

FINANCIAL STATEMENTS

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1

d/b/a LADY OF THE SEA GENERAL HOSPITAL

JUNE 30, 2019 AND 2018



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FINANCIAL STATEMENTS

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d/b/a LADY OF THE SEA GENERAL HOSPITAL

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**INDEPENDENT AUDITOR'S REPORT**

To the Chairman and Board of Commissioners  
Lafourche Parish Hospital Service District No. 1  
d/b/a Lady of the Sea General Hospital  
Galliano, Louisiana

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Lafourche Parish Hospital Service District No. 1, State of Louisiana, Parish of Lafourche, d/b/a Lady of the Sea General Hospital a component unit of the Lafourche Parish Council (Hospital), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Hospital'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 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 financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

**OPINIONS**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lafourche Parish Hospital Service District No. 1, State of Louisiana, Parish of Lafourche, d/b/a Lady of the Sea General Hospital, a component unit of the Lafourche Parish Council, as of June 30, 2019 and 2018, and the changes in its financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## OTHER MATTERS

### *Required Supplementary Information*

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

### *Other Supplemental Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 November 19, 2019 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.



LANGLINAIS BROUSSARD & KOHLENBERG  
(A Corporation of Certified Public Accountants)  
Abbeville, Louisiana

November 19, 2019

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

STATEMENT OF NET POSITION

JUNE 30,

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 1,369,189	\$ 1,931,676
Investments	12,349,536	8,815,971
Accounts Receivable, Net of Allowance for doubtful accounts of \$5,204,329 in 2019 and \$5,292,194 in 2018, respectively	2,591,718	2,830,652
Due from Third Party Payors	1,995,685	2,223,312
Inventories	1,253,125	1,235,646
Prepaid Expenses	444,903	391,278
 Total Current Assets	 <u>20,004,156</u>	 <u>17,428,535</u>
<b>ASSETS WHOSE USE IS LIMITED:</b>		
By Board for Indenture Reserves - Debt Service Funds	398,149	585,483
Total Assets Whose Use is Limited	<u>398,149</u>	<u>585,483</u>
 <b>PROPERTY, PLANT, AND EQUIPMENT:</b>		
Property, Plant, and Equipment, Net of Accumulated Depreciation	<u>10,112,065</u>	<u>10,980,090</u>
 <b>OTHER ASSETS:</b>		
Other Receivables, Net of Estimated Uncollectibles of \$109,202 in 2019 and \$109,202 in 2018, Respectively	1,032,054	958,840
Other Assets	<u>214,659</u>	<u>214,659</u>
 Total Other Assets	 <u>1,246,713</u>	 <u>1,173,499</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred Charge on Refunding Debt	<u>8,763</u>	<u>13,786</u>
 Total Deferred Outflows of Resources	 <u>8,763</u>	 <u>13,786</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 31,769,846</u>	 <u>\$ 30,181,393</u>

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

STATEMENT OF NET POSITION

JUNE 30,

	2019	2018
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt	594,576	746,107
Credit Balances	197,561	250,796
Accounts Payable	1,967,985	857,200
Accrued Salaries, Benefits and Related Withholdings	785,261	741,521
Due to Third Party Payors	-	774,040
Interest Payable	34,928	66,783
Accrued Self-Insurance	119,007	295,161
Total Current Liabilities	3,699,318	3,731,608
 <b>LONG-TERM LIABILITIES:</b>		
Capital Lease Obligations	20,138	146,509
Certificate of Indebtedness	985,000	1,130,000
General Obligation Refunding Bonds - Series 2012	283,000	553,000
General Obligation Bonds - Series 2013	1,790,000	1,980,000
Total Long-Term Liabilities	3,078,138	3,809,509
 <b>TOTAL LIABILITIES</b>	 6,777,456	 7,541,117
 <b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	6,439,351	6,424,474
Restricted Net Position (Expendable)	398,149	585,483
Unrestricted Net Position	18,154,890	15,630,319
TOTAL NET POSITION	24,992,390	22,640,276
 <b>TOTAL LIABILITIES AND NET POSITION</b>	 \$ 31,769,846	 \$ 30,181,393

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30,

	2019	2018
<b>OPERATING REVENUES:</b>		
Net Patient Service Revenues Before Provision for		
Doubtful Accounts	\$ 26,994,428	\$ 25,391,845
Provision for Doubtful Accounts	(2,098,622)	(1,087,369)
Net Patient Service Revenues After Provision for		
Doubtful Accounts	24,895,806	24,304,476
340B Outside Pharmacy Revenue	1,424,937	1,501,283
Net Community Pharmacy Revenue	4,508,122	3,982,514
Intergovernmental Revenue-Operating	3,704,938	3,243,115
Other Operating Revenue	187,396	466,234
Total Operating Revenues	34,721,199	33,497,622
<b>OPERATING EXPENSES:</b>		
Salaries	14,233,284	13,996,757
Employee Benefits	5,440,589	5,275,437
Purchased Services	4,240,662	3,786,039
Supplies and Other	9,675,600	9,544,088
Depreciation and Amortization	1,436,843	1,509,989
Total Operating Expenses	35,026,978	34,112,310
<b>LOSS FROM OPERATIONS</b>	<b>(305,779)</b>	<b>(614,688)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Income on Investments Whose Use is Limited:		
Indenture Agreement and Board for Indenture Reserves	3,800	2,589
Grant Income	324,107	158,259
Interest Income	264,952	114,577
Interest Expense	(164,033)	(172,638)
Taxes:		
Bond - Restricted to Bond Retirement Fund	340,283	409,753
Maintenance	1,887,414	1,931,830
Gain on Disposal of Assets	1,370	1,988
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>2,657,893</b>	<b>2,446,358</b>
<b>CHANGE IN NET POSITION</b>	<b>2,352,114</b>	<b>1,831,670</b>
<b>TOTAL NET POSITION, BEGINNING</b>	<b>22,640,276</b>	<b>20,808,606</b>
<b>TOTAL NET POSITION, ENDING</b>	<b>\$ 24,992,390</b>	<b>\$ 22,640,276</b>

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from and On Behalf of Patients	\$ 26,098,601	\$ 27,155,090
Receipts from 340B Program - Outside Pharmacy	1,172,074	1,159,426
Receipts from Intergovernmental Grant Agreement	3,527,052	3,176,378
Receipts from Community Pharmacies	4,508,541	3,981,162
Receipts from Other Operating Sources	187,396	466,234
Payments to Suppliers	(12,805,476)	(13,268,618)
Payments to Employees for Salaries, Benefits and Related Costs	(21,327,351)	(20,586,897)
Net Cash Flow Provided by (Used in) Operating Activities	1,360,837	2,082,775
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Ad Valorem Taxes - Debt Service	340,283	409,753
Ad Valorem Taxes - Maintenance	1,887,414	1,931,830
Net Cash Provided by Non-Capital Financing Activities	2,227,697	2,341,583
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from Grant Revenue	324,107	158,259
Interest Paid on Long-Term Debt	(190,864)	(143,628)
Proceeds from the Issuance of Long-Term Debt	21,088	-
Repayment of Long-Term Debt	(903,990)	(639,397)
Net Cash (Used in) Capital and Related Financing Activities	(749,659)	(624,766)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Capital Assets	(568,818)	(844,213)
Proceeds from Disposition of Assets	1,370	1,988
Proceeds from Sale of Investments	1,210,000	4,300,000
Purchase of Investments	(4,500,000)	(6,397,288)
Interest Income	268,752	117,166
Net Cash (Used in) Investing Activities	(3,588,696)	(2,822,347)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(749,821)	977,245
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, INCLUDING \$585,483 AND \$574,921, LIMITED TO USE FOR 2019 AND 2018, RESPECTIVELY</b>	2,517,159	1,539,914
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING \$398,149 AND \$585,483 LIMITED TO USE FOR 2019 AND 2018, RESPECTIVELY</b>	\$ 1,767,338	\$ 2,517,159

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Loss	\$ (305,779)	\$ (614,688)
Adjustments to Reconcile Operating (Loss) to Net Cash Used in Operating Activities		
Depreciation and Amortization	1,436,843	1,509,989
Provision for Doubtful Accounts	2,098,622	1,087,369
Decrease (Increase) in Accounts Receivable	(1,832,384)	375,225
Increase in Due to/from Third Party Payors	(546,413)	(213,223)
Increase in Other Receivables	(397,321)	(116,777)
(Increase)Decrease in Inventories and Prepaids	(71,104)	15,764
Increase in Accounts Payable and Accrued Expenses	1,154,527	78,807
Decrease in Other Current Liabilities	<u>(176,154)</u>	<u>(39,691)</u>
 Net Cash Provided by (Used in) Operating Activities	 <u>\$ 1,360,837</u>	 <u>\$ 2,082,775</u>

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

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity.** Lafourche Parish Hospital Service District No. 1, State of Louisiana, d/b/a Lady of the Sea General Hospital, a component unit of the Lafourche Parish Council (Hospital) is an acute care facility created pursuant to Louisiana Revised Statutes of 1950, Title 46, Chapter 10, and Ordinance No. 863 of Lafourche Parish Council adopted January 27, 1953. It is the Hospital's mission to provide its community with high quality care and education in a friendly, caring and professional manner.

The administration of the Hospital is governed by a Board of Commissioners consisting of five members appointed by the Lafourche Parish Council in accordance with the terms of office set forth in Louisiana Revised Statute 46:1053 and in Section 24:300 (C) of Sub-Chapter "G" of the Code of Ordinance of the Lafourche Parish Council.

As the governing authority of the parish, for reporting purposes, the Lafourche Parish Council is the financial reporting entity for Lafourche Parish. The financial reporting entity consists of (a) the primary government (Council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Codification Sections 2100, 2600, and J50 (formerly GASB 14) established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
  - a. the ability of the Council to impose its will on that organization and/or
  - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Council.
2. An organization for which the Council does not appoint a voting majority but is fiscally dependent on the Council.
3. An organization for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Council appoints all of the members of the Hospital's governing board and has the ability to impose its will on the Hospital, the Hospital was determined to be a component unit of the Lafourche Parish Council. The accompanying financial statements present information only on the funds maintained by the Hospital and do not present information on the council, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

**Accounting Standards.** The financial statements of the Hospital have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONT)

**Proprietary Fund Accounting.** The Hospital utilizes the proprietary fund method of accounting and follows guidance in GASB Codification Section P80. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Substantially all revenues and expenses are subject to accrual. The basic financial statements include Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

**Cash and Cash Equivalents.** Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by board designation, other arrangements under trust agreements, or with third-party payors.

**Assets Whose Use is Limited.** Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements and future indenture agreements, over which the Board retains control and may at its discretion subsequently use for other purposes; assets set aside in accordance with agreements with third-party payors; and assets held by trustees under indenture agreements and self-insurance trust agreements.

**Inventory.** Inventory is valued at the lower of cost or market using the first-in, first-out method.

**Capital Assets.** Capital assets are carried at cost or, if donated, at fair value at date of donation. Capital Assets are defined by the Hospital as assets with an initial individual cost of more than \$5,000 and an initial useful life of three years or greater. Depreciation is computed by the straight-line method over the assets' estimated useful lives generally ranging from 3 to 40 years.

**Net Position.** GASB 63 and GASB Codification Section P80, states that net position is equal to assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net position classifications are defined as follows:

*Invested in Capital Assets, Net of Related Debt* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds.

*Restricted Net Position* consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets may be restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* consists of net position that does not meet the definition of the two preceding categories.

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

**Costs of Borrowing.** Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONT)

**Investments.** Investments, including assets limited as to use, are recorded at fair value in accordance with GASB Codification Section 150.105, *Accounting and Financial Reporting for Investments*. Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are measured at fair value in the Statement of Net Position. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment income, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in non-operating income. Investments in associated companies are accounted for by the equity method of accounting under which the Hospital's share of the net income of the associated companies is recognized as income in the Hospital's statement of activities and added to the investment account. Dividends and distributions received from the associated companies are treated as a reduction of the investment account.

**Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. See the disclosure regarding Net Patient Service Revenue below for further discussion of significant estimates involving the revenue recognition methods of the Hospital.

**Net Patient Service Revenue and Related Receivables.** Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances.

Patient receivables are carried at original charge amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a timely basis. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Patient receivables are written off when deemed uncollectible. Recoveries of patient receivables previously written off are recorded when received.

**Non-Direct Response Advertising.** The Hospital expenses advertising costs as incurred.

**Compensated Absences.** Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences included as a component of accrued salaries, benefits and related withholdings on the Hospital's Statement of Net Position for June 30, 2019 and 2018, was \$416,664 and \$424,247, respectively.

**Grants and Contributions.** From time to time, the Hospital 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 of 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. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONT)

**Operating Revenues and Expenses.** The Hospital's Statement of Revenues, Expenses, and Changes in Net Position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**Ad Valorem Taxes.** Property taxes were levied on January 1, on property values assessed on that date. Notices of tax liability are mailed on or about November 1, of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1, of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered "available" in that period. "Available" includes those property tax receivables expected to be collected within sixty days after year end.

Property taxes are collected through the local sheriff and remitted, net of collection fees, to the Hospital. The sheriff's office is responsible for collection, including establishing lien, levy and due dates of property taxes.

**Income Taxes.** The Hospital is a political subdivision and exempt from taxes. The hospital is required to file Form 990-T for the retail pharmacies.

**Environmental Matters.** Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at the time, management is not aware of any environmental matters which need to be considered.

**Reclassifications.** To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net position.

NOTE 2 - MAJOR SOURCE OF REVENUE

The Hospital participated in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 45% and 46% of its gross patient service revenue for June 30, 2019 and 2018, respectively, from patients covered by the Medicare and Medicaid programs.

NOTE 3 - ACCOUNTS RECEIVABLE - PATIENTS

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies the trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance and a provision for bad debts, if necessary. For receivables associated with Medicaid, Commercial and Self-pay patients, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience and on the age of the receivables balance. The aged balance indicates that third-party claims have reached an age where the probability of payment is low and the self-pay patients are unable or unlikely to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 3 - ACCOUNTS RECEIVABLE - PATIENTS, (CONT)

Patients Accounts Receivable consists of the following:

	2019	2018
Total Patients Accounts Receivable	\$ 7,796,046	\$ 8,122,846
Less: Allowances for Doubtful Accounts and Contractual Allowances	5,204,329	5,292,194
Net Patient Accounts Receivable	\$ 2,591,718	\$ 2,830,652

NOTE 4 - NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. Payment arrangements include prospectively determined rates-per-discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

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

**Medicare.** The Hospital is paid for inpatient and outpatient services rendered to Medicare program beneficiaries under cost-based reimbursement methodology. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The retrospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization, which is under contract with the Hospital to perform such reviews. The Hospital files a year end cost report with Medicare to determine final settlement. This cost report is subject to audit by the Medicare fiscal intermediary.

The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through June 30, 2017.

**Medicaid.** Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through June 30, 2013. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as settlements are determined.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 4 - NET PATIENT SERVICE REVENUE, (CONT)

The Louisiana Legislature, through the Healthcare Reform Act of 2007 and Act 1 of 2010, tasked the Department of Health and Hospitals to create a new system of care. In response, the Louisiana Department of Health and Hospitals (DHH) reformed its reimbursement methodology for Medicaid patients from a fee-for-service system to the use of a Coordinated Care Network (CCN). During 2011, the Louisiana Department of Health and Hospitals enabled certain third-party payor companies to contract with providers under the Coordinated Care Network methodology. The Hospital is currently contracted and enrolled with payors participating in the Coordinated Care Network. Cost reports are filed with these CCNs and are subject to audit.

*Commercial.* The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges and prospectively determined daily rates.

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts, recognized in the period from these major sources, is as follows.

Net Patient Service Revenue by Payor before Provision for Doubtful Accounts:

	2019	2018
Medicare	\$ 4,054,520	\$ 4,912,170
Medicaid	7,108,215	7,097,185
All Other Payors	15,831,693	13,382,490
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	\$ 26,994,428	\$ 25,391,845

The following schedule represents total Net Patient Service Revenue:

	2019	2018
Gross Patient Service Revenue	\$ 65,873,561	\$ 65,525,446
Less: Contractual Adjustments	38,879,133	40,133,601
Net Patient Service Revenue Before Provision for Doubtful Accounts	26,994,428	25,391,845
Provision for Doubtful Accounts	2,098,622	1,087,369
Net Patient Service Revenue After Provision for Doubtful Accounts	\$ 24,895,806	\$ 24,304,476

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, is as follows:

June 30, 2019

	Asset Life in Years	Beginning Balance	Additions	Deletions	Ending Balance
Land Improvements	10 - 20	\$ 263,858	-	-	\$ 263,858
Building	10 - 40	15,013,680	-	-	15,013,680
Fixed Equipment	15 - 20	1,398,020	-	-	1,398,020
Major Movable Equipment	5 - 20	20,293,259	\$ 389,038	\$ 46,483	20,635,814
Total Cost		36,968,817	389,038	46,483	37,311,372
Less: Accumulated Depreciation		26,473,217	1,436,843	46,483	27,863,577
Depreciable Capital Assets, Net		10,495,600	1,047,805	-	9,447,795
Land		387,493	-	-	387,493
Construction in Progress		96,997	191,035	11,255	276,777
Net Property, Plant, and Equipment		\$ 10,980,090	\$ 856,770	\$ 11,255	\$ 10,112,065

June 30, 2018

	Asset Life in Years	Beginning Balance	Additions	Deletions	Ending Balance
Land Improvements	10 - 20	\$ 263,858	-	-	\$ 263,858
Building	10 - 40	15,013,680	-	-	15,013,680
Fixed Equipment	15 - 20	1,398,020	-	-	1,398,020
Major Movable Equipment	5 - 20	19,328,200	\$ 965,059	-	20,293,259
Total Cost		36,003,758	965,059	-	36,968,817
Less: Accumulated Depreciation		24,963,228	1,509,989	-	26,473,217
Depreciable Capital Assets, Net		11,040,530	544,930	-	10,495,600
Land		387,493	-	-	387,493
Construction in Progress		206,587	11,255	\$ 120,845	96,997
Net Property, Plant, and Equipment		\$ 11,634,610	\$ 533,675	\$ 120,845	\$ 10,980,090

Depreciation expense for the fiscal years ended June 30, 2019 and 2018 was \$1,436,843 and \$1,509,989, respectively.

The cost of the total assets under capital lease was \$1,085,970 and \$1,064,882 with total related amortization expense of \$199,210 and \$231,780 for the years ended June 30, 2019 and 2018, respectively.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 6 - LONG-TERM DEBT

Long-term debt at June 30, 2019 and 2018 consisted of the following:

	2019	2018
General Obligation Bonds dated October 3, 2013, original amount of \$3,000,000 bearing interest of 3.38%, maturing serially on March 1, of each year beginning in 2014, with interest payable March 1, and September 1, of each year beginning in 2014, with the final maturity on March 1, 2028. The bonds are collateralized by the Hospital's ad valorem tax revenues.	\$ 1,980,000	\$ 2,165,000
General Obligation Refunding Bonds, dated July 18, 2012, bearing interest of 2.27%, maturing March 1, 2021, with interest payable semi-annually, collateralized by the Hospital's ad valorem tax revenues.	553,000	809,000
Certificate of Indebtedness, Series 2015, dated August 4, 2015, bearing a variable interest rate of no more than 5.00%, maturing July 1, 2025, with interest payable semi-annually, collateralized by excess of annual revenues.	985,000	1,270,000
Capital Lease Payable, dated May 6, 2014, bearing an interest rate of 3.28%, with payments due monthly, collateralized by laboratory equipment.	576	385
Capital Lease Payable, dated August 29, 2014, bearing an interest rate of 2.05%, with payments due monthly, collateralized by laboratory equipment.	7,108	26,725
Capital Lease Payable, dated January 25, 2016, bearing an interest rate of 3.28%, with payments due monthly, collateralized by laboratory equipment.	7,253	28,720
Capital Lease Payable, dated April 1, 2015, bearing an interest rate of 3.29%, with payments due monthly, collateralized by radiology equipment.	44,198	95,656
Capital Lease Payable, dated October 1, 2016, bearing an interest rate of 3.90%, with payments due monthly, collateralized by R&F Room equipment.	95,579	160,130
Total Debt	3,672,714	4,555,616
Less: Current Portion	594,576	746,107
Long-Term Debt	\$ 3,078,138	\$ 3,809,509

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 6 - LONG-TERM DEBT, (CONT)

Scheduled repayments on long-term debt are as follows:

June 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 594,576	\$ 127,949	\$ 722,525
2021	653,138	106,427	759,565
2022	360,000	86,530	446,530
2023	370,000	72,401	442,401
2024	385,000	57,465	442,465
2025 - 2028	1,310,000	91,134	1,401,134
Total	<u>\$ 3,672,714</u>	<u>\$ 541,906</u>	<u>\$ 4,214,620</u>

June 30, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 746,107	\$ 150,725	\$ 896,832
2020	739,379	127,949	867,328
2021	645,130	106,427	751,557
2022	360,000	86,530	446,530
2023	370,000	72,401	442,401
2024 - 2028	1,695,000	148,599	1,843,599
Total	<u>\$ 4,555,616</u>	<u>\$ 692,631</u>	<u>\$ 5,248,247</u>

A summary of debt activity for the year ended is as follows:

June 30, 2019

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due Within One Year</u>
General Obligation Bonds, Series 2013	\$ 2,165,000	-	\$ 185,000	\$ 1,980,000	\$ 190,000
General Obligation Bonds, Series 2012	809,000	-	256,000	553,000	270,000
Certificate of Indebtedness	1,270,000	-	285,000	985,000	-
Capital Lease Obligations	311,616	\$ 21,088	177,990	154,714	134,576
Total	<u>\$ 4,555,616</u>	<u>\$ 21,088</u>	<u>\$ 903,990</u>	<u>\$ 3,672,714</u>	<u>\$ 594,576</u>

June 30, 2018

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due Within One Year</u>
General Obligation Bonds, Series 2013	\$ 2,345,000	-	\$ 180,000	\$ 2,165,000	\$ 185,000
General Obligation Bonds, Series 2012	1,055,000	-	246,000	809,000	256,000
Certificate of Indebtedness	1,270,000	-	-	1,270,000	140,000
Capital Lease Obligations	524,537	-	212,921	311,616	165,107
Total	<u>\$ 5,194,537</u>	<u>-</u>	<u>\$ 638,921</u>	<u>\$ 4,555,616</u>	<u>\$ 746,107</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 7 - BOND DEFEASANCE

On July 18, 2012 the Hospital issued \$2,153,000 in General Obligation Refunding Bonds, Series 2012, with an interest rate of 2.270% and annual debt service payments from \$232,274 to \$289,424. These bonds were issued through a current refunding of \$2,125,000 of outstanding 2001 General Obligation Bonds bearing interest rates ranging from .10% to 5.15%. The net proceeds of \$2,153,000 after payment of \$29,568 in debt issuance costs plus an additional \$45,860 of debt service fund monies were used to immediately refund the General Obligation Refunding Bonds, Series 2001.

As a result, the General Obligation Refunding Bonds, Series 2001 are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$43,924. This amount is reflected on the Statement of Net Position as Deferred Outflows of Resources and is being amortized over the remaining life of the refunded debt, which has the same life as the original note. The current refunding resulted in the reduction of aggregate debt service payments over the next nine years by \$272,758, and the Hospital obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$250,750. The effective interest rate on the new issue is 2.27%.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at June 30, 2019 and 2018 are as follows:

	2019	2018
Medicare	18%	23%
Medicaid	17%	18%
Commercial and other third-party payors	34%	34%
All others	31%	25%
Total	100%	100%

NOTE 9 - CASH FLOWS SUPPLEMENTAL INFORMATION

Cash and cash equivalents as of June 30, 2019 and 2018, respectively, consist of the following:

	2019	2018
Cash and Cash Equivalents	\$ 1,369,189	\$ 1,931,676
Assets Limited to Use	398,149	585,483
Total	\$ 1,767,338	\$ 2,517,159

Total interest paid by the Hospital was \$190,864 and \$143,628 for the years ended June 30, 2019 and 2018, respectively.

NOTE 10 - COMMITMENTS

**Operating Leases.** The Hospital leases medical equipment and medical office space under operating lease agreements. The total rent expense for equipment leased under operating leases for June 30, 2019 and 2018 was \$174,744 and \$204,390, respectively.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 10 - COMMITMENTS, (CONT)

*Employment Contracts.* The Hospital has employment contracts with multiple physicians, which expire at varying times. These agreements generally provide for a base salary or hourly rate in return for services provided, and incentive compensation based on practice income as defined in the individual agreements. The agreements stipulate the circumstances under which termination may occur. The terms of some of the agreements, however, stipulate that in the case of termination without cause, the Hospital is obligated to provide reduced base salary payments for varying monthly periods as is defined in the agreements.

NOTE 11 - DEFERRED COMPENSATION PLAN AND PENSION PLAN

The Hospital has a 403 (b) plan where qualifying employees may defer certain amounts of their salary.

Effective November 1, 1995, all full-time employees who had one year of continuous service are eligible to participate in the Hospital's retirement plan. The plan is a defined contribution, money purchase plan. The plan is voluntary and there is no requirement for employees to contribute to the plan. The employee contribution has a maximum set at 20% of base pay, or other guidelines as required by tax code. Part-time employees can participate in the plan, but are limited to only employee contributions. Employees are 100% vested at the time of their enrollment so there are no forfeitures.

The Hospital funds the plan based on a percentage of eligible employees' annual salary. This percentage is determined by the Board annually, and is currently 3.25%. There is no prior funding required. The Hospital's contribution to the plan for June 30, 2019 and 2018 was \$393,298 and \$387,238, respectively. At June 30, 2019 and 2018, the amount due to the plan was \$64,747 and \$58,006, respectively.

The hospital also has the Lady of the Sea General Hospital 457 (b) plan which was enacted on October 1, 2008. The Hospital incurs no cost under this plan. The plan allows for pre-tax deferrals of income for chief officers, nurse practitioners, physicians, physician assistants, and directors. The plan is voluntary and there is no requirement for employees to contribute to the plan. These employees are eligible to participate in the plan on their first day of employment and are 100% vested at the time of their enrollment.

NOTE 12 - CONTINGENCIES AND RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompass self-insurance of (1) Hospital professional liability and comprehensive general liability and (2) Statutory workers' compensation. The Hospital continues to carry commercial insurance for all other risks of loss.

The Hospital participates in the State of Louisiana patient compensation fund (the fund). The fund provides malpractice coverage to the Hospital for claims in excess of \$100,000 up to \$500,000. According to current state law, medical malpractice liability (exclusive of future medical care awards) is limited to \$500,000 per occurrence. The management of the Hospital has no reason to believe that the Hospital will be prevented from continuing its participation in the fund.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 12 - CONTINGENCIES AND RISK MANAGEMENT, (CONT)

**Professional Liability.** The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital. The trust fund presumes to be a "grantor trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations and equity amounts assigned to the Hospital by the trust fund in its financial statements.

**Workmen's Compensation.** The Hospital also participates in the Louisiana Hospital Association Self Insurance Workmen's Compensation Trust fund. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not practical to estimate the amount of additional assessments, if any, and the costs associated with any such assessments are treated as period expenses at the time they are assessed. The trust fund presumes to be a "grantor trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations and equity amounts assigned to the Hospital by the trust fund in its financial statements.

**Self-Insurance for Health Insurance.** The Hospital elected to self-insure employee and eligible dependent health claims. The self-insured claims are processed through a plan administrator. The Hospital's self-insured plan has stop-loss insurance coverage for claims in excess of \$50,000 per individual per plan year and \$35,000 in the aggregate for claims in excess of the individual stop-loss. Prior to this election, the Hospital maintained commercial insurance coverage for health claims.

**Laws and Regulations.** The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. 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. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased 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 exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position.

NOTE 13 - BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The hospital must follow Louisiana state statutes regarding collateralization. Per Louisiana Revised Statute 39:1225, the amount of the security shall at all times be equal to one hundred percent of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 13 - BANK DEPOSITS AND INVESTMENTS, (CONT)

At June 30, 2019 and 2018, the Hospital had bank balances as follows:

	2019	2018
Insured (FDIC)	\$ 295,519	\$ 365,624
Collateralized by securities held by the pledging financial Institutions' trust department in the hospital's name	1,782,990	2,397,528
	2,078,509	2,763,152
Carrying Value	\$ 2,043,548	\$ 2,716,141

For June 30, 2019 and 2018, respectively, investment income and gains on assets limited as to use, cash equivalents, and other investments are comprised of the following:

	2019	2018
Interest Income	\$ 3,800	\$ 2,589

Investments consists of assets held in The Louisiana Asset Management Pool (LAMP) which is an investment pool established as a cooperative endeavor to enable public entities of the State of Louisiana to aggregate funds for investment. It is administered by Louisiana Asset Management Pool, Incorporated, a nonprofit corporation, which is subject to the regulatory oversight of the Treasurer of the State of Louisiana. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA R.S. 33:2955. LAMP is designed to be highly liquid and prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. Investments are reported at fair value on the Statement of Net Position. The fair value for these investments is not materially different from its reported amounts.

At year end, the Hospital's investment balances were as follows:

	2019	2018
LAMP (AAAm/Standard & Poor)	\$ 12,349,536	\$ 8,815,971

**Fair Value of Financial Instruments.**

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 13 - BANK DEPOSITS AND INVESTMENTS, (CONT)

These levels are:

Level 1 - inputs are based upon adjusted quoted prices for identical instruments traded in active markets.

Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.

Level 3 - inputs are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

All investments are based on Level 1 inputs. The hospital relies on the valuation procedures and methodologies of the external managers hired specifically to invest in such securities or in strategies which employ such securities.

NOTE 14 - ASSETS LIMITED AS TO USE

On April 1, 2001, the Hospital issued General Obligation Bonds in the amount of \$3,550,000, which required restricted cash to be held in the form of a sinking fund. On July 18, 2012, the hospital issued a General Obligation Refunding Bonds, Series 2012 through which a current refunding of the 2001 General Obligation Bonds was enacted. Section 4.1 of the Series 2012 bond document requires the following cash reservation:

*Sinking Fund* (a) For the payment of the principal of and the interest on the Bonds, the issuer will maintain a special fund, to be held by the regularly designated fiscal agent of the issuer (the "sinking" fund), into which the issuer will deposit the proceeds of the aforesaid tax...and no other moneys whatsoever...funds fully sufficient to pay promptly the principal and interest falling due on such date.

On October 3, 2013, the Hospital issued General Obligation Bonds in the amount of \$3,000,000, which required restricted cash to be held in the form of a sinking fund. Section 9.1 of the Series 2013 bond document requires the following cash reservation:

*Sinking Fund* (a) For the payment of the principal of and the interest on the Bonds, the issuer will maintain a special fund, to be held by the regularly designated fiscal agent of the issuer (the "sinking" fund), into which the issuer will deposit the proceeds of the aforesaid tax...and no other moneys whatsoever...funds fully sufficient to pay promptly the principal and interest falling due on such date.

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at June 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Under Indenture Agreement:		
Debt Service Funds	<u>\$ 398,149</u>	<u>\$ 585,483</u>
Total	<u>\$ 398,149</u>	<u>\$ 585,483</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 15 - CHARITY CARE

The Hospital provides services without charge or at amounts less than its rates to patients who meet the criteria of its charity care policy. The criterion for charity care considers items such as family income, net worth, extent of financial obligations for healthcare services, etc. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported in revenue.

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges forgone, based on established rates, were approximately \$311,819 and \$175,550 for the years ended June 30, 2019 and 2018, respectively.

Management estimates that approximately \$140,319 and \$77,242 of costs were related to charity care for the years ended June 30, 2019 and 2018, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

NOTE 16 - NET POSITION

Net position for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Invested in capital assets, net of related debt	\$ 6,439,351	\$ 6,424,474
Restricted for:		
Bond Indenture (expendable)	398,149	585,483
Unrestricted	18,154,890	15,630,319
Total Net Position	\$ 24,992,390	\$ 22,640,276

NOTE 17 - GRANT REVENUE

The Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$3,704,938 and \$3,243,115 for the years ended June 30, 2019 and 2018, respectively. The Hospital recognized non-operating grant income of \$221,304 and \$93,374 from Medicare and Medicaid for the years ended June 30, 2019 and 2018, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use" which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in in three stages, with each progressive stage incorporating more stringent measures. The Hospital's policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 17 - GRANT REVENUE, (CONT)

The payments can be retained and additional payments can be earned for each stage if the Hospital meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

Various other grants were received during the year for other uses.

NOTE 18 - 340B DRUG PROGRAM

The Hospital participates in the 340B Drug Pricing Program through the Health Resources and Services Administration (HRSA). Eligible patients receiving care from the Hospital may receive reduced pricing on certain prescriptions if filled with an outside retail pharmacy which is contracted with the Hospital. Gross revenue recognized from 340B outside pharmacies for the years ended June 30, 2019 and 2018 were \$1,424,937 and \$1,501,283, respectively.

NOTE 19 - RETAIL PHARMACY REVENUE

On January 8, 2015, the Hospital opened Lady of the Sea Community Pharmacy in Larose, Louisiana. On July 1, 2015, the Hospital opened Lady of the Sea Community Pharmacy in Cut Off, Louisiana. Net revenues for the pharmacies are shown on the face of the Statement of Revenues, Expenses, and Changes in Net Position. Net revenues are as follows:

	<u>2019</u>	<u>2018</u>
Gross Pharmacy Revenue	\$ 13,135,795	\$ 11,639,455
Less: Contractual Adjustments	<u>8,627,673</u>	<u>7,656,941</u>
Net Community Pharmacy Revenue	<u>\$ 4,508,122</u>	<u>\$ 3,982,514</u>

The Lady of the Sea Community Pharmacy participates in the 340B drug pricing program for eligible patients of the Hospital.

NOTE 20 - GOVERNMENTAL REGULATIONS

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital 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.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Hospital. Federal healthcare reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Hospital's principal

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 20 - GOVERNMENTAL REGULATIONS, (CONT)

payors. It is not possible at this time to determine the impact on the Hospital of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Hospital in future years.

NOTE 21 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB's new lease accounting standard, GASB Statement No. 87, was issued in June 2017. This Statement requires 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

NOTE 22 - SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through November 19, 2019, the date the financial statements were available to be issued.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

PATIENT SERVICE REVENUES

FOR THE YEARS ENDED JUNE 30,

	2019	2018
Anesthesia	\$ 442,897	\$ 520,198
Cardiopulmonary	1,790,596	1,747,868
Central Supply	463,866	499,522
Clinics	11,350,592	11,455,051
Dialysis	5,086,710	4,544,661
EKG	642,077	580,527
Emergency Room	9,447,997	9,681,389
Home Health	1,388,540	1,391,552
ICU	235,004	216,876
Laboratory	13,058,500	13,058,695
Med/Surg	3,409,528	3,383,168
Observation	975,479	846,397
Operating Room	1,028,618	1,149,068
Pharmacy	3,837,043	4,249,294
Radiology	10,461,410	10,175,912
Therapy	2,254,704	2,025,268
<b>GROSS PATIENT SERVICE REVENUE</b>	65,873,561	65,525,446
Contractual Adjustments	(38,879,133)	(40,133,601)
<b>NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS</b>	\$ 26,994,428	\$ 25,391,845

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

OTHER OPERATING REVENUES

FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>
Employee Meals	\$ 19,558	\$ 39,883
Guest Meals	5,549	10,211
Medical Records Revenue	43,260	39,515
Miscellaneous	63,025	270,854
Rebate Income	29,179	78,946
Rental Income - Clinics	<u>26,825</u>	<u>26,825</u>
Total Other Operating Revenue	<u>\$ 187,396</u>	<u>\$ 466,234</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SALARIES BY DEPARTMENT

FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>
Administration	\$ 446,009	\$ 421,642
Business Office	536,600	466,461
Cardiopulmonary	409,929	401,672
Clinic Administration	224,475	227,440
Dialysis	287,731	296,277
Dietary	87,482	151,136
Education - Infection Control	53,524	20,780
Emergency Room	888,461	815,307
Emergency Room Doctors	1,363,890	1,207,569
Flex Pool - Emergency Room	102,590	115,307
Freestanding Health Clinics	-	5,516
General Accounting	191,543	164,796
Home Health	301,243	282,005
Home Health Nursing Services	67,892	68,454
Housekeeping	265,029	248,655
Human Resource and Risk Management	152,777	228,603
ICU	119,296	191,601
Information Technology	266,218	244,768
Laboratory	715,563	637,025
Laundry	27,542	33,109
Learning Center	111,036	109,492
Maintenance	301,437	307,844
Medical Records	244,781	301,284
Medical/Surgical	1,067,738	1,022,173
Operating Room	329,546	339,994
Pharmacy	340,219	364,905
Pharmacy - Larose	285,119	281,943
Pharmacy - Cutoff	547,340	502,615
Public Relations	117,107	93,454
Purchasing	109,865	111,152
Radiology	621,595	660,990
Rural Health Clinics	3,435,999	3,426,310
Social Services	45,988	55,031
Ultrasound	70,166	65,227
Utilization Review	97,554	126,220
<b>Total Salaries</b>	<u>\$ 14,233,284</u>	<u>\$ 13,996,757</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

EMPLOYEE BENEFITS

FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>
Disability Insurance	\$ 93,412	\$ 70,390
Earned Time Off	1,352,214	1,226,709
Hospitalization	2,427,574	2,417,713
Life Insurance	26,390	26,338
Pension Expense	393,298	387,238
Scholarships	27,500	25,500
Social Security	1,035,140	1,017,056
Workers' Compensation	83,199	104,493
Other	<u>1,862</u>	<u>-</u>
Total Employee Benefits	<u>\$ 5,440,589</u>	<u>\$ 5,275,437</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

PURCHASED SERVICES BY DEPARTMENT

FOR THE YEARS ENDED JUNE 30,

	2019	2018
Administration	\$ 945,696	\$ 728,950
Anesthesia	328,332	327,440
Business Office	52,432	90,984
Cardiopulmonary	43,557	39,573
Clinic Pharmacy	20,135	15,913
Dialysis	68,108	77,627
Emergency Room	275,965	278,187
Freestanding Health Clinics	1,023	2,319
Home Health	160,444	151,964
Information Technology	381	2,500
Laboratory	179,991	215,536
Maintenance	18,368	13,934
Materials Management	13,274	18,843
Medical Records	12,552	12,374
Medical/Surgical	70,370	51,861
Nutritional Services	88,591	-
Operating Room	210,343	209,453
Outpatient Rehab	496,641	478,202
Pharmacy	82,171	38,998
Pharmacy - LaRose	17,983	17,669
Radiology	320,295	313,584
Rural Health Clinics	371,676	269,598
Speech Therapy	208,816	157,441
340B - Outside Pharmacy	253,518	273,089
 Total Purchased Services	 \$ 4,240,662	 \$ 3,786,039

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SUPPLIES AND OTHER EXPENSES BY DEPARTMENT                      FOR THE YEARS ENDED JUNE 30,

	2019	2018
Administration	\$ 1,081,197	\$ 1,228,904
After Hours Clinic	-	(125)
Anesthesia	31,267	39,331
Blood Bank	-	43,604
Business Office	50,345	39,095
Cardiopulmonary	109,037	59,926
Central Supply	150	-
Dialysis	341,271	311,958
Dietary	168,401	144,818
Education	9,851	4,334
EEG	-	(65)
Emergency Room	328,701	256,926
Freestanding Health Clinics	9,034	15,906
General Accounting	94,790	101,645
Home Health	85,936	67,626
Housekeeping	63,755	88,575
Human Resources	7,336	11,605
ICU	13,438	7,715
Information Technology	62,335	94,180
Laboratory	670,233	822,816
Laundry	39,019	40,693
Maintenance	708,269	667,730
Medical Records	36,747	50,084
Medical/Surgical	119,181	109,485
Operating Room	163,333	99,014
Outpatient Rehab	40,467	68,056
Pharmacy	552,500	874,587
Pharmacy - Larose	1,160,336	766,249
Pharmacy - Cutoff	2,018,928	1,860,165
Public Relations	103,789	96,250
Purchasing	85,609	(2,663)
Radiology	422,815	405,191
Rural Health Clinics	892,044	931,053
Social Services	10,976	6,903
Utilization Management	4,270	4,914
340B Outside Pharmacy	190,240	227,603
	<u>\$ 9,675,600</u>	<u>\$ 9,544,088</u>
Total Supplies and Other	<u>\$ 9,675,600</u>	<u>\$ 9,544,088</u>

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

GOVERNING BOARD EXPENSES

FOR THE YEARS ENDED JUNE 30,

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The Board of Commissioners receive no compensation for serving on the Board.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER JUNE 30,

	<u>2019</u>	<u>2018</u>
KAREN COLLINS		
Salary	\$ 156,830	\$ 146,363
Benefits-Insurance	6,498	6,719
Benefits-Retirement	5,135	4,658
Reimbursements	-	3,000
Travel	523	2,618
	<u>\$ 168,986</u>	<u>\$ 163,358</u>



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

Chairman and Board of Commissioners  
Lafourche Parish Hospital Service District No. 1  
d/b/a Lady of the Sea General Hospital  
Galliano, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lafourche Parish Hospital Service District No. 1, State of Louisiana, Parish of Lafourche, d/b/a Lady of the Sea General Hospital, a component unit of the Lafourche Parish Council (Hospital), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated November 19, 2019.

INTERNAL CONTROL OVER FINANCIAL STATEMENTS

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan", as items (Findings 2019-1 through 2019-2) that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests identified no findings of noncompliance that are required to be reported under *Government Auditing Standards*.

LAFOURCE PARISH HOSPITAL SERVICE DISTRICT NO. 1'S RESPONSE TO FINDINGS

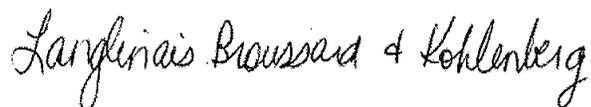
The Hospital's responses to the findings identified in our audit are described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". The Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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

This report is intended for the information and use of the Board of Commissioners and management of the Hospital, others within the organization, federal awarding agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties.

Sincerely,



LANGLINAIS BROUSSARD & KOHLENBERG  
(A Corporation of Certified Public Accountants)  
Abbeville, Louisiana

November 19, 2019

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN

For the year ended June 30, 2019

We have audited the financial statements of Lafourche Parish Hospital Service District No. 1, State of Louisiana, Parish of Lafourche, d/b/a Lady of the Sea General Hospital, a component unit of the Lafourche Parish Council (Hospital), as of and for the years ended June 30, 2019 and 2018, respectively, and have issued our report thereon dated November 19, 2019.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audit of the financial statements as of June 30, 2019 and 2018, respectively, resulted in an unmodified opinion.

Section I: Summary of Auditor's Reports

A. **Report on Internal Control and Compliance Material to the Financial Statements:**

Internal Control

Material Weaknesses:	Yes
Significant Deficiencies:	Yes

Compliance:	
Compliance Material to Financial Statements	No

Section II: Financial Statement Findings

**Material Weaknesses**

**Finding 2019-1 Segregation of Duties**

**Condition and Criteria:** The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated in the general accounting function.

**Cause:** Employees responsible for those duties perform multiple tasks related to the function. Accounting supervisor has the ability to add vendors as well as issue checks. In addition, the comptroller, accounting supervisor, and accounts payable clerk have the ability to print checks with electronic signatures.

**Effect:** Failure to adequately segregate accounting and financial functions increases the risk that errors and irregularities, including fraud, may occur and not be prevented.

**Recommendation:** The authorization of transactions and decisions, recording of those transactions, reconciliation of those transactions, and custody of assets related to those transactions should be separate functions performed by different individuals. For the accounting function, the CFO should review work papers related to journal entries depending on the nature and amount of the journal entries.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN

For the year ended June 30, 2019

**Management Response:** Compensating controls are in place for review of the work papers. The CFO reviews all work papers, check registers and reconciliations on a monthly basis. Adding additional staff at this time would be cost prohibitive. CFO will work with the comptroller to limit access to the number of positions having the ability to print checks with electronic signatures.

**Finding 2019-2 Proposed Audit Adjustments**

**Condition and Criteria:** The proposed audit adjustments for the fiscal years ended June 30, 2019 and 2018 had material effects on the financial statements.

**Cause:** The hospital was unable to reconcile some accounts due to software reporting deficiencies. In addition, cost report settlements were not available for recording as of the date of the hospital financial close period.

**Effect:** The accounting department has a limited amount of time to review the year end closing adjustments.

**Recommendation:** The hospital should consider extending its closing date for the year end to allow time for a comprehensive review to be performed by the CFO so that all non-cost report related adjustments can be made in a timely manner. The proposed audit adjustments should be reviewed by knowledgeable hospital personnel and approved before posting.

**Management Response:** Management acknowledges there are proposed audit entries for the fiscal year end. The closing date for the year is set to allow for financial statement completion prior to Finance Committee reporting. Going forward, the CFO will request a change for the date of the Finance Committee meeting at year end.

**Section III: Management Letter Items**

There are no management letter items at June 30, 2019.

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1  
d/b/a LADY OF THE SEA GENERAL HOSPITAL

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2019

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

Finding 2018-1 Segregation of Duties

The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated in the purchasing and receiving cycles and general accounting function.

Status: Unresolved. See Finding 2019-1.

Finding 2018-2 Proposed Audit Adjustments

The proposed audit adjustments for the fiscal years ended June 30, 2018 and 2017 had material effects on the financial statements.

Status: Unresolved. See Finding 2019-2.



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INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Chairman and Board of Commissioners  
Lafourche Parish Hospital Service District No. 1  
d/b/a Lady of the Sea General Hospital  
Galliano, Louisiana

We have performed the procedures described in Schedule A – Procedures and Results, which were agreed to by Lafourche Parish Hospital Service District No.1, State of Louisiana, Parish of Lafourche, d/b/a Lady of the Sea General Hospital a component unit of the Lafourche Parish Council (Hospital), and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Hospital's management is responsible for those control and compliance areas identified in the SAUPs.

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

The procedures and associated findings are described in Schedule A – Procedures and Results.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Langlinais Broussard & Kohlenberg*

LANGLINAIS BROUSSARD & KOHLENBERG  
(A Corporation of Certified Public Accountants)  
Abbeville, Louisiana

November 19, 2019

## Schedule A – Procedures and Results

### Written Policies and Procedures

---

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget  
Result: Policy Provided included all of the above functions.
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.  
Result: Policy Provided included all of the above functions.
  - c) **Disbursements**, including processing, reviewing, and approving  
Result: Policy Provided included all of the above functions.
  - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).  
Result: Policy Provided included all of the above functions.
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.  
Result: Policy Provided included all of the above functions.
  - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process  
Result: Policy Provided included all of the above functions.
  - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)  
Result: Policy Provided included all of the above functions.
  - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers  
Result: Policy Provided included all of the above functions.
  - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.  
Result: Policy Provided included all of the above functions.

## Schedule A – Procedures and Results

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

Result: Policy Provided included all of the above functions.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Result: Policy Provided included all of the above functions.

### Board or Finance Committee

---

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Result: Procedure Not Applicable - No exceptions noted in prior year.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Result: Procedure Not Applicable - No exceptions noted in prior year.

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

Result: Procedure Not Applicable - No exceptions noted in prior year.

### Bank Reconciliations

---

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

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

Result: Document provided; no exceptions noted.

## Schedule A – Procedures and Results

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

Result: Document provided; no exceptions noted.

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

Result: Document provided; no exceptions noted.

### Collections (excluding EFTs)

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

Result: Document provided; no exceptions noted.

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

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

Result: No exceptions noted.

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

Result: Each employee responsible for collecting cash is not responsible for preparing/making bank deposits.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Result: Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Result: The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledger, by revenue source and/or agency fund additions are not responsible for collecting cash.

## Schedule A – Procedures and Results

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Result: All employees who have access to cash are covered by a bond or insurance policy for theft.

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

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

Result: Receipts are sequentially pre-numbered without exception.

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

Result: The selected documentation was traced to the deposit slips without exception.

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

Result: The selected deposit slip totals were traced to the actual deposits per the bank statement.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Result: All tested deposits were made within one business day of receipt without exceptions.

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

Result: The selected deposits were traced from the bank statement to the general ledger without exception.

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

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

Result: Document provided: no exceptions noted.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

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

Result: There are at least two employees involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

## Schedule A – Procedures and Results

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

Result: There are at least two employees involved in processing and approving payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Result: The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Result: Checks are mailed by an employee who is not responsible for processing payments.

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

- a) Observe that the disbursement matched the related original invoice/billing statement.

Result: Disbursements matched the related original invoice/billing statement.

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

Result: Disbursement documentation included evidence of segregation of duties.

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

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

Result: Procedure Not Applicable - No exceptions noted in prior year.

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

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

Result: Procedure Not Applicable - No exceptions noted in prior year.

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

Result: Procedure Not Applicable - No exceptions noted in prior year.

## Schedule A – Procedures and Results

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

Result: Procedure Not Applicable - No exceptions noted in prior year.

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

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14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

Result: Procedure Not Applicable - No exceptions noted in prior year.

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

Result: Procedure Not Applicable - No exceptions noted in prior year.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Result: Procedure Not Applicable - No exceptions noted in prior year.

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

Result: Procedure Not Applicable - No exceptions noted in prior year.

### Contracts

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15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Result: Procedure Not Applicable - No exceptions noted in prior year.

## Schedule A – Procedures and Results

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

Result: Procedure Not Applicable - No exceptions noted in prior year.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Result: Procedure Not Applicable - No exceptions noted in prior year.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Result: Procedure Not Applicable - No exceptions noted in prior year.

### *Payroll and Personnel*

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

Result: Procedure Not Applicable - No exceptions noted in prior year.

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

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

Result: Procedure Not Applicable - No exceptions noted in prior year.

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

Result: Procedure Not Applicable - No exceptions noted in prior year.

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

Result: Procedure Not Applicable - No exceptions noted in prior year.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Result: Procedure Not Applicable - No exceptions noted in prior year.

## Schedule A – Procedures and Results

19. Obtain management’s representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers’ compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Result: Procedure Not Applicable - No exceptions noted in prior year.

### *Ethics*

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

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

Result: Procedure Not Applicable - No exceptions noted in prior year.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

Result: Procedure Not Applicable - No exceptions noted in prior year.

### *Debt Service*

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21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Result: Procedure Not Applicable - No exceptions noted in prior year.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Result: Procedure Not Applicable - No exceptions noted in prior year.

### *Other*

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

Result: Procedure Not Applicable - No exceptions noted in prior year.

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

Result: Procedure Not Applicable - No exceptions noted in prior year.