,946</u>	<u>-</u>	<u>4,946</u>	<u>-</u>
Investments	<u>\$ 11,626</u>	<u>\$ 5,791</u>	<u>\$ 4,946</u>	<u>\$ 889</u>

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 21. Condensed Combining Information

The following is the condensed combining information for blended component units as of June 30, 2023 and for the year then ended:

Condensed Statements of Net Position						
June 30, 2023						
(In Thousands)						
ASSETS	<u>District</u>	<u>Hospital</u>	<u>Physician Practices</u>	<u>Wellsmart Pharmacy South, LLC</u>	<u>Eliminations of intercompany</u>	<u>Total</u>
Current assets	\$ 326	\$ 75,388	\$ 6,824	\$ 853	\$ (847)	\$ 82,544
Other assets	-	18,322	-	-	-	18,322
Capital assets	-	58,504	420	2	-	58,926
Deferred outflows	<u>-</u>	<u>504</u>	<u>-</u>	<u>450</u>	<u>-</u>	<u>954</u>
 Total assets and deferred outflows	 <u>\$ 326</u>	 <u>\$152,718</u>	 <u>\$ 7,244</u>	 <u>\$ 1,305</u>	 <u>\$ (847)</u>	 <u>\$ 160,746</u>
 LIABILITIES AND NET POSITION						
Current liabilities	\$ -	\$ 48,383	\$ 1,063	\$ 850	\$ (847)	\$ 49,449
Long-term liabilities	<u>-</u>	<u>16,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,367</u>
 Total liabilities	 <u>\$ -</u>	 <u>\$ 64,750</u>	 <u>\$ 1,063</u>	 <u>\$ 850</u>	 <u>\$ (847)</u>	 <u>\$ 65,816</u>
Net investment in capital assets	\$ -	\$ 29,143	\$ 420	\$ 2	\$ -	\$ 29,565
Restricted for debt service	-	5,095	-	-	-	5,095
Unrestricted	<u>326</u>	<u>53,730</u>	<u>5,761</u>	<u>453</u>	<u>-</u>	<u>60,270</u>
 Total net position	 <u>\$ 326</u>	 <u>\$ 87,968</u>	 <u>\$ 6,181</u>	 <u>\$ 455</u>	 <u>\$ -</u>	 <u>\$ 94,930</u>
 Total liabilities and net position	 <u>\$ 326</u>	 <u>\$152,718</u>	 <u>\$ 7,244</u>	 <u>\$ 1,305</u>	 <u>\$ (847)</u>	 <u>\$ 160,746</u>

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Condensed Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023
(In Thousands)

	<u>District</u>	<u>Hospital</u>	<u>Physician Practices</u>	<u>Wellsmart Pharmacy South, LLC</u>	<u>Eliminations of intercompany</u>	<u>Total</u>
Net patient service revenues	\$ -	\$ 113,486	\$ 16,375	\$ 729	\$ -	\$ 130,590
Other operating revenues	<u>-</u>	<u>77,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,216</u>
Total operating revenues	<u>\$ -</u>	<u>\$ 190,702</u>	<u>\$ 16,375</u>	<u>\$ 729</u>	<u>\$ -</u>	<u>\$ 207,806</u>
Depreciation and amortization	\$ -	\$ 13,242	\$ 252	\$ 5	\$ -	\$ 13,499
Other operating expenses	<u>-</u>	<u>179,297</u>	<u>25,736</u>	<u>833</u>	<u>-</u>	<u>205,866</u>
Total operating expense	<u>\$ -</u>	<u>\$ 192,539</u>	<u>\$ 25,988</u>	<u>\$ 838</u>	<u>\$ -</u>	<u>\$ 219,365</u>
Operating income (loss)	\$ -	\$ (1,837)	\$ (9,613)	\$ (109)	\$ -	\$ (11,559)
Non-operating revenues (expense)	<u>4</u>	<u>4,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,872</u>
Increase (decrease) in net position	\$ 4	\$ 3,031	\$ (9,613)	\$ (109)	\$ -	\$ (6,687)
Net position, beginning	322	97,101	4,194	-	-	101,617
Contributions (distributions)	<u>-</u>	<u>(12,164)</u>	<u>11,600</u>	<u>564</u>	<u>-</u>	<u>-</u>
Net position, ending	<u>\$ 326</u>	<u>\$ 87,968</u>	<u>\$ 6,181</u>	<u>\$ 455</u>	<u>\$ -</u>	<u>\$ 94,930</u>

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Condensed Statements of Cash Flows
Year Ended June 30, 2023
(In Thousands)

	<u>District</u>	<u>Hospital</u>	<u>Physician Practices</u>	<u>Wellsmart Pharmacy South, LLC</u>	<u>Eliminations of intercompany</u>	<u>Total</u>
Net cash provided (used) by operating activities	\$ -	\$ 16,984	\$ (10,452)	\$ 373	\$ -	\$ 6,905
Net cash provided (used) by non-capital financing activities	-	(11,748)	11,600	-	-	(148)
Net cash provided (used) by capital and related financing activities	-	(14,607)	(206)	107	-	(14,706)
Net cash provided (used) by investing activities	<u>1</u>	<u>3,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,096</u>
Net increase (decrease) in cash and cash equivalents	\$ 1	\$ (6,276)	\$ 942	\$ 480	-	(4,853)
Cash and cash equivalents at beginning of year	<u>16</u>	<u>17,630</u>	<u>811</u>	<u>-</u>	<u>-</u>	<u>18,457</u>
Cash and cash equivalents at end of year	<u>\$ 17</u>	<u>\$ 11,354</u>	<u>\$ 1,753</u>	<u>\$ 480</u>	<u>\$ -</u>	<u>\$ 13,604</u>

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 22. Department of Health and Human Services Remedy for Unlawful 340B Payment Cuts

On November 2, 2023, the Department of Health and Human services issued a final rule outlining the agency's remedy for the unlawful payment cuts to certain hospitals that participate in the 340B Drug Pricing Program following an unanimous Supreme Court Decision in favor of the American Hospital Association and others. The HHS will repay 340B hospitals that were unlawfully underpaid from 2018 to 2022 in a single-lump sum payment in the first calendar quarter of 2024. The Hospital is set to received \$6,682 in 2024.

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SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF GROSS PATIENT SERVICE REVENUES

Year Ended June 30, 2023

(In Thousands)

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Totals</u>
Routine services:			
Medical and surgical	\$ 6,975	\$ 6,533	\$ 13,508
Intensive care unit	2,534	25	2,559
Nursery	513	1	514
CV short stay	10	592	602
Psychiatric unit	7,425	3	7,428
Rehab unit	<u>980</u>	<u>-</u>	<u>980</u>
Total routine services	<u>\$ 18,437</u>	<u>\$ 7,154</u>	<u>\$ 25,591</u>
Ancillary services:			
Anesthesiology	\$ 8	\$ 8	\$ 16
Cancer treatment center	44	14,264	14,308
Cafeteria	62	16	78
Cardiac catheterization	17,166	52,587	69,753
Cardiopulmonary diagnostic lab and rehab	3,970	10,726	14,696
Central supply	1	1	2
Communication disorders	285	258	543
Contract dialysis	1,020	379	1,399
CT scan	6,483	28,387	34,870
Delivery room	2,164	531	2,695
Emergency room	7,718	53,860	61,578
Hyperbaric medicine	1,306	5,012	6,318
Inhalation therapy	28,573	10,625	39,198
Infusion clinic	-	-	-
Laboratory	20,574	54,179	74,753
Medical imaging	1,719	9,837	11,556
Medical home	-	29	29
MRI	1,309	5,771	7,080
Nuclear CT	8	4,186	4,194
Nuclear medicine	236	1,365	1,601
Outpatient clinic	-	84,037	84,037
Outpatient psychiatric unit	2	4,646	4,648
Operating room	36,786	57,031	93,817
PICC line	63	22	85
Pharmacy	17,106	10,205	27,311
Physical therapy	2,033	9,478	11,511
Physician practices	-	58,016	58,016
Pulmonary function	-	537	537
Recovery room	1,467	4,048	5,515
Sleep lab	921	4,217	5,138
Wellsmart pharmacy	<u>-</u>	<u>730</u>	<u>730</u>
Total ancillary services	<u>\$ 151,024</u>	<u>\$ 484,988</u>	<u>\$ 636,012</u>
Total gross patient service revenue	<u>\$ 169,461</u>	<u>\$ 492,142</u>	<u>\$ 661,603</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL DIRECT OPERATING REVENUES AND EXPENSES
Year Ended June 30, 2023
(In Thousands)

	<u>Gross Revenues</u>	<u>Direct Operating Expenses</u>	Revenue Over (Under) Direct Operating Expenses
Routine services:			
Medical and surgical	\$ 13,508	\$ 10,748	\$ 2,760
Intensive care unit	2,559	2,625	(66)
Nursery	514	870	(356)
CV short stay	602	464	138
Psychiatric unit	7,428	2,487	4,941
Rehab unit	980	735	245
Total routine services	<u>\$ 25,591</u>	<u>\$ 17,929</u>	<u>\$ 7,662</u>
Ancillary services:			
Anesthesiology	\$ 16	\$ 339	\$ (323)
Cancer treatment center	14,308	2,354	11,954
Cafeteria	78	-	78
Cardiac catheterization	69,753	6,614	63,139
Cardiopulmonary diagnostic lab and rehab	14,696	828	13,868
Central supply	2	1,314	(1,312)
Communication disorders	543	220	323
Contract dialysis	1,399	390	1,009
CT scan	34,870	1,201	33,669
Delivery room	2,695	2,648	47
Emergency room	61,578	8,769	52,809
Hyperbaric medicine	6,318	2,096	4,222
Infusion clinic	-	1	(1)
Inhalation therapy	39,198	2,435	36,763
Laboratory	74,753	7,775	66,978
Lactation	-	89	(89)
Medical imaging	11,556	1,743	9,813
Medical home	29	183	(154)
MRI	7,080	582	6,498
Nuclear CT	4,194	127	4,067
Nuclear medicine	1,601	555	1,046
Outpatient clinic	84,037	10,698	73,339
Outpatient psychiatric unit	4,648	759	3,889
Operating room	93,817	16,023	77,794
PICC line	85	-	85

(continued)

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL DIRECT OPERATING REVENUES AND EXPENSES (CONTINUED)
Year Ended June 30, 2023
(In Thousands)

	<u>Gross Revenues</u>	<u>Direct Operating Expenses</u>	<u>Revenue Over (Under) Direct Operating Expenses</u>
Ancillary services (continued):			
Pharmacy	27,311	8,542	18,769
Physical therapy	11,511	2,711	8,800
Physician clinics	-	444	(444)
Physician services	-	913	(913)
Physician practices	58,016	25,734	32,282
Pulmonary function	537	283	254
Recovery room	5,515	665	4,850
Vein clinic	-	16	(16)
Sleep lab	5,138	1,046	4,092
Social service	-	192	(192)
Telehealth clinic	-	7	(7)
Wellsmart pharmacy	730	833	(103)
Total ancillary services	<u>\$ 636,012</u>	<u>\$ 109,129</u>	<u>\$ 526,883</u>
Revenue over direct operating expenses	<u>\$ 661,603</u>	<u>\$ 127,058</u>	\$ 534,545
Contractual allowances, discounts, and uncollectible accounts			(531,013)
Other operating revenues			<u>77,216</u>
			<u>\$ 80,748</u>
Operating expenses:			
General services			\$ 14,218
Fiscal and administrative services			35,403
Intergovernmental transfer – physicians’ UPL			29,187
Depreciation and amortization			<u>13,499</u>
			<u>\$ 92,307</u>
Excess of hospital operating expenses over operating revenues			<u>\$ (11,559)</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF NET PATIENT SERVICE REVENUES

Year Ended June 30, 2023

(In Thousands)

Gross patient service revenues	\$ 661,603
Less:	
Administrative allowances	\$ 1,122
Blue Cross discounts	63,064
Charity allowances	2,532
Contractual adjustments – Medicare and Medicaid	266,454
Managed care allowances	133,070
Physician discounts	41,640
Provision for uncollectible accounts	<u>23,131</u>
Total contractual allowances, discounts, and uncollectible accounts	\$ <u>531,013</u>
Net patient service revenues	\$ <u>130,590</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF OTHER OPERATING REVENUES

Year Ended June 30, 2023

(In Thousands)

Other operating revenues:

Cafeteria	\$ 1,199
Gift shop	115
Rental income	1,067
Outside housekeeping and laundry services	191
Miscellaneous	5,716
UPL supplemental payments	35,880
Grant - Service Direct Hospital UPL	<u>33,048</u>

Total other operating revenues \$ 77,216

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL OPERATING EXPENSES

Year Ended June 30, 2023

(In Thousands)

	<u>Salaries</u>	<u>Professional Fees</u>	<u>Employee Benefits</u>	<u>Other Expenses</u>	<u>Totals</u>
Routine services:					
Medical and surgical	10,060	\$ -	\$ 71	\$ 617	\$ 10,748
Intensive care unit	2,424	20	28	153	2,625
Nursery	825	14	2	29	870
CV short stay	372	-	17	75	464
Psychiatric unit	-	-	-	2,487	2,487
Rehab unit	460	-	11	264	735
Total routine services	<u>\$ 14,141</u>	<u>\$ 34</u>	<u>\$ 129</u>	<u>\$ 3,625</u>	<u>\$ 17,929</u>
Ancillary services:					
Anesthesiology	\$ -	\$ (5)	\$ -	\$ 344	\$ 339
Cancer treatment center	176	60	-	2,118	2,354
Cardiac catheterization	646	76	3	5,889	6,614
Cardiopulmonary diagnostic lab and rehab	697	96	4	31	828
Central supply	455	-	4	855	1,314
Communication disorders	217	-	-	3	220
Contract dialysis	-	-	-	390	390
CT scan	689	9	20	483	1,201
Delivery room	2,512	-	15	121	2,648
Emergency room	5,864	2,396	22	487	8,769
Hyperbaric medicine	-	(4)	-	2,100	2,096
Infusion clinic	-	-	-	1	1
Inhalation therapy	2,235	40	3	157	2,435
Laboratory	2,595	210	11	4,959	7,775
Lactation	85	-	3	1	89
Medical imaging	1,231	9	16	487	1,743
Medical home	171	6	1	5	183
MRI	266	2	1	313	582
Nuclear CT	89	7	-	31	127
Nuclear medicine	171	9	-	375	555
Outpatient clinic	555	137	3	10,003	10,698
Outpatient psychiatric unit	-	-	-	759	759
Operating room	3,388	-	14	12,621	16,023
Pharmacy	2,400	-	36	6,106	8,542
Physical therapy	-	-	-	2,711	2,711
Physician clinics	-	444	-	-	444
Physician services	-	913	-	-	913
Physician practices	20,220	1,593	94	3,827	25,734
Pulmonary function	265	5	3	10	283
Recovery room	617	-	3	45	665
Vein Clinic	6	10	-	-	16
Sleep lab	267	28	1	750	1,046
Social services	189	-	2	1	192
Telehealth Clinic	4	-	-	3	7
Wellsmart pharmacy	108	-	-	725	833
Total ancillary services	<u>\$ 46,118</u>	<u>\$ 6,041</u>	<u>\$ 259</u>	<u>\$ 56,711</u>	<u>\$ 109,129</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL OPERATING EXPENSES (CONTINUED)

Year Ended June 30, 2023

(In Thousands)

	<u>Salaries</u>	<u>Professional Fees</u>	<u>Employee Benefits</u>	<u>Other Expenses</u>	<u>Totals</u>
General services:					
Biomedical services	\$ 472	\$ -	\$ 14	\$ 12	\$ 498
Dietary	1,442	-	10	1,832	3,284
Housekeeping	1,908	-	13	721	2,642
Laundry and linen	-	-	-	429	429
Performance improvement	414	-	-	21	435
Plant engineering	777	-	14	4,778	5,569
Security	<u>1,358</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>1,361</u>
Total general services	<u>\$ 6,371</u>	<u>\$ -</u>	<u>\$ 51</u>	<u>\$ 7,796</u>	<u>\$ 14,218</u>
Fiscal and administrative services:					
Accounting	\$ 421	\$ -	\$ 2	\$ 205	\$ 628
Administration	2,145	-	10,798	5,042	17,985
Admitting	1,249	-	13	59	1,321
Business office	691	-	6	801	1,498
Centralized scheduling	170	-	1	2	173
Clinic documents	349	3	-	17	369
Communications	118	-	-	156	274
Compliance management	280	-	-	-	280
Courier	108	-	1	22	131
Gift shop	78	-	-	68	146
Health information services	944	-	3	625	1,572
Human resources	472	-	1	801	1,274
Industrial medicine	110	-	-	213	323
Infection control	135	23	-	39	197
Information technology	1,492	-	4	2,723	4,219
Insurance	-	-	-	2,932	2,932
J2E functions	59	-	-	17	76
Marketing/public relations	507	-	-	899	1,406
Medical and staff relations	423	87	-	108	618
Pain management	-	-	-	6	6
OGH Foundation	<u>(35)</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>(25)</u>
Total fiscal and administrative services	<u>\$ 9,716</u>	<u>\$ 113</u>	<u>\$ 10,829</u>	<u>\$ 14,745</u>	<u>\$ 35,403</u>
Total departmental operating expenses	<u>\$ 76,346</u>	<u>\$ 6,188</u>	<u>\$ 11,268</u>	<u>\$ 82,877</u>	<u>\$ 176,679</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL STATISTICS
Year Ended June 30, 2023

Beds licensed:	
Acute care	151
Psychiatric	30
Rehabilitation facility	<u>16</u>
Total	<u>197</u>
Percentage of occupancy for staff beds in service:	
Acute care	46.10%
Psychiatric	57.40%
Rehabilitation facility	11.00%
Percentage of gross patient service revenues:	
Medicare	49.53%
Medicaid	23.66%
All other	<u>26.81%</u>
Total	<u>100.00%</u>
Discharges:	
Acute care	4,512
Psychiatric	831
Rehabilitation facility	<u>56</u>
Total	<u>5,399</u>
Patient days in care:	
Medical and surgical	13,397
Intensive care	<u>1,662</u>
Acute care subtotal	15,059
Nursery	1,719
Psychiatric	6,282
Rehabilitation facility	<u>645</u>
Total	<u>23,705</u>
Surgeries:	
Inpatient	1,561
Outpatient	<u>5,528</u>
Total surgeries	<u>7,089</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL STATISTICS (CONTINUED)
Year Ended June 30, 2023

Deliveries	802
Procedures:	
Laboratory	472,967
Radiology	44,410
CT scan	15,784
Nuclear medicine	899
MRI	2,774
Cancer treatments	8,640
Heart catheterization unit cases	1,514
Hyperbaric oxygen	11,836
Physical therapy	96,738
Emergency room visits	44,298
Outpatient registrations (including emergency room visits)	144,898

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
Year Ended June 30, 2023

Opelousas General Hospital Authority:

Robert Wolfe	\$ 12,000
Alton Broussard	12,000
Albert Simien	12,000
Gina Tuttle	12,000
Kerry Thibodeaux	12,000
Mary Doucet	12,000
Charles Going	12,000
James Donerty, Jr.	12,000
Derek Metoyer	<u>12,000</u>
	<u>\$ 108,000</u>

Hospital Service District No. 2 of St. Landry Parish:

Alton Broussard	\$ 40
Albert Simien	40
Garett Duplechain	200
Robert Wolfe	40
Derek Metoyer	<u>40</u>
	<u>\$ 360</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
Year Ended June 30, 2023

Agency Head: Kenneth Cochran

<u>Purpose</u>	<u>Amount</u>
Salary/Severance/PTO	\$ 578,073
Benefits:	
Insurance	4,030
Retirement	23,715
Car allowance	8,400
Conference travel	4,319
HSA Savings	900
VALIC – employer contribution	<u>21,700</u>
	<u>\$ 641,137</u>

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

To the Board of Commissioners
Hospital Service District No. 2
and Board of Trustees
Opelousas General Hospital Authority
St. Landry Parish, 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 business-type activities and discretely presented component unit of the Hospital Service District No. 2 of St. Landry Parish, Louisiana (the "District") and Opelousas General Hospital Authority (the "Hospital"), as of and for the year ended June 30, 2023 and the related notes to financial statements, which collectively comprise the District and Hospital's basic financial statements, and have issued our report thereon dated December 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital and the District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Lafayette, Louisiana
December 19, 2023

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

To Board of Commissioners
Hospital Service District No. 2
and Board of Trustees
Opelousas General Hospital Authority
St. Landry Parish, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Hospital Service District No. 2 of St. Landry Parish, Louisiana (the "District") and Opelousas General Hospital Authority's (the "Hospital") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District and the Hospital's major federal programs for the year ended June 30, 2023. The District and Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District and Hospital's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District and Hospital's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

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

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

A handwritten signature in black ink, appearing to read "Broussard Lohr LLP". The signature is written in a cursive, flowing style.

Lafayette, Louisiana
December 19, 2023

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HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

<u>Federal Grantor/Pass-through Grantor/Program Title or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures/ Loss Revenues</u>
U. S. Department of Health and Human Services			
Health Resources and Services Administration			
COVID-19-CARES Act Provider Relief Fund*	93.498	-	\$ 886,463
COVID-19-CARES Act American Rescue Plan Rural Distribution*	93.498	-	<u>6,694,993</u>
Total federal awards expended			<u>\$ 7,581,456</u>

* Denotes major program

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District and Hospital under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District and Hospital, it is not intended to and does not present the financial position of the District and Hospital.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the District and Hospital's basic financial statements for the year ended June 30, 2023. Such expenditures are recognized following the cost principles in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The District and Hospital has elected not to use the 10% de minimis cost rate allowed under the Uniform Guidance.

Note 4. Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements

Federal Expenditures and Loss Revenue per Schedule of Expenditures of Federal Awards	\$ 7,581,456
Expenditures incurred in fiscal year ended June 30, 2022	(2,615,471)
Provider Relief Funds repayment due to non-compliance	<u>(148,921)</u>
Federal expenditures and loss revenue incurred in fiscal year ended June 30, 2023	<u>\$ 4,817,064</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2023

We have audited the basic financial statements of Hospital Service District No 2 of St. Landry Parish, in the State of Louisiana, and Opelousas General Hospital Authority, as of and for the year ended June 30, 2023, and have issued our report thereon dated December 19, 2023. 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 audit of the basic financial statements as of and for the year ended June 30, 2023 resulted in an unmodified opinion.

Section I. Summary of Auditors' Results

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material weakness Yes No
Control deficiencies identified that are not considered to be a material weakness Yes No

Compliance

Compliance material to financial statements Yes No

b. Federal Awards

Internal Control

Material weakness Yes No
Control deficiencies identified that are not considered to be a material weakness Yes No

Type of Opinion on Compliance for Major Programs Unmodified Modified Disclaimer Adverse

Are there findings required to be reported in accordance with the provisions of the Uniform Guidance?
 Yes No

c. Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
93.498	CARES Act Providers Relief Fund and American Rescue Plan Rural Distribution

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Is the auditee a "low-risk" auditee, as defined by the Uniform Guidance? Yes No

Section II. Financial Statement Findings

No matters are reported.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Year Ended June 30, 2023

Section III. Federal Award Finding and Questioned Costs

U.S. Department of Health and Human Services
Health Resources and Services Administration
CFDA No. 93.498 COVID-19 CARES Act Provider Relief Fund and American Rescue Plan Rural
Distribution
Program Year Ending June 30, 2023

Finding: 2023-001 - Reporting

Criteria: Recipients of Provider Relief Funds are required to report as part of the post-payment reporting process if they received one or more payments exceeding \$10,000 in the aggregate during a payment received period. Information that is required to be reported include net unreimbursed expenses attributable to Coronavirus and patient care lost revenues and certain other items. Patient care is defined as "health care, services and support as provided in a medical setting, at home/telehealth, or in the community. It should not include non-patient care revenue such as insurance, retail or real estate revenues; prescription sales revenues (except when derived through 340B program); grants or tuition; contractual adjustments from all third party payers; charity care adjustments; bad debt and any gains and/or losses on investments."

Condition: The Hospital included upper payment limit payments received in net patient revenue in prior reporting for 2019 and 2020 thus including them in the lost revenue calculation. The upper payment limit payments should have been treated as "other source of revenue" for purposes of the lost revenue calculation. During the latest reporting, the Hospital corrected this error, however, the corrections were done in the incorrect quarter. In total the reports are correct, however, the lost revenue per quarter are incorrect. The error resulted in a reported overstatement of lost revenue of approximately \$3.7 million.

Questioned Costs: None

Context: Errors between quarters did not result in any change as it relates to unused provider relief funds as reported to the Health Resources and Services Administration.

Cause: Hospital incorrectly reported revenue between quarters as it relates to the calculation of lost revenue for purposes of satisfying the requirements of the provider relief fund program.

Recommendation: Contact Health Resources and Services Administration to determine if further action is required.

Views of responsible officials and planned corrective action:

The hospital will reach out to HRSA to inquire as to the appropriate course of action. If an amendment of the reporting is required, the Hospital will submit an amended report.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2023

Section I. Internal Control and Compliance Material to the Financial Statements

Not applicable.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended June 30, 2022.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
Hospital Service District No. 2
and Board of Trustees
Opelousas General Hospital Authority
St. Landry Parish, Louisiana

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 July 1, 2022 through June 30, 2023. The District's management is responsible for those C/C areas identified in the SAUPs.

The Hospital Service District No. 2 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 year period July 1, 2022 through June 30, 2023. 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.

We obtained a copy of their budgeting policy. Effective for the fiscal year ended June 30, 2023. The policy addresses the procedures to prepare and adopt the budget. The policy does not address monitoring or 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.

We obtained a copy of their purchasing policy effective for the fiscal year ended June 30, 2023. Items noted above are addressed by the policy.

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

We obtained a copy of their disbursement policy effective for the fiscal year ended June 30, 2023. Items noted above are addressed by the policy.

- 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).

We obtained a copy of their receipts policy effective for the fiscal year ended June 30, 2023. Items noted above are addressed by the policy.

- e. **Payroll/Personnel**, including (1) payroll processing, and (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.

We obtained a copy of their payroll/personnel policy effective for the fiscal year ended June 30, 2023. Items noted above are addressed by the policy.

- 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.

We obtained a copy of their contracting policy effective for the fiscal year ended June 30, 2023. Items noted above are addressed by the policy.

- 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).

We obtained a copy of their credit card policy effective for the fiscal year ended June 30, 2023. Items noted above are addressed by the policy.

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

We obtained a copy of their travel and expense reimbursement policy effective for the fiscal year ended June 30, 2023. The dollar thresholds by category of expense were only addressed for some of the categories. All other travel and expense reimbursement items listed above were addressed in the policy.

- i. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:111-1121, (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.

We obtained a copy of their travel and expense reimbursement policy effective for the fiscal year ended June 30, 2023. Prohibitions as defined in Louisiana Revised Statute (R.S.) 42:111-1121 are not specifically listed. The policy addresses the actions to be taken if an ethics violation takes place and the system to monitor possible ethics violations. The policy

does not address the requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

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

We obtained a copy of their debt service policy effective for the fiscal year ended June 30, 2023. Items noted above are addressed by the policy.

- 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.

We obtained a copy of their disaster recovery/business continuity policy effective for the fiscal year ended June 30, 2023. The policy addresses all items noted above except for periodic testing/verification that backups can be restored.

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

We obtained a copy of their sexual harassment policy effective for the fiscal year ended June 30, 2023. The policy addresses all items noted above except for annual reporting.

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.

The Board met monthly during fiscal year ended June 30, 2023.

- 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 minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.

The minutes included a financial overview and budget-to-actual comparison.

- 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.

This is not applicable to the District for the fiscal year ended June 30, 2023.

Bank Reconciliations

3. Obtain a listing of client 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 selected each account, and observe that:

We obtained listing of all bank accounts for the fiscal year ended June 30, 2023. Management representation was obtained that the listing was complete.

- 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);

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

- b. Bank reconciliations include written 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 include evidence that the CFO reviews them monthly via CFO's signature on the reconciliations along with the date reviewed.

- 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 was outstanding more than 12 months from the statement closing date. Management provided evidence this was followed up on.

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).

There is only one deposit site.

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.

At the collection location selected, there is only one cash drawer. The cash drawer is used by the clerk at the collections counter. There is only one main collection clerk to use the cash drawer. Another clerk will fill in for the main clerk when she is out or at lunch and use the same cash drawer.
 - 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.

The clerk is responsible for all collections and preparing the deposit slip. A cashier must review the collections and deposit slip before it is deposited at the bank.
 - 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.

The clerk responsible for collection cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers.
 - 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.

The employee 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.

All employees who have access to cash are covered by an insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3 (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). Obtain supporting documentation for each of the 10 deposits and:
 - a. Observe that receipts are sequentially pre-numbered.

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

No exceptions noted.
 - c. Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- 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).

All deposits selected for testing were made within one business day of collection.

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

No exceptions noted.

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).

The District has only one location that processes payments.

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.

No exceptions noted.

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

No exceptions noted.

- 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.

No exceptions noted.

- 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 CFO, Controller and CIO have access to print signatures of the CEO and CFO on the checks. The checks are mailed out by the Accounts Payable Coordinator who has no responsibility in signing checks.

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

No exceptions noted. Jim Juneau, CFO, has to approve and then either Kelly Howard or Denise Bergeron will initiate.

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.

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

12. 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.

Management provided a list of all active credit cards, bank debit cards, fuel cards, and P-cards, including the card numbers and the names of the persons who maintain possession of the cards.

13. 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.

All monthly statements selected for testing were reviewed and approved by someone other than the authorized card holder.

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

Two monthly statement from one credit card tested had a finance charge and/or late fee assessed.

14. 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.

No exceptions noted

Travel and Travel-Related Expense Reimbursement (excluding card transactions)

15. 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 rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

We observed that the approved reimbursement rate is no more than the established rates on the GSA website.

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

We observed all reimbursements are supported by itemized lists/receipts that identify the expense.

- 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).

No exceptions noted.

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

We observed all reimbursements were approved and signed by someone other than whom was receiving the reimbursements.

Contracts

16. 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. 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.

No exceptions noted.

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

No exceptions noted.

- 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).

No exceptions noted.

- 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.

No exceptions noted.

Payroll and Personnel

17. 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.

We obtained a listing of employees and elected officials during the fiscal year ended June 30, 2023 and management's representation that this listing is complete. We agreed the selected employee/officials salaries/pay rates to their employee file.

18. 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 does not document their attendance and leave. However, if the official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

We observed the documentation for attendance and leave.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

19. 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' cumulative leave records, and 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.

We obtained the listing of all terminated employees and received support for two terminated employees with termination payments, noting they were made in strict accordance with the policy. We obtained management's representation that the listing was complete.

20. 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 representations were obtained.

Ethics

21. 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 Hospital Service District has no employees. The Trust Authority only requires department managers and board members to take the ethics training courses. Per our random sample in the payroll and personnel testing above, only one of the selected employees was a manager or board member, management provided the ethics training completion certification completed by this employee.

- 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.

For the fiscal year ended June 30, 2023 there were no changes to the District's ethics policy. We obtained management's representation to verify.

Debt Service

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

No exceptions noted.

23. 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).

No exceptions noted.

Fraud Notice

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

No misappropriations of public funds and assets during the fiscal year ended June 30, 2023.

25. 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.

No exceptions noted.

Information Technology Disaster Recovery/Business Continuity

26. 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.

27. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

We performed the procedure and discussed the results with management.

Prevention of Sexual Harassment

28. 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.

No exceptions noted.

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

No exceptions noted.

30. 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:

- 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.

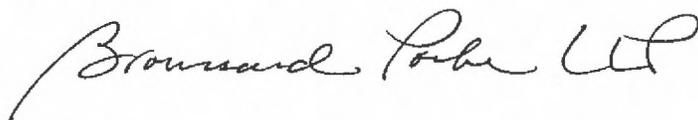
No exceptions noted.

Management's response/corrective actions: *The District concurs with the exceptions identified above. The District will work to address all exceptions.*

We were engaged by The Hospital Service District No. 2 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 Hospital Service District No. 2 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.



Lafayette, Louisiana
December 19, 2023