

Financial Report

*Lafourche Parish Hospital Service
District No. 2*

September 30, 2019



Financial Report

***Lafourche Parish Hospital Service
District No. 2***

September 30, 2019

TABLE OF CONTENTS

Lafourche Parish Hospital Service District No. 2 Raceland, Louisiana

September 30, 2019 and 2018

	<u>Page Numbers</u>
Financial Section	
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 12
Exhibits	
A - Balance Sheets	13
B - Statements of Revenues, Expenses, and Changes in Net Position	14
C - Statements of Cash Flows	15
D - Notes to Financial Statements	16 - 29
Required Supplementary Information	
1 - Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer	30
Special Reports of Certified Public Accountants	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	31 - 32
Schedule of Findings and Responses	33 - 34
Reports by Management	
Schedule of Prior Year Findings and Responses	35
Management's Corrective Action Plan	36

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,
Lafourche Parish Hospital Service District No. 2,
Raceland, Louisiana.

Report on the Financial Statements

We have audited the accompanying financial statements of the Lafourche Parish Hospital Service District No. 2 (the "District"), a component unit of the Lafourche Parish Council, as of and for the years ended September 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the Lafourche Parish Hospital Service District No. 2, as of September 30, 2019 and 2018, and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 4 through 12, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying supplementary information, on page 30, is presented for purposes of additional analysis and as required by Louisiana Revised Statute 24:513 (A)(3), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
February 11, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lafourche Parish Hospital Service District No. 2 Raceland, Louisiana

For the years ended September 30, 2019 and 2018

The accounting staff of the Lafourche Parish Hospital Service District No. 2 (the "District") is responsible for the overview and analysis of the financial activities of the District for the years ended September 30, 2019 and 2018. The explanations provided are designed to introduce the financial highlights and offer an overview of the financial statements.

Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and facts known to date. This narrative includes financial analysis of revenues, expenses, and changes in the net assets. Further detail offers readers a financial analysis of the District's funds. We encourage readers to consider the information presented here in conjunction with the financial statements presented in this report.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements offer short-term and long-term financial information about the District's activities.

The Balance Sheets include all of the District's assets and liabilities and provide information about the nature and amounts of assets and the obligations as of the balance sheet dates. They also provide the basis for evaluating the capital structure of the District and assessing the liquidity of the District.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures changes in the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through its rent revenue and other revenue sources.

The final required financial statement is the Statements of Cash Flows. The primary purpose of these statements is to provide information about the District's cash from operating, investing, and financing activities and to provide information as where the inflows of cash are derived from, what were the outflows of cash used for, and what the change in the cash balance was during the fiscal year.

CAPITAL ASSETS

Capital assets include land, improvements to land, buildings, furniture, fixtures, and equipment used in operations and exceeds the District's capitalization threshold explained in Note 1f, Exhibit D. The District has capitalized all general capital assets.

OTHER INFORMATION

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit D of this report.

FINANCIAL ANALYSIS OF THE DISTRICT

The Balance Sheets and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District's activities. Increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the healthcare industry and general economic conditions should also be considered.

2019 FINANCIAL HIGHLIGHTS

The following summarizes the District's financial highlights for the years ended September 30, 2019 and 2018.

The District recognized operating revenues of \$2,500,000 in both 2019 and 2018, for rental income from Ochsner and \$926 of miscellaneous income in 2019 as compared to \$2,913 of miscellaneous income in 2018.

Total operating expenses were \$2,706,440 for 2019 as compared to \$2,623,860 for 2018, which included \$231,425 of depreciation in 2019 and \$234,348 of depreciation for 2018. Operating expenses for both 2019 and 2018 also included \$2,350,000 of Medicaid supplemental payments associated with the Low Income and Needy Care Collaboration Agreement.

Non-operating revenues were \$153,328 for 2019 as compared to \$165,178 for 2018, which included \$152,083 of interest income on the notes receivable for 2019 and \$163,958 of interest income on the notes receivable for 2018.

The District recognized a change in net position of \$(52,186) in 2019 as compared to \$44,231 in 2018.

2018 FINANCIAL HIGHLIGHTS

The following summarizes the District's financial highlights for the years ended September 30, 2018 and 2017.

The District recognized operating revenues of \$2,500,000 in 2018 and 2017 for rental income from Ochsner and \$2,913 of miscellaneous income in 2018.

Total operating expenses were \$2,623,860 for 2018 as compared to \$2,630,863 for 2017, which included \$234,348 of depreciation in 2018 and \$237,822 of depreciation for 2017. Operating expenses for 2018 and 2017 also included \$2,350,000 of Medicaid supplemental payments associated with the Low Income and Needy Care Collaboration Agreement.

Non-operating revenues were \$165,178 for 2018 as compared to \$124,277 for 2017, which included \$163,958 of interest income on the notes receivable for 2018 and \$123,054 of interest income on the notes receivable for 2017.

The District recognized a change in net position of \$44,231 in 2018 as compared to \$(6,586) in 2017.

BALANCE SHEETS

The District's condensed Balance Sheets as of September 30, 2019, 2018, and 2017 consist of the following:

	<u>September 30,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Change</u>
Total current assets	\$ 1,159,512	\$ 1,115,179	\$ 44,333	3.98%
Capital assets, net	1,605,804	1,837,229	(231,425)	-12.60%
Other assets	<u>9,013,986</u>	<u>8,868,994</u>	<u>144,992</u>	1.63%
Total assets	<u>\$ 11,779,302</u>	<u>\$ 11,821,402</u>	<u>\$ (42,100)</u>	-0.36%
Total current liabilities	\$ 12,149	\$ 3,028	\$ 9,121	301.22%
Net position	<u>11,766,188</u>	<u>11,818,374</u>	<u>(52,186)</u>	-0.44%
Total liabilities and net position	<u>\$ 11,778,337</u>	<u>\$ 11,821,402</u>	<u>\$ (43,065)</u>	-0.36%

As shown above, for the year ended September 30, 2019, total assets decreased by \$42,100, or .36%, to \$11,779,302 as of September 30, 2019 from \$11,821,402 as of September 30, 2018.

(Continued)

BALANCE SHEETS (Continued)

	September 30,		Dollar	Percent
	2018	2017	Change	Change
Total current assets	\$ 1,115,179	\$ 1,008,113	\$ 107,066	10.62%
Capital assets	1,837,229	2,071,577	(234,348)	-11.31%
Other assets	8,868,994	8,697,945	171,049	1.97%
Total assets	<u>\$ 11,821,402</u>	<u>\$ 11,777,635</u>	<u>\$ 43,767</u>	0.37%
Total current liabilities	\$ 3,028	\$ 3,492	\$ (464)	-13.29%
Net position	<u>11,818,374</u>	<u>11,774,143</u>	<u>44,231</u>	0.38%
Total liabilities and net position	<u>\$ 11,821,402</u>	<u>\$ 11,777,635</u>	<u>\$ 43,767</u>	0.37%

As shown above, for the year ended September 30, 2018 total assets increased by \$43,767, or .37%, to \$11,821,402 as of September 30, 2018 from \$11,777,635 as of September 30, 2017.

CURRENT ASSETS**2019**

The increase in total current assets of \$44,333 resulted from an increase in cash of \$44,333.

2018

The increase in total current assets of \$107,066 resulted from an increase in cash of \$107,066.

CAPITAL ASSETS

The components of the District's capital assets as of September 30, 2019, 2018, and 2017 consist of the following:

	September 30,		
	2019	2018	2017
Land	\$ 68,523	\$ 68,523	\$ 68,523
Land improvements	326,908	326,908	334,395
Buildings and improvements	11,623,674	11,623,674	11,623,674
Furniture, fixtures, and equipment	<u>273,429</u>	<u>273,429</u>	<u>273,429</u>
Subtotal	12,292,534	12,292,534	12,300,021
Less accumulated depreciation	<u>(10,686,730)</u>	<u>(10,455,305)</u>	<u>(10,228,444)</u>
Net capital assets	<u>\$ 1,605,804</u>	<u>\$ 1,837,229</u>	<u>\$ 2,071,577</u>

CAPITAL ASSETS (Continued)**2019**

Annual depreciation expense for 2019 and 2018 was \$231,425 and \$234,348, respectively.

2018

Annual depreciation expense for 2018 and 2017 was \$234,348 and \$237,822, respectively.

Deletions in 2018 consisted of approximately \$7,500 of fully depreciated equipment removed from capital assets based on an inventory of assets.

More information about the District's capital assets is presented in Note 3 to the financial statements.

OTHER ASSETS**2019**

The increase in other assets was principally the result of accruing \$152,083 of interest income on the note receivable.

2018

The increase in other assets was principally the result of accruing \$163,958 of interest income on the note receivable.

NET POSITION

The components of the District's net position as of September 30, 2019, 2018, and 2017 consist of the following:

	September 30,		
	2019	2018	2017
Net investment in capital assets	\$ 1,605,804	\$ 1,837,229	\$ 2,071,577
Unrestricted	10,160,384	9,981,145	9,702,566
Totals	<u>\$ 11,766,188</u>	<u>\$ 11,818,374</u>	<u>\$ 11,774,143</u>

NET POSITION (Continued)**2019**

For the year ended September 30, 2019, total net position decreased \$52,186, or .44%, as a result of expenses exceeding revenues. Of the District's \$11,766,188 and \$11,818,374 in net position as of September 30, 2019 and 2018, respectively, \$1,605,840 and \$1,837,229, respectively, were not spendable because these amounts are invested in capital assets.

2018

For the year ended September 30, 2018, total net position increased \$44,231, or .38%, as a result of revenues exceeding expenses. Of the District's \$11,818,374 and \$11,774,143 in net position as of September 30, 2018 and 2017, respectively, \$1,837,229 and \$2,071,577, respectively, were not spendable because these amounts are invested in capital assets.

STATEMENTS OF REVENUE AND EXPENSES

A summary of the District's revenues and expenses for the years ended September 30, 2019, 2018, and 2017 consist of the following:

	September 30, 2019	2018	Dollar Change	Percent Change
Operating revenues:				
Rental income	\$ 2,500,000	\$ 2,500,000	\$ -	0.00%
Miscellaneous revenue	926	2,913	(1,987)	-68.21%
Total operating revenues	2,500,926	2,502,913	(1,987)	-0.08%
Operating expenses:				
Medicaid supplemental payments	2,350,000	2,350,000	-	0.00%
Depreciation	231,425	234,348	(2,923)	-1.25%
Insurance	7,993	7,967	26	0.33%
Legal and professional fees	38,011	20,000	18,011	90.06%
Repairs and maintenance	38,879	-	38,879	100.00%
Supplies and other	40,132	11,545	28,587	247.61%
Total operating expenses	2,706,440	2,623,860	82,580	3.15%
Loss from operations	(205,514)	(120,947)	(84,567)	69.92%
Non-operating income	153,328	165,178	(11,850)	-7.17%
Revenue in excess of expenses (expenses in excess of revenues)	\$ (52,186)	\$ 44,231	\$ (96,417)	217.99%

(Continued)

STATEMENTS OF REVENUE AND EXPENSES (Continued)

	September 30,		Dollar	Percent
	2018	2017	Change	Change
Operating revenues:				
Rental income	\$ 2,500,000	\$ 2,500,000	\$ -	0.00%
Miscellaneous revenue	2,913	-	2,913	100.00%
Total operating revenues	2,502,913	2,500,000	2,913	0.12%
Operating expenses:				
Medicaid supplemental payments	2,350,000	2,350,000	-	0.00%
Depreciation	234,348	237,822	(3,474)	-1.46%
Insurance	7,967	7,975	(8)	-0.10%
Legal and professional fees	20,000	20,000	-	0.00%
Supplies and other	11,545	15,066	(3,521)	-23.37%
Total operating expenses	2,623,860	2,630,863	(7,003)	-0.27%
Loss from operations	(120,947)	(130,863)	9,916	-7.58%
Non-operating income	165,178	124,277	40,901	32.91%
Revenue in excess of expenses (expenses in excess of revenues)	\$ 44,231	\$ (6,586)	\$ 50,817	-771.59%

OPERATING REVENUE

2019

During 2019, the District earned operating revenue of \$2,500,000 from the rental of building space to Ochsner St. Anne and miscellaneous revenues of \$926.

2018

During 2018, the District earned operating revenue of \$2,500,000 from the rental of building space to Ochsner St. Anne and miscellaneous revenues of \$2,913.

OPERATING EXPENSES

2019

During 2019, the District incurred operating expenses of \$2,706,440 which was an increase of \$82,580 from the prior year total of \$2,623,860. The majority of the increase is the result of repairs and maintenance which increased \$38,879, from \$0 in 2018 to 38,879 in 2019 and supplies and other which increased \$28,587, from \$11,545 in 2018 to \$40,132 in 2019 and legal and professional which increased \$18,011, from \$20,000 in 2018 to \$38,011 in 2019.

2018

During 2018, the District incurred operating expenses of \$2,623,860 which was a decrease of \$7,003 from the prior year total of \$2,630,863. The majority of the decrease is the result of supplies and other which decreased \$3,521, from \$15,066 in 2017 to \$11,545 in 2018 and depreciation which decreased \$3,474, from \$237,822 in 2017 to \$234,348 in 2018.

NON-OPERATING INCOME

2019

Non-operating income consists of interest income. Interest income is earned on the note receivable and operating account. The overall decrease includes a decrease in interest income on the note receivable of \$11,875.

2018

Non-operating income consists of interest income. Interest income is earned on the note receivable and operating account. The overall increase includes an increase in interest income on the note receivable of \$40,904.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

While the 2020 annual budget of the District is not presented within these financial statements, the District's management considered many factors when setting the fiscal year budgets. Although the financial outlook for the District appears to be positive, the primary areas of importance in setting the 2020 budget are the status of the operating leases, healthcare environment, and other environmental factors such as:

- Anticipated payments for Medicaid supplemental payments
- Cost of supplies
- Cost of legal and professional fees
- Cost of insurance
- Interest rate fluctuations

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

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

BALANCE SHEETS**Lafourche Parish Hospital Service District No. 2**
Raceland, Louisiana

September 30, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash	\$ 1,159,512	\$ 1,115,179
Capital Assets, net	<u>1,605,804</u>	<u>1,837,229</u>
Other Assets		
Note receivable	8,440,517	8,440,517
Interest receivable	573,469	421,386
Other receivables	<u>-</u>	<u>7,091</u>
Total other assets	<u>9,013,986</u>	<u>8,868,994</u>
Total assets	<u><u>\$ 11,779,302</u></u>	<u><u>\$ 11,821,402</u></u>

LIABILITIES AND NET POSITION

Current Liabilities		
Accounts payable	\$ 12,149	\$ 3,028
Deferred revenue	<u>965</u>	<u>-</u>
Total current liabilities	<u>13,114</u>	<u>3,028</u>
Net Position		
Net investment in capital assets	1,605,804	1,837,229
Unrestricted	<u>10,160,384</u>	<u>9,981,145</u>
Total net position	<u>11,766,188</u>	<u>11,818,374</u>
Total liabilities and net position	<u><u>\$ 11,779,302</u></u>	<u><u>\$ 11,821,402</u></u>

See notes to financial statements.

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**

Lafourche Parish Hospital Service District No. 2
Raceland, Louisiana

For the years ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Rental income - Ochsner Bayou, L.L.C.	\$ 2,500,000	\$ 2,500,000
Miscellaneous revenue	<u>926</u>	<u>2,913</u>
Total operating revenues	<u>2,500,926</u>	<u>2,502,913</u>
Operating Expenses		
Medicaid supplemental payments	2,350,000	2,350,000
Depreciation	231,425	234,348
Insurance	7,993	7,967
Legal and professional fees	38,011	20,000
Repairs and maintenance	38,879	-
Supplies and other	<u>40,132</u>	<u>11,545</u>
Total operating expenses	<u>2,706,440</u>	<u>2,623,860</u>
Loss from operations	<u>(205,514)</u>	<u>(120,947)</u>
Non-Operating Revenues		
Interest income	1,245	1,220
Interest income - note receivable	<u>152,083</u>	<u>163,958</u>
Total non-operating revenues	<u>153,328</u>	<u>165,178</u>
Change in Net Position	(52,186)	44,231
Net Position		
Beginning of year	<u>11,818,374</u>	<u>11,774,143</u>
End of year	<u><u>\$ 11,766,188</u></u>	<u><u>\$ 11,818,374</u></u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS**Lafourche Parish Hospital Service District No. 2**
Raceland, Louisiana

For the years ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Receipts from operating activities	\$ 2,500,926	\$ 2,502,913
Payments to suppliers	<u>(2,457,838)</u>	<u>(2,397,067)</u>
Net cash provided by operating activities	<u>43,088</u>	<u>105,846</u>
Cash Flows From Investing Activities		
Investment income	<u>1,245</u>	<u>1,220</u>
Net Increase in Cash	44,333	107,066
Cash		
Beginning of year	<u>1,115,179</u>	<u>1,008,113</u>
End of year	<u><u>\$ 1,159,512</u></u>	<u><u>\$ 1,115,179</u></u>
Supplemental Disclosure of Non-Cash Investing Activities		
Accrued interest on note receivable	<u><u>\$ 152,083</u></u>	<u><u>\$ 163,958</u></u>
Reconciliation of Loss From Operations to Net Cash Provided by Operating Activities		
Loss from operations	\$ (205,514)	\$ (120,947)
Adjustments to reconcile loss from operations to net cash provided by operating activities		
Depreciation	231,425	234,348
(Increase) decrease in other receivables	7,091	(7,091)
Increase (decrease) in accounts payable	<u>9,121</u>	<u>(464)</u>
Net cash provided by operating activities	<u><u>\$ 42,123</u></u>	<u><u>\$ 105,846</u></u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Lafourche Parish Hospital Service District No. 2**

Raceland, Louisiana

September 30, 2019 and 2018

Note 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Reporting Entity**

Lafourche Parish Hospital Service District No. 2 (the "District"), is an acute care facility created pursuant to Louisiana Revised Statutes. Effective May 1, 2006, the District and Ochsner Bayou L.L.C. ("Ochsner") entered into a Special Services Agreement as more fully described in Note 5.

The administration of the District 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 Lafourche Parish (the "Parish"), for reporting purposes, the Lafourche Parish Council (the "Council") is the financial reporting entity for the Parish. The financial reporting entity consists of (a) the primary government, (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.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and Statement No. 39, *Determining Whether Certain Organizations Are a Component Unit - an Amendment of GASB Statement No. 14* and GASB Statement No. 61, *The Financial Reporting Entity: omnibus an amendment of GASB Statements No. 14 and No. 34*, established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The 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:

Note 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell, and lease property in its own name.
2. Whether the governing authority appoints a majority of the board members of the potential component unit.
3. Fiscal interdependency between the governmental entity and the potential component unit.
4. Imposition of will by the governmental entity on the potential component unit.
5. Financial benefit/burden relationship between the governmental entity and the potential component unit.

Because the Lafourche Parish Council appoints all of the members of the District's governing board and has the ability to impose its will on the District, the District 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 District and do not present information on the Lafourche Parish Council, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

Based on the criteria described above, the District has no component units.

b. Accounting Standards

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

Note 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Use of Estimates

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

d. Proprietary Fund Accounting

The District utilizes the proprietary fund method of accounting whereby the activity is accounted for on a flow of economic resources measurement focus. Revenue and expenses are recognized on the accrual basis wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable. Revenues resulting from transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Substantially all revenues and expenses are subject to accrual.

e. 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. There were no cash equivalents as of September 30, 2019 and 2018.

f. Capital Assets, Net

The District records all capital asset acquisitions at cost, except for assets donated to the District. Donated assets are recorded at fair value at the date of donation. The District provides for depreciation using the straight-line method over the estimated useful lives of the assets. The District's policy is to capitalize acquisitions over \$500.

Maintenance, repairs and minor replacements, and improvements are expensed as incurred. Major replacements and improvements are capitalized at cost.

Note 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Capital Assets, Net (Continued)

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Reserves*, management evaluates assets for potential impairment when a significant, unexpected decline in the service utility of a capital asset occurs.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Lives</u>
Buildings and building improvements	10-40 years
Land improvements	10-20 years
Furniture and fixtures	5-7 years
Equipment	3-7 years

g. Net Position

Net position represents the difference between assets and liabilities. Net position classifications are defined as follows:

Net Investment in Capital Assets - 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.

Restricted Net Position - Net position is reported as 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. There were no restrictions as of September 30, 2019 and 2018.

Unrestricted Net Position - This component of net position reports the net position that does not meet the definition of "restricted" or "net investment in capital assets", as described above. Unrestricted resources are for the use of the District's operations.

The District first applies restricted resources when expenditure is incurred for purposes for which both restricted and unrestricted resources are available.

Note 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued February 11, 2020.

i. New Pronouncements

During the year ended September 30, 2019, the District implemented the following GASB statements:

Statement No. 83, "*Certain Asset Retirement Obligations*" addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. This statement did not affect the District's financial statements.

Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*" improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The statement clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 30, 2018. This statement did not affect the District's financial statements.

Note 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. New Pronouncements (Continued)

The GASB has issued the following Statements which will become effective in future years as shown below:

Statement No. 84, "*Fiduciary Activities*" improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Management has not yet determined the effect of this statement on the financial statements.

Statement No. 87, "*Leases*" increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. Management has not yet determined the effect of this statement on the financial statements.

Note 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. New Pronouncements (Continued)

Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period"* establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the effect of this statement on the financial statements.

Statement No. 90, *"Majority Equity Interest"* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and therefore, the government should report that organization as a component unit. This statement also requires that a component unit in which a government has a 100% equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100% equity interest in the

Note 1 - DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. New Pronouncements (Continued)

component unit. Transactions presented in flows statements of the component unit in that circumstance should only include transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Management has not yet determined the effect of this statement on the financial statements.

Note 2 - CASH AND INVESTMENTS

The District reports cash and investments utilizing GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires certain disclosures of investment risks related to credit risk, concentration of credit risk and interest rate risk associated with interest-bearing investments. Such disclosures required by GASB Statement No. 40 and applicable to the District are reflected below.

Bank Deposits:

Louisiana State Law requires deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes Federal Deposits Insurance Corporation (FDIC) insurance and securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished, as security must be held by the political subdivision, or with an unaffiliated bank or a trust company for the account of the political subdivision.

The balances of deposits as of September 30, 2019 and 2018 are as follows:

	2019		2018	
	Bank Balances	Reported Amount	Bank Balances	Reported Amount
Cash	<u>\$ 1,159,737</u>	<u>\$ 1,159,512</u>	<u>\$ 1,115,397</u>	<u>\$ 1,115,179</u>

Note 2 - CASH AND INVESTMENTS (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have written deposit policy for custodial credit risk beyond the requirements of the state statute. As of September 30, 2019 and 2018, \$659,737 and \$615,397 of the District's bank balance of \$1,159,737 and \$1,115,397, respectively, was exposed to custodial credit risk. As of September 30, 2019 and 2018, these deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department in the District's name.

As of September 30, 2019 and 2018, cash and certificates of deposit in excess of the FDIC insurance were collateralized by securities held by unaffiliated banks for the account of the depositors. The GASB, which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though the deposits are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

Investments:

State statutes authorize the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations; repurchase agreements; and the Louisiana Asset Management Pool (LAMP). The District did not report investments in the described securities as of September 30, 2019 and 2018.

Note 3 - CAPITAL ASSETS

Capital asset activity as of and for the years ended September 30, 2019 and 2018 is as follows:

	September 30, 2018	Additions	Transfers and Disposals	September 30, 2019
Capital assets, not being depreciated:				
Land	\$ 68,523	\$ -	\$ -	\$ 68,523
Total capital assets, not being depreciated	68,523	-	-	68,523
Capital assets, being depreciated:				
Land improvements	326,908	-	-	326,908
Buildings and building improvements	11,623,674	-	-	11,623,674
Furniture, fixtures, and equipment	273,429	-	-	273,429
Total capital assets, being depreciated	12,224,011	-	-	12,224,011
Less accumulated depreciation for:				
Land improvements	317,005	2,994	-	319,999
Buildings and building improvements	9,926,583	216,587	-	10,143,170
Furniture, fixtures, and equipment	211,717	11,844	-	223,561
Total accumulated depreciation	10,455,305	231,425	-	10,686,730
Total capital assets, being depreciated, net	1,768,706	(231,425)	-	1,537,281
Capital assets, net	<u>\$ 1,837,229</u>	<u>\$ (231,425)</u>	<u>\$ -</u>	<u>\$ 1,605,804</u>

Note 3 - CAPITAL ASSETS (Continued)

	September 30, 2017	Additions	Transfers and Disposals	September 30, 2018
Capital assets, not being depreciated:				
Land	\$ 68,523	\$ -	\$ -	\$ 68,523
Total capital assets, not being depreciated	68,523	-	-	68,523
Capital assets, being depreciated:				
Land improvements	334,395	-	(7,487)	326,908
Buildings and building improvements	11,623,674	-	-	11,623,674
Furniture, fixtures, and equipment	273,429	-	-	273,429
Total capital assets, being depreciated	12,231,498	-	(7,487)	12,224,011
Less accumulated depreciation for:				
Land improvements	321,498	2,994	(7,487)	317,005
Buildings and building improvements	9,707,863	218,720	-	9,926,583
Furniture, fixtures, and equipment	199,083	12,634	-	211,717
Total accumulated depreciation	10,228,444	234,348	(7,487)	10,455,305
Total capital assets, being depreciated, net	2,003,054	(234,348)	-	1,768,706
Capital assets, net	\$ 2,071,577	\$ (234,348)	\$ -	\$ 1,837,229

Note 4 - INCOME TAXES

The District is a governmental unit, registered as a not-for-profit corporation and is exempt from Federal income taxes on related income.

Note 5 - SPECIAL SERVICES AGREEMENT

Effective May 1, 2006, the District entered into a Special Services Agreement (SSA) with Ochsner Bayou L.L.C. ("Ochsner"). The SSA was subsequently amended on June 1, 2007 and June 1, 2015. The SSA provides that the District retains certain powers incident to its purposes as a hospital service district; that Ochsner shall at all times operate the facilities in conformity with the standards performance of the Joint Commission for the Accreditation of Healthcare Organizations; that Ochsner shall provide various management services; that Ochsner cannot discontinue services without the approval of the District; that Ochsner and the District must agree on the hospital's strategic plan; and, that Ochsner shall be entitled to bill and collect for all services performed at the hospital facilities.

In accordance with the SSA, the District and Ochsner entered into a lease agreement to facilitate the continuation of the provision of high quality health care services to residents of its district. The District leases (i) tracts of land; (ii) all buildings, structures, fixtures, and improvements; (iii) servitudes; and, (iv) all equipment, machinery, fixtures, and other items of property to Ochsner.

Under the third amendment to the lease agreement dated June 1, 2015, the initial lease term is for 20 years and can be renewed six additional five year terms. Under the new agreement, Ochsner shall pay to the District a base rent in the amount of \$2,500,000 per year for the use of premises, which shall be due and payable in quarterly installments in the amount of \$625,000 due on June 1st, September 1st, December 1st, and March 1st of each year. In addition to the base rent, Ochsner shall pay for the following: (i) all expenditures related to the routine repair and maintenance of the facilities; (ii) all expenditures related to tenant improvements; and (iii) expenditures for necessary permanent capital improvements to the facilities up to \$1,000,000 during the remainder of the initial lease term.

If by the end of the initial term or any successive term, Ochsner has not expended amounts at least equal to the initial rent or any successive term rent, respectively, Ochsner shall pay to the District at such time cash in the amount of the shortfall. If by the end of the initial term or any successive term, Ochsner has expended amounts on excess permanent capital improvements such excess shall be carried forward as a potential credit against any rent owed by Ochsner to the District during such successive term.

Upon termination of the lease agreement, if Ochsner has expended amounts of excess permanent capital improvements approved by the respective governing boards of both Ochsner and the District which have not been applied as a credit against rent owed by Ochsner as of the date of termination, Ochsner shall be entitled to reimbursement from the District for the net present value of such expenditures, to the extent such expenditures are permitted to be capitalized and have not been fully depreciated in accordance with accounting principles generally accepted in the United States of America.

Note 5 - SPECIAL SERVICES AGREEMENT (Continued)

During the term of the lease agreement, the District shall utilize its best efforts to cooperate with Ochsner to address any issues related to the operation of facilities and conduct quarterly reviews to evaluate whether additional funding is needed to support Ochsner's continued ability to operate the facilities and provide healthcare services to the residents in the community in accordance with the standards set forth in the lease agreement. In the event the District elects to use its Available Tax and Operating Revenue for a purpose other than support for the hospital and/or the delivery of healthcare services for the low-income and needy population, either party shall have the right to terminate the lease agreement. "Available Tax and Operating Revenue" shall be defined as the sum of the District's annual proceeds from any tax millage it levies and the District's operating revenue, less \$150,000 per year to be retained by the District to cover the costs of its reasonable operating expenses and maintain any required budgetary reserves.

As additional consideration for the amendments to the lease agreement, the District agrees to assign to Ochsner any and all of the rights under any facilities lease agreement between the District and LHC Group, Inc.

Note 6 - WORKING CAPITAL NOTE

As part of the initial SSA dated May 1, 2006, the District received a working capital note from Ochsner. The principal balance on the note as of September 30, 2010 was \$7,054,945. On December 31, 2010, the note was amended and the note balance was increased to \$8,028,777 which included the original principal balance plus all accrued unpaid interest of \$973,832. On June 1, 2015, the note was again amended and the note balance was increased to \$8,440,517 which included the original principal balance plus all accrued unpaid interest of \$411,740. The aggregate principal amount of the working capital note outstanding bears interest at a rate per annum equal to the 5 Year Yield Tax Exempt Insured Revenue Bond Rate published by Bloomberg on the first day of the calendar month. The principal amount of this working capital note, together with all interest then accrued hereon, is due and payable in full on May 1, 2026. As of September 30, 2019 and 2018, accrued interest totaled \$573,469 and \$421,386, respectively.

Note 7 - LEASE

As discussed in Note 5, the District entered into a lease agreement with Ochsner on June 1, 2015. Ochsner shall pay annual rent of \$2,500,000 in quarterly installments of \$625,000 through May 2026. It is anticipated that the District will use the rental income to make the \$2,350,000 of annual Medicaid supplemental payments associated with the Low Income and Needy Care Collaboration Agreement with area healthcare partners.

Note 7 - LEASE (Continued)

Future minimum lease payments are as follows:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2020	\$2,500,000
2021	\$2,500,000
2022	\$2,500,000
2023	\$2,500,000
2024	\$2,500,000
2025 and thereafter	\$3,750,000

Note 8 - RISK MANAGEMENT

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

Lafourche Parish Hospital Service District No. 2
Raceland, Louisiana

For the year ended September 30, 2019

Agency Head Name: Mr. Leonard St. Pierre, Board Chairman *

Purpose

Salary	\$	-
Benefits - insurance		-
Benefits - retirement		-
Benefits - other		-
Car allowance		-
Vehicle provided by government		-
Per diem		-
Reimbursements		-
Travel		-
Registration fees		-
Conference travel		-
Continuing professional education fees		-
Housing		-
Unvouchered expenses		-
Special meals		-
		<hr/>
	\$	<hr/> <hr/>

* During the year ended September 30, 2019, the District did not have compensation, benefits, or other payments to its agency head.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners,
Lafourche Parish Hospital Service District No. 2,
Raceland, 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 accompanying financial statements of Lafourche Parish Hospital Service District No. 2 (the "District") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 11, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Certified Public Accountants.

New Orleans, Louisiana,
February 11, 2020.

SCHEDULE OF FINDINGS AND RESPONSES

Lafourche Parish Hospital Service District No. 2 Raceland, Louisiana

For the year ended September 30, 2019

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency (ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

b) Federal Awards

Lafourche Parish Hospital Service District No. 2 did not receive federal awards in excess of \$750,000 during the year ended September 30, 2019 and, therefore, is exempt from the audit requirements under Title 2 U.S. Code of Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended September 30, 2019 related to internal control over financial reporting.

(Continued)

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Compliance and Other Matters

There were no findings noted during the audit for the year ended September 30, 2019 related to compliance and other matters.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Lafourche Parish Hospital Service District No. 2 Raceland, Louisiana

For the year ended September 30, 2019

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended September 30, 2018 related to internal control over financial reporting.

Compliance and Other Matters

There were no findings noted during the audit for the year ended September 30, 2018 related to compliance and other matters.

Section II - Internal Control and Compliance Material to Federal Awards

Lafourche Parish Hospital Service District No. 2 did not receive federal awards in excess of \$750,000 during the year ended September 30, 2018, and therefore, was exempt from the audit requirements under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended September 30, 2018.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Lafourche Parish Hospital Service District No. 2

Raceland, Louisiana

For the year ended September 30, 2019

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended September 30, 2019 related to internal control over financial reporting.

Compliance and Other Matters

There were no findings noted during the audit for the year ended September 30, 2019 related to compliance and other matters.

Section II - Internal Control and Compliance Material to Federal Awards

Lafourche Parish Hospital Service District No. 2 did not receive federal awards in excess of \$750,000 during the year ended September 30, 2019, and therefore, was exempt from the audit requirements under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended September 30, 2019.