

FINANCIAL STATEMENTS

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO.1

d/b/a LADY OF THE SEA GENERAL HOSPITAL

JUNE 30, 2017 AND 2016

FINANCIAL STATEMENTS

LAFOURCHE PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a LADY OF THE SEA GENERAL HOSPITAL

JUNE 30, 2017 AND 2016

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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 statements of net 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 (Hospital), as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, 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 the 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.

OPINION

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, 2017 and 2016, and the changes in its financial position and its 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 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 Accounting Standards*, we have also issued our report dated March 19, 2018 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 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 internal control over financial reporting or on compliance. The 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

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

March 19, 2018

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

STATEMENT OF NET POSITION

JUNE 30,

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 964,993	\$ 1,521,304
Investments	6,623,054	4,588,097
Accounts Receivable, Net of Allowance for doubtful accounts of \$6,172,333 in 2017 and \$4,900,158 in 2016, Respectively	4,298,564	6,393,036
Due from Third Party Payors	2,076,800	753,971
Inventories	1,205,638	1,162,728
Prepaid Expenses	437,050	504,455
 Total Current Assets	 <u>15,606,099</u>	 <u>14,923,591</u>
ASSETS WHOSE USE IS LIMITED:		
By Board for Indenture Reserves - Debt Service Funds	574,921	929,978
Total Assets Whose Use is Limited	<u>574,921</u>	<u>929,978</u>
 PROPERTY, PLANT, AND EQUIPMENT:		
Property, Plant, and Equipment, Net of Accumulated Depreciation	<u>11,634,610</u>	<u>12,304,364</u>
 OTHER ASSETS:		
Other Receivables, Net of Estimated Uncollectibles of \$190,932 for 2017 and 2016	842,063	461,164
Other Assets	214,659	214,659
 Total Other Assets	 <u>1,056,722</u>	 <u>675,823</u>
 DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Charge on Refunding Debt	18,809	23,832
 Total Deferred Outflows of Resources	 <u>18,809</u>	 <u>23,832</u>
 TOTAL ASSETS	 <u>\$ 28,891,161</u>	 <u>\$ 28,857,588</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
CUT OFF, LOUISIANA

STATEMENT OF NET POSITION

JUNE 30,

LIABILITIES AND NET POSITION

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	631,345	559,982
Credit Balances	149,705	168,174
Accounts Payable	795,691	599,598
Accrued Salaries, Benefits and Related Withholdings	724,223	681,487
Due to Third Party Payors	840,751	915,650
Interest Payable	42,796	38,525
Accrued Self-Insurance	334,852	101,371
	<hr/>	<hr/>
Total Current Liabilities	3,519,363	3,064,787
 LONG-TERM LIABILITIES:		
Capital Lease Obligations	319,192	287,426
Certificate of Indebtedness	1,270,000	1,405,000
General Obligation Refunding Bonds - Series 2012	809,000	1,055,000
General Obligation Bonds - Series 2013	2,165,000	2,345,000
	<hr/>	<hr/>
Total Long-Term Liabilities	4,563,192	5,092,426
 TOTAL LIABILITIES	 <hr/>	 <hr/>
	8,082,555	8,157,213
 NET POSITION		
Invested in Capital Assets, Net of Related Debt	6,440,073	6,651,956
Restricted Net Position (Expendable)	574,921	929,978
Unrestricted Net Position	13,793,612	13,118,441
	<hr/>	<hr/>
TOTAL NET POSITION	20,808,606	20,700,375
 TOTAL LIABILITIES AND NET POSITION	 <hr/>	 <hr/>
	\$ 28,891,161	\$ 28,857,588

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,

	2017	2016
OPERATING REVENUES:		
Net Patient Service Revenues Before Provision for		
Doubtful Accounts	\$ 25,123,175	\$ 28,489,685
Provision for Doubtful Accounts	(2,797,483)	(4,940,706)
Net Patient Service Revenues After Provision for		
Doubtful Accounts	22,325,692	23,548,979
340B Outside Pharmacy Revenue	865,751	553,429
Net Community Pharmacy Revenue	3,825,292	2,727,574
Intergovernmental Revenue-Operating	2,962,853	2,574,040
Other Operating Revenue	361,310	294,538
Total Operating Revenues	30,340,898	29,698,560
OPERATING EXPENSES:		
Salaries	13,827,658	13,891,327
Employee Benefits	4,947,946	4,492,188
Purchased Services	3,647,102	3,498,717
Supplies and Other	8,987,858	9,211,862
Depreciation and Amortization	1,583,081	1,429,104
Total Operating Expenses	32,993,645	32,523,198
LOSS FROM OPERATIONS	(2,652,747)	(2,824,638)
NON-OPERATING REVENUES (EXPENSES):		
Income on Investments Whose Use is Limited:		
Indenture Agreement and Board for Indenture Reserves	1,736	1,586
Grant Income	210,628	248,005
Bond Issue Costs	-	(36,666)
Interest Income	42,286	15,531
Interest Expense	(214,909)	(191,885)
Taxes:		
Bond - Restricted to Bond Retirement Fund	574,619	587,108
Maintenance	2,140,118	2,171,988
Gain on Disposal of Assets	6,500	2,435
TOTAL NON-OPERATING REVENUES (EXPENSES)	2,760,978	2,798,102
CHANGE IN NET POSITION	108,231	(26,536)
TOTAL NET POSITION, BEGINNING	20,700,375	20,726,911
TOTAL NET POSITION, ENDING	\$ 20,808,606	\$ 20,700,375

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,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from and On Behalf of Patients	\$ 24,635,396	\$ 23,116,072
Receipts from 340B Program - Outside Pharmacy	449,883	455,969
Receipts from Intergovernmental Grant Agreement	2,745,520	2,909,449
Receipts from Community Pharmacies	3,766,116	2,682,183
Receipts from Other Operating Sources	361,310	294,538
Payments to Suppliers	(12,438,867)	(12,988,303)
Payments to Employees for Salaries, Benefits and Related Costs	(19,858,818)	(20,693,845)
Net Cash Flow Used in Operating Activities	(339,460)	(4,223,937)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Ad Valorem Taxes - Debt Service	572,503	581,404
Ad Valorem Taxes - Maintenance	2,133,050	2,155,787
Net Cash Provided by Non-Capital Financing Activities	2,705,553	2,737,191
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Grant Revenue	257,372	192,170
Interest Paid on Long-Term Debt	(214,157)	(190,088)
Proceeds from the Issuance of Long-Term Debt	362,141	1,608,757
Bond Issue Costs	-	(36,666)
Repayment of Long-Term Debt	(820,012)	(651,886)
Net Cash Provided by Capital and Related Financing Activities	(414,656)	922,287
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Capital Assets	(913,327)	(1,104,861)
Proceeds from Disposition of Assets	6,500	2,435
Proceeds from Sale of Investments	800,000	4,515,000
Purchase of Investments	(2,800,000)	(2,904,973)
Interest Income	44,022	17,117
Net Cash Provided by (Used in) Investing Activities	(2,862,805)	524,718
NET DECREASE IN CASH AND CASH EQUIVALENTS	(911,368)	(39,741)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, INCLUDING \$929,978 AND \$686,086, LIMITED TO USE FOR 2017 AND 2016, RESPECTIVELY	2,451,282	2,491,023
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING \$574,921 AND \$929,978 LIMITED TO USE FOR 2017 AND 2016, RESPECTIVELY	\$ 1,539,914	\$ 2,451,282

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	\$ (2,652,747)	\$ (2,824,638)
Adjustments to Reconcile Operating (Loss) to Net Cash		
Used in Operating Activities		
Depreciation and Amortization	1,583,081	1,429,104
Provision for Doubtful Accounts	2,797,483	4,940,706
Increase in Accounts Receivable	(743,266)	(6,462,432)
(Decrease) Increase in Due to/from Third Party Payors	(1,397,728)	584,929
(Increase) in Other Receivables	(423,087)	(102,092)
Decrease in Inventories and Prepaids	24,494	39,715
Increase (Decrease) in Accounts Payable and Accrued Expenses	238,829	(1,823,663)
Increase (Decrease) in Other Current Liabilities	<u>233,481</u>	<u>(5,566)</u>
Net Cash Used in Operating Activities	\$ <u>(339,460)</u>	\$ <u>(4,223,937)</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
CUT OFF, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Investments. Investments, including assets limited as to use, are recorded at fair value in accordance with GASB Codification Section I50.105, *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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 and 2016, was \$430,140 and \$408,937, 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.

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.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 43% and 35% of its gross patient service revenue for June 30, 2017 and 2016, 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.

Patients Accounts Receivable consists of the following:

	2017	2016
Total Patients Accounts Receivable	\$ 10,470,897	\$ 11,293,194
Less: Allowances for Doubtful Accounts and Contractual Allowances	6,172,333	4,900,158
Net Patient Accounts Receivable	\$ 4,298,564	\$ 6,393,036

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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 audited by the Medicare fiscal intermediary through June 30, 2014.

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 audited 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.

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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 4: NET PATIENT SERVICE REVENUE (CONTINUED)

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:

	2017	2016
Medicare	\$ 5,090,255	\$ 4,332,656
Medicaid	6,745,781	4,136,855
All Other Payors	13,287,139	20,020,174
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	\$ 25,123,175	\$ 28,489,685

The following schedule represents total Net Patient Service Revenue:

	2017	2016
Gross Patient Service Revenue	\$ 64,041,430	\$ 60,148,662
Contractual Adjustments	(38,918,255)	(31,658,977)
Net Patient Service Revenue Before Provision for Doubtful Accounts	25,123,175	28,489,685
Provision for Doubtful Accounts	(2,797,483)	(4,940,706)
Net Patient Service Revenue After Provision for Doubtful Accounts	\$ 22,325,692	\$ 23,548,979

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

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

June 30, 2017

	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	<u>18,568,519</u>	<u>823,887</u>	<u>64,205</u>	<u>19,328,201</u>
Total Cost		35,244,077	823,887	64,205	36,003,759
Less: Accumulated Depreciation		<u>23,444,353</u>	<u>1,583,081</u>	<u>64,205</u>	<u>24,963,229</u>
Depreciable Capital Assets, Net		11,799,724	(759,194)	-	11,040,530
Land		387,493	-	-	387,493
Construction in Progress		<u>117,147</u>	<u>120,845</u>	<u>31,405</u>	<u>206,587</u>
Net Property, Plant, and Equipment		<u>\$ 12,304,364</u>	<u>\$(638,349)</u>	<u>\$ 31,405</u>	<u>\$ 11,634,610</u>

June 30, 2016

	Asset Life In Years	Beginning Balance	Additions	Deletions	Ending Balance
Land Improvements	10 - 20	\$ 263,858	\$ -	\$ -	\$ 263,858
Building	10 - 40	11,021,719	3,991,961	-	15,013,680
Fixed Equipment	15 - 20	1,398,020	-	-	1,398,020
Major Movable Equipment	5 - 20	<u>17,193,342</u>	<u>1,385,671</u>	<u>10,494</u>	<u>18,568,519</u>
Total Cost		29,876,939	5,377,632	10,494	35,244,077
Less: Accumulated Depreciation		<u>22,015,249</u>	<u>1,429,104</u>	-	<u>23,444,353</u>
Depreciable Capital Assets, Net		7,861,690	3,948,528	10,494	11,799,724
Land		387,493	-	-	387,493
Construction in Progress		<u>4,389,918</u>	<u>31,405</u>	<u>4,304,176</u>	<u>117,147</u>
Net Property, Plant, and Equipment		<u>\$ 12,639,101</u>	<u>\$3,979,933</u>	<u>\$ 4,314,670</u>	<u>\$ 12,304,364</u>

Depreciation expense for the fiscal years ended June 30, 2017 and 2016 was \$1,583,081 and \$1,429,104, respectively.

The cost of the total assets under capital lease was \$1,078,337 and \$705,469 with total related amortization expense of \$238,193 and \$144,009 for the years ended June 30, 2017 and 2016, respectively.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 6: LONG-TERM DEBT

Long-term debt at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
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.	\$ 2,345,000	\$ 2,515,000
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.	1,055,000	1,295,000
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.	1,270,000	1,405,000
Capital Lease Payable, dated July 16, 2012, bearing no interest, using an effective interest rate of 3.28%, Maturing on July 16, 2017, with payments due monthly, collateralized by laboratory equipment.	-	14,115
Capital Lease Payable, dated May 6, 2014, bearing an interest rate Of 3.28%, with payments due monthly, collateralized by laboratory equipment.	45,873	94,466
Capital Lease Payable, dated August 29, 2014, bearing an interest rate of 2.05%, with payments due monthly, collateralized by laboratory equipment.	46,342	64,811
Capital Lease Payable, dated January 25, 2016, bearing an interest rate of 3.28%, with payments due monthly, collateralized by laboratory equipment.	49,753	70,362
Capital Lease Payable, dated April 1, 2015, bearing an interest rate of 3.29%, with payments due monthly, collateralized by radiology equipment.	145,458	193,654
Capital Lease Payable, dated October 1, 2016, bearing an interest rate of 3.90%, with payments due monthly, collateralized by R&F Room equipment.	<u>237,111</u>	<u>-</u>
Total Debt	5,194,537	5,652,408
Less: Current Portion	<u>631,345</u>	<u>559,982</u>
Long-Term Portion	<u>\$ 4,563,192</u>	<u>\$ 5,092,426</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 6: LONG-TERM DEBT (CONTINUED)

Scheduled repayments on long-term debt are as follows:

June 30, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 631,345	\$ 173,301	\$ 804,646
2019	745,723	150,725	896,448
2020	740,146	127,949	868,095
2021	652,323	106,427	758,750
2022	360,000	86,530	446,530
2023-2027	1,815,000	212,550	2,027,550
2028	<u>250,000</u>	<u>8,540</u>	<u>258,540</u>
Total	<u>\$ 5,194,537</u>	<u>\$ 866,022</u>	<u>\$ 6,060,559</u>

June 30, 2016

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 559,982	\$ 155,095	\$ 715,077
2018	696,556	167,486	864,042
2019	673,163	147,937	821,100
2020	664,707	128,311	793,018
2021	633,000	109,301	742,301
2022-2026	1,930,000	277,362	2,207,362
2027-2028	<u>495,000</u>	<u>49,855</u>	<u>544,855</u>
Total	<u>\$ 5,652,408</u>	<u>\$ 1,035,347</u>	<u>\$ 6,687,755</u>

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

June 30, 2017

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due Within One Year</u>
General Obligation Bonds, Series 2013	\$2,515,000	\$ -	\$ 170,000	\$2,345,000	\$ 180,000
General Obligation Refunding Bonds, Series 2012	1,295,000	-	240,000	1,055,000	246,000
Certificate of Indebtedness	1,405,000	-	135,000	1,270,000	-
Capital Lease Obligations	<u>437,408</u>	<u>362,141</u>	<u>275,012</u>	<u>524,537</u>	<u>205,345</u>
Total	<u>\$5,652,408</u>	<u>\$ 362,141</u>	<u>\$ 820,012</u>	<u>\$5,194,537</u>	<u>\$ 631,345</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 6: LONG-TERM DEBT (CONTINUED)

	<u>June 30, 2016</u>				<u>Due Within</u>
	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>One Year</u>
General Obligation Bonds, Series 2013	\$2,680,000	\$ -	\$ 165,000	\$2,515,000	\$ 170,000
General Obligation Refunding Bonds, Series 2012	1,524,000	-	229,000	1,295,000	240,000
Certificate of Indebtedness	-	1,535,000	130,000	1,405,000	-
Capital Lease Obligations	<u>491,537</u>	<u>73,757</u>	<u>127,886</u>	<u>437,408</u>	<u>149,982</u>
Total	<u>\$4,695,537</u>	<u>\$1,608,757</u>	<u>\$ 651,886</u>	<u>\$5,652,408</u>	<u>\$ 559,982</u>

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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Medicare	28%	22%
Medicaid	17%	14%
Commercial and other third party payors	27%	39%
All others	<u>28%</u>	<u>25%</u>
Total	<u>100%</u>	<u>100%</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 9: CASH FLOWS SUPPLEMENTAL INFORMATION

Cash and cash equivalents as of June 30, 2017 and 2016, respectively, consist of the following:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 964,993	\$ 1,521,304
Assets Limited to Use	<u>574,921</u>	<u>929,978</u>
Total	<u>\$ 1,539,914</u>	<u>\$ 2,451,282</u>

Total interest paid by the Hospital was \$214,157 and \$190,088 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 was \$244,757 and \$356,330, respectively.

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, 2017 and 2016 was \$367,156 and \$341,990, respectively. At June 30, 2017 and 2016, the amount due to the plan was \$56,881 and \$53,877, 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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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.

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.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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. At June 30, 2017 and 2016, the Hospital had bank balances as follows:

	<u>2017</u>	<u>2016</u>
Insured (FDIC)	\$ 312,858	\$ 259,916
Collateralized by securities held by the pledging financial Institutions' trust department in the hospital's name	<u>3,404,084</u>	<u>2,795,555</u>
	<u>\$ 3,716,942</u>	<u>\$ 3,055,471</u>
Carrying Value	<u>\$ 2,047,912</u>	<u>\$ 2,850,042</u>

For June 30, 2017 and 2016, respectively, investment income and gains on assets limited as to use, cash equivalents, and other investments are comprised of the following:

	<u>2017</u>	<u>2016</u>
Interest Income	<u>\$ 1,736</u>	<u>\$ 1,586</u>

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:

	<u>2017</u>	<u>2016</u>
LAMP (AAAm/Standard & Poor)	<u>\$ 6,623,054</u>	<u>\$ 4,588,097</u>

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.

These levels are:

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 13: BANK DEPOSITS AND INVESTMENTS (CONTINUED)

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 that, "the proceeds of the Bonds other than accrued interest, if any, will be accounted for in a separate fund or account, herein referred to as the "Project Fund" which will be held separate and apart from all other funds, solely for the purpose of paying costs of the Project and costs of issuance of the Bonds".

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, 2017 and 2016, are as follows:

	2017	2016
Under Indenture Agreement:		
Debt Service Funds	\$ 574,921	\$ 929,978
Total	\$ 574,921	\$ 929,978

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

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 15: CHARITY CARE (CONTINUED)

charity care policy. Charges forgone, based on established rates, were approximately \$767,973 and \$383,328 for the years ended June 30, 2017 and 2016, respectively.

Management estimates that approximately \$337,908 and \$177,864 of costs were related to charity care for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 are as follows:

	2017	2016
Invested in capital assets, net of related debt	\$ 6,440,073	\$ 6,651,956
Restricted for:		
Bond Indenture (expendable)	574,921	929,978
Unrestricted	13,793,612	13,118,441
Total Net Position	\$ 20,808,606	\$ 20,700,375

NOTE 17: UNCOMPENSATED CARE REVENUE

The Hospital received Uncompensated Care payments for the years ended December 31, 2011 and prior. These payments were based upon estimated uncompensated care costs (UCC) and are still subject to audit by the Louisiana Department of Health and Hospitals. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized. At June 30, 2015, the Hospital accrued \$257,877 to reserve for the 2011 UCC audit settlement located in Due to Third Party Payors on the Statement of Net Position. The hospital liquidated this liability during the year ended June 30, 2016.

NOTE 18: 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 \$2,962,853 and \$2,574,040 for the years ended June 30, 2017 and 2016, respectively. During the year ended June 30, 2016, the hospital accrued \$524,285 payable to reserve the 2013 audit settlement of these funds.

The Hospital recognized non-operating grant income of \$197,075 and \$114,278 from Medicare and Medicaid for the years ended June 30, 2017 and 2016, 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
d/b/a LADY OF THE SEA GENERAL HOSPITAL
CUT OFF, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 18: GRANT REVENUE (CONTINUED)

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 19: 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, 2017 and 2016 were \$865,751 and \$553,429, respectively.

NOTE 20: 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>2017</u>	<u>2016</u>
Gross Pharmacy Revenue	\$ 9,658,757	\$ 7,508,679
Contractual Adjustments	<u>(5,833,465)</u>	<u>(4,781,105)</u>
Net Community Pharmacy Revenue	<u>\$ 3,825,292</u>	<u>\$ 2,727,574</u>

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

NOTE 21: 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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 21: GOVERNMENTAL REGULATIONS (CONTINUED)

discounting or capitated payment arrangements with many, if not all, of the Hospital's principal 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 22: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Beginning after December 18, 2018, a new revenue recognition standard will be effective, Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers.

FASB's new lease accounting standard, ASU 2016-02, Leases (Topic 842), was issued on February 25, 2016. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. The ASU on leases will take effect for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early application will be permitted for all organizations.

NOTE 23: SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through March 19, 2018, 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,

	2017	2016
Anesthesia	\$ 599,354	\$ 611,839
After Hours Clinic	-	327,327
Business Office	96	-
Cardiopulmonary	1,837,805	1,698,797
Central Supply	41,284	-
Clinics	9,204,603	7,871,807
Dialysis	4,836,663	2,333,953
EEG	3,152	6,698
EKG	453,460	447,770
Emergency Room	9,743,572	9,471,923
Freestanding Clinics	-	84,207
Home Health	1,400,967	1,863,293
ICU	338,040	305,994
Laboratory	12,570,835	12,074,578
Med/Surg	2,884,411	2,670,883
Observation	1,461,852	1,448,239
Operating Room	1,357,996	1,481,772
Pharmacy	4,322,727	5,089,862
Radiology	11,048,485	10,805,141
Therapy	1,936,128	1,554,579
 GROSS PATIENT SERVICE REVENUE	 64,041,430	 60,148,662
 Contractual Adjustments	 (38,918,255)	 (31,658,977)
 NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	 <u>\$ 25,123,175</u>	 <u>\$ 28,489,685</u>

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>2017</u>	<u>2016</u>
Employee Meals	\$ 42,886	\$ 48,731
Guest Meals	9,954	8,751
Medical Records Revenue	40,141	39,070
Miscellaneous	209,546	155,851
Rebate Income	32,650	24,699
Rental Income - Clinics	<u>26,133</u>	<u>17,436</u>
Total Other Operating Revenue	<u>\$ 361,310</u>	<u>\$ 294,538</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>2017</u>	<u>2016</u>
Administration	\$ 479,038	\$ 448,518
After Hours Clinic	-	186,454
Business Office	467,054	502,669
Cardiopulmonary	398,183	415,206
Clinic Administration	299,730	317,484
Dialysis	296,568	213,758
Dietary	156,537	159,790
Education - Infection Control	48,514	48,705
Emergency Room	744,637	738,592
Emergency Room Doctors	1,242,189	1,258,308
Flex Pool - Emergency Room	76,166	107,578
Freestanding Health Clinics	119,793	38,879
General Accounting	157,014	162,884
Home Health	359,329	375,710
Home Health Nursing Services	77,667	90,490
Housekeeping	241,407	249,792
Human Resource and Risk Management	146,675	146,634
ICU	175,364	272,589
Information Technology	251,657	248,624
Laboratory	631,597	643,070
Laundry	39,075	39,377
Learning Center	83,043	87,523
Maintenance	308,207	269,699
Medical Records	254,869	252,066
Medical/Surgical	1,056,887	1,014,151
Operating Room	329,109	326,782
Pharmacy	343,159	330,350
Pharmacy - Larose	278,926	285,895
Pharmacy - Cutoff	468,739	493,071
Public Relations	75,503	104,271
Purchasing	104,387	103,079
Radiology	626,900	695,774
Rural Health Clinics	3,254,157	3,032,513
Social Services	59,919	71,542
Ultrasound	61,617	50,040
Utilization Review	114,042	109,460
Total Salaries	<u>\$ 13,827,658</u>	<u>\$ 13,891,327</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>2017</u>	<u>2016</u>
Disability Insurance	\$ 78,447	\$ 81,270
Earned Time Off	1,295,555	1,309,551
Hospitalization	2,032,592	1,532,782
Life Insurance	21,692	22,499
Pension Expense	367,156	341,990
Scholarships	24,000	15,000
Social Security	1,012,284	1,030,358
Workers' Compensation	108,739	155,139
Other	<u>7,481</u>	<u>3,599</u>
Total Employee Benefits	<u>\$ 4,947,946</u>	<u>\$ 4,492,188</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,

	<u>2017</u>	<u>2016</u>
Administration	\$ 320,072	\$ 289,105
Anesthesia	330,444	351,942
Business Office	311,529	379,829
Cardiopulmonary	37,196	41,123
Clinic Pharmacy	28,270	63,048
Dialysis	49,188	65,935
Emergency Room	155,310	124,740
Freestanding Health Clinics	4,547	10,234
Home Health	125,355	182,900
Information Technology	450	-
Laboratory	185,694	145,757
Maintenance	11,186	-
Materials Management	35,355	-
Medical Records	24,334	60,000
Medical/Surgical	39,724	14,005
Operating Room	215,791	205,413
Outpatient Rehab	383,154	294,515
Pharmacy	33,953	-
Pharmacy - LaRose	18,286	14,661
Radiology	308,392	351,207
Rural Health Clinics	515,785	574,990
Speech Therapy	140,331	142,124
340B - Outside Pharmacy	372,756	187,189
Total Purchased Services	<u>\$ 3,647,102</u>	<u>\$ 3,498,717</u>

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,

	<u>2017</u>	<u>2016</u>
Administration	\$ 1,102,933	\$ 1,089,853
After Hours Clinic	(2,464)	44,975
Anesthesia	53,070	21,258
Blood Bank	62,913	73,709
Business Office	49,908	34,842
Cardiopulmonary	130,555	172,795
Dialysis	378,709	381,124
Dietary	158,870	187,049
Education	3,737	6,462
EEG	1,674	1,829
Emergency Room	332,432	264,850
Freestanding Health Clinics	64,172	24,456
General Accounting	75,088	83,299
Home Health	63,454	97,256
Housekeeping	51,384	74,584
Human Resources	1,045	38,013
ICU	10,146	11,197
Information Technology	55,855	78,170
Laboratory	718,939	733,454
Laundry	36,729	31,967
Maintenance	720,176	617,400
Medical Records	39,284	40,793
Medical/Surgical	181,705	146,397
Operating Room	274,798	176,784
Outpatient Rehab	26,985	22,426
Pharmacy	549,699	661,221
Pharmacy - Larose	762,032	835,739
Pharmacy - Cutoff	1,494,982	1,600,625
Public Relations	103,433	143,992
Purchasing	130,204	101,156
Radiology	437,809	423,747
Rural Health Clinics	780,324	818,924
Social Services	7,528	6,254
Utilization Management	4,322	5,363
340B Outside Pharmacy	125,428	159,899
	<u>\$ 8,987,858</u>	<u>\$ 9,211,862</u>
Total Supplies and Other		

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,

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>2017</u>	<u>2016</u>
KAREN COLLINS		
Salary	\$ 136,500	\$ 141,725
Benefits-Insurance	5,976	6,427
Benefits-Retirement	3,533	3,533
Reimbursements	3,999	-
Travel	<u>3,400</u>	<u>5,488</u>
	<u>\$ 153,408</u>	<u>\$ 157,173</u>



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Joseph Blake Moss, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
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, Lady of the Sea General Hospital, a component unit of the Lafourche Parish Council (Hospital), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated March 19, 2018.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan", we identified certain deficiencies in internal control that we consider to be material weaknesses (Findings 2017-4 through 2017-7).

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.

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 findings of noncompliance that are required to be reported under *Government Auditing Standards*. As described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan", we identified three issues of noncompliance (Findings 2017-1 through 2017-3).

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

March 19, 2018

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

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

For the year ended June 30, 2017

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, 2017 and 2016, respectively, and have issued our report thereon dated March 19, 2018.

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, 2017 and 2016, 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	Yes

Section II: Financial Statement Findings

A - Issues of Noncompliance

Finding 2017-1 Payroll Tax Deposits

Condition and Criteria: Several federal and state payroll tax deposits were paid late or inaccurately.

Cause: Payroll tax deposits were not reviewed by management to ensure timely and accurate remittance.

Effect: Hospital incurred penalties due to untimely and inaccurate remittance of payroll tax deposits.

Recommendation: Management should implement oversight of the payroll tax deposit process to ensure accurate and timely payments.

Management Response: The organization has transitioned to a payroll service that is responsible for the timely submission of all tax payments. Comptroller is monitoring submissions for timeliness.

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

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

For the year ended June 30, 2017

Finding 2017-2 Employee Gifts

Condition and Criteria: Hospital may have been in violation of Article 7, Section 14 of LA Constitution.

Cause: Hospital issued gift cards to employees based on years of service.

Effect: Hospital may have been in violation of Article 7, Section 14 of LA Constitution.

Recommendation: Hospital funds should not be used to purchase gift cards.

Management Response: Management is now aware of the situation and has instructed Human Resources to no longer present gift cards to employees. Human Resources is developing a policy to address future events.

Finding 2017-3 Audit Deadline

Criteria: Louisiana law requires audits of governmental districts to be filed within six months of the entity's fiscal year end under RS 24:513.

Condition: The Hospital did not meet the six month deadline for filing the audit report with the Legislative Auditor of the State of Louisiana.

Cause: Due to a software conversion of the Hospital's patient accounting system, general ledger system, and materials management system, Hospital required additional time to reconcile and provide support for accounting records.

Effect: The Hospital is not in compliance with Louisiana RS 24:513.

Recommendation: Audit reports should be filed with the Legislative Auditor's office within six months of the year end to be in compliance with Louisiana RS 24:513.

Management Response: Management acknowledges that as an alpha and beta site for a number of system conversion areas, an extension of time was needed to reconcile and verify accounting records. Hospital and software vendor are currently working together to resolve the issues related to this. Management fully expects to file timely in 2018.

B - Significant Deficiencies

None Noted.

C - Material Weaknesses

Finding 2017-4 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,

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

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

For the year ended June 30, 2017

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.

Management Response: Prior to computer conversion, vendors were not needed to be made in order to process refunds. With our system change, refunds require a vendor to be made in order to process. We have now moved the refund processing to the accounts payable clerk with the accounting supervisor making the vendors. Also, the accounts payable clerk is the only person to print checks. The CFO reviews all work papers for general journal entries on a monthly basis.

Finding 2017-5 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal years ended June 30, 2017 and 2016 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 most significant relate to the Medicare/Medicaid cost report calculations and the computer system conversion. The fiscal year ends five months before the deadline for the completion and submission of the cost report. Dependence on third party information requires this extended time period. Management will extend future year end close and issue draft financials at June 30th.

Finding 2017-6 Bank Reconciliation

Condition and Criteria: Year-end operating bank reconciliation was not completed as of audit field work.

Cause: Operating transactions were not properly recorded in the general ledger software.

Effect: Hospital made significant number of manual journal entries to record all transactions and was delayed in reconciling operating bank account.

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

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

For the year ended June 30, 2017

Recommendation: Hospital should review general ledger detail for completeness monthly and reconcile bank accounts in a timely manner.

Management Response: Because of the timing and complexity of computer conversion to several different systems, the operating bank statement reconciliation was delayed and resulted in additional manual journal entries. With the new general ledger system, there is a bank reconciliation process which will be implemented within the next fiscal year. This will automate the reconciliation process resulting in timely completion.

Finding 2017-7 Software System Conversion

Condition and Criteria: Subsidiary reports from the patient accounting software did not tie to the general ledger. Management was not able to reconcile some account balances.

Cause: The Hospital converted from a single patient accounting and general ledger software system to two new systems, which interfaced the patient accounting and general ledger functions. The patient accounting software was not fully developed for the needs of a critical access hospital.

Effect: The subsidiary reports from the patient accounting software were not complete and did not tie to the automatic postings in the general ledger accounting software, resulting in an inability to reconcile some account balances.

Recommendation: Continue to work with software vendor to implement reports that meet the financial reporting objectives of the Hospital.

Management Response: As an alpha and beta site for a number of system conversion areas, management acknowledges that there was an inability to tie postings to the general ledger. Hospital and software vendor are currently working together to resolve the issues related to this. Management fully expects these issues to resolve in 2018.

Section III: Management Letter Items

There are no management letter items at June 30, 2017.

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, 2017

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

Finding 2016-1 Prior Period Adjustment

Interest incurred on bonds used to finance the rural health building construction was not capitalized in prior years. The prior year presented in these financial statements have been restated to reflect the capitalization of this interest.

Status: Resolved.

Finding 2016-2 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 2017-4.

Finding 2016-3 Proposed Audit Adjustments

The proposed audit adjustments for the fiscal years ended June 30, 2016 and 2015 had material effects on the financial statements.

Status: Unresolved. See Finding 2017-5.



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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, 2016 through June 30, 2017. 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

March 19, 2018

Schedule A – Procedures and Results

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a) Budgeting, including preparing, adopting, monitoring, and amending the budget

Finding: Procedures provided including 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.

Finding: Procedures provided including all of the above functions.

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

Finding: Procedures provided including all of the above functions.

- d) Receipts, including receiving, recording, and preparing deposits

Finding: Procedures provided including 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.

Finding: Procedures provided including 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

Finding: Procedures provided including all of the above functions with the following exceptions noted; the policy does not include types of services requiring written contracts, standard terms and conditions or a legal review process.

Management Response: Management is aware of the situation and is diligently working to address the findings.

- 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, and (5) monitoring card usage

Finding: Procedures provided including all of the above functions with one exception; required approvers are not detailed. Policy should show what constitutes an appropriate approver.

Management Response: The credit card policy has been updated and submitted for approval by the appropriate person.

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

Finding: Procedures provided including 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.

Finding: Policy provided including all of the above functions.

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

Finding: Policy provided including all of the above functions.

Board of Commissioners

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Finding: The Board met once per month. Additional special meetings were held as needed.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Finding: Board minutes included monthly budget-to-actual comparisons as required.

- i. If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Finding: Not Applicable – no deficit spending noted.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Finding: Yes, board discussed non-budgetary financial information such as contracts and disbursements at several of the monthly meetings.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Finding: Document provided; no exceptions noted.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Finding: All bank reconciliations prepared without exception.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Finding: All bank reconciliations had evidence of management review.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Finding: Bank reconciliation includes 110 items that are over six months old as of year end. No documentation noted that management has reviewed these items.

Management Response: Management is aware of the situation and is diligently working to address the findings. Currently, all unclaimed items are listed on the unclaimed property report submitted to the State by the November 1st deadline. Processes will be added to include a review of item over 6 months old.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Finding: Document provided; no exceptions noted.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Finding: Noted one exception to cash collections procedures; multiple employees share registers simultaneously at both pharmacy locations.

Management Response: Although employees share registers, each employee must log in to complete a sale transaction. The employee is immediately logged out upon transaction completion. Each register provides an employee log of transactions processed.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Finding: Cash collection reconciliation process noted at all locations tested. Noted daily receipts are reconciled by employee not responsible for collections.

c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

i) Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Finding: All selected cash collections were deposited within one day of collection with no exceptions noted.

ii) Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Finding: No exceptions were found as a result of this testing procedure.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Finding: The Hospital has policies in place addressing all of the above areas of concern.

Disbursements – General

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Finding: Document provided; no exceptions noted.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Finding: All examined transactions utilized an electronic system.

b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Finding: All examined transactions had separate approval documented.

c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Finding: All examined transactions were supported by above listed documentation.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Finding: Inadequate separation of duties was noted between personnel responsible for payment processing and vendor addition. Employee responsible for printing patient refunds was noted to also be responsible for adding new vendors.

Management Response: The process has changed since this finding. The addition of new vendors has been re-assigned to an employee who does not prepare patient refunds.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Finding: Adequate separation of duties was noted between personnel responsible for final payment authorization and purchase initiation / recording.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Finding: Checks were noted to be electronically printed on check stock. The tester verified that check printing is limited in the system to (3) non-check signor employees only.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Finding: Not Applicable – Signature is digitally printed on checks.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

Finding: Listing obtained with no exceptions.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Finding: All examined statements were reviewed and approved by non-card holders without exceptions.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Finding: Noted finance charges and late fees were present on one of the five statements that were examined.

Management Response: Management is aware of the situation and is diligently working to address the findings

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- i) An original itemized receipt (i.e., identifies precisely what was purchased)

Finding: All transactions were supported without exception.

- ii) Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Finding: Purpose was provided for all transactions without exception.

- iii) Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Finding: Not Applicable – Procedure does not apply

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Finding: Not Applicable – No transactions were large enough to fall within the scope of Public Bid Law.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Finding: One of the five statements examined had a transaction that was not in compliance with Article 7, Section 14 of the Louisiana Constitution. Gift cards were presented to employees based on years of service not merit.

Management Response: Management is now aware of the situation and has instructed Human Resources to no longer present gift cards to employees.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Finding: Documents provided; no exceptions noted.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Finding: Policy provided; all amounts adhere to current GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Finding: All examined expenses were reimbursed in accordance with written policy without exception.

- b) Report whether each expense is supported by:

- i) An original itemized receipt that identifies precisely what was purchased.

Finding: All transactions were supported without exception.

- ii) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Finding: Purpose was provided for all transactions without exception.

- iii) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Finding: All documentation required by written policy were provided without exception.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Finding: All examined transactions were in compliance with Article 7, Section 14 without exception.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Finding: All expenses tested were noted to be approved in writing without exception.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Finding: Documents provided; no exceptions noted.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Finding: Written contract supporting services and amount paid located for all vendors tested without exception.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- i) If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Finding: Not Applicable – None of the selected contracts were subject to Louisiana Bid Law.

- ii) If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Finding: Not Applicable – None of the selected contracts were subject to Louisiana Bid Law.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Finding: None of the examined contracts were noted to be amended during the fiscal year.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Finding: All supporting invoices for selected payments complied with terms of contracts without exception.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Finding: Board approval was noted on all of the contacts examined during testing procedures without exception.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Finding: All payments to selected employees agreed with terms and conditions of employment contracts without exception.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Finding: All changes to pay rates of selected employees were approved in writing and in accordance with client policies without exception.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

Finding: All selected employees documented daily attendance and leave without exception.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Finding: All attendance and leave records for selected employees were approved by a supervisor without exception.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Finding: All leave records for selected employees were supported by written documentation without exception.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Finding: Termination payments made to selected terminated employees were in strict accordance with policy and agreed to personnel file documentation without exception.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Finding: All federal tax payments and retirement contributions examined were remitted on time without exception. It was noted that 11 of the 26 state withholding payments examined were not submitted to Louisiana Department of Revenue on a timely basis.

Management Response: The organization has transitioned to a payroll service that is responsible for the timely submission of all tax payments.

Ethics

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Finding: All selected employees completed required ethics training without exception.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Finding: No ethics violations were found as a result of this testing procedure.

Debt Service

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Finding: No new debt was noted during the fiscal year.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Finding: All debt service payments were made as scheduled. Additionally, the client maintained all debt reserves required by related debt covenants without exception.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Finding: Noted tax collections exceeded debt service payments by 19.32% for the fiscal year.

Management Response: Management is aware of the situation and is diligently working to address the findings. The 2017 debt service millage assessment was rolled back from 1 mill to .7 mills. Depressed economic conditions resulted in a decrease in tax collections for 2017. That along with the

assessment rollback may result in an underfunding of debt service. The excess tax collections from previous years will be used to cover this shortfall.

Other Areas

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Finding: Per inquiry of management, no misappropriations of funds or assets were noted.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Finding: Observed notice posted on Hospital premises and on the Hospital website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Finding: No exceptions were noted in regards to management's representations.