

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Audits of Financial Statements

December 31, 2021 and 2020



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Independent Auditor's Report

To the Board of Commissioners
Parish Hospital Service District
For the Parish of Orleans - District A
(A Component Unit of the City of New Orleans)
New Orleans, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Parish Hospital District for the Parish of Orleans- District A (the District) a component unit of the City of New Orleans, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended, in conformity 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 to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement 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 judgement 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District' s basic financial statements. The accompanying schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (R.S.) 24:513 A(3) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head or chief executive officer is 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 June 24, 2022 on our consideration of the District's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
June 24, 2022

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)
Statements of Net Position
December 31, 2021 and 2020**

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 4,288,896	\$ 8,226,976
Receivables		
Patient accounts receivable, less allowance for uncollectible accounts of \$3,436,342 in 2021 and \$2,518,614 in 2020	4,512,210	3,902,819
Grant receivable	317,957	40,607
Inventory	1,296,047	1,095,469
Prepaid expenses	1,041,962	1,019,157
Supplemental payments receivable	25,004,323	23,476,631
Other current assets	50,092	44,454
Total current assets	36,511,487	37,806,113
Assets whose use is limited or restricted		
Under mortgage agreement for insurance	640,472	708,822
Under mortgage agreement for mortgage reserve fund	5,911,329	5,634,958
Total assets whose use is limited or restricted	6,551,801	6,343,780
Capital assets, net	97,173,237	102,868,916
Other Assets	26,500	26,500
Total assets	140,263,025	147,045,309
Deferred outflows of resources	1,364,895	1,445,182
Total assets and deferred outflows of resources	\$ 141,627,920	\$ 148,490,491

The accompanying notes are an integral part of these financial statements.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)
Statements of Net Position (Continued)
December 31, 2021 and 2020**

	2021	2020
Liabilities and net position		
Current liabilities		
Accounts payable	\$ 4,511,639	\$ 5,228,356
Accrued expenses	253,962	260,931
Medicare Advance Payments, current	3,498,182	1,445,955
Unearned Provider Relief Funds	-	2,390,312
Other current liabilities	1,619,917	4,428,971
Due to related party	26,997,553	12,658,758
Amounts due within one year on long-term debt	2,619,169	2,534,262
Intergovernmental transfer payable	9,282,247	8,577,682
Estimated third-party payor liability	5,247,751	11,321,389
Total current liabilities	54,030,420	48,846,616
Security deposits	74,000	74,000
Medicare Advance Payments, net of current portion	-	2,819,139
Long-term debt, net of current portion	89,730,704	92,349,874
Total long-term liabilities	89,804,704	95,243,013
Total liabilities	143,835,124	144,089,629
Net position		
Net investment in capital assets	6,188,259	9,429,962
Restricted for debt service	6,551,801	6,343,780
Unrestricted	(14,947,264)	(11,372,880)
Total net position	(2,207,204)	4,400,862
Total liabilities and net position	\$ 141,627,920	\$ 148,490,491

The accompanying notes are an integral part of these financial statements.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2021 and 2020**

	2021	2020
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$3,017,325 in 2021 and \$1,748,197 in 2020	\$ 74,473,592	\$ 72,193,147
Operating grants	299,885	361,631
Other operating revenue	1,297,028	654,413
Total operating revenues	76,070,505	73,209,191
Operating expenses		
Salaries and benefits	27,063,438	24,988,426
Supplies and other	8,537,698	7,554,822
Other direct expenses	24,853,276	23,842,515
Professional fees	7,831,537	7,723,299
Purchased services	7,624,312	9,430,847
Depreciation	6,331,164	6,333,896
Total operating expenses	82,241,425	79,873,805
Operating (loss) income	(6,170,920)	(6,664,614)
Non-operating revenues (expenses)		
Interest expense	(3,166,392)	(3,815,673)
Interest income	13,561	26,969
Loss on disposal of capital asset	-	(12,892)
Provider Relief Funds	2,715,685	14,654,267
Total non-operating revenues (expenses), net	(437,146)	10,852,671
Grant specific to capital purchases	-	-
Change in net position	(6,608,066)	4,188,057
Net position, beginning of year	4,400,862	212,805
Net position, end of year	\$ (2,207,204)	\$ 4,400,862

The accompanying notes are an integral part of these financial statements.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020**

	2021	2020
Cash flows from operating activities		
Receipts from patients and third-party payors	\$ 66,781,882	\$ 72,559,292
Receipts from operating grants	22,535	194,016
Payments for operating expenses	(37,421,297)	(54,925,431)
Payments to employees and for employee-related costs	(27,196,260)	(24,519,980)
Net cash provided by (used in) operating activities	2,186,860	(6,692,103)
Cash flows from capital and related financing activities		
Proceeds from disposal of capital assets	-	1,500
Acquisition and construction of capital assets	(635,485)	(1,015,333)
Receipts from non-operating grants	332,342	17,044,579
State grant towards capital assets	-	-
Escrow deposits	(208,021)	(966,160)
Proceeds from issuance of long-term debt	-	95,710,589
Principal payments on long-term debt	(2,534,263)	(93,379,889)
Cost of issuance	-	(1,525,450)
Principal payments on mortgage loan	-	(826,364)
Interest payments	(3,093,074)	(3,771,733)
Net cash (used in) provided by capital and related financing activities	(6,138,501)	11,271,739
Cash flows from investing activities		
Interest income	13,561	26,969
Net cash provided by investing activities	13,561	26,969
(Decrease) Increase in cash and cash equivalents	(3,938,080)	4,606,605
Cash and cash equivalents, beginning of year	8,226,976	3,620,371
Cash and cash equivalents, end of year	\$ 4,288,896	\$ 8,226,976

The accompanying notes are an integral part of these financial statements.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2021 and 2020**

	2021	2020
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities		
Operating (loss) income	\$ (6,170,920)	\$ (6,664,614)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities		
Depreciation	6,331,164	6,333,896
Provision for bad debts	(3,017,325)	(1,838,564)
Changes in:		
Patient accounts receivable	2,407,934	3,543,045
Grant receivable	(277,350)	282,328
Estimated third-party payor settlements, net	(6,073,638)	2,045,320
Inventory	(200,578)	(62,112)
Prepaid expenses and other assets	(28,443)	(175,615)
Supplemental payments receivable	(1,527,692)	3,435,022
Accounts payable	(716,717)	908,460
Accrued expenses	(6,969)	(36,328)
Intergovernmental transfer payable	704,565	(7,329,440)
Other current liabilities	(2,809,054)	3,801,103
Medicare Advance Payments	(766,912)	4,265,094
Due to related party	14,338,795	(15,199,698)
	<u>14,338,795</u>	<u>(15,199,698)</u>
Net cash provided by (used in) operating activities	\$ 2,186,860	\$ (6,692,103)

The accompanying notes are an integral part of these financial statements.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 1. Description of Reporting Entity

Organization

The Parish Hospital Service District for the Parish of Orleans - District A (the District) is a Louisiana hospital service district established by Act 830 of the 2006 regular session of the Louisiana Legislature, as amended, which has been codified as Louisiana Revised Statutes 46:1094 through 1097. The District is divided into two areas as follows: (a) Orleans Parish east of the Industrial Canal and (b) all of Orleans Parish except the geographical areas of the Industrial Canal and the area of Orleans Parish bounded by Earhart Boulevard, Carrollton Avenue, Loyola Avenue, and Iberville Street. The District was created to study the feasibility of building or acquiring and operating hospital facilities within the District. Currently, the mission of the District is to operate a state-of-the-art hospital, and to provide emergency and other essential hospital services to the residents of New Orleans East. The District opened the New Orleans East Hospital (NOEH) on July 12, 2014. The District operated a 24-hour urgent care facility on the hospital campus that remained operational until the opening of NOEH in 2014.

The two areas of the District are governed by separate governing Boards consisting of thirteen (13) commissioners each, who are qualified voters and residents of Orleans Parish and who reflect the ethnic, cultural, and gender diversity of the Parish, seven (7) of whom are appointed by the Chief Executive Officer of Orleans Parish.

Reporting Entity

The District is a component unit of the City of New Orleans, the reporting entity, as defined by the Governmental Accounting Standards Board pronouncement. The accompanying financial statements present information only on the fund maintained by the District, and does not present information on the City of New Orleans, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Cooperative Endeavor Agreement

On April 1, 2014, a Cooperative Endeavor Agreement (CEA) was entered into between the District, Louisiana Children's Medical Center (LCMC), and Touro Infirmary. Louisiana Children's Medical Center and Touro Infirmary are collectively referred to as the Joint Parties throughout the CEA.

The CEA provides that the Joint Parties will manage and be responsible for the day-to-day operations of the public hospital and emergency department doing business as NOEH. LCMC is serving the primary role of managing, and being responsible for the day-to-day operations of NOEH, and to provide supplemental operational support for NOEH to support and enhance the continuity and viability of NOEH's operations for the citizens of eastern New Orleans.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 1. Description of Reporting Entity (Continued)

Cooperative Endeavor Agreement (Continued)

Under the CEA, the Joint Parties are obligated for: (i) employing or contracting with those required to operate NOEH; (ii) providing comprehensive administrative, professional, operational, revenue cycle, and financial management of NOEH; (iii) obtaining and maintaining the appropriate licenses, software, and hardware and corresponding support services related to those technology systems; and (iv) assisting NOEH in recruiting medical staff. The agreement commenced on the Effective Date, as defined, and will expire June 30, 2029, with an option to renew for up to 10 years. See Note 8 for further details.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The basic financial statements provide information about the District's activities. The books and records must be kept in accordance with the requirements of the Secretary of the U.S. Department of Housing and Urban Development. The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions (principally, government grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Income from operations that are not part of the District but deposited in the District's account are to be classified as non-operating income to the extent that the revenue is not directly associated with a related expense. Income from investments and contributions must be classified as non-operating income. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

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

The determination of the allowance for uncollectible accounts receivable and amounts estimated to be recovered from and/or due to third-party payors are particularly sensitive estimates and are subject to change.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

Cash includes amounts in noninterest and interest-bearing demand deposits and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted consists of cash balances held in escrow.

Inventories

Inventories, which consist primarily of drugs and supplies, are valued at the lower of cost (first-in, first-out method) or market.

Cost of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Deferred Outflow of Resources

In 2020, the District incurred costs in connection with the advance refunding of the District's long-term mortgage debt, which have been deferred and are being amortized over the life of the original term debt. Accumulated amortization on this deferred outflow was \$80,268 at December 31, 2021 and 2020, respectively, and is included within interest expense on the statement of revenues, expenses, and changes in net position.

Grants and Contributions

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

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Coronavirus Aid, Relief, and Economic Security Act

In response to the economic impact of COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance provisions for businesses and individuals. Under certain provisions in the CARES Act, the District received benefits of approximately \$513,000 and \$17,045,000 during the years ended December 31, 2021 and 2020, respectively. The District recognized approximately \$2,716,000 and \$14,654,000 of those benefits within non-operating revenues (expenses) in its statements of revenues, expenses and changes in net position for the years ended December 31, 2021 and 2020, respectively.

Under the CARES Act, the District also received approximately \$4,265,000 in advances under the Medicare Accelerated and Advance Payments Program (AAPP) in April 2020. Through the Continuing Appropriations Act, 2021 and Other Extensions Act (the CA Act) that was enacted October 1, 2020, recoupment of these advances began one year after the date of their initial receipt of the advances. Recoupment continues until repaid in full, but no later than 17 months after recoupment begins. During the year ended December 31, 2021, approximately \$767,000 was recouped, leaving approximately \$3,498,000 to be recouped during the year ended December 31, 2022.

The District has classified these advances as Medicare Advance Payments on its statements of net position. At December 31, 2021 and 2020, approximately \$3,498,000 and \$1,446,000, respectively, is classified as a current liability with approximately \$2,819,000 as a non-current liability at December 31, 2020.

Management continues to monitor the potential impact of COVID-19 and the coronavirus on its operations and financial results. Actions taken by local, state, and federal governments have helped to mitigate the spread of the coronavirus. However, potential surges in COVID-19 cases could negatively impact future financial results of the District.

Net Patient Service Revenue and Related Receivables

The District has agreements with third-party payors that provide for payments to the District in 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 and the related accounts receivable are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including 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.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue and Related Receivables (Continued)

The District provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the District is exposed to certain credit risks. The District manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances. Provisions for bad debts are reported as offsets to net patient service revenues consistent with reporting practices for governmental entities. See Note 5.

Medicare and Medicaid Reimbursement Programs

The District is reimbursed under the Medicare Prospective Payment System for acute care inpatient services provided to Medicare beneficiaries and is paid a predetermined amount for these services based, for the most part, on the Diagnosis Related Group (DRG) assigned to the patient. In addition, the District is paid prospectively for Medicare inpatient capital costs based on the federal specific rate.

As a reform initiative, Louisiana Medicaid introduced Healthy Louisiana, a state-wide managed care Medicaid initiative. Medicaid recipients enroll in one of five available health plans. The plans are accountable to the Louisiana Department of Health (LDH) and to the State of Louisiana (State). There are differences between these plans, including their provider networks, referral policies, health management programs, services, and incentives offered to participants. Medicaid recipients can choose which Healthy Louisiana plan to enroll in.

The District's reimbursements from the Healthy Louisiana plans follow the same methodology as Louisiana Medicaid; that is, LDH's objective to continue collecting all Medicaid hospital program service costs through the annual cost report uniformly, whether the service is covered by traditional Medicaid fee for service or a Prepaid Plan.

The District qualifies as a disproportionate share provider under the Medicare regulations. As such, the District receives an additional payment for Medicare inpatients served. Through June 30, 2016, the District was paid as a disproportionate share provider for Medicaid inpatients. See Note 10 for further discussion on the Medicaid program.

Through December 31, 2016, the District was considered a new hospital, as defined. As such, the District was paid upon filing its Medicare cost report for inpatient and outpatient capital costs, at an expected rate of eighty-five percent (85%). For the years ended December 31, 2021 and 2020, the District is paid prospectively for Medicare inpatient capital costs at the federal specific rate.

Except for Medicare disproportionate share and Medicare bad debts, there is no retroactive settlement for inpatient costs under the Medicare inpatient prospective payment methodology.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Medicare and Medicaid Reimbursement Programs (Continued)

Outpatient services rendered to Medicare outpatient services are reimbursed by the Outpatient Prospective System (OPPS), which establishes a number of Ambulatory Payment Classifications (APC) for outpatient procedures in which the District is paid a predetermined amount per procedure. Medicaid outpatient services (excluding ambulatory surgery, therapy, and clinical lab) are reimbursed at a percentage of the lower of cost or charges. Medicare and Medicaid outpatient clinical lab and Medicaid ambulatory surgery and outpatient therapy services are reimbursed based upon the respective fee schedules.

Retroactive cost settlements, based upon actual cost reports, are estimated for those programs subject to retroactive settlement and recorded in the financial statements. Final determination of retroactive cost settlements to be received under the Medicare and Medicaid regulations is subject to review by program representatives. The difference between an estimated settlement and a final settlement in any year is reported as an adjustment of net patient service revenue in the year the final settlement is made. The District's Medicare cost for the reporting periods ended June 30, 2015, 2016, 2017, and 2018 have been audited by the Medicare fiscal intermediary. The District's Medicaid cost for the reporting period ended June 30, 2015 has been audited by the Medicaid fiscal intermediary.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount in the near-term.

Net patient service revenue increased by approximately \$1,579,000 in the year ended December 31, 2021, and decreased by approximately \$873,000, in the year ended December 31, 2020, due to changes in estimates resulting from the filing of cost reports, changes in allowances and estimated settlements on prior year cost reports, and revisions based on updated information from the fiscal intermediary.

Effective January 1, 2019, NOEH entered in an agreement with the Louisiana Quality Network (LQN) to facilitate payments to NOEH under the State of Louisiana's Medicaid Managed Care Quality Incentive Program (Program). The Louisiana Department of Health (LDH) amended its agreements with its MCOs to include quality-based performance measures and quality-based outcomes. With the expected achievement of the defined quality measures, LDH will fund the MCOs, who in turn will fund LQN, for the Managed Care Incentive Payment (MCIP). For each measurement year, LDH will evaluate the performance relative to the specific quality measures. In the event LDH finds a deficiency in the accomplishment of those performance measures, there is the potential for recoupment of the MCIPs. Under the terms of the agreement with LQN, NOEH recognized estimated incentive payments of approximately \$1,154,000 and \$991,000 for the years ended December 31, 2021 and 2020, respectively, which is reported within net patient service revenue.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Financial Assistance

Financial assistance and discounted care are offered to those low-income patients who meet certain financial guidelines. The District uses a sliding scale method to determine the dollar amount to be considered as financial assistance for eligible patients. The minimum financial assistance approval begins with incomes at 400% of the Federal Poverty Level and continues to increase discounts as the individual or family income reaches 200% of the Federal Poverty Level. Any guarantor at or below 200% of the Federal Poverty Level, as adjusted for family size, will be entitled to financial assistance sponsorship for the full amount (100%) of patient responsibility related to appropriate hospital-based medical services that are not covered by private or public third-party sponsorship.

During the years ended December 31, 2021 and 2020, estimated costs associated with providing financial assistance were approximately \$1,462,000 and \$2,627,000, respectively.

Statements of Revenues, Expenses, and Changes in Net Position

The District's statement 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's principal activity.

Contributions of capital assets of financial resources required to be used to acquire capital assets are reported separately after non-operating revenues and expenses.

Net Position

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as Amended*, net position is classified 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 the historical cost of capital assets, including any 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 plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted - This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - All other net position is reported in this category.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Restricted Resources

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

Capital Assets

The District's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Costs associated with capital asset acquisitions under \$2,500 are generally expensed as incurred. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

Buildings and Improvements	30 Years
Furniture and Equipment	3 - 10 Years

Impairment of Long-Lived Assets

The District reviews its long-lived assets, including property and equipment and other intangibles, for impairment when an event or change in facts and circumstances indicates that their carrying amount may not be recoverable, but at least annually.

The District determines recoverability of the assets by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate or estimated fair values in the case of nonrevenue generating assets. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized. There was no such charge in 2021 nor in 2020.

Board of Commissioners

Members of the District's Board of Commissioners receive no compensation or per diem.

Compensated Absences

As described in Note 1, the District entered into a CEA with Louisiana Children's Medical Center and Touro Infirmary. Through the CEA the personnel of the District are employees of Touro Infirmary. Compensated absences and payroll liabilities associated with employees are included in the amount owed to Touro Infirmary as detailed further in Note 8.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. See Note 7 for further details.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Principles

In June 2017, the GASB issued Statement No. 87 (GASB 87). The objective of GASB Statement No. 87, *Leases*, is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Management is still evaluating the potential impact of adoption on the District's financial statements. The requirements of this statement were initially effective for reporting periods beginning after December 15, 2019, however, due to the COVID-19 pandemic GASB voted unanimously to delay the implementation of GASB 87 to be effective for reporting periods beginning on or after July 1, 2021. Management has elected to postpone implementation in accordance with GASB's new effective date. Management does not expect the implementation of this standard to have a significant effect on its financial statements.

In May 2020, the GASB issued Statement 96 (GASB 96), *Subscription-Based Information Technology Arrangements*. The objective of GASB 96 is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022. Management is evaluating the potential impact of adoption on the District's financial statements.

Note 3. Cash and Cash Equivalents

Custodial Credit Risk - Deposits

Statutes authorize the District to invest in direct obligations of the U.S. Government, certificates of deposit of state banks and national banks having their principal office in the State of Louisiana, and any other federally insured investments, guaranteed investment contracts issued by a financial institution having one of the two highest rating categories published by Standard & Poor's or Moody's, and mutual or trust fund institutions registered with the Securities and Exchange Commission (provided the underlying investments of these funds meet certain restrictions).

The District's cash deposits and money market accounts included in cash and cash equivalents on its statements of net position, as of December 31, 2021 and 2020, were entirely covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 3. Cash and Cash Equivalents (Continued)

Concentration of Credit Risk

As required under GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3*, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB further defines an at-risk investment to be one that represents more than five percent (5%) of the fair value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. At December 31, 2021 and 2020, the District had no investments requiring concentration of credit risk disclosure.

Note 4. Capital Assets

Capital assets activity as of and for the year ended December 31, 2021 is as follows:

	December 31, 2020	Additions	Disposals	December 31, 2021
Capital assets, not being depreciated				
Land	\$ 3,400,000	\$ -	\$ -	\$ 3,400,000
Capital assets, being depreciated				
Building	114,840,043	-	-	114,840,043
Furniture and equipment	26,031,559	635,486	-	26,667,045
Total capital assets being depreciated	140,871,602	635,485	-	141,507,087
Total capital assets	144,271,602	635,485	-	144,907,087
Less: accumulated depreciation	(41,402,686)	(6,331,164)	-	(47,733,850)
Capital assets, net	\$ 102,868,916	\$ (5,695,679)	\$ -	\$ 97,173,237

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 4. Capital Assets (Continued)

Capital assets activity as of and for the year ended December 31, 2021 is as follows:

	December 31, 2019	Additions	Disposals	December 31, 2020
Capital assets, not being depreciated				
Land	\$ 3,400,000	\$ -	\$ -	\$ 3,400,000
Capital assets, being depreciated				
Buildings	114,336,500	503,543	-	114,840,043
Furniture and equipment	25,559,019	511,790	(39,250)	26,031,559
Total capital assets being depreciated	139,895,519	1,015,333	(39,250)	140,871,602
Total capital assets	143,295,519	1,015,333	(39,250)	144,271,602
Less: accumulated depreciation	(35,093,648)	(6,333,896)	24,858	(41,402,686)
Capital assets, net	\$ 108,201,871	\$ (5,318,563)	\$ (14,392)	\$ 102,868,916

Depreciation expense totaled approximately \$6,331,000 and \$6,334,000 for the years ended December 31, 2021 and 2020, respectively.

Note 5. Net Patient Service Revenue

Net patient service revenue for the years ended December 31, 2021 and 2020 is earned under agreements with third-party payors and self-paying patients. These agreements with third-party payors provide for payments to the District at amounts different from its established rates. These third-party payors include: the Medicare and Medicaid programs, health maintenance organizations, and various commercial insurance and preferred provider organizations.

The District provides care to patients who meet certain criteria under its financial assistance care policy at amounts less than its established rates.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 5. Net Patient Service Revenue

A summary of the District's net patient revenue for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Gross patient service revenue	\$ 243,390,872	\$ 207,109,370
Contractual adjustments	(159,800,447)	(130,541,127)
Financial assistance and bad debts	(9,116,833)	(4,375,096)
Total	\$ 74,473,592	\$ 72,193,147

Note 6. Mortgage Payable

The District entered into a Federal Housing Administration (FHA) 242-insured mortgage that significantly funded the construction, demolition, and remediation costs; design, project management, legal and organizational fees; equipment and furnishings; and financing charges of the Methodist Hospital Acquisition and Development Project. This mortgage was insured through the U.S. Department of Housing and Urban Development (HUD).

Effective July 31, 2020, the District refunded the original debt with new debt, using the proceeds of the new debt to fully satisfy the old debt as well as providing funds to cover the costs of issuing the new debt. The principal borrowed totaled \$95,710,589 and is insured by the U.S. Department of Housing and Urban Development (HUD).

The refunding resulted in the interest rate decreasing to 3.30% from 3.82% under the original debt. Interest and principle are payable annually until maturity in 2045. Interest incurred totaled approximately \$3,086,000 and \$3,735,000 for the years ended December 31, 2021 and 2020, respectively.

In connection with the mortgage, the District is obligated to pay an annual mortgage insurance premium as well as maintain a mortgage reserve fund. As presented on the statements of net position, the District has assets limited as to their use for these specific requirements. The District's required mortgage insurance reserve fund balance at December 31, 2021 is approximately \$5,911,000. The District has met this requirement with its balance in the mortgage reserve fund of approximately \$5,912,000.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 6. Mortgage Payable (Continued)

The following is a summary of the mortgage activity for the year ended December 31, 2021 and 2020:

	Mortgage Loan Advances
Long-term debt at January 1, 2021	\$ 94,884,136
Additional borrowings	-
Principal payments	<u>(2,534,263)</u>
Long-term debt at December 31, 2021	<u>\$ 92,349,873</u>
	Mortgage Loan Advances
Long-term debt at January 1, 2020	\$ 93,379,889
Additional borrowings	95,710,500
Principal payments	<u>(94,206,253)</u>
Long-term debt at December 31, 2020	<u>\$ 94,884,136</u>

Future principal and interest payments due on the mortgage loan are as follows:

Years Ending December 31,	Principal	Interest
2022	\$ 2,619,169	\$ 3,008,167
2023	2,706,921	2,920,415
2024	2,797,613	2,829,723
2025	2,891,344	2,735,992
2026	2,988,215	2,639,121
2027-2031	16,511,612	11,625,068
2032-2036	19,469,272	8,667,408
2037-2041	22,956,726	5,179,954
2042-2045	<u>19,409,001</u>	<u>1,224,562</u>
Total	<u>\$ 92,349,873</u>	<u>\$ 40,830,410</u>

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 7. Risk Management and Regulatory Matters

Professional and General Liability Insurance

Professional and general liability claims have been asserted against the District and are in various stages of developing. Events occurring through December 31, 2021 may result in the filing of additional claims. The District has a risk management program that provides professional and general liability coverage up to \$33,000,000 in the aggregate.

Professional liability claims are limited through the District's participation in the Louisiana Patient's Compensation Fund (the Fund). The Fund was established through state legislation and statutorily limits each medical professional liability claim to \$500,000. The District is self-insured for the first \$100,000 of each claim. The remaining \$400,000 of each claim is covered by the Fund. The District has additional coverage that reduces this self-insurance limit to \$10,000 and would cover any claims not covered by the Fund.

Estimated Employee Health and Workers' Compensation Claims

As mentioned in Note 1, the personnel servicing the District are employed by Touro Infirmary. Touro Infirmary's medical plan is self-insured up to \$750,000 for non-domestic claims and fully self-insured for domestic claims. For workers' compensation, Touro Infirmary is self-insured for claims up to \$800,000. Touro Infirmary has a risk management program that provides excess coverage for non-domestic employee health claims and both domestic and non-domestic workers' compensation claims on an occurrence basis.

Regulatory Matters

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

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 8. Commitments and Contingencies

Federal and Private Grants

The District receives grants from federal and private sources. The District is subject to discretionary audits by the funding sources. There have been no audits by funding sources during the years ended December 31, 2021 and 2020, and management does not anticipate any adjustments as a result of future audits. Any adjustments from an audit performed by the funding source would flow through the financial statements during the year of the audit as a change in accounting estimate.

Cooperative Endeavor Agreement

As mentioned in Note 1, the District entered into a CEA with Louisiana Children's Medical Center and Touro Infirmary, collectively referred to as the Joint Parties.

As detailed in Notes 6, the District is obligated on a mortgage that is insured by HUD. So long as a mortgage on the District's property is insured or held by the Secretary of HUD, the Secretary may make a written request to the District and the Joint Parties to terminate the CEA with or without cause. The terms of the CEA provide that the District shall pay to the Joint Parties a fee that is comprised of management fees, revenue cycle billing and collection services, and direct and indirect operating components. The District and the Joint Parties have agreed that Operating Revenues of NOEH, as defined, shall be the only source of funds for paying the management fee.

The Joint Parties may also terminate the CEA prior to the expiration of its term. Should the accumulated and unpaid fees and operational obligations of the Joint Parties reach \$12,000,000, the Joint Parties are relieved of performing further their operational obligations.

Through the CEA, the District has recognized expense of approximately \$2,640,000 and \$2,555,000 for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, the District owes the Joint Parties approximately \$26,998,000 and \$12,659,000 for both the costs incurred by LCMC and Touro Infirmary on behalf of the District as well as expenses recognized by the District and the annual management fee. These amounts are included within other current liabilities on the District's statements of net position.

As represented by the Joint Parties, they are not seeking relief from performing their operational obligations.

Construction Commitments

From time to time, the District is eligible to receive grant funds. When that does occur, the District follows its policy more fully described in Note 2, classifying that revenue as non-operating. The District did not recognize grant revenue in either 2021 or 2020.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

Notes to Financial Statements

Note 9. Concentrations of Third-Party Payor Credit Risk

The District grants credit without collateral to its patients, who are mostly local residents that are insured under third-party payor agreements. The mix of receivables from patients and third-party payors, net of contractual allowances and discounts, at December 31, 2021 and 2020, was as follows:

	2021	2020
Medicare/Medicaid	84.3%	82.2%
Managed Care/Commercial	12.5%	13.4%
Self Pay	3.2%	4.4%
Total	100.0%	100.0%

Note 10. Upper Payment Limit (UPL)

The District and other health care providers have collaborated with the State and units of local government in Louisiana, to more fully fund the Medicaid program and ensure the availability of quality healthcare services for the low income and needy residents in the community population.

The provision of this care directly to low income and needy patients will result in the alleviation of the expense of public funds the governmental entities previously expended on such care, thereby allowing the governmental entities to increase support for the state Medicaid program up to federal UPL. Each State's UPL methodology must comply with its State plan and be approved by the Centers for Medicare & Medicaid Services (CMS). Federal matching funds are not available for Medicaid payments that exceed UPLs. For the years ended December 31, 2021 and 2020, the District has recognized approximately \$39,930,000 and \$40,721,000, respectively, under UPL programs specific to hospital and physician operations, classifying these within net patient service revenue on the statements of revenues, expenses, and changes in net position.

Note 11. Subsequent Events

The District has evaluated subsequent events through June 24, 2022, the date which the financial statements were available to be issued. The District determined that no additional events occurred that require disclosure.

**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**

Independent Auditor's Report

To the Board of Commissioners
Parish Hospital Service District
For the Parish of Orleans - District A
(A Component Unit of the City of New Orleans)
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Parish Hospital Service District for the Parish of Orleans - District A (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 24, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 the 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
June 24, 2022

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

**Schedule of Findings and Responses
For the Year Ended December 31, 2021**

None.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)**

**Schedule of Prior Audit Findings
For the Year Ended December 31, 2021**

None.

**PARISH HOSPITAL SERVICE DISTRICT
 FOR THE PARISH OF ORLEANS - DISTRICT A
 Schedule of Compensation, Benefits, and Other Payments to
 Agency Head
 For the Year Ended December 31, 2021**

Agency Head
 Mr. Ronnie Burns, Board Chairman

Purpose	Amount
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

AGREED-UPON PROCEDURES REPORT
Parish Hospital Service District for the Parish of Orleans - District A
(A Component Unit of the City of New Orleans)

Independent Accountant's Report
On Applying Agreed-Upon Procedures
For the Period January 1, 2021 - December 31, 2021

To the Board of Commissioners
Parish Hospital Service District
For the Parish of Orleans - District A
(A Component Unit of the City of New Orleans)
New Orleans, Louisiana and the
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Parish Hospital Service District for the Parish of Orleans - District A (A Component Unit of the City of New Orleans) (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. The District's management is responsible for those C/C areas identified in the SAUPs.

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

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- 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.
- 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).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy .
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- 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.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: Exception noted at 1l. The District does not have a Sexual Harassment policy. No other exceptions noted.

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

- 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.

Results: No exceptions noted.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - 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.

Results: No exceptions noted.

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

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
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.
 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit the bank statement to the general ledger.

Results: Exceptions noted 7d and 7e. The District did not deposit collections within one business day for nine out of ten manual deposits tested. The District did not record one collection in the general ledger out of ten manual deposits tested. No other 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).
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.

- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]

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

Results: No exceptions noted.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

[Note: requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Results: Exceptions noted at 12a and 13. The District did not have evidence of review and approval by someone other than the preparer for two out of five monthly statements tested. The District did not have written documentation of business/public purpose for thirteen out of thirteen credit card transactions tested. No other exceptions noted.

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

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

Results: No exceptions noted.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions noted.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions noted.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - 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.

Debt Service

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

Results: No exceptions noted.

Fraud Notice

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

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

Results: No exceptions noted.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures:

- 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.
- 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.
- 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.

Results: We performed the procedures and discussed the results with management.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:
- 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.

Results: Exceptions noted. The District has not developed a formal sexual harassment policy, its employees have not completed training and it has not posted its complaint procedures. No other exceptions noted.

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

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those 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.

The purpose of this report is 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.



A Professional Accounting Corporation

New Orleans, LA
July 20, 2022