

Financial Report

*Lafourche Parish Hospital Service
District No. 2*

September 30, 2022



Financial Report

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District No. 2*

September 30, 2022

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September 30, 2022 and 2021

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FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audits of the Financial Statements

Opinions

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, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position for the governmental activities of Lafourche Parish Hospital Service District No. 2 as of September 30, 2022 and 2021, and the respective changes in financial position and cash flows, thereof, and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audits of 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 5 through 13, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying supplementary information, on page 32, is presented for purposes of additional analysis and is 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 February 2, 2023, 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.

A handwritten signature in cursive script that reads "Bourgeois Bennett, L.L.C.".

Certified Public Accountants.

New Orleans, Louisiana,
February 2, 2023.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Lafourche Parish Hospital Service District No. 2 Raceland, Louisiana

For the years ended September 30, 2022 and 2021

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, 2022 and 2021. 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.

2022 FINANCIAL HIGHLIGHTS

The following summarizes the District's financial highlights for the years ended September 30, 2022 and 2021.

The District recognized operating revenues of \$2,500,000 in both 2022 and 2021, for lease related revenue from Ochsner.

Total operating expenses were \$2,715,421 for 2022 as compared to \$2,608,272 for 2021, which included \$209,430 of depreciation in 2022 and \$225,091 of depreciation for 2021. Operating expenses also included \$2,450,000 for 2022 and \$2,350,000 for 2021 of Medicaid supplemental payments associated with the Low Income and Needy Care Collaboration Agreement.

Non-operating revenues were \$139,266 for 2022 as compared to \$35,939 for 2021, which included \$138,491 of interest income on the notes receivable for 2022 and \$34,682 of interest income on the notes receivable for 2021. The increase in interest income was due to an increase in the variable interest rate.

The District recognized a change in net position of \$(41,139) in 2022 as compared to \$(72,333) in 2021.

2021 FINANCIAL HIGHLIGHTS

The following summarizes the District's financial highlights for the years ended September 30, 2021 and 2020.

The District recognized operating revenues of \$2,500,000 in both 2021 and 2020 for lease related revenue from Ochsner.

Total operating expenses were \$2,608,272 for 2021 as compared to \$2,627,002 for 2020, which included \$225,091 of depreciation in 2021 and \$227,200 of depreciation for 2020. Operating expenses for both 2021 and 2020 also included \$2,350,000 of Medicaid supplemental payments associated with the Low Income and Needy Care Collaboration Agreement.

Non-operating revenues were \$35,939 for 2021 as compared to \$78,089 for 2020, which included \$34,682 of interest income on the notes receivable for 2021 and \$76,825 of interest income on the notes receivable for 2020. The decrease in interest income was due to a decrease in the variable interest rate.

The District recognized a change in net position of \$(72,333) in 2021 as compared to \$(46,359) in 2020.

BALANCE SHEETS

The District's condensed Balance Sheets as of September 30, 2022, 2021, and 2020 consist of the following:

	<u>September 30,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>Change</u>
Total current assets	\$ 3,143,577	\$ 3,048,864	\$ 94,713	3.11%
Capital assets, net	928,657	1,151,837	(223,180)	-19.38%
Other assets	<u>25,922,814</u>	<u>27,573,029</u>	<u>(1,650,215)</u>	-5.98%
Total assets	<u>\$ 29,995,048</u>	<u>\$ 31,773,730</u>	<u>\$ (1,778,682)</u>	-5.60%
Total current liabilities	\$ 8,328	\$ 24,339	\$ (16,011)	-65.78%
Deferred inflow of resources	18,380,363	20,101,895	(1,721,532)	-8.56%
Net position	<u>11,606,357</u>	<u>11,647,496</u>	<u>(41,139)</u>	-0.35%
Total liabilities and net position	<u>\$ 29,995,048</u>	<u>\$ 31,773,730</u>	<u>\$ (1,778,682)</u>	-5.60%

As shown above, for the year ended September 30, 2022, total assets decreased by \$1,778,682, or 5.60%, to \$29,995,048 as of September 30, 2022 from \$31,773,730 as of September 30, 2021.

BALANCE SHEETS (Continued)

	<u>September 30,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2021</u>	<u>2020</u>		
Total current assets	\$ 3,048,864	\$ 1,251,470	\$ 1,797,394	143.62%
Capital assets	1,151,837	1,378,604	(226,767)	-16.45%
Other assets	<u>27,573,029</u>	<u>9,090,811</u>	<u>18,482,218</u>	203.31%
Total assets	<u>\$ 31,773,730</u>	<u>\$ 11,720,885</u>	<u>\$ 20,052,845</u>	171.09%
Total current liabilities	\$ 24,339	\$ 1,056	\$ 23,283	2204.83%
Deferred inflow of resources	20,101,895	-	20,101,895	100.00%
Net position	<u>11,647,496</u>	<u>11,719,829</u>	<u>(72,333)</u>	-0.62%
Total liabilities and net position	<u>\$ 31,773,730</u>	<u>\$ 11,720,885</u>	<u>\$ 20,052,845</u>	171.09%

As shown above, for the year ended September 30, 2021 total assets increased by \$20,052,845, or 171.09%, to \$31,773,730 as of September 30, 2021 from \$11,720,885 as of September 30, 2020. The adoption of Statement No. 87 impacts the comparison.

CURRENT ASSETS**2022**

The increase in total current assets of \$94,713 resulted from an increase in cash of \$27,539 as well as an increase in lease receivable of \$67,174.

2021

The increase in total current assets of \$1,797,394 resulted from the adoption of Statement No. 87, the recording of the lease receivable of \$1,654,359. The adoption of Statement No. 87 was retrospectively applied to 2021.

CAPITAL ASSETS

The components of the District's capital assets as of September 30, 2022, 2021, and 2020 consist of the following:

	September 30,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 68,523	\$ 68,523	\$ 68,523
Land improvements	301,188	301,188	326,908
Buildings and improvements	11,451,349	11,451,349	11,623,674
Furniture and equipment	<u>180,498</u>	<u>253,781</u>	<u>273,429</u>
Subtotal	12,001,558	12,074,841	12,292,534
Less accumulated depreciation	<u>(11,072,901)</u>	<u>(10,923,004)</u>	<u>(10,913,930)</u>
Net capital assets	<u>\$ 928,657</u>	<u>\$ 1,151,837</u>	<u>\$ 1,378,604</u>

2022

Annual depreciation expense for 2022 and 2021 was \$209,430 and \$225,091, respectively.

2021

Annual depreciation expense for 2021 and 2020 was \$225,091 and \$227,200, respectively.

More information about the District's capital assets is presented in Note 4 to the financial statements.

OTHER ASSETS**2022**

The decrease in other assets was principally the result of payments being made on the lease receivable.

2021

The increase in other assets was principally the result of the retrospective adoption of Statement 87, which recorded a lease receivable.

NET POSITION

The components of the District's net position as of September 30, 2022, 2021, and 2020 consist of the following:

	2022	September 30, 2021	2020
Net investment in capital assets	\$ 928,657	\$ 1,151,837	\$ 1,378,604
Unrestricted	10,677,700	10,495,659	10,341,225
Totals	\$ 11,606,357	\$ 11,647,496	\$ 11,719,829

2022

For the year ended September 30, 2022, total net position decreased \$41,139, or .35%, as a result of expenses exceeding revenues. Of the District's \$11,606,357 and \$11,647,496 in net position as of September 30, 2022 and 2021, respectively, \$928,657 and \$1,151,837, respectively, were not spendable because these amounts are invested in capital assets.

2021

For the year ended September 30, 2021, total net position decreased \$72,333, or .61%, as a result of expenses exceeding revenues. Of the District's \$11,647,496 and \$11,719,829 in net position as of September 30, 2021 and 2020, respectively, \$1,151,837 and \$1,378,604, 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, 2022, 2021, and 2020 consist of the following:

	<u>September 30,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>Change</u>
Operating revenues:				
Lease related revenue	\$ 2,500,000	\$ 2,500,000	\$ -	0.00%
Miscellaneous revenue	35,016	-	35,016	100.00%
Total operating revenues	<u>2,535,016</u>	<u>2,500,000</u>	<u>35,016</u>	<u>1.40%</u>
Operating expenses:				
Medicaid supplemental payments	2,450,000	2,350,000	100,000	4.26%
Depreciation	209,430	225,091	(15,661)	-6.96%
Insurance	7,183	7,486	(303)	-4.05%
Legal and professional fees	20,650	20,105	545	2.71%
Loss on disposal of assets	13,750	1,676	12,074	100.00%
Supplies and other	14,408	3,914	10,494	268.11%
Total operating expenses	<u>2,715,421</u>	<u>2,608,272</u>	<u>107,149</u>	<u>4.11%</u>
Loss from operations	(180,405)	(108,272)	(72,133)	66.62%
Non-operating income	<u>139,266</u>	<u>35,939</u>	<u>103,327</u>	<u>287.51%</u>
Expenses in excess of revenues	<u>\$ (41,139)</u>	<u>\$ (72,333)</u>	<u>\$ 31,194</u>	<u>43.13%</u>

STATEMENTS OF REVENUE AND EXPENSES (Continued)

	<u>September 30,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Change</u>
Operating revenues:				
Lease related revenue	\$ 2,500,000	\$ 2,500,000	\$ -	0.00%
Miscellaneous revenue	-	2,554	(2,554)	-100.00%
	<u>2,500,000</u>	<u>2,502,554</u>	<u>(2,554)</u>	<u>-0.10%</u>
Total operating revenues				
Operating expenses:				
Medicaid supplemental payments	2,350,000	2,350,000	-	0.00%
Depreciation	225,091	227,200	(2,109)	-0.93%
Insurance	7,486	7,960	(474)	-5.95%
Legal and professional fees	20,105	36,237	(16,132)	-44.52%
Loss on disposal of assets	1,676	-	1,676	100.00%
Repairs and maintenance	-	909	(909)	-100.00%
Supplies and other	3,914	4,696	(782)	-16.65%
	<u>2,608,272</u>	<u>2,627,002</u>	<u>(18,730)</u>	<u>-0.71%</u>
Total operating expenses				
Loss from operations	(108,272)	(124,448)	16,176	-13.00%
Non-operating income	35,939	78,089	(42,150)	-53.98%
	<u>(72,333)</u>	<u>(46,359)</u>	<u>(25,974)</u>	<u>56.03%</u>
Revenue in excess of expenses (expenses in excess of revenues)				

OPERATING REVENUE**2022**

During 2022, the District earned operating revenue of \$2,500,000 from the rental of building space to Ochsner St. Anne. The District also earned miscellaneous revenue of \$35,016.

2021

During 2021, the District earned operating revenue of \$2,500,000 from the rental of building space to Ochsner St. Anne.

OPERATING EXPENSES

2022

During 2022, the District incurred operating expenses of \$2,715,421 which was an increase of \$107,149 from the prior year total of \$2,608,272. The majority of the increase is the result of an increase in Medicaid supplemental payments associated with the Low Income and Needy Care Collaboration Agreement of \$100,000, plus an increase in loss on disposal of assets which increased \$12,074, from \$1,676 in 2021 to \$13,750 in 2022.

2021

During 2021, the District incurred operating expenses of \$2,608,272 which was a decrease of \$18,730 from the prior year total of \$2,627,002. The majority of the decrease is the result of legal and professional fees which decreased \$16,132, from \$36,237 in 2020 to \$20,105 in 2021 and depreciation which decreased \$2,109, from \$227,200 in 2020 to \$225,091 in 2021.

NON-OPERATING INCOME

2022

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 \$103,799.

2021

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 \$42,143.

RESTATEMENT

The beginning net position was restated as a result of adopting Statement No. 87. See Note 2 of Exhibit D.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

While the 2022 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 2022 budget are the status of the 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, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash	\$ 1,422,044	\$ 1,394,505
Lease receivable	<u>1,721,533</u>	<u>1,654,359</u>
Total current assets	<u>3,143,577</u>	<u>3,048,864</u>
Capital Assets, net	<u>928,657</u>	<u>1,151,837</u>
Other Assets		
Note receivable	8,440,517	8,440,517
Lease receivable	16,658,830	18,447,536
Interest receivable	<u>823,467</u>	<u>684,976</u>
Total other assets	<u>25,922,814</u>	<u>27,573,029</u>
Total assets	<u><u>\$ 29,995,048</u></u>	<u><u>\$ 31,773,730</u></u>

LIABILITIES AND NET POSITION

Current Liabilities		
Accounts payable	<u>\$ 8,328</u>	<u>\$ 24,339</u>
Deferred Inflow of Resources		
Deferred inflows relating to leases	<u>18,380,363</u>	<u>20,101,895</u>
Net Position		
Net investment in capital assets	928,657	1,151,837
Unrestricted	<u>10,677,700</u>	<u>10,495,659</u>
Total net position	<u>11,606,357</u>	<u>11,647,496</u>
Total liabilities and net position	<u><u>\$ 29,995,048</u></u>	<u><u>\$ 31,773,730</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, 2022 and 2021

	2022	2021
Operating Revenues		
Lease related revenue (Note 8)	\$ 2,500,000	\$ 2,500,000
Miscellaneous revenue	35,016	-
	2,535,016	2,500,000
Operating Expenses		
Medicaid supplemental payments	2,450,000	2,350,000
Depreciation	209,430	225,091
Insurance	7,183	7,486
Legal and professional fees	20,650	20,105
Loss on disposal of assets	13,750	1,676
Supplies and other	14,408	3,914
	2,715,421	2,608,272
Total operating expenses	2,715,421	2,608,272
Loss from operations	(180,405)	(108,272)
Non-Operating Revenues		
Interest income	775	1,257
Interest income - note receivable	138,491	34,682
	139,266	35,939
Total non-operating revenues	139,266	35,939
Change in Net Position	(41,139)	(72,333)
Net Position		
Beginning of year	11,647,496	11,719,829
End of year	\$ 11,606,357	\$ 11,647,496

See notes to financial statements.

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

For the years ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Receipts from operating activities	\$ 2,535,016	\$ 2,500,000
Payments to suppliers	(2,522,002)	(2,359,898)
Loss on disposal of assets	13,750	1,676
	<u>26,764</u>	<u>141,778</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities		
Investment income	775	1,257
	<u>775</u>	<u>1,257</u>
Net Increase in Cash	27,539	143,035
Cash		
Beginning of year	1,394,505	1,251,470
End of year	<u>\$ 1,422,044</u>	<u>\$ 1,394,505</u>
Supplemental Disclosure of Non-Cash Investing Activities		
Accrued interest on note receivable	<u>\$ 138,491</u>	<u>\$ 34,682</u>
Reconciliation of Loss From Operations to Net Cash Provided by Operating Activities		
Loss from operations	\$ (180,405)	\$ (108,272)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	209,430	225,091
Loss on disposal of assets	13,750	1,676
Increase (decrease) in accounts payable	<u>(16,011)</u>	<u>23,283</u>
Net cash provided by operating activities	<u>\$ 26,764</u>	<u>\$ 141,778</u>

See notes to financial statements.

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

Raceland, Louisiana

September 30, 2022 and 2021

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 6.

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.

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.

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

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, 2022 and 2021.

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.

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:

	Estimated Lives
Buildings and building improvements	5 - 40 years
Land improvements	15 - 20 years
Furniture and equipment	5 - 7 years

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

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, 2022 and 2021.

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.

h. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through February 2, 2023, which is the date the financial statements were available to be issued.

i. New Pronouncements

During the year ended September 30, 2022, the District implemented the following GASB 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

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

i. New Pronouncements (Continued)

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 adoption of this Statement had a significant impact on the District's financial statements and note disclosures. See Exhibit A, Notes 2, and 8 for details on implementation.

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. This Statement did not affect the District's financial statements.

Statement No. 91, "*Conduit Debt Obligations*" provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement did not affect the District's financial statements.

Statement No. 92, "*Omnibus 2020*" establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to all financial statements of all state and local governments at dates verifying from upon insurance to fiscal periods beginning after June 15 2021. 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)

Statement No. 93, “*Replacement of Interbank Offered Rates*” some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. This Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR. This Statement did not affect the District’s financial statements.

Statement No. 97, “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*” provides objectives to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement did not affect the District’s financial statements.

Statement No. 98, “*The Annual Comprehensive Financial Report*” establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instance of comprehensive annual financial report and its acronym in generally accepted accounting principles for the state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym sounded like a profoundly objectionable racial slur. 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. 94, “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*” improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for the years beginning after June 15, 2022. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 96, “*Subscription-based Information Technology Arrangements*” provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for the years beginning after June 15, 2022. 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. 99, “*Omnibus 2022*” provides objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial report for financial guarantees. The requirements of this Statement apply to all financial statements at dates varying from upon issuance to fiscal periods beginning after June 15, 2023. Management has yet to determine the effect of this Statement on the financial statements.

Statement No. 100, “*Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*” provides guidance to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has yet to determine the effect of this Statement on the financial statements.

Statement No. 101, “*Compensated Absences*” provides guidance to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has yet to determine the effect of this Statement on the financial statements.

Note 2 - RESTATEMENT OF BEGINNING NET POSITION

The beginning net position as reflected on Exhibit B for the District has been restated to reflect the following changes:

Beginning net position as of September 30, 2021	\$ 11,719,829
Deferred inflows related to lease Ochsner Bayou L.L.C.	(20,101,895)
Lease receivable Ochsner Bayou L.L.C.	<u>20,101,895</u>
Beginning net position as of September 30, 2021, restated	<u>\$ 11,719,829</u>

The restatement did not effect the District’s beginning net position. The District made a prior period adjustment due to the adoption of GASB Statement No. 87. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources. Had GASB Statement No. 87 been included in the September 30, 2021, Statement of Revenues, Expenses, and Changes in Net Position, the previously reported change in net position totaling \$11,647,496 would not have changed.

Note 3 - 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.

Note 3 - CASH AND INVESTMENTS (Continued)

The balances of deposits as of September 30, 2022 and 2021 are as follows:

	2022		2021	
	Bank Balances	Reported Amount	Bank Balances	Reported Amount
Cash	\$ 1,442,306	\$ 1,422,044	\$ 1,394,770	\$ 1,394,505

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, 2022 and 2021, \$922,306 and \$894,770 of the District's bank balance of \$1,442,306 and \$1,394,770, respectively, was exposed to custodial credit risk. As of September 30, 2022 and 2021, 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, 2022 and 2021, cash in excess of FDIC insurance was 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.

Note 4 - CAPITAL ASSETS

Capital asset activity as of and for the years ended September 30, 2022 and 2021 is as follows:

	September 30, 2021	Additions	Transfers and Disposals	September 30, 2022
Capital assets, not being depreciated:				
Land	\$ 68,523	\$ -	\$ -	\$ 68,523
Capital assets, being depreciated:				
Land improvements	301,188	-	-	301,188
Buildings and building improvements	11,451,349	-	-	11,451,349
Furniture and equipment	253,781	-	(73,283)	180,498
Total capital assets, being depreciated	12,006,318	-	(73,283)	11,933,035
Less accumulated depreciation for:				
Land improvements	301,183	-	-	301,183
Buildings and building improvements	10,398,920	206,262	-	10,605,182
Furniture and equipment	222,901	3,168	(59,533)	166,536
Total accumulated depreciation	10,923,004	209,430	(59,533)	11,072,901
Total capital assets, being depreciated, net	1,083,314	(209,430)	(13,750)	860,134
Capital assets, net	\$ 1,151,837	\$(209,430)	\$(13,750)	\$ 928,657

Note 4 - CAPITAL ASSETS (Continued)

	September 30, 2020	Additions	Transfers and Disposals	September 30, 2021
Capital assets, not being depreciated:				
Land	\$ 68,523	\$ -	\$ -	\$ 68,523
Capital assets, being depreciated:				
Land improvements	326,908	-	(25,720)	301,188
Buildings and building improvements	11,623,674	-	(172,325)	11,451,349
Furniture and equipment	273,429	-	(19,648)	253,781
Total capital assets, being depreciated	12,224,011	-	(217,693)	12,006,318
Less accumulated depreciation for:				
Land improvements	322,714	2,513	(24,044)	301,183
Buildings and building improvements	10,357,395	213,850	(172,325)	10,398,920
Furniture and equipment	233,821	8,728	(19,648)	222,901
Total accumulated depreciation	10,913,930	225,091	(216,017)	10,923,004
Total capital assets, being depreciated, net	1,310,081	(225,091)	(1,676)	1,083,314
Capital assets, net	\$ 1,378,604	\$(225,091)	\$ (1,676)	\$ 1,151,837

Note 5 - 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 6 - SPECIAL SERVICES AGREEMENT

Effective May 1, 2006, the District entered into a Special Services Agreement (SSA) with Ochsner. On March 9, 2021, the SSA was amended to extend the term of the SSA to the same term as the lease agreement. 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.

Note 6 - SPECIAL SERVICES AGREEMENT (Continued)

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. The lease was subsequently amended on March 9, 2021 to extend the lease to April 30, 2031. Under the 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.

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

Note 6 - SPECIAL SERVICES AGREEMENT (Continued)

per year to be retained by the District to cover the costs of its reasonable operating expenses and maintain any required budgetary reserves. The District elected to retain \$50,000 as of September 30, 2022 due to discussions with the Assessor and increased millage.

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 7 - 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 April 30, 2031. As of September 30, 2022 and 2021, accrued interest totaled \$823,467 and \$684,976, respectively.

Note 8 - LESSOR LEASES

As discussed in Note 6, 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 2031. 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. Income arising from leases as a lessor is included as a receivable and deferred inflow of resources at the commencement of the lease and revenue is recognized on a straight line basis over the lease term.

Note 8 - LESSOR LEASES (Continued)

The following is a schedule of the District's lease related revenues for the years ended September 30, 2022 and 2021:

	September 30,	
	2022	2021
Lease revenue	\$ 1,721,533	\$ 1,654,359
Interest revenue	778,467	845,641
Other lease related revenues	-	-
Total lease related revenues	\$ 2,500,000	\$ 2,500,000

Variable revenues are based on future performance or usage and are not included in the measurement of the lease receivable or deferred inflows. The following is a schedule of the District's other lease related revenues for the years ended September 30, 2022 and 2021:

	September 30,	
	2022	2021
Variable revenues	NONE	NONE
Residual value guarantees	NONE	NONE
Termination penalties	NONE	NONE
Total variable and other revenues	\$ -	\$ -

Future minimum lease payments are as follows:

Years Ending September 30,	Amounts
2023	\$ 2,500,000
2024	2,500,000
2025	2,500,000
2026	2,500,000
2027	2,500,000
Thereafter	8,125,000
Total	\$ 20,625,000

Note 9 - 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, 2022

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, 2022, 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, 2022, 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 2, 2023.

Report on 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”) as a basis for designing 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.

Report on 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 2, 2023.

SCHEDULE OF FINDINGS AND RESPONSES

Lafourche Parish Hospital Service District No. 2
Raceland, Louisiana

For the year ended September 30, 2022

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 expend federal awards in excess of \$750,000 during the year ended September 30, 2022 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 reported during the audit for the year ended September 30, 2022 related to internal control over financial reporting.

**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 reported during the audit for the year ended September 30, 2022 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, 2022

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 reported during the audit for the year ended September 30, 2021 related to internal control over financial reporting.

Compliance and Other Matters

There were no findings reported during the audit for the year ended September 30, 2021 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 expend federal awards in excess of \$750,000 during the year ended September 30, 2021, 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, 2021.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Lafourche Parish Hospital Service District No. 2 Raceland, Louisiana

For the year ended September 30, 2022

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 reported during the audit for the year ended September 30, 2022 related to internal control over financial reporting.

Compliance and Other Matters

There were no findings reported during the audit for the year ended September 30, 2022 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 expend federal awards in excess of \$750,000 during the year ended September 30, 2022, 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, 2022.

STATEWIDE AGREED-UPON PROCEDURES

**INDEPENDENT ACCOUNTANT’S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

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

We have performed the procedures described in Schedule 2 on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor’s (LLA) Statewide Agreed-Upon Procedures (SAUP) for the fiscal period October 1, 2021 through September 30, 2022. Lafourche Parish Hospital Service District No. 2 (the “District”) management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA’s SAUPs for the fiscal period October 1, 2021 through September 30, 2022. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are described in Schedule 2.

We were engaged by the District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on these C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
February 2, 2023.

SCHEDULE OF PROCEDURES AND ASSOCIATED FINDINGS
OF THE STATEWIDE AGREED-UPON PROCEDURES

Lafourche Parish Hospital Service District No. 2
Raceland, Louisiana

For the year ended September 30, 2022

The required procedures and our findings are as follows:

Procedures Performed on the District's Written Policies and Procedures:

1. Obtain and inspect the District's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the District's operations:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.
Performance: Obtained and read the written policy for budgeting and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.
 - b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
Performance: Obtained and read the written policy for purchasing and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.
 - c) Disbursements, including processing, reviewing, and approving.
Performance: Obtained and read the written policy for disbursements and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.
 - d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of each type of revenue.
Performance: Obtained and read the written policy for receipts/collections and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.

Procedures Performed on the District's Written Policies and Procedures: (Continued)

- e) Payroll/Personnel, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

Note: This policy is not applicable. The District does not have employees.

- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Note: This policy does not apply to the District as they have no active contracts.

- g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Note: This policy is not applicable. The District does not have active credit cards.

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

Note: This policy is not applicable. The District does not have employees.

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42: 1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the District's ethics policy.

Performance: Obtained and read the written policy for ethics and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

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

Note: This policy is not applicable. The District does not have debt.

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

Performance: Obtain and read the written policy for information technology disaster recovery/business continuity.

Exceptions: There is no written policy for information technology disaster recovery/business continuity.

Procedures Performed on the District's Written Policies and Procedures: (Continued)

- l) Sexual Harassment, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Note: This policy is not applicable. The District does not have employees.

Procedures Performed on the District's Board:

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Performance: Obtained and read minutes from 12 board meetings during the year ended September 30, 2022. The frequency of and quorum representation of those meetings was in accordance with board policy.

Exceptions: There were no exceptions noted.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.

Performance: We inspected meeting minutes and confirmed that the minutes referenced or included budget-to-actual comparisons relating to public funds.

Exceptions: There were no exceptions noted.

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

Not applicable. The District has a proprietary fund. The fund was positive at year end.

Procedures Performed on the District's Bank Reconciliations:

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

Performance: Obtained the listing of bank accounts from management and received management's representation in a separate letter that the listing is complete.

Exceptions: There were no exceptions noted.

Procedures Performed on the District's Bank Reconciliations: (Continued)

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged); and
Performance: Obtained monthly bank reconciliation for the selected months for the main operating bank account and 2 other accounts. Inspected management's documentation for timely preparation of the bank reconciliations.
Exceptions: We noted one reconciliation which was prepared over 2 months past the related statement closing date.
- b) Bank reconciliations include evidence that a member of management who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
Performance: Inspected the District's documentation for the bank reconciliations for the 3 bank accounts selected and verified that a member of the Board who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.
Exceptions: There were no exceptions noted.
- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
Performance: Requested documentation from management reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.
Exceptions: There were no exceptions noted.

Procedures Performed on the District's Collections:

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/money order (cash) are prepared and management's representation that the listing is complete. Select 5 deposit sites (or all deposit sites if less than 5).
Performance: Obtained the listing of deposit sites from management and received management's representation in a separate letter that the listing is complete. Selected the sole location for testing.
Exceptions: There were no exceptions noted.
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
Performance: Obtained the listing of collection locations from management and received management's representation in a separate letter that the listing is complete.
Exceptions: There were no exceptions noted.

Procedures Performed on the District's Collections: (Continued)

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
Performance: Inspected policy manuals, inquired of client as to all the requirements. All collection procedures are performed by a contracted accountant.
Exceptions: There were no exceptions noted.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless other employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
Performance: Inspected policy manuals, inquired of client as to all the requirements.
Exceptions: There were no exceptions noted.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
Performance: Inspected policy manuals, inquired of client as to all the requirements.
Exceptions: There were no exceptions noted.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
Performance: Inspected policy manuals, inquired of client as to all the requirements.
Exceptions: There were no exceptions noted.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
Performance: We determined this procedure is not applicable to the District as it does not accept or handle cash or have employees.
Exceptions: There were no exceptions noted.
 7. Randomly select 2 deposit dates for each of the District's 5 bank accounts selected for procedures #3 under "Procedures Performed on the District's Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits were made on the same day). *[Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.]* Obtain supporting documentation for each of the 10 deposits selected and:
 - a) Observe that receipts are sequentially pre-numbered.
Performance: Obtained supporting documentation for the selected deposits. Due to the nature of the deposits, which were single checks, pre-numbered cash receipts were not required.
Exceptions: There were no exceptions noted.

Procedures Performed on the District's Collections: (Continued)

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
Performance: Traced supporting documentation to the deposit slip.
Exceptions: There were no exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.
Performance: Traced deposit slip total to actual deposit per bank statement.
Exceptions: There were no exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and any cash is stored securely in a locked safe or drawer).
Performance: Observed that the deposits tested were made within one business day of receipt.
Exceptions: There were no exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.
Performance: Traced the actual deposit per the bank statement to the general ledger.
Exceptions: There were no exceptions noted.

Procedures Performed on the District's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases):

- 8. Obtain a listing of locations that process payments for the fiscal period, and management's representation that the listing is complete. Select 5 locations (or all locations if less than 5).
Performance: Obtained a listing of locations that process payments for the fiscal period from management and received management's representation in a separate letter that the listing is complete. Selected the sole location for testing.
Exceptions: There were no exceptions noted.

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the District has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least 2 employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
Performance: Obtained a listing of individuals involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase. Observed at least 2 individuals are involved. Note: The District does not have employees. Purchasing/Payments controls handled by contracted accountant and board members.
Exceptions: There were no exceptions noted.

Procedures Performed on the District's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases): (Continued)

b) At least 2 employees are involved in processing and approving payments to vendors.
Performance: Obtained a listing of individuals involved in processing and approving payments to vendors. Observed at least 2 individuals are involved.
Exceptions: There were no exceptions noted.

c) The employees responsible for processing payments are prohibited from adding/modifying vendor files unless another employee is responsible for reviewing changes to vendor files.
Performance: Obtained a listing of individuals involved in processing payments to vendors. Observed that the individual responsible for processing payments is involved in adding/modifying vendor files. Management confirmed and we observed that another individual is responsible for reviewing changes to vendor files.
Exceptions: There were no exceptions noted.

d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
Performance: Obtained a listing of individuals involved with signing and mailing checks and verified they are not involved in the processing of payments.
Exceptions: There were no exceptions noted.

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

Performance: Obtained the District's non-payroll disbursement transaction population and management's representation in a separate letter that the population is complete. Selected 5 disbursements from the sole location that processes payments for testing.
Exceptions: There were no exceptions noted.

a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
Performance: Observed the 5 disbursements matched the related original invoice/billing statements.
Exceptions: There were no exceptions noted.

b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
Performance: Observed the 5 disbursements included evidence of segregation of duties.
Exceptions: There were no exceptions noted.

Procedures Performed on the District's Credit Cards, Debit Cards, Fuel Cards, P-Cards:

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

Note: Not applicable as the District does not have any active credit cards.

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

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

Note: Not applicable as the District does not have any active credit cards.

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

Note: Not applicable as the District does not have any active credit cards.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing).

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

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

Note: Not applicable as the District does not have any active credit cards.

- 2) Written documentation of the business/public purpose.

Note: Not applicable as the District does not have any active credit cards.

- 3) Documentation of the individuals participating in meals (for meal charges only).

Note: Not applicable as the District does not have any active credit cards.

Procedures Performed on the District's Travel and Travel-Related Expense Reimbursements:

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

Note: Not applicable as the District does not have any travel and related expense reimbursements.

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

Note: Not applicable as the District does not have any travel and related expense reimbursements.

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

Note: Not applicable as the District does not have any travel and related expense reimbursements.

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

Note: Not applicable as the District does not have any travel and related expense reimbursements.

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

Note: Not applicable as the District does not have any travel and related expense reimbursements.

Procedures Performed on the District's Contracts:

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, and:

Note: Not applicable as the District does not have any contracts.

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

Note: Not applicable as the District does not have any contracts.

Procedures Performed on the District's Contracts: (Continued)

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

Note: Not applicable as the District does not have any contracts.

- c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that the amendments were made in compliance with the contract terms.

Note: Not applicable as the District does not have any contracts.

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

Note: Not applicable as the District does not have any contracts.

Procedures Performed on the District's Payroll and Personnel:

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

Note: Not applicable as the District does not have any employees or officials employed.

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

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

Note: Not applicable as the District does not have any employees or officials employed.

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

Note: Not applicable as the District does not have any employees or officials employed.

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

Note: Not applicable as the District does not have any employees or officials employed.

- d) Observe that the rate paid to the employees agree to the authorized salary/pay rate found within the personnel file.

Note: Not applicable as the District does not have any employees or officials employed.

Procedures Performed on the District's Payroll and Personnel: (Continued)

18. Obtain from management a list of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select 2 employees/officials, obtain related documentation of the hours, and pay rates used in management's termination payment calculations, agree the hours to the employees'/officials' cumulative leave records, and agree the pay rates to the employees'/officials' authorized pay rates in the employees'/officials' personnel files.

Note: Not applicable as the District does not have any employees or officials employed.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Note: Not applicable as the District does not have any employees or officials employed.

Procedures Performed on the District's Ethics:

20. Using the 5 randomly selected employees/officials from procedure #16 under "Procedures Performed on the District's Payroll and Personnel" above, obtain ethics compliance documentation from management, and:

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

Performance: Obtained certificates of ethics training for board members and verified the board members completed one hour of ethics training during the fiscal period.

Exceptions: Certificates of ethics training for one board member was not available.

- b) Observe whether the District maintains documentation which demonstrates each employee and official were notified of any changes to the District's ethics policy during the fiscal period, as applicable.

Not applicable as there were no changes to the District's ethics policy during the fiscal period.

Procedures Performed on the District's Debt Service:

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

Note: Not applicable as the District does not have debt.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Note: Not applicable as the District does not have debt.

Procedures Performed on the District's Fraud Notice:

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

Performance: Inquired of management of any misappropriations of public funds and assets during the fiscal period. Management represented that there were none.

Exceptions: There were no exceptions noted.

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

Performance: We determined this policy does not apply because the District does not have a physical premises or website.

Exceptions: There were no exceptions noted.

Procedures Performed on the District's Information Technology Disaster Recovery/Business Continuity:

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."

- a) Obtain and inspect the District's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

Performance: We performed the procedures and discussed the results with management.

- b) Obtain and inspect the District's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past three months.

Performance: We performed the procedures and discussed the results with management.

- c) Obtain a listing of the District's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Performance: We performed the procedures and discussed the results with management.

Procedures Performed on the District's Sexual Harassment:

26. Using the 5 randomly selected employees/officials from procedure #16 under "Procedures Performed on the District's Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Note: Not applicable as the District does not have employees.

27. Observe that the District has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the District's premises if the District does not have a website).

Note: Not applicable as the District does not have employees, or a physical premises or website.

28. Obtain the District's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;

Note: Not applicable as the District does not have employees.

- b) Number of sexual harassment complaints received by the agency;

Note: Not applicable as the District does not have employees.

- c) Number of complaints which resulted in a finding that sexual harassment occurred;

Note: Not applicable as the District does not have employees.

- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action;

Note: Not applicable as the District does not have employees.

- e) Amount of time it took to resolve each complaint.

Note: Not applicable as the District does not have employees.

Management's Response to Exceptions

- 1k) Management will implement written policies and procedures relating to information technology disaster recovery/business continuity.

- 3a) Management will ensure cash accounts are reconciled within two months of the related statement closing date.

- 20a) Management will ensure board members/elected officials have completed one hour of ethics training during the fiscal period.