

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

Audits of Financial Statements

December 31, 2016 and 2015



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Parish Hospital Service District for the Parish of Orleans - District A (the District), a component unit of the City of New Orleans, as of and for the years ended December 31, 2016 and 2015, 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 opinions on the financial statements based on our audit. We conducted our audit 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 basic 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 basic 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 basic financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2016 and 2015, and the changes in its financial position and, where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Matters

Our Audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures or federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The 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 the other additional procedures in accordance with the 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.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2017 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
April 27, 2017

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)
Statements of Net Position
December 31, 2016 and 2015**

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 77,357	\$ 3,637,902
Receivables		
Patient accounts receivable, less allowance for uncollectible accounts of \$13,116,822 in 2016 and \$8,585,389 in 2015	3,351,386	2,487,214
Grant	-	2,298,610
Estimated third-party payor settlements	3,918,671	922,844
Assets whose use is limited or restricted for current liabilities	-	620,886
Inventory	760,367	850,759
Prepaid expenses	1,117,369	1,104,319
Total current assets	9,225,150	11,922,534
Assets whose use is limited or restricted		
Under mortgage agreement for insurance	965,168	911,050
Under mortgage agreement for mortgage reserve fund	1,972,616	1,517,064
Under mortgage agreement - escrow for capital	1,758,398	1,758,398
	4,696,182	4,186,512
Less: amount required for current liabilities	-	(620,886)
Total assets whose use is limited or restricted	4,696,182	3,565,626
Capital assets, net	121,624,003	126,843,725
Other assets	1,500	1,500
Total assets	\$ 135,546,835	\$ 142,333,385

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

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)
Statements of Net Position (Continued)
December 31, 2016 and 2015**

	2016	2015
Liabilities and net position		
Current liabilities		
Accounts payable	\$ 2,836,887	\$ 1,833,268
Other payables	-	245,272
Accrued expenses	297,259	549,317
Other current liabilities	17,546,606	9,423,554
Amounts due within one year on long-term debt	-	620,886
Unearned revenue - DSH	-	4,132,407
	<hr/>	<hr/>
Total current liabilities	20,680,752	16,804,704
Security deposits	74,000	-
Long-term debt, net of current portion	93,379,889	93,379,889
	<hr/>	<hr/>
Total long-term liabilities	93,453,889	93,379,889
Total liabilities	114,134,641	110,184,593
Net position		
Net investment in capital assets	28,244,114	32,805,369
Unrestricted	(6,831,920)	(656,577)
	<hr/>	<hr/>
Total net position	21,412,194	32,148,792
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Total liabilities and net position	\$ 135,546,835	\$ 142,333,385
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The accompanying notes are an integral part of these financial statements.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2016 and 2015**

	2016	2015
Operating revenues		
Net patient service revenue	\$ 33,642,264	\$ 24,298,640
Operating grants	4,549,579	16,533,114
Other revenue	297,617	197,274
	<hr/>	<hr/>
Total revenues	38,489,460	41,029,028
Operating expenses		
Salaries and benefits	13,441,213	11,494,141
Supplies and other	3,983,636	3,561,508
Other direct expenses	11,495,023	5,340,996
Professional fees	5,854,014	5,578,510
Purchased services	4,420,495	3,500,221
Depreciation and amortization	6,464,242	6,350,623
	<hr/>	<hr/>
Total operating expenses	45,658,623	35,825,999
Operating (loss) income	(7,169,163)	5,203,029
Non-operating revenues (expenses)		
Interest expense	(3,569,092)	(3,635,924)
Interest income	1,657	407
	<hr/>	<hr/>
Total non-operating loss	(3,567,435)	(3,635,517)
Change in net position	(10,736,598)	1,567,512
Net position, beginning of year	32,148,792	30,581,280
	<hr/>	<hr/>
Net position, end of year	\$ 21,412,194	\$ 32,148,792
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The accompanying notes are an integral part of these financial statements.

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015**

	2016	2015
Cash flows from operating activities		
Receipts from patients and third-party payors	\$ 25,947,475	\$ 31,584,165
Receipts from governmental grants	6,848,189	11,195,255
Payments for operating expenses	(17,092,817)	(23,435,150)
Payments to employees and for employee-related costs	(13,392,904)	(11,244,057)
Net cash provided by operating activities	2,309,943	8,100,213
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(1,244,520)	(2,862,226)
Escrow deposit	(509,670)	(1,840,722)
Security deposits	74,000	-
Principal payments on long-term debt	(620,886)	(1,299,771)
Interest payments	(3,571,069)	(3,336,688)
Net cash used in capital and related financing activities	(5,872,145)	(9,339,407)
Cash flows from investing activities		
Other income	1,657	407
Net cash provided by investing activities	1,657	407
Decrease in cash and cash equivalents	(3,560,545)	(1,238,787)
Cash and cash equivalents, beginning of year	3,637,902	4,876,689
Cash and cash equivalents, end of year	\$ 77,357	\$ 3,637,902
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 3,571,069	\$ 3,336,688

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

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2016 and 2015**

	2016	2015
Reconciliation of operating income to net cash provided by operating activities		
Operating (loss) income	\$ (7,169,163)	\$ 5,203,029
Adjustments to reconcile operating (loss) income to net cash provided by operating activities		
Depreciation	6,464,242	6,350,623
Provision for bad debts	4,531,433	6,403,756
Changes in:		
Patient accounts receivable	(5,393,628)	(6,684,588)
Grant receivable	2,298,610	(280,273)
Estimated third-party payor settlements	(2,995,827)	3,236,676
Inventory	90,392	(1,436)
Prepaid expenses and other assets	(13,050)	(340,212)
Accounts payable	1,003,619	(5,361,335)
Other payable	(245,272)	(527,567)
Accrued expenses	(252,058)	(895,161)
Unearned revenue - grants	-	(3,984,438)
Other current liabilities	8,123,052	874,824
Retainage payable	-	(26,092)
Unearned revenue - DSH	(4,132,407)	4,132,407
Net cash provided by operating activities	\$ 2,309,943	\$ 8,100,213

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

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

Notes to Financial Statements

Note 1. Description of Reporting Entity

Organization

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

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

Reporting Entity

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

Cooperative Endeavor Agreement

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

The CEA provides that the Joint Parties will manage and be responsible for the day-to-day operations of the 80 bed public hospital and emergency department doing business as NOEH. Touro will serve in the primary role of managing and being responsible for the day-to-day operations of NOEH and to provide supplemental operational support for NOEH to support and enhance the continuity and viability of NOEH's operations for the citizens of eastern New Orleans.

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

Notes to Financial Statements

Note 1. Description of Reporting Entity (Continued)

Cooperative Endeavor Agreement (Continued)

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

See Note 12 for further details.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

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

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

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

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

Assets Whose Use is Limited or Restricted

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

Inventories

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

Cost of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The District did not capitalize any interest costs allocated to building and construction in progress for the years ended December 31, 2016 and 2015, respectively.

Grants and Contributions

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

Unearned Revenue - Grants

When the District receives grant funds for which it is obligated to provide future services, they recognize them as revenue in the period that the services are provided. Unearned grant revenue was \$-0- and \$245,272 as of December 31, 2016 and 2015, respectively.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue - DSH

The District received payments from the State for the District providing healthcare services to the medically indigent and high risk Medicaid, in advance of the District providing those services. The District recognizes revenue ratably as services are provided. The balance of funds received in excess of services provided, as measured, is recognized as deferred revenue on the balance sheets. Unearned revenues pertaining to such payments were \$4,132,407 as of December 31, 2015. As of December 31, 2016, the District had DSH revenues receivable of \$7,273,689.

Net Patient Service Revenue and Related Receivables

Net patient service revenue and the related accounts receivable are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. The District provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the District is exposed to certain credit risks. The District manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances. Provisions for bad debts are reported as offsets to net patient service revenues consistent with reporting practices for governmental entities.

Medicare and Medicaid Reimbursement Programs

The District is reimbursed under the Medicare Prospective Payment System for acute care inpatient services provided to Medicare beneficiaries and is paid a predetermined amount for these services based, for the most part, on the Diagnosis Related Group (DRG) assigned to the patient, with the exception of capital costs as explained below.

As a new hospital, as defined, the District is paid upon filing its cost report for inpatient and outpatient capital costs, which is expected to be eighty-five percent (85%) for its years ended December 31, 2016 and 2015. Except for Medicare bad debts, there is no retroactive settlement for inpatient costs under the Medicare inpatient prospective payment methodology.

The District is paid as a disproportionate share provider for Medicaid inpatients.

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

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Medicare and Medicaid Reimbursement Programs (Continued)

Retroactive cost settlements, based upon actual cost reports, are estimated for those programs subject to retroactive settlement and recorded in the financial statements. Final determination of retroactive cost settlements to be received under the Medicare and Medicaid regulations is subject to review by program representatives. The difference between an estimated settlement and a final settlement in any year is reported as an adjustment of net patient service revenue in the year the final settlement is made.

Charity Care

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

Statements of Revenues, Expenses, and Changes in Net Position

The District's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the District's principal activity.

Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues, when present. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Net Position

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as Amended*, net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets

This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Restricted

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

Unrestricted

All other net position is reported in this category.

Capital Assets

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

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

Impairment of Long-Lived Assets

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

The District determines recoverability of the assets by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate or estimated fair values in the case of nonrevenue generating assets. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized. There was no such charge in 2016.

Income Taxes

The District is a political subdivision of the State of Louisiana and as such, the accompanying financial statements do not include any provisions for income taxes.

Board of Directors

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

Compensated Absences

As mentioned in Note 1, the District entered into a CEA with Louisiana Children's Medical Center and Touro Infirmary. Through the CEA the personnel of the District are employees of Touro Infirmary. Compensated absences and payroll liabilities associated with Touro Infirmary providing their employees are included in the amount owed to Touro as detailed further in Note 12.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. See Note 10 for further details.

Impact of Recently Issued Accounting Principles

The GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value. The adoption of this Statement had no impact on the District's financial statements.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, within the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The adoption of this Statement resulted in no modifications to the District's financial statements.

Note 3. Cash and Cash Equivalents

Custodial Credit Risk - Deposits

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

The District's cash deposits and money market accounts included in cash and cash equivalents on its statements of net position, as of December 31, 2016 and 2015, were entirely covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

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

Notes to Financial Statements

Note 3. Cash and Cash Equivalents (Continued)

Concentration of Credit Risk

As required under GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3*, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB further defines an at-risk investment to be one that represents more than five percent (5%) of the fair value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. At December 31, 2016 and 2015, the District had no investments requiring concentration of credit risk disclosure.

Note 4. Other Payables

The District received Disaster Community Development Block Grant (Disaster CDBG) funds during the 2016 and 2015 fiscal years for the operation of the urgent care facility and administrative offices, as well as new hospital operations. As part of the District's CDBG funding agreement between the City of New Orleans (the City) and the District, the City provided Urban Development Action Grant (UDAG) funds to the District to advance personnel costs and certain other up-front costs related to the District's operations. The advanced UDAG funds were repaid as the Disaster CDBG grant reimbursements were received from the federal funding agency for eligible expenditures. The amount of advanced UDAG funds that have not been supported by eligible expenditures and are thus reflected as a liability to the City at December 31, 2016 and 2015 was \$-0- and \$245,272, respectively.

Note 5. Capital Assets

Capital assets activity as of and for the year ended December 31, 2016, is as follows:

	December 31, 2015	Additions	Disposals	Transfers	December 31, 2016
Capital assets, not being depreciated					
Land	\$ 3,400,000	\$ -	\$ -	\$ -	\$ 3,400,000
Capital assets, being depreciated					
Building	110,631,860	103,431	-	-	110,735,291
Furniture and equipment	22,706,125	1,141,089	-	-	23,847,214
Total capital assets being depreciated	<u>133,337,985</u>	<u>1,244,520</u>	<u>-</u>	<u>-</u>	<u>134,582,505</u>
Total capital assets	136,737,985	1,244,520	-	-	137,982,505
Less: accumulated depreciation	<u>(9,894,260)</u>	<u>(6,464,242)</u>	<u>-</u>	<u>-</u>	<u>(16,358,502)</u>
Capital assets, net	<u>\$ 126,843,725</u>	<u>\$ (5,219,722)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,624,003</u>

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

Notes to Financial Statements

Note 5. Capital Assets (Continued)

Capital assets activity as of and for the year ended December 31, 2015, is as follows:

	December 31, 2014	Additions	Disposals	Transfers	December 31, 2015
Capital assets, not being depreciated					
Land	\$ 3,400,000	\$ -	\$ -	\$ -	\$ 3,400,000
Capital assets, being depreciated					
Buildings	110,078,814	553,046	-	-	110,631,860
Furniture and equipment	20,396,945	2,309,180	-	-	22,706,125
Total capital assets being depreciated	<u>130,475,759</u>	<u>2,862,226</u>	<u>-</u>	<u>-</u>	<u>133,337,985</u>
Total capital assets	133,875,759	2,862,226	-	-	136,737,985
Less: accumulated depreciation	<u>(3,543,637)</u>	<u>(6,350,623)</u>	<u>-</u>	<u>-</u>	<u>(9,894,260)</u>
Capital assets, net	<u>\$ 130,332,122</u>	<u>\$ (3,488,397)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,843,725</u>

Note 6. Net Patient Service Revenue

Net patient service revenue for the years ended December 31, 2016 and 2015 is earned under agreements with third-party payors and self-paying patients. These agreements with third-party payors provide for payments to the District at amounts different from its established rates. These third-party payors include: the Medicare and Medicaid programs, health maintenance organizations, and various commercial insurance and preferred provider organizations.

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

A summary of the District's net patient revenue for the years ended December 31, 2016 and 2015 is as follows:

	2016	2015
Gross patient service revenue	\$ 104,080,698	\$ 80,587,285
Contractual adjustments	(63,920,713)	(47,958,461)
Charity care	(1,986,288)	(1,926,428)
Provision for bad debts	<u>(4,531,433)</u>	<u>(6,403,756)</u>
Total	<u>\$ 33,642,264</u>	<u>\$ 24,298,640</u>

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

Notes to Financial Statements

Note 7. Operating Leases

The District has an operating lease for clinical and office facilities (adjacent the hospital), expiring in the 2017 fiscal year.

Future minimum lease payments as of December 31, 2016 are as follows:

2017	<u>\$ 29,587</u>
Total	<u><u>\$ 29,587</u></u>

Note 8. Mortgage Loan Advances

On December 21, 2012, the District entered into a Federal Housing Administration (FHA) 242-insured mortgage loan not to exceed \$97,604,300, which was a significant source of funding the construction, demolition and remediation costs; design, project management, legal and organizational fees; equipment and furnishings; and financing charges of the Methodist Hospital Acquisition and Development Project (the Project). The District has undergone a cost certification audit that has certified \$97,604,300 as project costs. The interest rate from the date of the mortgage loan is 3.82% per annum on the unpaid balance until paid. The principal and interest is payable in monthly installments as follows:

Interest alone on such amount of principal as may be advanced from the time to time, computed from the date of each such advance, became due and payable monthly on January 1, 2013, and on the first day of each month thereafter up to and including June 1, 2014.

Commencing on July 1, 2014, installments of principal and interest became due and payable in the amount of \$505,540 each. Such payments continued monthly thereafter on the first day of each succeeding month through March 1, 2016.

Commencing on April 1, 2016, installments of "interest only" shall be due and payable in the amount of \$297,259 each. Such payments are to continue monthly thereafter on the first day of each succeeding month through March 1, 2021.

Commencing on April 1, 2021, installments of principal and interest shall be due and payable in the amount of \$592,805 each. Such payments are to continue monthly thereafter on the first day of each succeeding month through June 1, 2039 until the entire indebtedness has been paid in full. In any event, the balance of principal (if any) remaining unpaid, plus accrued interest shall be due and payable on June 1, 2039.

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

Notes to Financial Statements

Note 8. Mortgage Loan Advances (Continued)

The note is secured by a mortgage upon real estate and guaranteed by the U.S. Department of Housing and Urban Development (HUD). At December 31, 2016 and 2015, the District had an outstanding principal balance of \$93,379,889 and \$94,000,775, respectively, on this mortgage loan (see Note 9). At December 31, 2016 and 2015, the District had interest of \$297,259 and \$299,236, respectively, accrued on the outstanding mortgage, which is included within accrued expenses on the statements of net position. The District incurred interest expense of \$3,569,092 and \$3,635,924 for the years ended December 31, 2016 and 2015, respectively.

Note 9. Long-Term Debt

The following is a summary of long-term debt for the year ended December 31, 2016:

	Mortgage Loan Advances
Long-term debt at January 1, 2016	\$ 94,000,775
Additional borrowings	-
Principal payments	<u>(620,886)</u>
Long-term debt at December 31, 2016	<u>\$ 93,379,889</u>

The following is a summary of long-term debt for the year ended December 31, 2015:

	Mortgage Loan Advances
Long-term debt at January 1, 2015	\$ 95,300,546
Additional borrowings	-
Principal payments	<u>(1,299,771)</u>
Long-term debt at December 31, 2015	<u>\$ 94,000,775</u>

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

Notes to Financial Statements

Note 9. Long-Term Debt (Continued)

Principal and interest payments due on mortgage loan advances as of December 31, 2016, are as follows:

Years Ended December 31,	Principal	Interest
2017	\$ -	\$ 3,567,111
2018	-	3,567,111
2019	-	3,567,111
2020	-	3,567,111
2021	2,694,030	3,532,898
2022-2026	20,071,270	15,497,007
2027-2031	24,287,089	11,281,188
2032-2036	29,390,830	6,177,448
Thereafter	<u>16,936,670</u>	<u>847,469</u>
Total	<u>\$ 93,379,889</u>	<u>\$ 51,604,454</u>

Note 10. Risk Management and Regulatory Matters

Professional and General Liability Insurance

Professional and general liability claims have been asserted against The District and are in various stages of developing. Events occurring through December 31, 2016 may result in the filing of additional claims. The District has a risk management program that provides professional and general liability coverage up to \$28,000,000 in the aggregate.

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

Estimated Employee Health and Workers' Compensation Claims

As mentioned in Notes 1 and 12, the personnel servicing the District are employed by Touro Infirmary. Touro Infirmary has a risk management program that provides excess coverage for both employee health and workers' compensation claims, on an occurrence basis.

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

Notes to Financial Statements

Note 10. Risk Management and Regulatory Matters (Continued)

Regulatory Matters

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Note 11. Fair Value of Financial Instruments

The estimated fair value of all significant financial instruments have been determined by the District using available market information and appropriate valuation methodologies. The District considers the carrying value amounts of cash and cash equivalents (along with receivables, prepaid items, and mortgage note and other payables) to approximate market value.

Note 12. Commitments and Contingencies

Federal and Private Grants

The District receives grants from federal and private sources. The District is subject to discretionary audits by the funding sources. There have been no audits by funding sources during the years ended December 31, 2016 and 2015 and management does not anticipate any adjustments as a result of future audits. Any adjustments from an audit performed by the funding source would flow through the financial statements during the year of the audit as a change in accounting estimate.

Cooperative Endeavor Agreement

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

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

Notes to Financial Statements

Note 12. Commitments and Contingencies (Continued)

Cooperative Endeavor Agreement (Continued)

The term of the CEA will expire on June 30, 2029, with an option to renew for up to 10 years. As detailed in Notes 8 and 9, the District is obligated on a mortgage that is insured by HUD. So long as a mortgage on the District's property is insured or held by the Secretary of HUD, the Secretary may make a written request to the District and the Joint Parties to terminate the CEA with or without cause. The terms of the CEA provide that the District shall pay to the Joint Parties a fee that is comprised of annual management, revenue cycle management, and direct and indirect operating components. The District and the Joint Parties have agreed that Operating Revenues of NOEH, as defined, shall be the only source of funds for paying the fee.

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

Through the CEA, the District has recognized expense of approximately \$1,795,000 and \$1,625,000 for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, the District owes Touro approximately \$17,515,000 and \$9,424,000 for both the costs incurred by Touro on behalf of the District as well as expenses recognized by the District and the annual management fee. This amount is included within other current liabilities on the District's financial statements.

Note 13. Concentrations of Third-Party Payor Credit Risk

The District grants credit without collateral to its patients, most of who are local residents and are often insured under third-party payor agreements. The mix of receivables from patients and third-party payors, net of contractual allowances and discounts, at December 31, 2016 and 2015, was as follows:

	2016	2015
Medicare/Medicaid	64.4%	56.2%
Managed Care/Commercial	34.6%	41.8%
Self Pay	1.0%	2.0%
	<u>100%</u>	<u>100.0%</u>

Note 14. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, April 27, 2017, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Parish Hospital Service District for the Parish of Orleans - District A (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 27, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.



A Professional Accounting Corporation

Metairie, LA
April 27, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Parish Hospital Service District for the Parish of Orleans - District A's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended December 31, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of and for the year ended December 31, 2016, and have issued our report thereon dated April 27, 2017 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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. The 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

A Professional Accounting Corporation

Metairie, LA
April 27, 2017

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR HUD PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE BASED ON AN AUDIT
IN ACCORDANCE WITH THE HUD CONSOLIDATED AUDIT GUIDE**

Independent Auditor's Report

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

Report on Compliance for Each Major HUD Program

We have audited Parish Hospital Service District for the Parish of Orleans - District A's (the District's) compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the audit guide) that could have a direct and material effect on each of the District's major U.S. Department of Housing and Urban Development (HUD) programs for the year ended December 31, 2016. The District's major HUD programs are identified in the summary of auditor's results section of the accompanying schedule of findings, questioned costs, and recommendations.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit guide. Those standards and the audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major HUD Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the audit guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the audit guide. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA
April 27, 2017

**PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
(A Component Unit of the City of New Orleans)
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016**

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Awards</u>		
Section 242 - Mortgage Insurance for Hospitals	14.128	<u>\$ 94,000,775</u>
Subtotal - Direct Awards		<u>94,000,775</u>
<u>Passed - Through Awards</u>		
State of Louisiana and City of New Orleans:		
Disaster Community Development Block Grant	14.228	421,196
Urban Development Action Grants	14.221	<u>4,000,000</u>
Subtotal - Awards from Pass-Through Entities		<u>4,421,196</u>
Total U.S. Department of Housing and Urban Development		<u>98,421,971</u>
Total Expenditures of Federal Awards		<u>\$ 98,421,971</u>

See accompanying notes to schedule of expenditures of federal awards.

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

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Parish Hospital Service District for the Parish of Orleans - District A (the District) under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting and the cost accounting principles contained in the Uniform Guidance. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures for loan disbursements are recognized when paid.

Note 3. Sub-Recipients

There were no payments to sub-recipients for the fiscal year ended December 31, 2016.

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

**Schedule of Findings, Questioned Costs, and Recommendations
For the Year Ended December 31, 2016**

I. Summary of Independent Auditor's Results
Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? Yes X No
- Significant deficiency identified that is not considered to be a material weakness? Yes X None Reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes X No
- Significant deficiency identified that is not considered to be a material weakness? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

 Yes X No

Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
14.128 (Major HUD program) 14.221	Section 242 - Mortgage Insurance for Hospitals Urban Development Action Grant

Dollar threshold used to distinguish between Type A and Type B programs

 \$ 750,000

Auditee qualified as low-risk auditee?

 Yes X No

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

**Schedule of Findings, Questioned Costs, and Recommendations (Continued)
For the Year Ended December 31, 2016**

II. Corrective Actions not Started or in Process

None.

III. Findings and Questioned Costs for Federal Awards

None.

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

Summary Schedule of Prior Year Audit Findings

Basic Financial Statement Findings

None.

Federal Award Findings and Questioned Costs

None.

Independent Auditor's Report on the Supplementary Information

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

We have audited the financial statements of the Parish Hospital Service District for the Parish of Orleans - District A (the District), a component unit of the City of New Orleans, as of and for the years ended December 31, 2016 and 2015, and our report thereon dated April 27, 2017, which expressed an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to April 27, 2017.

The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis, as required by Louisiana Revised Statute 24:513 A(3), and is 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. The information has been subjected to the auditing procedures applied in the audits 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 and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



A Professional Accounting Corporation

Metairie, LA
April 27, 2017

PARISH HOSPITAL SERVICE DISTRICT
FOR THE PARISH OF ORLEANS - DISTRICT A
Schedule of Compensation, Benefits, and Other Payments to
Agency Head
For the Year Ended December 31, 2016

Agency Head
 Mr. Ronnie Burns, Board Chairman

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