

**Hospital Service District  
of The Parish of St. Bernard,  
State Of Louisiana**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**



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**Hospital Service District of the Parish of St. Bernard, State of Louisiana**  
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**December 31, 2019**

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**Report**



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners of  
Hospital Service District of the Parish of St. Bernard, State of Louisiana  
Chalmette, Louisiana

We have audited the accompanying consolidated financial statements of the Hospital Service District of the Parish of St. Bernard, State of Louisiana (the District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the consolidated financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Hospital Service District of the Parish of St. Bernard, State of Louisiana, as of December 31, 2019 and 2018, and the changes in its financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the District's consolidated financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head is fairly stated, in all material respects, in relation to the consolidated 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 30, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Metairie, Louisiana

June 30, 2020



**Management's Discussion and  
Analysis**

## **Hospital Service District of the Parish of St. Bernard, State of Louisiana Management's Discussion and Analysis**

The following discussion and analysis for the Hospital Service District of the Parish of St. Bernard, State of Louisiana (the District) d/b/a St. Bernard Parish Hospital, provides an overview of the District's financial activities for the years ended December 31, 2019 and 2018. Please read it in conjunction with the District's financial statements, which follow this analysis.

### **Using These Basic Consolidated Financial Statements**

The District's consolidated financial statements consist of: the consolidated statements of net position; the consolidated statements of revenues, expenses, and changes in net position; and the consolidated statements of cash flows. These financial statements and related notes provide information about the financial activities of the District and the St. Bernard Hospital Foundation, Inc. (Foundation) together on a consolidated basis.

### **The Consolidated Statements of Net Position and Consolidated Statements of Revenues, Expenses, and Changes in Net Position**

These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account when the underlying transactions occur, regardless of when cash is received or paid. These statements report the District's net position and the changes therein. When assessing the overall health of the District, other nonfinancial factors also need to be considered, such as changes in services offered, measures of the quality of service offered, and local economic factors.

### **The Consolidated Statements of Cash Flows**

These statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and noncapital financing activities. It provides information about sources and uses of cash and the change in cash balances during the reporting periods.

### **Hospital Operations and Significant Events**

The mission of St. Bernard Parish Hospital Service District (the Hospital) is to provide quality, comprehensive, cost-effective, healthcare services for St. Bernard Parish. As noted in Note 1, "Description of Reporting Entity and Summary of Significant Accounting Policies", on page 18 the District was formed for the purpose of operating a governmental community hospital in St. Bernard Parish. The Foundation was responsible for construction of the 113,000 square foot state-of-the-art facility, which was substantially completed on July 27, 2012, and the hospital opened its doors to patients shortly thereafter. The Louisiana Department of Health granted the District full licensure on August 20, 2012. The Hospital completed its first full year of operation in 2013.

The hospital facility is licensed for 40 patient beds, an intensive care unit, four operating suites, two endoscopy suites, a cardiac catheterization lab and a ten-bed emergency department. St. Bernard Parish Hospital also provides complete medical imaging, laboratory, in-house pharmacy, food and nutritional services, and rehabilitation services.

## **Hospital Service District of the Parish of St. Bernard, State of Louisiana Management's Discussion and Analysis**

The adjacent medical office building (MOB) was substantially completed in late January 2013. The MOB is a compliment to the hospital facility and is occupied by physicians in private practice, administrative offices of the hospital, and the St. Bernard Community Health Center.

By the end of December 2015, the Hospital had been serving the St. Bernard Parish community for about forty months. Since the vast majority of capital assets had been put in place upon the opening of the Hospital in August 2012, there was little need for significant additions to capital assets in 2015 and 2016. The Hospital experienced an increase in current liabilities from 2014 to 2015 to 2016 and a decrease in current assets due to unforeseen delays and declines in collections and a degradation of the District's patient receivables resulting in fewer payments of trade payables. There were unforeseen delays in collections on patient accounts through 2015 and parts of 2016. The District's net position decreased mainly as a result of a decline in the collections of patient revenue.

During 2017, the District entered into a Special Services Management Agreement with St. Bernard Operational Management Company, LLC (Ochsner), whereby, the management company provides managerial and administrative expertise in the delivery and operations of the hospital and clinically integrated the hospital with the Ochsner network of physicians, clinics, and hospitals, to improve access, quality, availability, affordability and efficiency of care for residents of the St. Bernard Parish community.

Changes in the District's net position from 2018 to 2019 and significant differences in revenue and expenses between the two years are discussed further in sections hereafter.

### **Consolidated Statements of Net Position**

The District's net position is the difference between its assets and liabilities as reported in the statements of net position. Table 1A presents a summary of the financial changes to the District in 2019 as compared to 2018. The District's total assets increased by \$8,305,549 or 11%.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana Management's Discussion and Analysis

**Table 1A**  
**Condensed Consolidated Statements of Net Position**

December 31,	2019	2018	Dollar Change	Percent Change
<b>Assets</b>				
Current assets	\$ 33,702,370	\$ 22,620,075	\$ 11,082,295	49%
Capital assets, net	50,499,300	53,276,046	(2,776,746)	-5%
<b>Total assets</b>	<b>84,201,670</b>	75,896,121	8,305,549	11%
<b>Liabilities</b>				
Current liabilities	24,038,110	17,389,973	6,648,137	38%
Long-term debt, net	3,575,000	50,240,609	(46,665,609)	-93%
<b>Total liabilities</b>	<b>27,613,110</b>	67,630,582	(40,017,472)	-59%
<b>Net Position</b>				
Net investment in capital assets	46,094,350	1,985,609	44,108,741	2221%
Unrestricted	10,494,210	6,279,930	4,214,280	67%
<b>Total net position</b>	<b>\$ 56,588,560</b>	\$ 8,265,539	\$ 48,323,021	585%

### Current Assets

There was a \$11,082,295 increase in total current assets from 2018 to 2019.

- Unrestricted Cash increased \$8.7 million. The increase includes \$3.4 million in payments related to a Hospital Full Medicaid Payment program effective July 1, 2017 for services to Medicaid beneficiaries enrolled in the Medicaid Managed Care plans. Also included is \$4.6 million in payments accrued for the UCC Program and an increase of \$0.7 million in payments to Ochsner pertaining to the Special Services Management Agreement.
- Full Medicaid Payment program receivable increased \$3.5 million due to revenues accrued pursuant to the Hospital Full Medicaid Payment program participation for services to Medicaid beneficiaries enrolled in the Medicaid Managed Care plans. The accrued payments were received in the first three months of 2020.
- Prepaid expenses decreased \$3.5 million. This includes a \$3.5 million decrease for the UCC Program.

### Capital Assets

Table 2A presents the components of capital assets at December 31, 2019 and 2018. In 2019, net capital assets decreased approximately \$3.3 million. Additions of \$.05 million to capital assets were offset by current year depreciation of \$3.3 million, and disposals of fully depreciated computer equipment of \$3.1 million. The District's additions to capital assets were for necessary improvements to the Hospital building and completing purchases of furniture and fixtures, major moveable equipment and computer equipment for the operations of the Hospital.

**Hospital Service District of the Parish of St. Bernard, State of Louisiana  
Management's Discussion and Analysis**

**Table 2A  
Capital Assets**

December 31,	2019	2018	Dollar Change
Land	\$ 2,890,000	\$ 2,890,000	\$ -
Hospital building	43,798,270	43,798,270	-
Medical office building	10,964,625	10,964,625	-
Machinery and equipment	15,583,247	16,574,292	(991,045)
Land improvements	50,551	50,551	
Assets not in service	92,728	-	92,728
Subtotal	73,379,421	74,277,738	(898,317)
Less accumulated depreciation	(22,880,121)	(21,001,692)	(1,878,429)
Total capital assets	\$ 50,499,300	\$ 53,276,046	\$ (2,776,746)

There was a \$6.6 million increase in total current liabilities from 2018 to 2019.

- Accounts Payable increased \$0.6 million. This includes an increase of \$0.1 million in supplies and equipment received but not yet invoiced. Also included is \$0.5 million in accrued payables for contracted services.
- Due to Hospital Manager decreased \$0.7 million. This is primarily due to the management fees pursuant to the Special Services Management Agreement. According to this agreement, the Hospital Manager may procure purchased services (supplies, equipment, and other items) in the name of and on behalf of the District, for which the District must reimburse the Manager's full cost.
- Accrued interest payable and other expenses increased \$0.3 million.
- The Full Medicaid Payment program payable increased \$5.1 million due to the timing of scheduled intergovernmental transfers. The accrued payable was fully paid in the first six months of 2020.
- Current portion of long-term debt decreased \$0.5 million due to the forgiveness of the New Markets Tax Credits.
- Capital lease obligation – short-term portion decreased \$0.2 million.
- Third party settlement reimbursements increased \$2.1 million due to current year cost report reserves.

**Long-Term Debt**

The District had approximately \$3.6 million in long-term debt outstanding as of the end of 2019 which was a 93% decrease from the previous year due to New Market Tax Credit forgiveness.

There were no new long-term borrowings in 2019.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana Management's Discussion and Analysis

### Net Position

Table 3A presents the components of the District's net position at December 31, 2019 and 2018:

**Table 3A  
Components of Net Position**

December 31,	2019	2018	Dollar Change	Percent Change
Net investment in capital assets	\$ 46,094,350	\$ 1,985,609	\$ 44,108,741	2221%
Unrestricted	10,494,210	6,279,930	4,214,280	67%
Total net position	\$ 56,588,560	\$ 8,265,539	\$ 48,323,021	585%

### 2019 and 2018 Consolidated Statements of Revenues, Expenses and Changes in Net Position

The following discussion refers to the summarized activity presented in the District's Condensed Consolidated Statements of Revenues, Expenses, and Changes in Net Position in Table 4A for 2019 and 2018.

#### Operating Revenue

Operating revenue decreased approximately \$21.2 million from 2018 to 2019 due to lesser amount of revenues accrued pursuant to the Hospital Full Medicaid Payment program, effective July 1, 2017 for services to Medicaid beneficiaries enrolled in the Medicaid Managed Care plans and the additional Medicaid payments for physician services at District facilities.

Other operating revenue recognized by the District includes grants and other support for the delivery of adequate and essential medically necessary health care services to the citizens in the community who are low income and/or indigent patients of approximately \$2.8 million and \$4.3 million for the years 2019 and 2018, respectively.

Table 4A presents the components of the District's revenue, expenses and change in net position as of December 31, 2019 and 2018:

**Hospital Service District of the Parish of St. Bernard, State of Louisiana  
Management's Discussion and Analysis**

**Table 4A  
Condensed Consolidated Statements of Revenues, Expenses and Changes in Net Position**

December 31,	2019	2018	Dollar Change
Operating revenue	\$ 47,822,236	\$ 69,054,560	\$ (21,232,324)
Operating expense	47,195,658	68,123,616	(20,927,958)
Operating income	626,578	930,944	(304,366)
Total interest income	20,177	2,129	18,048
Ad valorem taxes	3,439,652	2,451,991	987,661
Governmental support	422,000	422,000	-
Gain on disposal of property and equipment	92,504	-	92,504
Gain on forgiveness of debt NMTC	44,699,000	-	44,699,000
Interest expense	(824,083)	(878,444)	54,361
Other non-operating expense	(100,307)	-	(100,307)
Asset management fees	(52,500)	(52,500)	-
Non-operating income	47,696,443	1,945,176	45,751,267
Change in net position	48,323,021	2,876,120	45,446,901
Net position, beginning of year	8,265,539	5,389,419	2,876,120
Net position, end of year	\$ 56,588,560	\$ 8,265,539	\$ 48,323,021

Table 5A below presents the relative percentages of gross charges billed for patient services by payor.

**Table 5A  
Payor Mix**

December 31,	2019	2018
Managed care	26%	23%
Medicare	14%	18%
Medicaid	36%	36%
Commercial	19%	19%
Guarantor	4%	4%
Total patient revenues	100%	100%

Reimbursements to the District are made on behalf of patients by the federal and state governments under the Medicare and Medicaid programs, respectively, by commercial insurance carriers and health maintenance organizations, as well as by patients on their own behalf. The difference between the covered charges and the payments under government programs and established contracts is recognized as a contractual allowance. Contractual allowance expense as a percentage of gross charges was 74.1% and 71.6% for 2019 and 2018.

## **Hospital Service District of the Parish of St. Bernard, State of Louisiana Management's Discussion and Analysis**

### **Operating Expenses**

The operating expenses of the Hospital decreased by 31% or \$20.9 million in 2019 as outlined below.

IGT expense, which is used to support the District's receipt of Hospital Full Medicaid Payment revenue and to support the Medicaid program for services to the low-income population, decreased by \$33 million.

Salaries, wages, and benefits increased \$80 thousand; Medical supplies and services increased \$100 thousand; General supplies increased \$12 thousand; Professional fees and purchased services decreased \$80 thousand; Insurance increased \$20 thousand; and Building and equipment decreased \$260 thousand in 2019 from 2018 primarily due to the implementation of cost reduction initiatives in 2019.

General and administrative expense increased by \$12.5 million due to the management fees pursuant to the Special Services Management Agreement.

Depreciation decreased \$0.3 million in 2019 due to certain assets becoming fully depreciated in 2019.

### **Non-Operating Income and Expenses**

Ad valorem taxes are received by the District from the Tax Assessor of St. Bernard Parish. The 2011 year was the first year the District levied taxes, which have been set at 8.00 mills for the purpose of constructing, equipping, maintaining and operating hospital facilities within the District. The ad valorem taxes recognized by the District are recorded net of an allowance. The ad valorem taxes recognized by the District increased \$0.9 million from due to additional taxes levied by the Tax Assessor of St. Bernard Parish.

The District received \$422,000 from the St. Bernard Parish Government as support during 2019 and 2018. This support is given by the Parish Government to the District as per a Cooperative Endeavor Agreement dated August 23, 2011 between the Hospital Service District and the St. Bernard Parish Government.

Interest expense decreased by \$0.3 million in 2019 due to New Market Tax Credit debt forgiveness partially offset by the accrual of penalties and interest on the late filing of 2016 and 2017 tax forms required under the Affordable Care Act.

During the year ended December 31, 2019, the Foundation exercised a put option on both the Facility Notes A and B for \$1,000 whereby the outstanding principle on the notes were forgiven. The transaction resulted in a gain on the forgiveness of the debt of \$44,699,000.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana Management's Discussion and Analysis

### 2019 Budget to Actual Comparison

The following Table 6A presents a comparison between actual results of operations versus budgeted 2019 amounts:

**Table 6A  
Budget vs Actual**

	Budget	Actual	Favorable (Unfavorable) Variance
<b>Revenues</b>			
Net patient service revenue net of provision for bad debts of \$3,602,088 budget and \$3,038,912 actual	\$ 28,956,477	\$ 33,562,453	\$ 4,605,976
Full Medicaid Payment program revenue	7,500,000	8,641,279	1,141,279
Other operating revenue	852,158	2,788,083	1,935,925
UPL program revenue	5,445,308	2,830,421	(2,614,887)
<b>Total revenues</b>	<b>42,753,943</b>	<b>47,822,236</b>	<b>5,068,293</b>
<b>Operating Expenses</b>			
Salaries, wages, and benefits	7,577,358	8,048,120	(470,762)
Supplies and other	6,138,700	6,132,865	5,835
Professional fees and purchased services	86,169	110,770	(24,601)
IGT Expense	25,765,625	8,811,787	16,953,838
Building and equipment	1,520,197	1,405,575	114,622
Insurance	407,740	430,884	(23,144)
General and administrative	363,953	19,232,666	(18,868,713)
Depreciation and amortization	3,198,112	3,022,991	175,121
<b>Total operating expenses</b>	<b>45,057,854</b>	<b>47,195,658</b>	<b>(2,137,804)</b>
<b>Non-operating income, net</b>	<b>2,402,759</b>	<b>47,696,443</b>	<b>45,293,684</b>
<b>Excess of revenues over expenses</b>	<b>\$ 98,848</b>	<b>\$ 48,323,021</b>	<b>\$ 48,224,173</b>

Net patient revenue was in excess of budget by \$4.6 million due to an 18% increase in Outpatient revenue.

There were some positive and negative variances related to the Medicaid Program. Hospital FMP program revenue exceeded the budget by \$1.1 million. Other operating revenue was favorable to budget by \$1.9 million due to the Medicaid Managed Care Incentive Payment program revenue. UPL program revenue was unfavorable to budget by \$2.6 million.

Total Operating Expenses were unfavorable to budget by \$2.1 million. IGT Expense was favorable to budget by \$16.9 million. General and administrative expenses exceeded budget by \$18.8 million due to the management fees pursuant to the Special Services Management Agreement.

# Hospital Service District of the Parish of St. Bernard, State of Louisiana Management's Discussion and Analysis

## Liquidity, Economic Factors, and Next Year's Budget

During 2019, management and the Board focused on the following:

- Optimizing operational efficiencies via the many systems and resources provided through the special services agreement with Ochsner.
- Increasing physicians and number of specialties providing services at the hospital and to the community
- Expanding outpatient hours of operation to better serve the community
- Providing increased outreach and education to the community through multiple avenues
- Promoting staff development and advanced degrees in order to improve quality and staff engagement

The Hospital's management and Board of Commissioners considered many factors when setting the fiscal year 2020 budget. Of primary importance in setting the 2020 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Medicare reimbursement changes and reductions
- Medicaid payment
- Increased number of uninsured and working poor
- Workforce shortages
- Cost of supplies and drugs
- Increased competition in the marketplace
- Prior year experience in use of estimates
- Operating efficiencies as a result of the special service management agreement

The recent Covid-19 pandemic had a significant impact on the operations at St, Bernard Parish Hospital. During March and April of 2020 the hospital experienced the following:

- Increased IP census to greater than 200% of budget
- Decreased OP revenue to virtually zero
- Significant strain on staffing
- PPE (person protective equipment) use and price increases at never before levels

Financially, the hospital has weathered the loss of revenue and has offset much of the lost thru Care Act payments and a PPP loan that will be forgiven. Since we have begun reopening our Outpatient services our patient volume ramped quickly and we are now at pre-covid levels.

## Contacting the Financial Management

This financial report is designed to provide our taxpayers, suppliers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Anthony Bonnacarrere, Controller, at the District's finance office at 8000 West Judge Perez Drive, Chalmette, LA 70043.

## **Hospital Service District of the Parish of St. Bernard, State of Louisiana Management's Discussion and Analysis**

The preceding discussion and analysis for the Hospital Service District of the Parish of St. Bernard, State of Louisiana (the District) d/b/a St. Bernard Parish Hospital, provides an overview of the District's financial activities for the years ended December 31, 2019 and 2018. Please read it in conjunction with the District's financial statements, which follow this analysis.



# Financial Statements

**Hospital Service District of the Parish of St. Bernard, State of Louisiana**  
**Consolidated Statements of Net Position**

<i>As of December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current assets		
Cash	\$ 19,055,957	\$ 10,388,901
Restricted cash	153,582	180,789
Receivables		
Patient accounts receivable, net of estimated uncollectibles and allowances of \$14,912,343 in 2019 and \$14,411,287 in 2018	4,080,867	3,059,018
Grants receivable	943,796	1,119,741
Ad valorem receivable	2,964,137	2,237,523
Full Medicaid Payment program receivable	4,943,406	1,467,966
Other receivable	1,358	49,946
MCIP Receivable	980,752	-
Inventory	230,691	237,847
Prepaid expenses	347,824	3,878,344
Total current assets	<b>33,702,370</b>	22,620,075
Noncurrent assets - Capital assets, net		
	<b>50,499,300</b>	53,276,046
Total assets	<b>\$ 84,201,670</b>	\$ 75,896,121
<b>Liabilities and Net position</b>		
Current liabilities		
Accounts payable	\$ 773,221	\$ 191,608
Due to Hospital manager	6,845,539	7,544,891
Accrued payroll	358,526	421,704
Accrued interest payable and other expenses	846,629	579,041
Full Medicaid Payment program payable	7,375,690	2,253,356
Current portion of long-term debt	3,150,000	3,639,366
Current portion of capital lease obligation	9,976	218,505
Third party settlement reimbursements, net	4,618,200	2,485,788
Other current liabilities	60,329	55,714
Total current liabilities	<b>24,038,110</b>	17,389,973

(Continued)

*The accompanying footnotes are an integral part of these financial statements.*

**Hospital Service District of the Parish of St. Bernard, State of Louisiana**  
**Consolidated Statements of Net Position**

<i>As of December 31,</i>	<b>2019</b>	<b>2018</b>
Long-term debt		
Capital lease obligation, less current portion	\$ -	\$ 9,976
Long-term debt, less current portion	<b>3,575,000</b>	50,230,633
Total long-term Liabilities	<b>3,575,000</b>	50,240,609
Total Liabilities	<b>27,613,110</b>	67,630,582
Net Position		
Net investment in capital assets	<b>46,094,350</b>	1,985,609
Unrestricted	<b>10,494,210</b>	6,279,930
Total Net Position	<b>56,588,560</b>	8,265,539
Total liabilities and net position	<b>\$ 84,201,670</b>	\$ 75,896,121

(Concluded)

*The accompanying footnotes are an integral part of these financial statements.*

## Hospital Service District of the Parish of St. Bernard, State of Louisiana Consolidated Statements of Revenues, Expenses, and Changes in Net Position

<i>For the Years Ended December 31,</i>	<b>2019</b>	2018
<b>Operating Revenue</b>		
Net patient service revenue	\$ 33,562,453	\$ 29,492,578
Full Medicaid Payment program revenue	8,684,091	34,063,665
Other operating revenue	2,151,601	465,754
Rental income	593,670	753,820
UPL program revenue	2,830,421	4,278,743
<b>Total operating revenues</b>	<b>47,822,236</b>	69,054,560
<b>Operating Expenses</b>		
Salaries and wages	6,818,842	6,592,074
Employee benefits	1,229,278	1,374,120
General and administrative	19,232,666	6,690,892
IGT expense	8,811,787	41,841,250
Professional fees and purchased services	110,770	191,528
Medical supplies and services	5,882,038	5,788,038
Supplies	250,827	238,832
Building and equipment	1,405,575	1,665,353
Insurance	430,884	409,173
Depreciation and amortization	3,022,991	3,332,356
<b>Total operating expenses</b>	<b>47,195,658</b>	68,123,616
<b>Operating income</b>	<b>626,578</b>	930,944
<b>Non-Operating Revenue (Expense)</b>		
Ad valorem revenue	3,439,652	2,451,991
Governmental support	422,000	422,000
Interest income	20,177	2,129
Gain on forgiveness of debt NMTC	44,699,000	-
Gain on disposal of property and equipment	92,504	-
Other non-operating expense	(100,307)	-
Interest expense	(824,083)	(878,444)
Asset management fees	(52,500)	(52,500)
<b>Total non-operating revenue (expense)</b>	<b>47,696,443</b>	1,945,176
<b>Change in Net Position</b>	<b>48,323,021</b>	2,876,120
<b>Net Position - beginning of year</b>	<b>8,265,539</b>	5,389,419
<b>Net position - end of year</b>	<b>\$ 56,588,560</b>	\$ 8,265,539

*The accompanying footnotes are an integral part of these financial statements.*

**Hospital Service District of the Parish of St. Bernard, State of Louisiana**  
**Consolidated Statements of Cash Flows**

<i>For the Years Ended December 31,</i>	<b>2019</b>	2018
<b>Cash Flow Operating Activities</b>		
Revenue collected	\$ 49,647,529	\$ 58,746,738
Cash paid to or on behalf of employees	(8,111,298)	(7,706,142)
Cash paid for suppliers and services	(32,657,624)	(46,017,509)
Net cash provided by operating activities	<b>8,878,607</b>	5,023,087
<b>Cash Flows from Noncapital Financing Activities</b>		
Ad valorem taxes	<b>2,713,038</b>	2,495,401
<b>Cash Flow from Capital and Financing Activities</b>		
Principal payments on long-term debt and capital lease obligation	(2,530,025)	(2,596,113)
Principal payments on short-term debt	-	(113,136)
Interest paid	(515,649)	(927,887)
Governmental support	422,000	422,000
Purchase of capital assets	(275,192)	(53,090)
Proceeds from sale of capital assets	79,700	57,000
Net cash used in capital and related financing activities	<b>(2,819,166)</b>	(3,211,226)
<b>Cash Flow from Investing Activities</b>		
Cash received as interest	20,177	2,129
Cash paid for asset management fees	(52,500)	(52,500)
Other non-operating activities	(100,307)	-
Change in restricted cash	27,207	7,737
Net cash used in investing activities	<b>(105,423)</b>	(42,634)
<b>Net Change in Cash</b>	<b>8,667,056</b>	4,264,628
<b>Cash - beginning of year</b>	<b>10,388,901</b>	6,124,273
<b>Cash - end of year</b>	<b>\$ 19,055,957</b>	\$ 10,388,901

(Continued)

*The accompanying footnotes are an integral part of these financial statements.*

**Hospital Service District of the Parish of St. Bernard, State of Louisiana**  
**Consolidated Statements of Cash Flows**

<i>For the Years Ended December 31,</i>	<b>2019</b>	2018
<b>RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net income from operations	\$ 626,578	\$ 930,944
Adjustments to reconcile net income from operations to net cash flows provided by operating activities:		
Depreciation and amortization	3,022,991	3,332,356
Provision for bad debt	3,038,912	7,574,507
Loss on disposal of capital assets	-	2,801
Changes in operating assets and liabilities:		
Patient accounts receivable	(4,060,761)	(7,365,618)
Grants receivable	175,945	1,457,463
Due from/to Hospital Manager	(699,352)	7,686,969
Full Medicaid Payment program receivable	(3,475,440)	6,941,820
Other receivable	48,588	124,481
MCIP receivable	(980,752)	-
Inventory	7,156	30,573
Prepaid expenses	3,530,520	(3,353,560)
Other current assets	-	15,583
Accounts payable	236,241	(889,508)
Accrued payroll	(63,178)	142,672
Third party settlement reimbursements	2,132,412	2,062,632
Full Medicaid Payment program payable	5,122,334	(3,608,644)
Other liabilities	216,413	(10,062,384)
<b>Net cash provided by operating activities</b>	<b>\$ 8,878,607</b>	<b>\$ 5,023,087</b>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES</b>		
<b>Non-cash Investing Activities</b>		
Purchase of property and equipment included in payables	\$ 92,728	\$ -
<b>Non-cash Financing Activities</b>		
Gain on forgiveness of debt NMTC	\$ 44,699,000	-
Reduction of lease obligation due to lease termination	134,460	\$ -

(Concluded)

*The accompanying footnotes are an integral part of these financial statements.*

## **Hospital Service District of the Parish of St. Bernard, State of Louisiana**

### **Notes to Consolidated Financial Statements**

#### **Note 1: DESCRIPTION OF HOSPITAL SERVICE DISTRICT**

The accompanying consolidated financial statements include the accounts of the Hospital Service District of the Parish of St. Bernard, State of Louisiana (the District) and St. Bernard Hospital Foundation, Inc. (the Foundation), which are collectively referred to as the Organization.

The District is a political subdivision of the State of Louisiana organized by the St. Bernard Parish Council (the Parish) under the provisions of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950. The District was formed on November 6, 2007 for the purpose of constructing a non-profit community hospital in St. Bernard Parish. The District is exempt from federal income taxes under Section 115 of the Internal Revenue Code. The Board of Commissioners is the governing authority for the District and responsible for obtaining voter and/or board approval for the levy of tax or debt issuance. The District is considered a special district that was formed for the purpose of operation St. Bernard Parish Hospital.

The relationship between the Parish and the District is summarized as follows: The Parish Tax Assessor collects and remits a tax which was voter-approved and levied specifically for the District. In addition, there is a Cooperative Endeavor Agreement (CEA) dated 2009 between the District and the Parish wherein the Parish designated \$600,000 from its Sales Tax Bond Issue Series 2004 loaned to the District to pay for capital improvement projects. Interest accrues at a rate of 6% per annum and the entire unpaid balance on the loan is due on or before January 2019. As of the date of the audit report, the loan remains unpaid and accruing interest. The balance of the loan is included in the current portion of long-term debt in the accompanying consolidated statements of net position.

The Foundation is a Louisiana not-for-profit entity which was granted its tax exempt status on October 23, 2012 with an effective exemption date of September 21, 2010 under Internal Revenue Code 501(c)(3). The Foundation was organized on September 21, 2010, for the purpose of assisting and promoting the District with the development of the hospital facility and raising capital for the operation of health care related services to benefit the health and wellness of the residents of the District, particularly the indigent residents of the District. The Foundation is a voluntary, nonprofit, non-stock membership organization.

The Foundation is maintained by grants, private loans, operating revenues, and joint ventures with the District. The Foundation is governed by a Board of Directors made up of five members. Four of the board members are appointed by the Board of Commissioners of the District and one member is appointed by Access Health Louisiana, a Louisiana nonprofit corporation. Due to this level of control and the financial benefit/burden relationship with the District that exists, the Foundation is considered a blended component unit of the District for accounting purposes.

## **Hospital Service District of the Parish of St. Bernard, State of Louisiana**

### **Notes to Consolidated Financial Statements**

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### ***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of the Hospital Service District of the Parish of St. Bernard and the Foundation in which the District has control of governance as indicated above. All significant inter-company balances and transactions have been eliminated in consolidation. Refer to Note 19 for consolidating schedules.

##### ***Basis of Accounting***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with applicable pronouncements of the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus. Revenue, expenses, gains, losses, assets, and liabilities are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met.

##### ***Use of Estimates***

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

Estimates that are particularly susceptible to significant change in the near term are related to the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payer settlements. In particular, 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 related to these programs will change by a material amount in the near term.

##### ***Risk Management***

The Organization 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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

## **Hospital Service District of the Parish of St. Bernard, State of Louisiana**

### **Notes to Consolidated Financial Statements**

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### ***Cash and Cash Equivalents***

Cash and cash equivalents includes amounts held in demand deposits and interest bearing demand deposits. Under state law, the Organization may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law and national banks having their principal offices in Louisiana.

##### ***Restricted Cash***

Restricted cash has restrictions that exist that limit the ability of the Organization to use them to pay current liabilities. The Organization's restricted cash includes cash received through a long-term debt arrangement whose use is restricted for the purchase and implementation of a new electronic health records system and certain related management fees as outlined in the respective loan agreements.

##### ***Patient Accounts Receivable, Net***

Patient accounts receivable are reduced by estimated contractual and other adjustments and estimated uncollectible accounts. In evaluating the collectability of accounts receivable, the District analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debt. Management reviews data about these major payer sources of revenue on a monthly basis in evaluating the sufficiency of the allowances. On a continuing basis, management analyzes delinquent receivables and writes them off against the allowance when deemed uncollectible. No interest is charged on patient accounts receivable balances.

For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with uninsured patients (also known as 'self-pay'), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The District has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2019 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2019 or 2018.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana Notes to Consolidated Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Inventory***

Inventory, which consists primarily of drugs and supplies, is valued at the lower of cost (first in, first out method) or net realizable value.

#### ***Prepaid Expenses***

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

#### ***Capital Assets, net***

Property and equipment are recorded at acquisition cost. Depreciation and amortization of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Property and equipment with initial individual costs of greater than \$1,000 are capitalized. Equipment under capital leases is amortized using the straight-line method over the shorter of the lease term of the equipment or its useful life.

The following estimated useful lives are being used by the Organization:

Hospital Building	15 - 40 years
Medical office building	15 - 40 years
Machinery and equipment	3 - 15 years
Land improvements	1 - 15 years

Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss, if any, is included in the statement of revenues, expenses and changes in net position.

Expenditures that materially increase values, change capacities, or extend useful lives of the respective assets are capitalized. Routine maintenance and repairs are charged to expense when incurred.

#### ***Impairment of Long-Lived Assets***

The Organization evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana

### Notes to Consolidated Financial Statements

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Based on management's evaluations, no long-lived asset impairments were recognized during the years ended December 31, 2019 and 2018.

#### ***Compensated Absences***

Employees accumulate general purpose time at varying rates according to years of service. Employees are immediately vested in accrued general purpose time when earned. Upon termination, all unused paid time off hours are paid to the employee at the employee's current rate of pay. Employees are allowed to accrue general purpose time up to 280 hours. Amounts are accrued and included in the accompanying consolidated statements of net position statements in accrued payroll.

#### ***Net Position***

Net position of the Organization is classified in three components, as follows:

Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

Restricted net position – made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Organization, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

Unrestricted net position – the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position described above.

The Organization first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

#### ***Operating Revenues and Expenses***

The Organization's consolidated statements of revenues, expenses and changes in net position distinguish between operating and non-operating revenues and expenses. Operative revenues result from exchange transactions associated with providing health care services, the Organization's principal activity. Non-operating revenues and expenses consist of revenues and expenses related to ad valorem tax revenue, capital grants, and financing and investing type activities and result from non-exchange transactions or investment income.

## **Hospital Service District of the Parish of St. Bernard, State of Louisiana**

### **Notes to Consolidated Financial Statements**

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### ***Net Patient Service Revenue***

The District has agreements with third-party payers for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendering including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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 or as years are no longer subject to such audits, reviews, and investigations.

The District believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid program, and in recent years there has been an increase in regulatory initiatives at the state and federal levels including the Recovery Audit Contractor (“RAC”) and Medicaid Integrity Contractor (“MIC”) programs, among others. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RACs have authority to pursue ‘improper’ (in their judgment) payments with a three year look back from the date the claim was paid.

##### ***Charity Care***

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The District maintains records to identify and monitor the level of charity care it provides to all of its qualifying patients. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. As presented in Note 9, the District reduced its gross revenues for its cost of charity care. For the years ended December 31, 2019 and 2018, charity care totaled \$624,293 and \$691,103, respectively.

##### ***Upper Payment Limit (UPL) Program Revenues***

The District formed collaborations with the State and several units of local governments in Louisiana to more fully fund the Medicaid program (the “Program”) and ensure the availability of quality healthcare services for the low income and needy population. These collaborations enable the governmental entities to increase support for the state Medicaid program up to federal Medicaid Upper Payment Limits (UPL). The District recognizes all funds received under the UPL program as operating revenues in the period applicable to the receipt of the funds. Any amounts related to that year that are not received as of fiscal year-end are recorded as grants receivable.

## **Hospital Service District of the Parish of St. Bernard, State of Louisiana**

### **Notes to Consolidated Financial Statements**

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### ***Grants and Contributions***

From time to time, the Organization receives grants and contributions from individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all the 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.

##### ***Ad Valorem Revenue***

The District receives dedicated property tax revenues in amounts sufficient to fund annual debt maturities of the general obligation bonds and related interest costs (see Note 4). Such revenues are considered non-operating in the accompanying consolidated statements of revenues, expenses and changes in net position.

##### ***Full Medicaid Payment Program Revenues***

The District's participates in the State of Louisiana's Full Medicaid Payment Program which provides continuing support to healthcare entities who provide services to Managed Medicaid patients, whereby the State distributes additional payments to approximate Medicaid reimbursement (Full Medicaid Payment). The District records the revenues as soon as they are estimable with any true ups recorded at the time of payment.

##### ***Managed Care Incentive Payment Revenue***

The District participates in the State of Louisiana's Managed Care Incentive Payment (MCIP) Program which provides incentive payments to healthcare entities for achieving quality reforms that increase access to health care, improve the quality care, and/or enhance the health of patients they serves. Incentive payments received after the specified activities, targets, performance measures, or quality-based outcomes achieved by the healthcare entity. The revenue associated with MCIP incentive payments is recognized by the District as soon as the amounts are estimable. Any changes resulting from the change in estimate is recognized within operation in the period in which they occur.

##### ***Current Healthcare Environment***

The Organization monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana

### Notes to Consolidated Financial Statements

#### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Current Healthcare Environment (Continued)*

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs
- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payor industry.

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on the Hospital's financial position and operating results.

##### *Income Taxes*

As an essential government function of St. Bernard Parish, the Organization is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

The Foundation is exempt from taxes on income other than unrelated business income under section 501(c)(3) of the Internal Revenue Code.

The Foundation filed 2016 and 2017 tax forms required by the Affordable Care Act after the due date as required by the IRS. Penalties of \$252,644 have been accrued by the Foundation and included in accounts payable and interest expense on the accompanying consolidated statement of net position and consolidated statements of revenues, expenses, and changes in net position, respectively. The Foundation is currently appealing the assessment of penalties and interest with the IRS.

##### *Recently adopted pronouncements*

**GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*** – This Statement was issued to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement was adopted in the year ended December 31, 2019 and it did not have an impact on the financial statements of the Organization.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana

### Notes to Consolidated Financial Statements

#### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Pronouncements Issued But Not Yet Effective*

***GASB Statement No. 87, Leases*** - The objective of this Statement is to better meet the information needs of 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 previously were 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for the Organization for the year ended December 31, 2020 and management is currently estimating the impact this statement will have on its financial statements.

##### *Subsequent Events*

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2020. See Note 20 for relevant disclosure. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

##### *Reclassifications*

Certain reclassification to consolidated financial statement line-items have been made to the 2018 consolidated financial statements in order to conform to the 2019 presentation.

#### Note 3: CASH AND RESTRICTED CASH

##### *Cash and Restricted Cash*

At December 31, 2019 and 2018, the Organization had \$19,209,539 and \$10,569,690, respectively, in non-interest bearing demand deposits as follows:

December 31,	2019	2018
Cash	\$ 19,055,957	\$ 10,388,901
Restricted Cash	153,582	180,789
Total	\$ 19,209,539	\$ 10,569,690

These deposits are stated at cost, which approximates market.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana Notes to Consolidated Financial Statements

### **Note 3: CASH AND RESTRICTED CASH (CONTINUED)**

#### ***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure the Organization's deposits may not be returned to it. Under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities, plus the federal deposit insurance, must at all times equal the amount on deposit with the fiscal agent.

The custodial bank must advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

The Organization's cash deposits included in cash on its statement of net position as of December 31, 2019 and 2018, were entirely covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the Organization's name. The Federal Deposit Insurance Corporation insures cash deposits up to \$250,000 per financial institution.

#### ***Concentration of Credit Risk***

As required under GASB statement 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 40 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, 2019 and 2018, the Organization had no investments requiring concentration of credit risk disclosure.

**Hospital Service District of the Parish of St. Bernard, State of Louisiana**  
**Notes to Consolidated Financial Statements**

**Note 4: PATIENT ACCOUNTS RECEIVABLE AND REVENUE**

***Accounts Receivables***

The District is located in Chalmette, Louisiana. The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31, 2019 and 2018 was:

	<b>2019</b>	2018
Medicare	\$ <b>7,122,106</b>	\$ 7,178,587
Medicaid	<b>5,249,338</b>	4,093,056
Other third-party payers	<b>4,983,349</b>	4,249,419
Patients	<b>1,638,417</b>	1,949,243
<b>Total patient accounts receivables</b>	<b>18,993,210</b>	17,470,305
Less allowance for uncollectible accounts	<b>(14,912,343)</b>	(14,411,287)
<b>Patient accounts receivables, net</b>	<b>\$ 4,080,867</b>	\$ 3,059,018

The Districts grants credit without collateral to its patients, most of whom are residents of St. Bernard Parish and are insured under third-party payor agreements. The mix of accounts receivable due from patients and third-party payors as of December 31, 2019 and 2018 was as follows:

	<b>2019</b>	2018
Medicare	<b>37.5%</b>	41.1%
Medicaid	<b>27.7%</b>	23.4%
Commercial	<b>26.2%</b>	24.3%
Private pay	<b>8.6%</b>	11.2%
<b>Total</b>	<b>100%</b>	100%

***Net Patient Service Revenue***

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

A summary of the payment arrangements with major third-party payors is as follows:

Medicare – 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.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana

### Notes to Consolidated Financial Statements

#### **Note 4: PATIENT ACCOUNTS RECEIVABLE AND REVENUE (CONTINUED)**

##### ***Net Patient Service Revenue (Continued)***

In addition, the District is paid prospectively for Medicare inpatient capital costs based on the federal specific rate. The District qualifies as a disproportionate share provider under the Medicare regulations. As such, the District receives an additional payment for Medicare inpatients served. Except for Medicare disproportionate share reimbursement and Medicare bad debts, there is no retroactive settlement for inpatient costs under the Medicare inpatient prospective payment methodology.

Medicare outpatient services (excluding clinical lab and outpatient therapy) are reimbursed by the Outpatient Prospective Payment 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. Medicare outpatient clinical lab services are reimbursed based upon the Medicare fee schedules.

Medicaid – The District is paid a prospective per diem rate for Medicaid inpatients. The per diem rate is based on a peer grouping methodology, which assigns a per diem rate to each hospital in the peer group. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. Medicaid outpatient clinical lab and Medicaid ambulatory surgery and outpatient therapy services are reimbursed based upon the Medicare fee schedules.

Retroactive cost settlements, based upon annual cost reports, are estimated for those programs subject to retroactive settlement and recorded in the consolidated 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 a final settlement and an estimated settlement in any year is reported as an adjustment of net patient service revenue in the year the final settlement is made.

Revenue derived from the Medicare and Medicaid programs is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services (HHS) before settlement amounts become final. Annually, management evaluates the recorded estimated settlements and adjusts these balances based upon the results of the intermediary's audit of filed cost reports and additional information becoming available. Although the fiscal intermediary has not completed its audits (or reopened the review) of the estimated settlements for the years ended December 31, 2014 through 2018 for Medicare and Medicaid, the District does not anticipate significant adverse adjustments to the recorded settlements for those years.

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

**Hospital Service District of the Parish of St. Bernard, State of Louisiana**  
**Notes to Consolidated Financial Statements**

**Note 4: PATIENT ACCOUNTS RECEIVABLE AND REVENUE (CONTINUED)**

***Net Patient Service Revenue (Continued)***

A summary of gross revenue from patient services provided under contracts with third-party payers for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Medicare	39.9%	41.4%
Medicaid	36.1%	36.2%
Other commercial and preferred provider organizations	24.0%	22.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

A summary of the District's net patient service revenue for the years ended December 31, 2019 and 2018 is as follows:

December 31,	2019	2018
Gross patient service revenue	\$ 143,772,389	\$ 130,714,281
Less discounts, allowance, and estimated contractual adjustments under third-party reimbursement programs	(106,546,731)	(92,956,093)
Less provision for bad debts	(3,038,912)	(7,574,507)
Charity Care	(624,293)	(691,103)
<b>Net patient service revenue</b>	<b>\$ 33,562,453</b>	<b>\$ 29,492,578</b>

**Note 5: AD VALOREM TAXES**

Ad valorem taxes are normally levied and billed in November of each year and are due by December 31<sup>st</sup> of the year levied. Revenues are recognized when levied due to the extent they are determined to be currently collectible. Ad valorem taxes are billed and collected using the assessed values determined by the Tax Assessor of St. Bernard Parish. The 2011 year was the first year the District levied taxes, which have been set at 8.00 mills for the purpose of constructing, equipping, maintaining and operating hospital facilities within the District. Effective August 22, 2016, the Board approved a millage increase to 8.16. The ad valorem taxes receivable as of December 31, 2019 and 2018, are recorded of \$2,964,137 and \$2,237,523, respectively, on the accompanying consolidated statements of net position.

**Hospital Service District of the Parish of St. Bernard, State of Louisiana**  
**Notes to Consolidated Financial Statements**

**Note 6: CAPITAL ASSETS**

Capital asset activity and balances for the years ended December 31, 2019 is as follows:

	Balance 1/1/2019	Additions/ Transfers in	Disposals/ Retirements/ Transfers out	Balance 12/31/2019
Land	\$ 2,890,000	\$ -	\$ -	\$ 2,890,000
Hospital building	43,798,270	-	-	43,798,270
Medical office building	10,964,625	-	-	10,964,625
Machinery and equipment	16,574,292	275,191	(1,266,236)	15,583,247
Land improvements	50,551	-	-	50,551
Assets not in service	-	92,728	-	92,728
<b>Total acquisition cost</b>	<b>74,277,738</b>	<b>367,919</b>	<b>(1,266,236)</b>	<b>73,379,421</b>
Less accumulated depreciation:				
Hospital building	(7,063,453)	(1,095,580)	-	(8,159,033)
Medical office building	(1,507,636)	(274,116)	-	(1,781,752)
Major moveable equipment	(12,418,710)	(1,649,925)	1,144,562	(12,924,073)
Land improvements	(11,893)	(3,370)	-	(15,263)
<b>Total accumulated depreciation</b>	<b>(21,001,692)</b>	<b>(3,022,991)</b>	<b>1,144,562</b>	<b>(22,880,121)</b>
<b>Total capital assets, net</b>	<b>\$ 53,276,046</b>	<b>\$ (2,655,072)</b>	<b>\$ (121,674)</b>	<b>\$ 50,499,300</b>

**Hospital Service District of the Parish of St. Bernard, State of Louisiana**  
**Notes to Consolidated Financial Statements**

**Note 6: CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the fiscal year ended December 31, 2018 is as follows:

	Balance 1/1/2018	Additions/ Transfers in	Disposals/ Retirements/ Transfers out	Balance 12/31/2018
Land	\$ 2,890,000	\$ -	\$ -	\$ 2,890,000
Hospital building	43,798,270	-	-	43,798,270
Medical office building	10,964,625	-	-	10,964,625
Machinery and equipment	19,665,651	53,090	(3,144,449)	16,574,292
Land improvements	50,551	-	-	50,551
<b>Total acquisition cost</b>	<b>77,369,097</b>	<b>53,090</b>	<b>(3,144,449)</b>	<b>74,277,738</b>
Less accumulated depreciation:				
Hospital building	(5,967,896)	(1,095,557)	-	(7,063,453)
Medical office building	(1,233,520)	(274,116)	-	(1,507,636)
Major moveable equipment	(13,544,045)	(1,959,313)	3,084,648	(12,418,710)
Land improvements	(8,523)	(3,370)	-	(11,893)
<b>Total accumulated depreciation</b>	<b>(20,753,984)</b>	<b>(3,332,356)</b>	<b>3,084,648</b>	<b>(21,001,692)</b>
<b>Capital assets, net</b>	<b>\$ 56,615,113</b>	<b>\$ (3,279,266)</b>	<b>\$ (59,801)</b>	<b>\$ 53,276,046</b>

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was \$3,022,991 and \$3,332,356, respectively.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana

### Notes to Consolidated Financial Statements

#### Note 7: LONG-TERM DEBT

The following table summarizes the Organization's outstanding debt at December 31, 2019 and 2018:

Long-Term Debt		2019	2018
New Markets Tax Credit Facility A: Interest payable semi-annually at rate of 1.00%. Principal is payable annually 2019 through 2051.	A	-	33,028,779
New Markets Tax Credit Facility B: Interest payable semi-annually at rate of 1.00%. Principal is payable annually 2019 through 2051.	B	-	11,671,221
Tax-Exempt Limited Tax Certificates, Series 2012 B: Interest payable semi-annually at rate of 3.10%, reduced to 2.42% effective March 1, 2015. Principal is payable annually March 2018 through March 2020.	C	1,760,000	3,450,000
Intergovernmental Loan from St. Bernard Parish: Interest rate of 6% per annum, payable on or before January 2019.	D	600,000	600,000
Hospital Revenue Bonds, Series 2014: Interest payable semi-annually at a rate of 4.90%. Principal is payable annually through December 2024.	E	4,365,000	5,120,000
Total long term debt		6,725,000	53,870,000
Less: Current maturities of long-term debt		(3,150,000)	(3,639,367)
Total long-term debt – noncurrent portion		<b>\$ 3,575,000</b>	<b>\$ 50,230,633</b>

(A) On August 23, 2011, the Foundation issued a note payable (Facility A) to SBP Redevelopment II, LLC. The note was subject to credit and loan agreements executed by the Foundation (as borrower), St. Bernard Parish Redevelopment, LLC as the community development entity (CDE) under the New Markets Tax Credit Program, and SBP Redevelopment II, LLC (Lender). The agreement contains certain financial and non-financial covenants.

The Facility A note, issued for \$33,028,779, was secured under the aforementioned credit and loan agreements. The outstanding principle of the note was to be paid in 33 annual installments ranging from \$439,177 to \$1,193,669 beginning June 30, 2019, with the final installment due June 30, 2051. The Foundation could not prepay this note in full or in part any time prior to the expiration of the NMTC compliance period. The note borne interest at a rate per annum equal to 1.00%. The Foundation paid interest only on this note semi-annually in arrears on June 30th and December 31st of each year, commencing December 31, 2011, and continued until September 2019. Effective September 2019, the Foundation exercised a put option and paid a purchase price in the amount of \$1,000.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana

### Notes to Consolidated Financial Statements

#### **Note 7: LONG-TERM DEBT (CONTINUED)**

(B) On September 14, 2012, the Facility B note (subordinate note) was issued for \$11,671,221 to SBP Redevelopment II, LLC, after all of the Facility A note funds had been expended and the certificate of occupancy for the hospital facility was issued. The note was secured under the same aforementioned credit and loan agreements executed by the Foundation for the Facility A note. The terms of the Facility B note were similar to those of the Facility A note. The outstanding principal of the note was to be paid in 33 annual installments ranging from \$155,190 to \$421,801 beginning June 30, 2019, with the final installment due August 22, 2051. The Foundation could not prepay this note in full or in part any time prior to the expiration of the NMTC compliance period. The note borne interest at a rate per annum equal to 1.00%. The Foundation paid interest only on this note semi-annually in arrears on June 30 and December 31 of each year commencing December 31, 2012, and continued until September 2019. Effective September 2019, the Foundation exercised a put option and paid a purchase price in the amount of \$1,000.

The Facility A and B notes were intended to qualify as a "qualified low-income community investment" (QLCI) for the purposes of generating certain tax credits called New Markets Tax Credits (NMTCs) under section 45D of the Internal Revenue Code of 1986, as amended. To qualify, the Foundation must comply with certain representations, warranties and covenants over the respective year NMTC compliance period. These include, but were not limited to, a covenant that the "portion of the business" (as defined) will operate to qualify as a qualified low-income community business. If, as a result of the breach of the agreement or loan documents by the Foundation, the Lender was required to recapture all or any part of the New Markets Tax Credits previously claimed by the Lender, the Foundation agreed to pay to the Lender an amount equal to the sum of the credits recaptured. Additionally, the QLCI Lender had a security interest in the assets of the Foundation other than real property.

For the years ended December 31, 2019 and 2018, the Foundation paid the CDE a total of \$52,500 each year for ongoing management services related to the NMTCs as required per the agreement. The Foundation is required to pay a total of \$250,000 in asset management fees to the CDE from 2015 through 2019.

In association with Facility notes A and B, the District, for the benefit of the Foundation, unconditionally and irrevocably guaranteed the full, complete, and timely payment and, to the extent legally permissible, performance of all obligations owed to the Lender under all of the loan documents.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana

### Notes to Consolidated Financial Statements

#### Note 7: LONG-TERM DEBT (CONTINUED)

Lastly, with regards to the New Markets Tax Credits Facility notes A and B, and as noted above the District has agreed to grant to the investor, as defined, an option (Put Option) to sell their investor interest, as defined in the agreement, to the District for a price of \$1,000, plus costs incurred by the Investor attributable to the Put Option and any amounts owed by the District to the Investor. In the event that the Investor does not deliver a notice to the District during the Put Option Period, as defined, then the District has the right, during a defined period, to purchase the Investor Interest for an amount equal to the fair market value of the Investor Interest, as determined by mutual agreement amongst the parties. Effective September 2019, the Foundation exercised a put option and paid a purchase price in the amount of \$1,000.

During the year ended December 31, 2019, the Foundation exercised a put option on both the Facility Notes A and B for \$1,000 whereby the outstanding principle on the notes were forgiven. The transaction resulted in a gain on the forgiveness of the debt of \$44,699,000.

- (C) On March 7, 2012, the District issued \$4,000,000 of Tax-Exempt Limited Tax Certificates, Series 2012 B for the purpose of constructing, equipping, maintaining and operating hospital facilities. The certificates are secured by the irrevocable pledge and dedication of the fund to be derived from the levy and collection of the ad valorem tax of 8 mills authorized at the November 2, 2010 election. The outstanding principal of the bonds will be repaid in 3 annual installments ranging from \$550,000 to \$1,760,000 beginning March 1, 2018, with the final installment due March 1, 2020. Interest is payable semi-annually on March 1 and September 1 at the rate of 3.10%. The interest rate was reduced to 2.42%, effective March 1, 2015. The bond was fully paid off on March 1, 2020.
- (D) During the fiscal year ended December 31, 2009, the District entered into a cooperative endeavor agreement with the St. Bernard Parish Government (the Parish), whereas the Parish designated \$600,000 from its issue of Sales Tax Bonds, Series 2004, to be loaned to the District to pay for capital improvement projects. Interest shall accrue on the loan at the rate of 6.00% per annum. The District shall repay the Parish the entire unpaid balance of the loan on or before January 2019. As of the date of the audit report, the loan remains unpaid and accruing interest. The balance of the loan is included in the current portion of long-term debt in the accompanying consolidated statements of net position.
- (E) On December 1, 2014, the District issued \$7,800,000 of Taxable Hospital Revenue Bonds, Series 2014 for the purpose of refunding and extending the District's Revenue Anticipation Note, Series 2013 and constructing, equipping, maintaining and operating hospital facilities. The certificates are secured by the irrevocable pledge and dedication of the fund to be derived from net revenues including the levy and collection of the ad valorem tax of 8 mills authorized at the November 2, 2010 election.

**Hospital Service District of the Parish of St. Bernard, State of Louisiana**  
**Notes to Consolidated Financial Statements**

**Note 7: LONG-TERM DEBT (CONTINUED)**

The outstanding principal of the bonds will be repaid in 10 annual installments ranging from \$620,000 to \$960,000 beginning December 1, 2015, with the final installment due December 1, 2024. Interest is payable semi-annually on December 1 and June 1 at the rate of 4.90%.

Scheduled principal and interest payments on long-term debt as of December 31, 2019 are as follows:

December 31,	Principal	Interest
2020	3,150,000	235,181
2021	830,000	175,175
2022	870,000	134,505
2023	915,000	91,875
2024	960,000	47,040
	<b>\$ 6,725,000</b>	<b>\$ 683,776</b>

A summary of changes in the Organization's long-term debt for the year ended December 31, 2019 follows:

<b>Long-Term Debt</b>	1/1/2019	Additions	Reduction	<b>12/31/2019</b>	Due within 1 Year
NMTC Facility A	\$ 33,028,779	\$ -	\$ (33,028,779)	\$ -	\$ -
NMTC Facility B	11,671,221	-	(11,671,221)	-	-
Tax-Exempt Limited Tax Certificates, Series 2012 B	3,450,000	-	(1,690,000)	<b>1,760,000</b>	1,760,000
Intergovernmental Loan from St. Bernard Parish	600,000	-	-	<b>600,000</b>	600,000
Hospital Revenue Bonds, Series 2014	5,120,000	-	(755,000)	<b>4,365,000</b>	790,000
<b>Total long-term debt</b>	<b>\$ 53,870,000</b>	<b>\$ -</b>	<b>\$ (47,145,000)</b>	<b>\$ 6,725,000</b>	<b>\$ 3,150,000</b>

**Hospital Service District of the Parish of St. Bernard, State of Louisiana**  
**Notes to Consolidated Financial Statements**

**Note 7: LONG-TERM DEBT (CONTINUED)**

A summary of changes in the Organization's long-term debt for the year ended December 31, 2018 follows:

<b>Long-Term Debt</b>	1/1/2018	Additions	Reduction	12/31/2018	Due within 1 Year
NMTC Facility A	\$ 33,028,779	\$ -	\$ -	\$ 33,028,779	\$ 439,177
NMTC Facility B	11,671,221	-	-	11,671,221	155,190
Tax-Exempt Limited Tax Certificates, Series 2012 A	1,110,000	-	(1,110,000)	-	-
Tax-Exempt Limited Tax Certificates, Series 2012 B	4,000,000	-	(550,000)	3,450,000	1,690,000
Intergovernmental Loan from St. Bernard Parish	600,000	-	-	600,000	600,000
Hospital Revenue Bonds, Series 2014	5,840,000	-	(720,000)	5,120,000	755,000
<b>Total long-term debt</b>	<b>\$ 56,250,000</b>	<b>\$ -</b>	<b>\$(2,380,000)</b>	<b>\$ 53,870,000</b>	<b>\$ 3,639,367</b>

**Note 8: CAPITAL LEASE OBLIGATION**

The Foundation entered into a lease for equipment during 2013. The economic substance of the lease is that the Foundation is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the Foundation's assets and liabilities. The capital lease obligation was to expire in November 2018. The Foundation extended the lease agreement and returned leased equipment in 2019. The Foundation recorded a gain of \$61,335 on return of equipment under the capital lease.

The Foundation entered into a lease for equipment during 2015. The economic substance of the lease is that the Foundation is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the Foundation's assets and liabilities. The capital lease obligation expires February 2020. The Foundation will obtain possession of the asset after final payment of the lease.

Assets recorded under capital leases are included in the major movable equipment of the capital assets on the Consolidated Statement of Net Position. The net book value of assets recorded under capital leases as of December 31, 2019 and 2018, consists of the following:

December 31,	2019	2018
Equipment	\$ 329,186	\$ 1,101,982
Less accumulated amortization	(323,699)	(1,030,658)
<b>Capital lease equipment, net</b>	<b>\$ 5,487</b>	<b>\$ 71,324</b>

**Hospital Service District of the Parish of St. Bernard, State of Louisiana**  
**Notes to Consolidated Financial Statements**

**Note 8: CAPITAL LEASE OBLIGATION (CONTINUED)**

Amortization of assets held under the capital lease were \$65,837 and \$213,003 for the years ending December 31, 2019 and 2018, respectively, and is included in depreciation and amortization expense.

The following is a schedule, by years, of future minimum payments required under the leases together with their present value as of December 31, 2019:

2020	\$	10,052
<hr/>		
Total minimum lease payments		10,052
Less: amount representing imputed interest		(76)
<hr/>		
Present value of minimum lease payments	\$	9,976
<hr/>		

**Note 9: UPPER PAYMENT LIMIT PROGRAM**

Since October 8, 2012, the District formed collaborations with the State and several units of local governments in Louisiana to more fully fund the Medicaid program (the “Program”) and ensure the availability of quality healthcare services for the low income and needy population. These collaborations enable the governmental entities to increase support for the state Medicaid program up to federal Medicaid Upper Payment Limits (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. The District recognizes all funds received under the UPL program as operating revenues in the period applicable to the receipt of the funds. Any amounts related to that year that are not received as of fiscal year-end are recorded as grants receivable and reflected in other current assets in the accompanying consolidated statements of net position. These receivables can be subject to adjustments that are reflected in the period they become known. The District recognized \$2,830,420 and \$4,278,743 in net revenue related to this program during the years ended December 31, 2019 and 2018, respectively.

**Note 10: FULL MEDICAID PAYMENT PROGRAM**

As part of the District’s continuing support of the State of Louisiana’s Medicaid Program, the Organization has, throughout the period, made intergovernmental transfers (IGT’s) amounts to the State of Louisiana (State) restricted for use in support of the Medicaid Program to provide additional payments to Managed Medicaid providers to approximate Medicaid reimbursement (Full Medicaid Payment). For the years ended December 31, 2019 and 2018 the Organization expensed IGT’s of \$580,689 and \$27,241,248 respectively, to the State for Full Medicaid Payment. Amounts are included in the accompanying Consolidated Statements of Revenues, Expenses, and Changes in Net Position in the caption IGT expense. Payments received by the Organization under Full Medicaid Payment reimbursement totaled \$8,515,641 and \$34,063,655 in 2019 and 2018, respectively.

## **Hospital Service District of the Parish of St. Bernard, State of Louisiana**

### **Notes to Consolidated Financial Statements**

#### **Note 10: FULL MEDICAID PAYMENT PROGRAM (CONTINUED)**

Additionally, the Organization recorded a receivable of \$4,943,406 and \$1,467,966, which expected to receive as of December 31, 2019 **and 2018**, respectively.

#### **Note 11: MANAGED CARE INCENTIVE PAYMENT PROGRAM**

As part of the State of Louisiana's Managed Care Incentive Payment (MCIP) Program, the Organization participated in the Quality and Outcome Improvement Network (QIN), the network formed to contract with hospitals wishing to participate in the MCIP program and implemented measures designed by the QIN to achieve incentive arrangements in exchange for incentive payments from QIN. The Organization recorded revenue of \$1,922,187 and a receivables of \$980,752 for the year ended December 31, 2019. There were no incentive payments received for the year ended December 31, 2018.

#### **Note 12: 403(B) DEFERRED COMPENSATION PLAN**

The Hospital sponsors a deferred compensation plan, which qualifies as a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code. All new full-time employees are immediately eligible to join the defined contribution 403(b) plan, St. Bernard Parish Hospital Retirement Savings Plan (Plan) established on November 1, 2012. The Plan allows participants to make pre-tax contributions to the Plan and receive employer matching contributions up to 50% of the first 1%. Employer contributions to the 403(b) plan totaled \$22,791 and \$23,898 for 2019 and 2018, respectively. To vest in the employer annual non-discretionary contribution, employees must complete at least 3 years of service.

#### **Note 13: SPECIAL SERVICES MANAGEMENT AGREEMENT**

On October 3, 2016, the District entered into an interim Cooperative Endeavor Agreement with Ochsner to provide administrative services and operational support to the District to assist the hospital in providing health services for the St. Bernard Parish Community; the interim CEA was extended through June 30, 2017. Effective July 12, 2017, the District entered into a special services agreement ("Agreement") with Ochsner for the purposes of managing, operating and administering the Hospital. This agreement has enabled the Hospital to enhance clinical service delivery while simultaneously improving resources, including operational efficiencies, and obtaining additional cost reductions through vendor purchase discounts on supplies.

Under the Agreement, the Organization is managed by St. Bernard Operational Management Company, LLC (SBOMC), a wholly owned subsidiary of Ochsner Health System. The Organization pays a management fee to SBOMC in exchange for management, staff, and other assistance to operate.

## **Hospital Service District of the Parish of St. Bernard, State of Louisiana**

### **Notes to Consolidated Financial Statements**

#### **Note 13: SPECIAL SERVICES MANAGEMENT AGREEMENT (CONTINUED)**

In addition to the management fee referred to above, the District provides other payments to SBOMC for supplies purchased, professional services provided outside of the management agreement, and other miscellaneous items received or services provided throughout the year.

During year ended December 31, 2019, transactions between SBOMC and the Organization included: (1) purchases from SBOMC of supplies and services in accordance with the management agreement of approximately \$6,900,000; (2) accrual of management fees payable to SBOMC of approximately \$19,100,000 based upon the Organization's operations in accordance with the management agreement and (3) payments to SBOMC of approximately \$24,100,000 on amounts outstanding. The remaining amounts due to the Hospital Manager are included on the Consolidated Statements of Net Position as Due to Hospital Manager.

During year ended December 31, 2018, transactions between SBOMC and the Organization included: (1) purchases from SBOMC of supplies and services in accordance with the management agreement of approximately \$6,200,000; (2) accrual of management fees payable to SBOMC of approximately \$6,500,000 based upon the Organization's operations in accordance with the management agreement and (3) payments to SBOMC of approximately \$5,000,000 on amounts outstanding. The remaining amounts due to the Hospital Manager are included on the Consolidated Statements of Net Position as Due to Hospital Manager.

Based on the support provided pursuant to the current and prior agreements with Ochsner, the District has implemented new processes and procedures around the revenue cycle to improve collections. In addition, the District has settled large outstanding payables with vendors and freed up operating cash to continue paying vendors and contractors in a timely manner. These actions have improved the District's operations and resulted in a positive ending net position for 2019 and 2018.

#### **Note 14: COOPERATIVE ENDEAVOR AGREEMENTS**

##### *Parish of St. Bernard*

On July 14, 2011, the Parish and the District entered into a Cooperative Endeavor Agreement whereas the Parish committed federal and state pass-through funding to provide a public health unit equivalent (outpatient clinic) to that which existed prior to the devastation caused by Hurricane Katrina on August 29, 2005. The construction of the medical office building was completed in January 2013 and the outpatient clinic occupies approximately 10,200 square feet of space within the medical office building.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana Notes to Consolidated Financial Statements

### **Note 14: COOPERATIVE ENDEAVOR AGREEMENTS (CONTINUED)**

#### *St. Bernard Hospital Foundation*

On August 23, 2011, the District and the Foundation entered into a Joint Venture Cooperative Endeavor Agreement (Agreement) to engage in a joint venture to construct and operate a hospital facility and provide emergency and other essential and specialized hospital services to the citizens of St. Bernard Parish, State of Louisiana. This agreement was to facilitate the New Markets Tax Credit (NMTC) transaction, described further in Note 7. On this date, the District transferred all construction in progress associated with the hospital to the Foundation. Using the proceeds of the NMTC Notes (Facility A and B), the Foundation substantially completed the construction of the hospital building, acquired essential equipment, materials and supplies necessary for beginning the operation of the hospital, and employed and contracted with all of the physicians, health professionals, administrative staff, employees and contractors required for the operation of the hospital. Under the terms of the Agreement, the District was obligated to make the land that the District owns, including all of the District's rights, privileges, appurtenances, and amenities, available to itself and the Foundation for the term of the Agreement, in order for the Foundation to complete construction of the hospital building, which was completed in July 2012.

Pursuant to the agreement, the District provides the administrative, professional and financial management of the business, policies, and operations of the hospital. There is also a revenue-sharing agreement which requires a waterfall payment of costs in the following order:

- 1) the Foundation's qualified low-income community investment (QLICI) note payments
- 2) operating expenses of the District and the Foundation jointly incurred
- 3) Hospital operating expenses
- 4) pro rata share of the debt service due on any obligations
- 5) contingency fund in the amount of \$200,000
- 6) necessary or desirable improvements
- 7) applicable percentage of interest in each

Additionally, the Foundation is responsible for the hospital building, equipment, maintenance and repair, contract and professional services related to construction, property insurance, payroll, and payroll taxes. The District is responsible for waste disposal, utilities, professional and malpractice insurance through the Louisiana Patient Compensation Fund, licenses and other provider agreements. This agreement will terminate on June 30, 2051, unless sooner terminated as permitted.

Pursuant to the cooperative endeavor agreement, there are certain revenue and expense sharing provisions between the District and the Foundation which eliminate in consolidation in the accompanying financial statements.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana

### Notes to Consolidated Financial Statements

#### **Note 14: COOPERATIVE ENDEAVOR AGREEMENTS (CONTINUED)**

##### *Ochsner Health System*

On October 3, 2016, the District entered into an interim Cooperative Endeavor Agreement with Ochsner to provide administrative services and operational support to the District to assist the hospital in providing health services for the St. Bernard Parish Community. That interim CEA was extended through June 30, 2017. Effective July 12, 2017, the District entered into a Special Services Agreement with Ochsner for the purposes of managing, operating and administering the Hospital (see Note 13).

#### **NOTE 15: RELATED PARTIES**

The transactions between the District and the Parish were (1) \$600,000 note payable to the Parish entered into in 2009, and (2) grant from the Parish for \$422,000 for each of the years ended December 31, 2019 and 2018. See discussion of the District and St. Bernard Parish Government (Parish) agreement in Note 14.

The related party transactions between the Hospital and Manager are detailed in Note 13 and include expenses for supplies and professional services provided by the manager and the management fee.

There was no compensation paid to board members for the years ended December 31, 2019 or 2018.

#### **Note 16: COMMITMENTS**

##### *Meraux Foundation Commitment*

On March 12, 2010, the Arlene and Joseph Meraux Charitable Foundation (Meraux) agreed to grant the District an access easement over, upon and across a parcel of land contiguous to the District property for the purpose of utility access, and vehicular and pedestrian ingress and egress to and from West Judge Perez Drive. The District was required to and completed the construction and installation of the curb cuts, pavement and other improvements to the servitude land, at no expense to Meraux. The District is required to carry and keep in force, at its own expense, comprehensive general liability insurance with companies licensed to do business in the State of Louisiana. On March 12, 2010, Meraux granted to the District temporary construction servitude over, upon and across the servitude land for the exclusive purpose of vehicular and pedestrian ingress and egress to and from West Judge Perez Drive. This servitude has not been accessed as of the date of this report.

## **Hospital Service District of the Parish of St. Bernard, State of Louisiana**

### **Notes to Consolidated Financial Statements**

#### **Note 16: COMMITMENTS (CONTINUED)**

##### *Low Income and Needy Care Collaboration Agreement*

In April of 2012, the District entered into a Low Income and Needy Care Collaboration Agreement with certain participating private hospitals primarily to improve access and provide low income and needy care services in the community it serves by the participating hospitals. The agreement was effective when the District became operational with an initial term through December 31, 2013 and may be renewed annually unless the other party provides notice to terminate. Expenses incurred under this agreement totaled \$8,231,096 and \$14,600,002 for the years ending December 31, 2019 and 2018, respectively, and are included in the accompanying consolidated statements of revenues, expenses, and changes in net position in the caption IGT expense.

#### **Note 17: RISK MANAGEMENT AND 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 Organization 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.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a so-called Recovery Audit Contractor (RAC) program on a permanent and nationwide basis. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment.

A five-state pilot program concluded in March 2008, with a nationwide rollout of the RAC effort done in phases beginning in 2009. The experiences during the pilot found far more overpayments than underpayments.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana

### Notes to Consolidated Financial Statements

#### **Note 17: RISK MANAGEMENT AND REGULATORY MATTERS (CONTINUED)**

Similarly, the Centers for Medicare & Medicaid Services (CMS) created new entities titled Audit Medicaid Integrity Contractors (MIC) in order to continue its efforts to ensure the highest integrity of its healthcare programs. The goal of the provider audits is to identify overpayments and to ultimately decrease the payment of inappropriate Medicaid claims. The MIC is to review claims submitted by all types of Medicaid providers, including all settings of care and types of services, with most audits taking place at staff headquarters and on occasion on-site at a provider's place of business. The Organization has not been the subject of any RAC or MIC audits during 2019 or 2018.

#### *Litigation*

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

#### *Workers' Compensation*

The Foundation purchased commercial insurance that provides coverage for workers' compensation claims up to \$1,000,000 per claim in excess of its self-insured limits. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic social factors. Due to the lack of incurred workers' compensation claims reserves were not material to the consolidated financial statements as of December 31, 2019 and 2018 and were not accrued.

#### *Medical Malpractice Insurance*

The District participates in the State of Louisiana Patient Compensation Fund (the Fund). The Fund provides for malpractice coverage to the District for claims in excess of \$100,000 and up to \$500,000 per claim. According to state law, medical malpractice liability (exclusive of future medical care awards and litigation expenses) is limited to \$500,000 per occurrence. There were no medical malpractice liabilities accrued as of December 31, 2019 and 2018.

The District purchased commercial insurance policies that provide coverage for medical malpractice. These policies included a professional liability claims made policy that provides coverage up to \$1,000,000 per occurrence and \$3,000,000 in the aggregate, a general liability policy that provides coverage up to \$5,000,000 per occurrence and in the aggregate, and an excess liability policy that provides coverage up to \$5,000,000 per occurrence and in the aggregate.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana

### Notes to Consolidated Financial Statements

#### **Note 17: RISK MANAGEMENT AND REGULATORY MATTERS (CONTINUED)**

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance, if any. It is reasonably possible that this estimate could change materially in the near term.

#### **Note 18: TAX ABATEMENT**

The St. Bernard Parish Assessor (the "Assessor") negotiates property tax abatement agreements on St. Bernard Parish's (the Parish) behalf on an individual basis. Each agreement was negotiated for a variety of economic development purposes, including business relocation, retention, and expansion. The Assessor has tax abatement agreements with five entities as of December 31, 2019:

Four oil and gas companies, through an agreement negotiated with the Industrial Tax Exemption program, have property assessed at \$77,882,213 with exempt taxes of \$11,141,468. Of the \$11,141,468 in exempt taxes, the Hospital's portion of these taxes for the year ended December 31, 2019 was \$635,519.

Four oil and gas companies and one sugar refinery, through an agreement negotiated with the Industrial Tax Exemption program, have property assessed at \$87,385,685 with exempt taxes of \$12,501,032. Of the \$12,501,032 in exempt taxes, the Hospital's portion of these taxes for the year ended December 31, 2018 was \$713,067.

The Industrial Tax Exemption program may be granted to manufacturers located within the Parish. The Industrial Tax Exemption program abates, up to ten years, local property taxes on a manufacturer's new investment and annual capitalized additions related to the manufacturing sale. The Assessor has not made any commitments as part of the agreements other than to reduce taxes.

The Parish is not subject to any tax abatement agreements entered into by other governmental entities other than the Assessor.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana

### Notes to Consolidated Financial Statements

#### **Note 19: CONSOLIDATING BLENDED COMPONENT UNIT CONDENSED FINANCIAL INFORMATION**

The following table presents the condensed consolidating statements of net position information for the District and its blended component unit as of December 31, 2019:

2019				
	Hospital Service District of the Parish of St. Bernard, State of Louisiana	St. Bernard Hospital Foundation, Inc.	Eliminations	Total
Current assets	\$ 32,666,246	\$ 1,036,124	\$ -	\$ 33,702,370
Other assets – non-current	57,436,017	-	(57,436,017)	-
Capital assets, net	12,202,477	38,296,823	-	50,499,300
<b>Total assets</b>	<b>\$ 102,304,740</b>	<b>\$ 39,332,947</b>	<b>\$ (57,436,017)</b>	<b>\$ 84,201,670</b>
Current liabilities	\$ 23,109,922	928,188	\$ -	\$ 24,038,110
Other liabilities – non-current	-	57,436,017	(57,436,017)	-
Long-term debt - less amounts due within one year	3,575,000	-	-	3,575,000
Net position	75,619,818	(19,031,258)	-	56,588,560
<b>Total liabilities and net position</b>	<b>\$ 102,304,740</b>	<b>\$ 39,332,947</b>	<b>\$ (57,436,017)</b>	<b>\$ 84,201,670</b>

The following table presents the condensed consolidating statements of net position information for the District and its blended component unit as of December 31, 2018:

2018				
	Hospital Service District of the Parish of St. Bernard, State of Louisiana	St. Bernard Hospital Foundation, Inc.	Eliminations	Total
Current assets	\$ 22,320,925	\$ 299,150	\$ -	\$ 22,620,075
Other assets – non-current	56,057,211	-	(56,057,211)	-
Capital assets, net	12,492,664	40,783,382	-	53,276,046
<b>Total assets</b>	<b>\$ 90,870,800</b>	<b>\$ 41,082,532</b>	<b>\$ (56,057,211)</b>	<b>\$ 75,896,121</b>
Current liabilities	\$ 15,912,757	1,477,216	\$ -	\$ 17,389,973
Other liabilities – non-current	-	56,067,187	(56,057,211)	9,976
Long-term debt - less amounts due within one year	6,125,000	44,105,633	-	50,230,633
Net position	68,833,043	(60,567,504)	-	8,265,539
<b>Total liabilities and net position</b>	<b>\$ 90,870,800</b>	<b>\$ 41,082,532</b>	<b>\$ (56,057,211)</b>	<b>\$ 75,896,121</b>

## Hospital Service District of the Parish of St. Bernard, State of Louisiana

### Notes to Consolidated Financial Statements

#### Note 19: CONSOLIDATING BLENDED COMPONENT UNIT CONDENSED FINANCIAL INFORMATION (CONTINUED)

The following table presents the condensed consolidating statement of revenues, expenses and changes in net position for the District and its blended component unit as of December 31, 2019:

	2019			
	Hospital Service District of the Parish of St. Bernard, State of Louisiana	St. Bernard Hospital Foundation, Inc.	Eliminations	Total
<b>Operating Revenues</b>	47,759,128	\$ 17,271,387	\$ (17,208,279)	\$ 47,822,236
<b>Operating Expenses</b>				
Salaries, wages, and benefits	-	8,048,120	-	8,048,120
General and administrative	36,430,756	10,189	(17,208,279)	19,232,666
IGT expense	-	8,811,787	-	8,811,787
Professional fees and purchased services	85,816	24,954	-	110,770
Medical supplies and services	5,882,038	-	-	5,882,038
Supplies	250,827	-	-	250,827
Building and equipment	1,173,645	231,930	-	1,405,575
Insurance	267,665	163,219	-	430,884
Depreciation and amortization	290,188	2,732,803	-	3,022,991
Total operating expenses	44,380,935	20,023,002	(17,208,279)	47,195,658
<b>Net Income (Loss) From Operations</b>	3,378,193	(2,751,615)	-	626,578
<b>Non-Operating Revenues (Expenses)</b>				
Ad valorem taxes	3,439,652	-	-	3,439,652
Government support	422,000	-	-	422,000
Interest income	17,653	2,524	-	20,177
Gain on forgiveness of debt NMTC	-	44,699,000	-	44,699,000
Gain on disposal of property and equipment	-	92,504	-	92,504
Other non-operating expense	(100,307)	-	-	(100,307)
Interest expense*	(370,416)	(453,667)	-	(824,083)
Asset management fees*	-	(52,500)	-	(52,500)
Total non-operating revenues, net	3,408,582	44,287,861	-	47,696,443
Change in Net Position	6,786,775	41,536,246	-	48,323,021
Net Position, beginning of year	68,833,043	(60,567,504)	-	8,265,539
Net Position, end of year	\$ 75,619,818	\$ (19,031,258)	\$ -	\$ 56,588,560

## Hospital Service District of the Parish of St. Bernard, State of Louisiana

### Notes to Consolidated Financial Statements

#### Note 19: CONSOLIDATING BLENDED COMPONENT UNIT CONDENSED FINANCIAL INFORMATION (CONTINUED)

The following table presents the condensed consolidating statement of revenues, expenses and changes in net position for the District and its blended component unit as of December 31, 2018:

	2018			
	Hospital Service District of the Parish of St. Bernard, State of Louisiana	St. Bernard Hospital Foundation, Inc.	Eliminations	Total
<b>Operating Revenues</b>	\$ 68,882,217	\$ 52,905,893	\$ (52,733,550)	\$ 69,054,560
<b>Operating Expenses</b>				
Salaries, wages, and benefits	50,122	7,916,071	-	7,966,193
General and administrative	59,411,495	36,381	(52,733,550)	6,714,326
IGT expense	-	41,841,250	-	41,841,250
Professional fees and purchased services	183,778	7,750	-	191,528
Medical supplies and services	5,763,210	24,828	-	5,788,038
Supplies	238,832	-	-	238,832
Building and equipment	1,375,339	266,580	-	1,641,919
Insurance	254,157	155,016	-	409,173
Depreciation and amortization	291,674	3,040,683	-	3,332,357
Total operating expenses	67,568,607	53,288,559	(52,733,550)	68,123,616
<b>Net Income (Loss) From Operations</b>	1,313,610	(382,666)	-	930,944
<b>Non-Operating Revenues (Expenses)</b>				
Ad valorem taxes	2,451,991	-	-	2,451,991
Government support	422,000	-	-	422,000
Interest income	1,517	612	-	2,129
Interest expense*	(442,555)	(435,889)	-	(878,444)
Asset management fees*	-	(52,500)	-	(52,500)
Total non-operating revenues, net	2,432,953	(487,777)	-	1,945,176
Change in Net Position (Deficit)	3,746,563	(870,443)	-	2,876,120
Net Position, beginning of year	65,086,480	(59,697,061)	-	5,389,419
Net Position, end of year	\$ 68,833,043	\$ (60,567,504)	\$ -	\$ 8,265,539

\*Note that St. Bernard Hospital Foundation classifies the asset management fee and interest expense as an operating expense. These expenses are classified as non-operating in the District's combining statement of revenues, expenses and changes in net position.

## Hospital Service District of the Parish of St. Bernard, State of Louisiana

### Notes to Consolidated Financial Statements

#### Note 19: CONSOLIDATING BLENDED COMPONENT UNIT CONDENSED FINANCIAL INFORMATION (CONTINUED)

The following table presents the condensed consolidating statement of cash flows for the District and its blended component unit as of December 31, 2019:

	Hospital Service District of the Parish of St. Bernard, State of Louisiana	St. Bernard Hospital Foundation, Inc.	Eliminations	Total
Net cash provided by (used in):				
Operating activities	\$ 7,987,891	\$ 890,716	\$ -	\$ 8,878,607
Noncapital financing activities	2,713,038		-	2,713,038
Capital and financing activities	(2,735,141)	(84,025)	-	(2,819,166)
Investing activities	90,069	(195,492)	-	(105,423)
Net change in cash	8,055,857	611,199	-	8,667,056
Cash - beginning of year	10,089,751	299,150	-	10,388,901
Cash - end of year	\$ 18,145,608	\$ 910,349	\$ -	\$ 19,055,957

The following table presents the condensed consolidating statement of cash flows for the District and its blended component unit as of December 31, 2018:

	Hospital Service District of the Parish of St. Bernard, State of Louisiana	St. Bernard Hospital Foundation, Inc.	Eliminations	Total
Net cash provided by (used in):				
Operating activities	\$ 4,586,116	\$ 436,971	\$ -	\$ 5,023,087
Noncapital financing activities	2,495,401	-	-	2,495,401
Capital and financing activities	(2,995,105)	(216,121)	-	(3,211,226)
Investing activities	(84,044)	41,410	-	(42,634)
Net change in cash	4,002,368	262,260	-	4,264,628
Cash - beginning of year	6,087,383	36,890	-	6,124,273
Cash - end of year	\$ 10,089,751	\$ 299,150	\$ -	\$ 10,388,901

## Hospital Service District of the Parish of St. Bernard, State of Louisiana Notes to Consolidated Financial Statements

### **Note 20: SUBSEQUENT EVENTS**

Other than the subsequent events included in Note 7, the following subsequent events are noted below:

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

In April 2020 the Foundation was awarded a PPP loan and received funds in the amount of \$1,395,960 that is expected to be forgiven at the end of the 24 week period. Additionally, under the CARES act, the District was awarded \$677,761 of funds from the Department of Health and Human Services.

In April 2020 the District was awarded a Louisiana Hospital Association Research & Education Foundation (LHAREF) grant in the amount of \$7,732.



**Supplementary Information**

**Hospital Service District of the Parish of St. Bernard, State of Louisiana  
Schedule of Compensation, Benefits, and Other Payments to Agency Head  
For the Year Ended December 31, 2019**

**Agency Head Name:** Kim Keene, Chief Executive Officer

**Note:** In 2017, Hospital Service District of the Parish of St. Bernard, State Louisiana entered into a Special Services Management Agreement with St. Bernard Operational Management Company, LLC (Ochsner). The Agency Head is Kim Keene, Chief Executive Officer. Kim Keene is an employee of Ochsner. Hospital Service District of the Parish of St. Bernard, State Louisiana did not make any payments to or on behalf of the Chief Executive Officer, an individual as the agency head for the year ended December 31, 2019.



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**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 of  
Hospital Service District of the Parish of St. Bernard, State of Louisiana  
Chalmette, 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 consolidated financial statements of the Hospital Service District of the Parish of St. Bernard, State of Louisiana (the District), as of and for the year ended December 31, 2019, and the related notes to the consolidated financial statements, which collectively comprise the District's consolidated basic financial statements, and have issued our report thereon dated June 30, 2020.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's consolidated 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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Car, Riggs & Ingram, L.L.C.*

June 30, 2020

**Hospital Service District of the Parish of St. Bernard, State of Louisiana**  
**Schedule of Current Year Findings and Responses**  
**December 31, 2019**

**Section I** – There were no findings noted related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and Louisiana Revised Statute 24:513.

**Hospital Service District of the Parish of St. Bernard, State of Louisiana**  
**Schedule of Prior Findings and Responses**

**Section I** - There were no findings noted related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and Louisiana Revised Statute 24:513.