

NATCHITOCHEs REGIONAL MEDICAL CENTER

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
JUNE 30, 2017, 2016 AND 2015



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis

Our discussion and analysis of Natchitoches Parish Hospital Service District's (Hospital's) financial performance provides an overview of the Hospital's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Hospital's financial statements, which begin on page 4.

Financial Highlights

- The Hospital's total assets increased by approximately \$2,000,000 or roughly 2.6%. The Hospital's total liabilities decreased by approximately \$850,000, or roughly 5.7%.
- During the year, the Hospital's net patient service revenue rose 4.3% due to an increase in Medicaid expansion. Expenses increased by approximately \$2,958,000, or 5.0%. The Hospital had income from operations of \$3,334,038, which is approximately 5.1% of total operating revenue.
- The voters renewed a 10-year Ambulance property tax in 2013, and the hospital received \$1,733,000 in taxes for this year. These taxes have been able to provide funds for modernization of Ambulance equipment and expansion of service to rural areas of the Parish that do not have the optimum of services.

Using This Annual Report

The Hospital's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

Our analysis of the Hospital finances begins on page iv. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received and paid.

These two statements report the Hospital's net position and changes in them. You can think of the Hospital's net position – the difference between assets and liabilities – as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measure of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

The Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the statement of net position on page 4. The Hospital's net position increased in each of the past four years, by \$2,848,741 (4.6 percent) in 2017, \$335,745 (0.5 percent) in 2016, \$3,648,018 (6.2 percent) in 2015 and \$323,240 (0.6 percent) in 2014, as you can see from Table 1.

Table 1: Assets, Liabilities and Net Position

	June 30			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Current Assets	\$ 25,318,666	\$ 22,938,211	\$ 21,555,185	\$ 17,609,032
Land & Depreciable Assets – Net	37,039,752	37,990,637	38,493,669	36,783,047
Other Assets, Including Board - Designated Investments	<u>17,175,092</u>	<u>16,605,432</u>	<u>17,653,280</u>	<u>18,520,698</u>
Total Assets	<u>79,533,510</u>	<u>\$ 77,534,280</u>	<u>\$ 77,702,134</u>	<u>\$ 72,912,777</u>
Current Liabilities	\$ 7,866,604	\$ 7,481,115	\$ 6,809,714	\$ 4,553,375
Long-term Debt/Liabilities	<u>6,235,000</u>	<u>7,470,000</u>	<u>8,645,000</u>	<u>9,760,000</u>
Total Liabilities	<u>14,101,604</u>	<u>14,951,115</u>	<u>15,454,714</u>	<u>14,313,375</u>
Noncontrolling Interest in Subsidiary	1,741,098	1,487,730	1,372,289	654,428
Controlling Net Position	<u>63,690,808</u>	<u>61,095,435</u>	<u>60,875,131</u>	<u>57,944,974</u>
Total Liabilities and Net Position	<u>\$ 79,533,510</u>	<u>\$ 77,534,280</u>	<u>\$ 77,702,134</u>	<u>\$ 72,912,777</u>

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Operating Results and Changes in the Hospital's Net Position

The following table presents a summary of the Hospital's historical revenues and expenses for the fiscal years ended June 30, 2017, 2016, 2015 and 2014.

Table 2: Operating Results and Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenue:				
Net Patient Service Revenue	\$ 54,367,788	\$ 52,139,316	\$ 48,152,126	\$ 41,403,531
Other Revenue	<u>11,188,302</u>	<u>7,811,003</u>	<u>9,553,426</u>	<u>7,695,892</u>
Net Revenue	<u>65,556,090</u>	<u>59,950,319</u>	<u>57,705,552</u>	<u>49,099,423</u>
Expenses:				
Salaries & Benefits	29,366,513	28,290,659	26,753,965	23,406,061
Medical Supplies	6,301,571	5,750,273	4,556,800	3,892,227
Purchased Services	4,400,362	4,305,670	5,285,099	4,513,118
Other Operating Expense	18,325,697	16,494,088	13,412,473	12,225,705
Depreciation & Amortization	<u>3,827,909</u>	<u>4,423,304</u>	<u>4,388,490</u>	<u>4,525,136</u>
Total Operating Expense	<u>62,222,052</u>	<u>59,263,994</u>	<u>54,396,827</u>	<u>48,562,247</u>
Net Operating Income	<u>3,334,038</u>	<u>686,325</u>	<u>3,308,725</u>	<u>537,176</u>
Investment Income	203,037	184,374	117,004	114,458
Interest Expense	(269,896)	(384,775)	(430,981)	(476,999)
Non Operating Income	<u>-0-</u>	<u>-0-</u>	<u>72,836</u>	<u>90,876</u>
Excess of Revenues over Expense	3,267,179	485,924	3,067,584	265,511
Unrealized Holding Gains (Losses)	(145,126)	78,670	130,626	180,479
Consolidated Net Income - Non Controlling Interest	<u>(526,680)</u>	<u>(344,290)</u>	<u>(268,053)</u>	<u>(131,476)</u>
Comprehensive Income (Loss)	2,595,373	220,304	2,930,157	314,514
Net Position – Beginning of Year	<u>61,095,435</u>	<u>60,875,131</u>	<u>57,944,974</u>	<u>57,630,460</u>
Net Position – End of Year	<u>\$ 63,690,808</u>	<u>\$ 61,095,435</u>	<u>\$ 60,875,131</u>	<u>\$ 57,944,974</u>

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Operating Income

The first component of the overall change in the Hospital's net position is its operating income (loss) – generally, the difference between net patient service revenue and other revenue, and the expenses incurred to perform those services. In each of the past four years, the Hospital has reported an operating income. This is consistent with the Hospital's operating history. In 2017, there was an increase of \$2,647,713 (386%) in operating income. In 2016, there was a decrease of \$2,622,400 (79%) in operating income. In 2015, there was an increase of \$2,771,549 (516%) in operating income. However, in fiscal year 2014, there was a decrease of \$1,772,262 (77%) in operating income.

The primary component of the 2017 year increasing operating income was the increase of other revenue and Medicaid expansion.

Total salary and benefits expenses increased in 2017 by \$1,075,854 or 3.8%, 2016 by \$1,536,694, or 5.7%, 2015 by \$3,347,904, or 14.3%, and \$1,941,055, or 9.0% in 2014, from \$23,406,061 in 2013. As a percentage of net patient service revenue, salary and benefit expenses were approximately 54.0%, 54.3%, 55.6%, and 56.5% for the fiscal years ended June 2017, 2016, 2015 and 2014, respectively.

Medical supplies increased by approximately \$550,000 and professional fees increased by approximately \$95,000 in 2017. Other expenses increased by approximately \$1,816,000. The increase in other expenses was related mainly in service fees and inter-governmental transfer expense.

The rate of health care inflation has a direct effect on the cost of services provided by the Hospital. A component of the Hospital's costs is expenses for medical and professional services. In 2017, medical and professional services cost totaled \$4.4 million (7.1% of total expenses) and an increase of 2.2% over 2016 costs of \$4.3 million (7.3% of total expenses).

Sources of Revenue

During fiscal year 2017, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes ambulance property tax, cafeteria sales, contract meals, rental income and other miscellaneous services.

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Sources of Revenue (continued)

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30, 2017, 2016, 2015 and 2014.

Table 3: Payor Mix by Percentage

	Year-end June 30			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Medicare	33.7%	35.9%	35.4%	38.5%
Medicaid	29.5%	22.5%	23.5%	23.5%
Commercial Insurance	16.4%	18.0%	16.1%	14.1%
Blue Cross	15.7%	14.8%	15.5%	14.6%
Self-Pay and Other	<u>4.7%</u>	<u>8.8%</u>	<u>9.5%</u>	<u>9.3%</u>
Total Patient Revenues	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Other Revenue

Other revenue includes Ambulance property tax, cafeteria sales, rental income, and other miscellaneous services. Other revenue increased by \$3,377,299 or 43.2% for 2017.

Table 4: Other Revenue

	Year-end June 30			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Other Revenue:				
Rental Income	\$ 1,474,383	\$ 1,532,591	\$ 1,438,117	\$ 1,384,731
Medical Records Revenue	64	200	378	2,149
Dietary Sales	346,048	314,033	260,777	237,387
Drugs Sold to Employees	343,675	143,260	-0-	-0-
Vending Revenue	35,124	36,696	31,777	30,480
Ambulance Tax and Subsidy	1,733,459	1,650,000	1,650,600	1,655,746
Grants	6,451,420	3,742,063	6,074,772	3,500,116
Gain on Sale of Equipment	-0-	-0-	-0-	2,000
340B Pharmaceutical Program	641,443	125,464	(19,814)	783,511
Other	<u>162,686</u>	<u>266,696</u>	<u>116,819</u>	<u>99,772</u>
Total Other Revenue	<u>\$ 11,188,302</u>	<u>\$ 7,811,003</u>	<u>\$ 9,553,426</u>	<u>\$ 7,695,892</u>

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of interest income and interest expense.

Operating and Financial Performance

The following summarizes the Hospital's statements of revenues, expenses, and changes in net position between 2017, 2016, 2015 and 2014.

Overall, activity at the Hospital, as measured by admissions of adults, pediatrics, and geriatric psych patients, has decreased in previous years but increased in the current year. Inpatient admissions decreased by 2.4% in 2017 to 2,674 from 2,737 in 2016. Inpatient admissions were 2,701 in 2015 and 2,768 in 2014. Patient days decreased 11.8% in 2017 to 11,443 from 12,974 in 2016. Previous years had patient days of 12,918 in 2015 and 12,941 in 2014. The average length of stay for acute care patients (excluding newborns) decreased to 3.47 days in 2017 from 3.82 in 2016. The average length of stay was 3.82 and 3.83 in 2015 and 2014, respectively.

Outpatient registrations increased by 12.8% in 2017 to 67,506 from 59,836 in 2016. Previous years had outpatient registrations of 54,013 in 2015 and 50,476 in 2014.

Our Long-Term Care Unit's activity increased by 7.8% in 2017 to 37,543 from 34,835 in 2016 (an average of 103 patients per day), 36,715 in 2015, and 37,178 days in 2014, which represents 90% occupancy on the unit. With our acquisition of a 30 bed assisted living center in July of 2007, administration and the board has replaced our 50 year old Long-Term Care Unit. Construction finished in September of 2009 at an estimated cost of \$8 million.

The Hospital operates the district ambulance service that traditionally has had operating losses. The ambulance operation was supported by a 5.53 mil property tax approved by the residents of Natchitoches Parish. The amount of tax revenue received during 2017 was \$1,733,759 and an increase from \$1,650,000 in 2016. That property tax was renewed in 2013 at 5.31 mil for 10 years.

Natchitoches Parish Hospital Service District
 Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Operating and Financial Performance (continued)

Table 5: Patient and Hospital Statistical Data

	Year-end June 30			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Admissions:				
Adult and Pediatric	2,454	2,498	2,467	2,535
Newborn	596	595	598	600
Long-Term Care Unit	306	267	298	294
Geriatric Psych Unit	220	239	234	233
Patient Days:				
Adult and Pediatric	8,527	9,546	9,420	9,716
Medicare (Included in Adult & Pediatric)	3,611	4,351	4,597	4,806
Medicaid (Included in Adult & Pediatric)	2,877	2,295	2,375	2,180
Newborn	1,227	1,253	1,313	1,249
Long-Term Care Unit	37,543	34,835	36,715	37,178
Geriatric Psych Unit	2,916	3,428	3,498	3,225
Operating Room Patients	1,783	1,816	1,825	1,680
Outpatient Registrations	67,506	59,836	54,013	50,476
Emergency Room Visits	21,545	21,255	21,459	19,659
Ambulance Runs	4,418	4,626	4,778	3,951
Average Daily Census (Excluding Newborn):				
Adult and Pediatric	23.36	26.15	25.81	26.62
Long-Term Care Unit	102.86	95.44	100.59	101.86
Geriatric Psych Unit	7.99	9.39	9.58	8.84
Average Length of Stay (Excluding Newborn):				
All Acute Care Patients	3.47	3.82	3.82	3.83
Medicare Patients	3.99	4.52	4.77	4.99
Medicaid Patients	2.64	2.11	2.18	2.00
Long-Term Care Unit Patients	122.69	130.47	123.20	126.46
Geriatric Psych Unit Patients	13.25	14.34	14.95	13.84
Percentage of Acute-Care Patient Days:				
Medicare	42.35%	45.58%	48.80%	49.46%
Medicaid	33.74%	24.04%	25.21%	22.44%
Full-Time Equivalents (FTE's)	517	527	506	476

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Operating and Financial Performance (continued)

Allowances increased over prior year as described in the table below:

Table 6: Allowance Summary

	Year-end June 30			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Allowances:				
Medicare Contractual Allowances	\$ 42,530,272	\$ 37,443,652	\$ 29,056,565	\$ 27,473,012
Medicaid Contractual Allowances	32,729,869	21,693,826	18,038,711	15,758,094
Blue Cross, Louisiana State Employees, and other Contractual Allowances	35,689,057	31,962,074	24,945,802	16,619,920
Provision for Bad Debt	7,579,888	12,706,307	11,172,121	8,783,790
Other Adjustments	128,167	234,068	245,196	345,474
Physician Fee Revenue	<u>(1,390,265)</u>	<u>(518,655)</u>	<u>(254,253)</u>	<u>(405,448)</u>
 Total Allowances	 <u>\$ 117,266,988</u>	 <u>\$ 103,521,272</u>	 <u>\$ 83,204,142</u>	 <u>\$ 68,574,842</u>

Accounts receivable decreased from 72.4 days in 2014 to 67.8 days in 2015, and then increased to 73.1 days in 2016 and decreased 62.9 days in 2017. Excluded from net patient service revenue are charges forgone for patient services falling under the Hospital's charity care policy. Based on established rates, gross charges of \$65,013 were foregone in 2017, compared to \$170,797 in 2016, \$175,745 in 2015, \$148,652 in 2014. The Hospital has instituted an automated charity care system to assure consistent application of Board policies. Hospital assumes compliance with our charity policy results in only patients meeting specific criteria being classified as a charity care.

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Land & Depreciable Assets and Debt Administration

Land & Depreciable Assets

At the end of 2017, the Hospital had \$37.0 million invested in land and depreciable assets, net of accumulated depreciation, as detailed in note 5 to the financial statements. In 2017, the Hospital spent \$2,768,332 in depreciable assets and construction cost compared to \$3,811,585 in 2015. Of this, \$1,031,264 (37.3%) was the acquisition of new equipment and construction as can be seen in Table 8 below. Depreciation expense for 2016 was \$3,719,217.

Table 7: Land & Depreciable Assets

	Year-end June 30			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land	\$ 1,118,948	\$ 1,118,948	\$ 1,118,948	\$ 1,118,948
Building & Equipment	<u>101,029,027</u>	<u>93,154,264</u>	<u>90,513,673</u>	<u>89,298,693</u>
Subtotal	102,147,975	94,273,212	91,632,621	90,417,641
Less Accumulated Depr.	65,421,169	62,895,129	58,638,060	54,440,125
Construction in Progress	<u>312,946</u>	<u>6,612,554</u>	<u>5,499,108</u>	<u>805,531</u>
Depreciable capital assets, net	<u>\$ 37,039,752</u>	<u>\$ 37,990,637</u>	<u>\$ 38,493,669</u>	<u>\$ 36,783,047</u>

Table 8: Major Additions over \$100,000

<u>Capital Investment</u>	<u>Department</u>	<u>2017 Cost</u>
Ambulance	Ambulance	\$ 142,911
Patient beds	Nursing	\$ 205,732
Surgery equipment	Operating room	\$ 250,403
Ultrasound machine	Radiology	\$ 136,560
Construction projects	Building	\$ 295,658

Debt

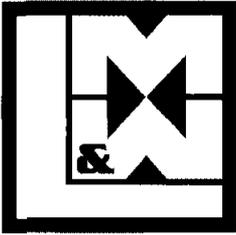
At year-end, the Hospital had \$7,470,000 in short-term and long-term debt. Long-term debt decreased by \$1,175,000 in fiscal year 2017. More detailed information about the Hospital's long-term liabilities is presented in the Note 8 to basic financial statements. Total debt outstanding represents approximately 9.4% of the Hospital's total assets at June 30, 2017 versus prior years of 11.2%, 12.6%, and 14.8% for 2016, 2015 and 2014, respectively.

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital administration.



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Independent Auditors' Report

To the Board of Commissioners
Natchitoches Parish Hospital Service District
Natchitoches, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Natchitoches Parish Hospital Service District and its affiliates (the "Hospital"), a component unit of the Natchitoches Parish Police Jury, Natchitoches, Louisiana, as of and for the years ended June 30, 2017, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital, as of June 30, 2017, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Natchitoches Parish Hospital Service District and its affiliates and do not purport to, and do not, present fairly the financial position of the Natchitoches Parish Police Jury as of June 30, 2017, 2016 and 2015, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "x" 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the



Board of Commissioners
Natchitoches Parish Hospital Service District
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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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2017, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Hospital's internal control over financial reporting and compliance.

Lester Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

December 11, 2017



NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED STATEMENTS OF NET POSITION
JUNE 30,

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current			
Cash and cash equivalents	\$ 9,834,678	\$ 7,058,325	\$ 7,899,843
Limited use assets (Note 4)	575,230	554,767	533,661
Patient accounts receivable, net (Note 3)	9,370,580	10,414,021	8,913,647
Estimated third-party payor settlements	671,745	969,218	385,490
Other receivables	1,996,224	652,303	819,119
Inventory	2,042,721	2,063,999	1,679,348
Prepaid expenses	798,446	1,174,481	1,253,688
Notes receivable - current (Note 15)	29,042	51,097	70,389
Total Current Assets	<u>25,318,666</u>	<u>22,938,211</u>	<u>21,555,185</u>
Other			
Limited use assets (Note 4)	15,002,507	14,339,301	15,162,132
Land	1,118,948	1,118,948	1,118,948
Depreciable capital assets, net (Note 5)	35,920,804	36,871,689	37,374,721
Bond issue cost, net (Note 6)	36,029	42,318	48,608
Capitalized construction interest, net (Note 6)	1,675,000	1,732,443	1,789,888
Notes receivable (Note 15)	30,208	15,123	54,304
Other	431,348	476,247	598,348
Total Assets	<u>\$ 79,533,510</u>	<u>\$ 77,534,280</u>	<u>\$ 77,702,134</u>
<u>LIABILITIES AND NET POSITION</u>			
Current			
Accounts payable	\$ 3,082,624	\$ 3,122,308	\$ 3,313,697
Accrued expenses	1,629,708	1,908,012	2,107,132
Estimated third-party payor settlements	1,894,264	1,275,795	273,885
Unearned revenue	25,008	-0-	-0-
Current portion of long-term debt (Note 8)	1,235,000	1,175,000	1,115,000
Total Current Liabilities	<u>7,866,604</u>	<u>7,481,115</u>	<u>6,809,714</u>
Long-term Liabilities			
Long-term debt (Note 8)	6,235,000	7,470,000	8,645,000
Total Liabilities	<u>14,101,604</u>	<u>14,951,115</u>	<u>15,454,714</u>
Net Position			
Invested in capital assets, net of related debt	29,569,752	29,345,637	28,733,669
Restricted	1,005,527	985,064	963,958
Unrestricted	33,115,529	30,764,734	31,177,504
Total Controlling Net Position	<u>63,690,808</u>	<u>61,095,435</u>	<u>60,875,131</u>
Noncontrolling interest in subsidiary	1,741,098	1,487,730	1,372,289
Total Net Position	<u>65,431,906</u>	<u>62,583,165</u>	<u>62,247,420</u>
Total Liabilities and Net Position	<u>\$ 79,533,510</u>	<u>\$ 77,534,280</u>	<u>\$ 77,702,134</u>

See accompanying notes to financial statements.

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues			
Net patient service revenue	\$ 54,367,788	\$ 52,139,316	\$ 48,152,126
Other revenue	<u>11,188,302</u>	<u>7,811,003</u>	<u>9,553,426</u>
Total Revenues	<u>65,556,090</u>	<u>59,950,319</u>	<u>57,705,552</u>
Expenses			
Salaries and benefits	29,366,513	28,290,659	26,753,965
Medical supplies and drugs	6,301,571	5,750,273	4,556,800
Medical, professional and consulting	4,400,362	4,305,670	5,285,099
Other expenses	17,169,931	15,353,721	12,116,185
Insurance	1,155,766	1,140,367	1,296,288
Depreciation and amortization	<u>3,827,909</u>	<u>4,423,304</u>	<u>4,388,490</u>
Total Expenses	<u>62,222,052</u>	<u>59,263,994</u>	<u>54,396,827</u>
Operating Income (Loss)	<u>3,334,038</u>	<u>686,325</u>	<u>3,308,725</u>
Nonoperating Revenues (Expenses)			
Interest income	47,952	12,540	1,921
Interest income from limited use assets	155,085	171,834	115,083
Gain on sale of equipment	-0-	-0-	72,836
Interest expense	<u>(269,896)</u>	<u>(384,775)</u>	<u>(430,981)</u>
Total Nonoperating Revenues (Expenses)	<u>(66,859)</u>	<u>(200,401)</u>	<u>(241,141)</u>
Excess of Revenue Over Expenses	3,267,179	485,924	3,067,584
Less: Consolidated net income attributable to noncontrolling interest	(526,680)	(344,290)	(268,053)
Other Comprehensive Income			
Unrealized holding gains (losses)	<u>(145,126)</u>	<u>78,670</u>	<u>130,626</u>
Comprehensive Income (Loss)	2,595,373	220,304	2,930,157
Beginning net position	<u>61,095,435</u>	<u>60,875,131</u>	<u>57,944,974</u>
Ending net position	\$ <u>63,690,808</u>	\$ <u>61,095,435</u>	\$ <u>60,875,131</u>

See accompanying notes to financial statements.

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 56,327,171	\$ 51,057,124	\$ 47,713,819
Other receipts from operations	9,869,389	7,977,819	8,807,143
Investment income received - nonrestricted	47,952	12,540	1,921
Cash payments to employees and for employee-related cost	(29,644,817)	(28,489,779)	(26,186,770)
Cash payments for other operating expenses	<u>(28,653,904)</u>	<u>(26,979,155)</u>	<u>(22,173,988)</u>
Net cash provided (used) by operating activities	<u>7,945,791</u>	<u>3,578,549</u>	<u>8,162,125</u>
Cash flows from investing activities:			
Cash invested in assets limited as to use - investment	(828,795)	(184,374)	(117,004)
Redemption of investments/principal return	-0-	1,064,769	523,402
Loans to physicians	(9,127)	-0-	(10,000)
Collection on physician loans	-0-	(9,236)	31,334
Cash invested in joint venture	(2,908)	77,144	398,696
Dividends paid to joint venture owners	(270,465)	(589,351)	(73,651)
Cash received for noncontrolling interest in subsidiary	-0-	360,502	523,459
Investment earnings	<u>155,085</u>	<u>171,834</u>	<u>115,083</u>
Net cash provided (used) by investing activities	<u>(956,210)</u>	<u>891,288</u>	<u>1,391,319</u>
Cash flows from capital and related financing activities:			
Interest expense	(269,896)	(384,775)	(430,981)
Sales price of assets	-0-	-0-	80,959
Principal payments on long-term debt	(1,175,000)	(1,115,000)	(1,055,000)
Acquisition of capital assets	<u>(2,768,332)</u>	<u>(3,811,580)</u>	<u>(6,092,469)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(4,213,228)</u>	\$ <u>(5,311,355)</u>	\$ <u>(7,497,491)</u>

See accompanying notes to financial statements.

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net increase (decrease) in cash and cash equivalents	\$ 2,776,353	\$ (841,518)	\$ 2,055,953
Beginning cash and cash equivalents	<u>7,058,325</u>	<u>7,899,843</u>	<u>5,843,890</u>
Ending cash and cash equivalents	\$ <u>9,834,678</u>	\$ <u>7,058,325</u>	\$ <u>7,899,843</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>305,789</u>	\$ <u>395,588</u>	\$ <u>442,347</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 3,334,038	\$ 686,325	\$ 3,308,725
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Provision for bad debts	7,579,888	12,706,307	11,172,121
Depreciation and amortization	3,827,909	4,423,304	4,388,490
Physician loan amortization	16,097	67,709	114,698
Interest income	47,952	12,540	1,921
Gain/loss on sale of assets	-0-	-0-	72,836
Changes in current assets (increase) decrease:			
Patient accounts receivable, net	(6,536,447)	(14,206,681)	(11,894,079)
Estimated third-party payor settlements	297,473	(583,728)	327,511
Other receivables	(1,343,921)	166,816	(819,119)
Inventory	21,278	(384,651)	(228,359)
Prepaid expenses	376,035	79,207	(478,959)
Changes in current liabilities (increase) decrease:			
Accounts payable	(39,684)	(191,389)	1,673,004
Accrued expenses	(278,304)	(199,120)	567,195
Unearned revenue	25,008	-0-	-0-
Estimated third-party payor settlements	<u>618,469</u>	<u>1,001,910</u>	<u>(43,860)</u>
Net cash provided by operating activities	\$ <u>7,945,791</u>	\$ <u>3,578,549</u>	\$ <u>8,162,125</u>

See accompanying notes to financial statements.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Legal Organizations

The Natchitoches Parish Hospital Service District (referred to as "the District" or "the Hospital") was created by an ordinance of the Natchitoches Parish Police Jury (the "Jury") on October 19, 1955. The governing board of the District consists of seven members appointed by the Jury. Because the Jury appoints all commissioners of the Natchitoches Parish Hospital Service District, the District is a component unit of the Natchitoches Parish Police Jury, which is the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Jury, or the other governmental units that comprise the financial reporting entity.

An affiliate, Natchitoches Outpatient Services, LLC (referred to as "NOP, LLC"), was organized January 22, 2004, as a Louisiana limited liability company. NOP, LLC is a perpetual limited liability company. The District has 50.9% ownership in NOP, LLC.

An affiliate, Natchitoches Assisted Living, LLC (referred to as "NAL, LLC"), was organized July 16, 2007, as a Louisiana limited liability company. NAL, LLC is a perpetual limited liability company. The District has 100% ownership in NAL, LLC.

An affiliate, Regional Cardiology Clinic, LLC (referred to as "RCC, LLC"), was organized March 2, 2009, as a Louisiana limited liability company. RCC, LLC is a perpetual limited liability company. The District has 50.1% ownership in RCC, LLC.

An affiliate, Natchitoches Regional Medical Center Foundation (referred to as "NRMC Foundation"), was incorporated November 3, 2005, as a Louisiana nonprofit corporation. NRMC Foundation has one class of members, consisting of two members, the District and Christus Health Central Louisiana. The District appoints six of the ten-member Board for NRMC Foundation, however two-thirds (2/3) vote is needed for certain major decisions. Therefore, the financials of NRMC Foundation are not consolidated in the District's financials.

An affiliate, NRMC Comprehensive Wound Care, LLC (referred to as "Wound Care, LLC"), was organized November 11, 2013, as a Louisiana limited liability company. Wound Care, LLC is a perpetual limited liability company. The District has 56.0% ownership in Wound Care, LLC.

An affiliate, NRMC Walk-In Clinic Ventures, LLC (referred to as "Walk-In Clinic, LLC"), was organized March 19, 2015, as a Louisiana limited liability company. Walk-In Clinic, LLC is a perpetual limited liability company. The District has 63.04% ownership in Walk-In Clinic, LLC.

An affiliate, NRMC Pain Institute Ventures, LLC (referred to as "Pain Institute, LLC"), was organized February 12, 2016, as a Louisiana limited liability company. Pain Institute, LLC is a perpetual limited liability company. The District has 54.0% ownership in Pain Institute, LLC.

Nature of Business

The District provides outpatient, ambulance, emergency and inpatient acute services through its hospital unit. The District also provides inpatient intermediate and skilled nursing services through its long-term care unit and hospital "swing-beds". In June 1995, the District opened a unit to provide geriatric psychiatric services and was recognized as a "distinct part" unit effective July 1, 1995.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Nature of Business (Continued)

NOP, LLC provides outpatient therapy and MRI services.

NAL, LLC provides housing and limited care for elderly residents as an assisted living center.

RCC, LLC provides outpatient cardiology diagnostic and testing services.

Wound Care, LLC provides wound care and hyperbaric services.

Walk-In Clinic, LLC provides urgent care services.

Pain Institute, LLC provides pain management services.

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The District and its affiliates use enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus.

Cash and Cash Equivalents

Cash represents coin, currency, bank demand deposits and other negotiable instruments that are readily acceptable in lieu of currency. Cash equivalents are time deposits, certificates of deposit, treasury bills and mortgage backed securities purchased with a maturity of three months or less. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Investments

The Hospital classifies their investments as available-for-sale in response to changes in interest rates, liquidity needs and for other purposes. Available-for-sale securities are reported at fair value. Unrealized holdings gains and losses are reported as other comprehensive income.

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Capital Assets

Purchased fixed assets are recorded at cost and donated fixed assets, if received, at fair market value on the date of any donation. Depreciation is calculated over estimated useful lives, using the straight-line method. Land was initially donated for hospital use, and it is recorded at the fair market value at the time of donation. Additional land was purchased, and it is recorded at cost.

Net Position

The District classifies net position into three components: invested in capital assets, net of related debt; restricted and unrestricted. Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested capital assets, net of related debt or restricted.

Revenue and Expenses

The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the District's principal activity. Operating revenue also includes ad valorem taxes passed to provide the District with revenue to operate and maintain the District. Non exchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Income Taxes

The District is a political subdivision of the State of Louisiana and exempt from taxation.

NOP, LLC; NAL, LLC; RCC, LLC; Wound Care, LLC; Walk-In Clinic, LLC; and Pain Institute, LLC do not pay federal corporate income taxes on their taxable income or are not allowed a net operating loss carryover or carryback as a deduction. Instead, the members are liable for individual federal income taxes on their respective shares of these companies' taxable income or include their respective shares of these companies' net operating loss in their individual income tax returns.

Credit Risk

The Hospital provides medical care primarily to Natchitoches Parish residents and grants credit to patients, substantially all of whom are local residents. The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Grants and Contributions

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

Significant Concentration of Economic Dependence

The District has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 9. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenue

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the Hospital is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charge for the services provided, less an estimate for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by utilizing a historical experience applied to an aging of accounts. Patient account receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expenses are recorded as a reduction of bad debt expense when received.

Restricted Revenues

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classifications.

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Use of Estimates

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

Principles of Consolidation

The consolidated financial statements include the accounts of the District and its affiliates, after elimination of all significant intercompany balances and transactions. The District has recorded a minority interest for the portion of equity and income attributable to other investors in NOP, LLC; RCC, LLC; Wound Care, LLC; Walk-In Clinic, LLC; and Pain Institute, LLC.

NOTE 2 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the District to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the District be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at June 30, 2016 and 2015. As of June 30, 2017, the District had deposits of \$39,183 which were unsecured.

Concentration of Credit Risks - The District has 6.8% in Federal Farm Credit Banks, 11.0% in Federal Home Loan Bank, 35.5% in Federal Home Loan Mortgage Corporation and 36.2% in Federal National Mortgage Association.

Interest Rate Risks - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

The District's investments are reported at fair value. At June 30, 2017, 2016 and 2015, the District had the following investments and maturities, all of which were held in the District's name by a custodial bank that is an agent of the District. The table below is with the assumption that the bonds are held until maturity.

<u>June 30, 2017</u>	<u>Investment Maturities (In Years)</u>				
	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Money Markets	\$ 34,869	\$ 34,869	\$ -0-	\$ -0-	\$ -0-
Fed National Mortgage Assoc.	5,273,945	-0-	5,273,945	-0-	-0-
Federal Home Loan Bank	1,598,229	998,520	599,709	-0-	-0-
Federal Home Loan Mortgage	5,179,537	1,205,231	3,974,306	-0-	-0-
Federal Farm Credit Banks	989,535	-0-	989,535	-0-	-0-
US Treasury Bills	996,795	996,795	-0-	-0-	-0-
US Treasury Notes	499,300	499,300	-0-	-0-	-0-
Total	\$ 14,572,210	\$ 3,734,715	\$ 10,837,495	\$ -0-	\$ -0-

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>				
	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Money Markets	\$ 173,599	\$ 173,599	\$ -0-	\$ -0-	\$ -0-
Fed National Mortgage Assoc.	5,803,227	-0-	4,490,959	1,312,268	-0-
Federal Home Loan Bank	1,898,470	-0-	1,898,470	-0-	-0-
Federal Home Loan Mortgage	3,684,935	-0-	3,684,935	-0-	-0-
Financing Corp	366,666	-0-	366,666	-0-	-0-
Corporate Bond	394,436	-0-	394,436	-0-	-0-
Exchange-Traded Products	<u>2,410,502</u>	<u>2,410,502</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>14,731,835</u>	\$ <u>2,584,101</u>	\$ <u>10,835,466</u>	\$ <u>1,312,268</u>	\$ <u>-0-</u>

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>				
	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Money Markets	\$ 83,255	\$ 83,255	\$ -0-	\$ -0-	\$ -0-
Fed National Mortgage Assoc.	5,809,764	-0-	2,554,748	2,951,107	303,909
Federal Home Loan Bank	3,886,155	-0-	3,886,155	-0-	-0-
Federal Home Loan Mortgage	1,168,521	-0-	1,168,521	-0-	-0-
Financing Corp	362,681	-0-	362,681	-0-	-0-
Corporate Bond	388,668	-0-	388,668	-0-	-0-
Certificates of Deposit	902,383	225,795	676,588	-0-	-0-
Exchange-Traded Products	<u>2,419,925</u>	<u>2,419,925</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>15,021,352</u>	\$ <u>2,728,975</u>	\$ <u>9,037,361</u>	\$ <u>2,951,107</u>	\$ <u>303,909</u>

Credit Risks - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2017, the District's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's Investor's Service</u>	<u>Standard & Poor's</u>
Federal National Mortgage Association	AAA	AA+
Federal Home Loan Bank	AAA	AA+
Federal Home Loan Mortgage Association	AAA	AA+
Federal Farm Credit Banks	AAA	AA+
US Treasury Notes	AAA	AA+
US Treasury Bills	Not Rated	AA+

Account balances according to banks' records at June 30, 2017, for the District are as follows:

	City Bank & Trust	People's State Bank
Cash in banks	\$ <u>289,183</u>	\$ <u>10,705,946</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>250,000</u>
Collateralization by fair market value	\$ <u>-0-</u>	\$ <u>10,455,946</u>
Uncollateralized	\$ <u>39,183</u>	\$ <u>-0-</u>

The carrying amounts of deposits and investments are included in the District's balance sheet as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Carrying amount			
Deposits	\$ 10,409,908	\$ 7,613,092	\$ 8,433,504
Investments	<u>14,572,210</u>	<u>13,909,004</u>	<u>14,731,835</u>
	\$ <u>24,982,118</u>	\$ <u>21,522,096</u>	\$ <u>23,165,339</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 9,834,678	\$ 7,058,325	\$ 7,899,843
Current limited use assets	575,230	554,767	533,661
Other limited use assets	<u>14,572,210</u>	<u>13,909,004</u>	<u>14,731,835</u>
	\$ <u>24,982,118</u>	\$ <u>21,522,096</u>	\$ <u>23,165,339</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 3 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Patient accounts receivable	\$ 14,427,787	\$ 17,628,185	\$ 16,122,776
Less provision for uncollectibles	<u>(5,057,207)</u>	<u>(7,214,164)</u>	<u>(7,209,129)</u>
Net accounts receivable	\$ <u>9,370,580</u>	\$ <u>10,414,021</u>	\$ <u>8,913,647</u>

The following is a summary of the mix of receivables from patient and third-party payors at June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare	16%	13%	15%
Medicaid and Medicaid managed care plans	24%	16%	15%
Blue Cross Blue Shield	9%	4%	5%
Commercial and other third-party payors	11%	12%	12%
Patients	<u>40%</u>	<u>55%</u>	<u>53%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Medicare, Medicaid and third-party payors are shown net of contractual allowances.

NOTE 4 - LIMITED USE ASSETS

A summary of limited use assets is presented below:

<u>By Third Parties</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash with paying agent - interest and principal, due 10/01 (Series 2000 Bonds)	\$ 546,466	\$ 527,193	\$ 507,632
Patient trust funds	28,764	27,574	26,029
LHA trust deposits	430,297	430,297	430,297

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 4 - LIMITED USE ASSETS (Continued)

<u>By Board</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Repair and replacement - cash and cash equivalents	\$ 7,438,556	\$ 7,488,272	\$ 8,422,484
Repair and replacement - investments	7,133,654	6,420,732	6,309,351
Less limited use assets required for current liabilities	<u>(575,230)</u>	<u>(554,767)</u>	<u>(533,661)</u>
Non-current limited use assets	\$ <u>15,002,507</u>	\$ <u>14,339,301</u>	\$ <u>15,162,132</u>

NOTE 5 - DEPRECIABLE CAPITAL ASSETS, NET

The following is a summary of capital assets and related accumulated depreciation for the year ended:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2017</u>
Land improvements	\$ 766,886	\$ -0-	\$ -0-	\$ 766,886
Buildings	56,695,793	6,010,688	-0-	62,706,481
Furniture, fixtures & equipment	35,691,585	3,057,252	1,193,177	37,555,660
Construction in progress	<u>6,612,554</u>	<u>295,658</u>	<u>6,595,266</u>	<u>312,946</u>
Total	99,766,818	9,363,598	7,788,443	101,341,973
Accumulated depreciation	<u>62,895,129</u>	<u>3,719,217</u>	<u>1,193,177</u>	<u>65,421,169</u>
Net	\$ <u>36,871,689</u>	\$ <u>5,644,381</u>	\$ <u>6,595,266</u>	\$ <u>35,920,804</u>
	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2016</u>
Land improvements	\$ 766,886	\$ -0-	\$ -0-	\$ 766,886
Buildings	56,228,218	467,575	-0-	56,695,793
Furniture, fixtures & equipment	33,518,569	2,230,564	57,548	35,691,585
Construction in progress	<u>5,499,108</u>	<u>1,113,446</u>	<u>-0-</u>	<u>6,612,554</u>
Total	96,012,781	3,811,585	57,548	99,766,818
Accumulated depreciation	<u>58,638,060</u>	<u>4,314,617</u>	<u>57,548</u>	<u>62,895,129</u>
Net	\$ <u>37,374,721</u>	\$ <u>(503,032)</u>	\$ <u>-0-</u>	\$ <u>36,871,689</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 5 - DEPRECIABLE CAPITAL ASSETS, NET (Continued)

	<u>June 30, 2014</u>		<u>Additions</u>		<u>Deductions</u>		<u>June 30, 2015</u>
Land improvements	\$ 766,886	\$	-0-	\$	-0-	\$	766,886
Buildings	56,222,286		5,932		-0-		56,228,218
Furniture, fixtures & equipment	32,309,521		1,392,960		183,912		33,518,569
Construction in progress	<u>805,531</u>		<u>4,693,577</u>		<u>-0-</u>		<u>5,499,108</u>
 Total	 90,104,224		 6,092,469		 183,912		 96,012,781
Accumulated depreciation	<u>54,440,125</u>		<u>4,300,888</u>		<u>102,953</u>		<u>58,638,060</u>
 Net	 \$ <u>35,664,099</u>	\$	 <u>1,791,581</u>	\$	 <u>80,959</u>	\$	 <u>37,374,721</u>

Depreciation was calculated using the straight-line method. Useful lives for the purpose of calculating depreciation by class are:

Buildings	10 - 40 years
Furniture, fixtures and equipment	3 - 15 years

NOTE 6 - OTHER ASSETS

Bond issue costs of \$46,609 were incurred for the 2000 Revenue Bonds and is being amortized using the straight-line method over the remaining life of the bonds (20 years) beginning in the fiscal year 2006.

Capitalized interest of \$1,814,579 was accumulated as of June 30, 2006 for the 2000 Revenue Bonds and is being amortized using the straight-line method over the life of the building beginning in the fiscal year 2006.

Bond issue costs of \$47,730 were incurred for the 2008 Revenue Bonds and is being amortized over the remaining life of the bonds (20 years) beginning in 2010.

Capitalized interest of \$428,142 was accumulated as of June 30, 2010 for the 2008 Revenue Bonds and is being amortized using the straight-line method over the life of the building beginning in the fiscal year 2010.

NOTE 7 - PAID TIME OFF

Employees of the District are entitled to paid days off depending on length of service. The District accrued \$576,445, \$938,755, and \$811,079 of paid time off at June 30, 2017, 2016, and 2015. It is impractical to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 8 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations follows:

	June 30, <u>2016</u>	<u>Additions</u>	<u>Payments</u>	June 30, <u>2017</u>	Due Within <u>One Year</u>
Series 2000 Bonds Payable	\$ 3,650,000	\$ -0-	\$ 650,000	\$ 3,000,000	\$ 685,000
Series 2008 Bonds Payable	<u>4,995,000</u>	<u>-0-</u>	<u>525,000</u>	<u>4,470,000</u>	<u>550,000</u>
Total	\$ <u>8,645,000</u>	\$ <u>-0-</u>	\$ <u>1,175,000</u>	\$ <u>7,470,000</u>	\$ <u>1,235,000</u>
	June 30, <u>2015</u>	<u>Additions</u>	<u>Payments</u>	June 30, <u>2016</u>	Due Within <u>One Year</u>
Series 2000 Bonds Payable	\$ 4,265,000	\$ -0-	\$ 615,000	\$ 3,650,000	\$ 650,000
Series 2008 Bonds Payable	<u>5,495,000</u>	<u>-0-</u>	<u>500,000</u>	<u>4,995,000</u>	<u>525,000</u>
Total	\$ <u>9,760,000</u>	\$ <u>-0-</u>	\$ <u>1,115,000</u>	\$ <u>8,645,000</u>	\$ <u>1,175,000</u>
	June 30, <u>2014</u>	<u>Additions</u>	<u>Payments</u>	June 30, <u>2015</u>	Due Within <u>One Year</u>
Series 2000 Bonds Payable	\$ 4,845,000	\$ -0-	\$ 580,000	\$ 4,265,000	\$ 615,000
Series 2008 Bonds Payable	<u>5,970,000</u>	<u>-0-</u>	<u>475,000</u>	<u>5,495,000</u>	<u>500,000</u>
Total	\$ <u>10,815,000</u>	\$ <u>-0-</u>	\$ <u>1,055,000</u>	\$ <u>9,760,000</u>	\$ <u>1,115,000</u>

The following are the terms and due dates of the Hospital's long-term debt at June 30:

- Series 2000 Hospital Revenue Bonds at 6% collateralized by a pledge and dedication of hospital revenue. Effective April 27, 2010, the rate has been changed to 4.35%.
- Series 2008 Hospital Revenue Bonds at 4.26% collateralized by a pledge and dedication of hospital revenue. Effective October 1, 2016, the rate has been changed to 2.45%.

On June 14, 2000, the Series 2000 Hospital Revenue Bonds were issued. The bonds are secured by the full faith and credit of the Hospital as well as a lien and privilege on its revenues.

On July 29, 2008, the Series 2008 Hospital Revenue Bonds were issued. The bonds are secured by the full faith and credit of the Hospital.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 8 - LONG-TERM DEBT (Continued)

The Hospital has covenanted to set rates so that revenues are sufficient to pay all reasonable and necessary expenses of operating and maintaining the Hospital, certain multiples of the largest amount of principal and interest maturing on the Bonds in any future fiscal year and on any pari passu additional bonds hereafter issued. Those multiples range from 120% to 200%.

Other requirements under the terms of indebtedness are as follows:

- * Sale or disposition of Hospital property, plant and equipment is limited. Future debt agreements may not take priority over this series of debt.
- * Make monthly deposits equal to the pro-rata portion of the next principal and/or interest payment, which are to be maintained in fully backed or government securities investments, with market values greater than invested dollars.
- * Collect payment on all services rendered, except for an undisclosed, reasonable amount of charity care.
- * Maintain all assets in good working order.
- * Carry full insurance coverage with a responsible licensed Louisiana company.
- * Maintain complete and accurate records and have an annual audit.
- * Maintain cash on hand of not less than 60 days of operating expenses net of depreciation and amortization.
- * Provide quarterly statements to the purchaser.
- * Protect tax exempt status and refrain from activities that would require payment of arbitrage to the IRS.

Scheduled principal and interest repayments on the long-term debt follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 1,235,000	\$ 218,379	\$ 1,453,379
2019	1,305,000	173,821	1,478,821
2020	1,375,000	126,741	1,501,741
2021	1,450,000	77,077	1,527,077
2022	670,000	43,365	713,365
2023-2024	<u>1,435,000</u>	<u>35,587</u>	<u>1,470,587</u>
Totals	\$ <u>7,470,000</u>	\$ <u>674,970</u>	\$ <u>8,144,970</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 9 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2017, if not extended by Congress. The additional payment received under the Medicare low volume add-on was \$690,229, \$782,949 and \$760,784 for the years ended June 30, 2017, 2016 and 2015, respectively. Outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis. Swing bed and skilled nursing facility routine services are reimbursed based on a prospectively determined rate per patient day. Geriatric psychiatry services are reimbursed based on a prospective method based on length of stay, diagnosis, and other factors. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost reports have been examined by the Medicare fiscal intermediary through June 30, 2015.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. Geriatric psychiatry services are reimbursed on a prospectively determined per diem rate. In fiscal year 2017, 2016 and 2015, a Medicaid supplemental physician payment of \$1,390,265, \$518,655 and \$254,253 was received, respectively. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been examined by the Medicaid fiscal intermediary through June 30, 2013.

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates. Blue Cross Blue Shield "BCBS" is the largest commercial provider. BCBS charges were 16%, 15% and 16% of the total gross charges for the years ended June 30, 2017, 2016 and 2015, respectively.

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. The adjustments resulted in a decrease of \$67,492 in FY 2016.

The Patient Protection and Affordable Care Act (PPACA) was passed into law in 2010. This federal legislation is extremely complex and will substantially change the landscape of the healthcare industry. The PPACA has the potential to affect both payment rates and coverage issues for all healthcare payors. While the overall impact of the PPACA cannot currently be estimated, it would have a negative impact on the District's revenues.

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 9 - NET PATIENT SERVICE REVENUE (Continued)

The following is a summary of the Hospital's net patient service revenue for the years ended June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Gross charges	\$ 171,634,776	\$ 155,660,588	\$ 131,356,268
Less charges associated with charity care	<u>65,013</u>	<u>170,797</u>	<u>175,745</u>
Gross patient service revenues	171,569,763	155,489,791	131,180,523
Less deductions from revenue:			
Medicare and Medicaid contractual adjustments	75,260,141	59,137,478	47,095,276
Commercial insurance contractual adjustments	35,689,057	31,962,074	24,945,802
Policy and other discounts	63,154	63,271	69,451
Physician supplemental revenue	<u>(1,390,265)</u>	<u>(518,655)</u>	<u>(254,253)</u>
Patient service revenue (net of contractual adjustments and discounts)	61,947,676	64,845,623	59,324,247
Less provision for bad debts	<u>7,579,888</u>	<u>12,706,307</u>	<u>11,172,121</u>
 Net patient service revenue	 \$ <u>54,367,788</u>	 \$ <u>52,139,316</u>	 \$ <u>48,152,126</u>

The Hospital receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Medicare and Medicaid gross patient charges	\$ 108,470,588	\$ 90,907,790	\$ 76,977,132
Contractual adjustments	<u>(75,260,141)</u>	<u>(59,137,478)</u>	<u>(47,095,276)</u>
 Program patient service revenue	 \$ <u>33,210,447</u>	 \$ <u>31,770,312</u>	 \$ <u>29,881,856</u>
 Percent of gross patient charges	 63%	 58%	 59%
Percent of total net patient revenue	61%	61%	62%

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 10 - RETIREMENT PROGRAM

Employees may participate in a qualified defined contribution retirement plan, which is administered by VALIC. Each employee is eligible to join the plan immediately upon employment. Employees become vested in the employer's contribution 25% per year until 100% vested at 4 years of employment. The District must make contributions equal to 25% of the employee's required contribution and can elect to contribute up to 100% of the employee's required contribution.

Total payroll	\$	24,781,476
Total covered payroll		12,745,700
Employee contributions		509,828
Employer contributions	\$	128,071
Less forfeitures		<u>1,484</u>
Net employer contributions	\$	<u>126,587</u>

NOTE 11 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence. Legal action in an attempt to overturn this legislation on constitutional grounds is in process.

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

NOTE 12 - WORKMEN'S COMPENSATION RISK

The District participates in the Louisiana Hospital Association Self Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations and equity amounts assigned to the District by the Trust Fund in its financial statements.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of the charity care or owe a reduced “sliding scale” amount based on the patient’s level of income in comparison to the Federal Poverty Guidelines based on a 150% scale. Accordingly, the Hospital does not report the amount it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. Amounts identified as charity care charges are \$65,013, \$170,797 and \$175,745 for the years ended June 30, 2017, 2016 and 2015, respectively. The related cost of care was approximately \$25,000, \$68,000 and \$59,000, for the fiscal years ended in 2017, 2016 and 2015, respectively. Funds received through grants, which pay part of the cost of charity and uninsured care, were approximately \$59,000, \$69,000 and \$66,000 for the years ended June 30, 2017, 2016 and 2015, respectively.

NOTE 14 - EMPLOYEE MEDICAL BENEFIT PLAN

The District is self-insured to provide group medical/dental coverage for its employees. A third-party, IMA of Louisiana, administers the group medical coverage for the District. The District funds its losses based on actual claims. A stop-loss insurance contract was executed with an insurance carrier that provides for payment of 100% of claims in excess of \$80,000 per year up to specific individual maximums of \$1,000,000. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims’ experience, recently settled claims, and frequency of claims. It is reasonably possible that the Hospital’s estimate will change by a material amount in the near term. The following is a summary of changes in the Hospital’s claims liability for the year ended June 30:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning of the year	\$ 165,301	\$ 306,060	\$ 74,386
Plus: Claims incurred and changes in estimate	2,227,653	1,533,613	1,790,642
Less: Claims paid	<u>2,320,878</u>	<u>1,674,372</u>	<u>1,558,968</u>
End of the year	\$ <u>72,076</u>	\$ <u>165,301</u>	\$ <u>306,060</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 15 - NOTES RECEIVABLE AND PHYSICIAN CONTRACT GUARANTEES

The following is a summary of notes receivable and physician contract guarantees at June 30. Management asserts no allowances for uncollectible accounts are needed.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Physician notes	\$ -0-	\$ 15,123	\$ 49,304
Physician contract guarantees	<u>59,250</u>	<u>51,097</u>	<u>75,389</u>
	59,250	66,220	124,693
Less current maturities	<u>(29,042)</u>	<u>(51,097)</u>	<u>(70,389)</u>
	30,208	15,123	54,304
Long-term notes receivable	\$ <u>30,208</u>	\$ <u>15,123</u>	\$ <u>54,304</u>

NOTE 16 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Third-Party Government-Based Revenues (Note 1) - Cost reimbursements are subject to examination by agencies administering the programs. Effective October 1, 1983, the Medicare program discontinued its cost-based reimbursement system for inpatient services. Under the program, the District receives a fixed fee for each patient, which is determined by the government. The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

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

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 16 - CONTINGENCIES (Continued)

Professional Liability Risk (Note 11) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk (Note 12) - The District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Hill-Burton Uncompensated Service and Community Service Obligations - As a result of the District receiving a Federal Hill-Burton program grant, the District is required to provide a reasonable volume of uncompensated services to patients who are unable to pay for their medical care. The District's obligation for uncompensated services was fulfilled on July 17, 1998. Additionally, the District is obligated to provide community service.

NOTE 17 - AD VALOREM TAXES

The District levies a property tax on all property subject to taxation in the service district. A 5.53 mill tax was approved for a period of ten years, beginning with the year 2003 and ending with the year 2012, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. Beginning in year 2013, a 5.31 mil tax was approved for a period of ten years for the same purposes. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15 each year, are due by December 31, and become delinquent on January 31.

NOTE 18 - COMMITMENTS

The District entered into various construction contracts, which totaled \$2,834,742, including change orders as of June 30, 2017. The Hospital paid \$289,427 towards these commitments as of June 30, 2017.

NOTE 19 - GRANTS

In 2017, 2016 and 2015, the Hospital (Grantee) entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to Grantee's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$4,928,287, \$2,515,873 and \$4,755,127 for fiscal year 2017, 2016 and 2015, respectively.

Effective March 2016, the Hospital entered into a Participation Agreement in order to receive Medicaid supplemental payments for qualifying nursing facilities owned or operated by non-state governmental organizations that have entered into an agreement with the Louisiana Department of Health and Hospitals (LDH). The Hospital made payments to LDH in conjunction with the agreement totaling \$614,484 which were reported as other expenses in 2017. The Hospital received \$1,329,856 which were reported as other revenue in 2017.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NOTE 19 - GRANTS (Continued)

The District recognized operating grant income of approximately \$155,000, \$620,000 and \$891,000 for Medicare during the years ended June 30, 2017, 2016 and 2015, respectively, as an incentive for implementing electronic health records (EHR). The District also recognized operating grant income of approximately \$135,000 and \$347,000 for Medicaid during the years ended June 30, 2016 and 2015, respectively. The key component of receiving the EHR incentive payment is "demonstrating meaningful use", which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in during the next few years in three stages, with each progressive stage incorporating more stringent measures. The District's policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the District meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

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

NOTE 20 - OPERATING LEASES

The Hospital is committed under various noncancelable operating leases, all of which are for equipment or buildings. These expire in various years through 2020. Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2018	\$ 357,172
2019	115,390
2020	89,062
2021	-0-
2022	<u>-0-</u>
Total minimum lease payments	<u>\$ 561,624</u>

NOTE 21 - SUBSEQUENT EVENTS

Events have been evaluated through December 11, 2017, for subsequent event disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF NET POSITION
JUNE 30, 2017

<u>ASSETS</u>	Natchitoches		Natchitoches		NRMC		NRMC		Eliminating Entries	Consolidated
	Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	NRMC Comprehensive Wound Care, LLC	NRMC Walk-In Clinic Ventures, LLC	NRMC Pain Institute Ventures, LLC			
Current										
Cash and cash equivalents	\$ 6,590,292	\$ 521,699	\$ 181,135	\$ 734,477	\$ 921,497	\$ 180,406	\$ 705,172	\$ -0-	\$ -0-	\$ 9,834,678
Limited use assets	575,230	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	575,230
Patient accounts receivable, net	8,958,165	186,419	-0-	-0-	-0-	225,996	-0-	-0-	-0-	9,370,580
Estimated third-party payor settlements	671,745	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	671,745
Other receivables	2,973,089	(7,882)	210	102,411	195,940	18,164	86,919	(1,372,627)		1,996,224
Inventory	2,042,721	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,042,721
Prepaid expenses	781,854	6,907	-0-	9,685	-0-	-0-	-0-	-0-	-0-	798,446
Notes receivable - current	29,042	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	29,042
Total Current Assets	22,622,138	707,143	181,345	846,573	1,117,437	424,566	792,091	(1,372,627)		25,318,666
Other										
Limited use assets	15,002,507	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	15,002,507
Land	1,073,049	-0-	45,899	-0-	-0-	-0-	-0-	-0-	-0-	1,118,948
Depreciable capital assets, net	33,992,326	1,198	1,446,763	5,722	361,875	23,855	89,065	-0-	-0-	35,920,804
Bond issue cost, net	36,029	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	36,029
Capitalized construction interest	1,675,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,675,000
Notes receivable	30,208	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	30,208
Other	3,605,448	233,200	-0-	63,650	-0-	58,058	-0-	(3,529,008)		431,348
Total Assets	\$ 78,036,705	\$ 941,541	\$ 1,674,007	\$ 915,945	\$ 1,479,312	\$ 506,479	\$ 881,156	\$ (4,901,635)		\$ 79,533,510

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF NET POSITION (Continued)
JUNE 30, 2017

<u>LIABILITIES AND NET POSITION</u>	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	NRMC Comprehensive Wound Care, LLC	NRMC Walk-In Clinic Ventures, LLC	NRMC Pain Institute Ventures, LLC	Eliminating Entries	<u>Consolidated</u>
Current									
Accounts payable	\$ 3,358,337	\$ 14,921	\$ 29,540	\$ 20,743	\$ 239,090	\$ 758,625	\$ 33,995	\$ (1,372,627)	\$ 3,082,624
Accrued expenses	1,623,280	-0-	1,596	4,832	-0-	-0-	-0-	-0-	1,629,708
Unearned Revenue	-0-	-0-	25,008	-0-	-0-	-0-	-0-	-0-	25,008
Estimated third-party payor settlements	1,894,264	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,894,264
Current portion of long-term debt	<u>1,235,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,235,000</u>
Total Current Liabilities	<u>8,110,881</u>	<u>14,921</u>	<u>56,144</u>	<u>25,575</u>	<u>239,090</u>	<u>758,625</u>	<u>33,995</u>	<u>(1,372,627)</u>	<u>7,866,604</u>
Long-term Liabilities									
Long-term debt	<u>6,235,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>6,235,000</u>
Total Liabilities	<u>14,345,881</u>	<u>14,921</u>	<u>56,144</u>	<u>25,575</u>	<u>239,090</u>	<u>758,625</u>	<u>33,995</u>	<u>(1,372,627)</u>	<u>14,101,604</u>
Net Position									
Invested in capital assets, net of related debt	27,595,375	-0-	-0-	-0-	-0-	-0-	-0-	1,974,377	29,569,752
Restricted	1,005,527	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,005,527
Unrestricted	<u>35,089,922</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,974,393)</u>	<u>33,115,529</u>
Total Controlling Net Position	63,690,824	-0-	-0-	-0-	-0-	-0-	-0-	(16)	63,690,808
Noncontrolling interest in subsidiary	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,741,098</u>	<u>1,741,098</u>
Total Net Position	<u>63,690,824</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,741,082</u>	<u>65,431,906</u>
Members' Equity	<u>-0-</u>	<u>926,620</u>	<u>1,617,863</u>	<u>890,370</u>	<u>1,240,222</u>	<u>(252,146)</u>	<u>847,161</u>	<u>(5,270,090)</u>	<u>-0-</u>
Total Liabilities and Net Position	<u>\$ 78,036,705</u>	<u>\$ 941,541</u>	<u>\$ 1,674,007</u>	<u>\$ 915,945</u>	<u>\$ 1,479,312</u>	<u>\$ 506,479</u>	<u>\$ 881,156</u>	<u>\$ (4,901,635)</u>	<u>\$ 79,533,510</u>

**NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017**

	Natchitoches		Natchitoches		NRMC		NRMC		Eliminating	Consolidated
	Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	NRMC Comprehensive Wound Care, LLC	NRMC Walk-In Clinic Ventures, LLC	NRMC Pain Institute Ventures, LLC		Entries	
Revenues										
Net patient service revenue	\$ 52,619,638	\$ 437,107	\$ -0-	\$ -0-	\$ -0-	\$ 1,311,043	\$ -0-	\$ -0-	\$ -0-	\$ 54,367,788
Other revenue	<u>11,399,043</u>	<u>-0-</u>	<u>411,096</u>	<u>1,263,911</u>	<u>2,077,380</u>	<u>-0-</u>	<u>725,446</u>	<u>(4,688,574)</u>		<u>11,188,302</u>
Total Revenues	<u>64,018,681</u>	<u>437,107</u>	<u>411,096</u>	<u>1,263,911</u>	<u>2,077,380</u>	<u>1,311,043</u>	<u>725,446</u>	<u>(4,688,574)</u>		<u>65,556,090</u>
Expenses										
Salaries and benefits	26,831,488	384	217,954	460,292	519,177	1,134,500	202,718	-0-	-0-	29,366,513
Medical supplies and drugs	5,910,729	13,552	-0-	99,034	123,558	102,960	51,738	-0-	-0-	6,301,571
Medical, professional and consulting	3,536,283	75,730	-0-	-0-	636,500	41,653	110,196	-0-	-0-	4,400,362
Other expenses	20,321,749	184,277	131,241	219,443	161,841	306,620	49,777	(4,205,017)		17,169,931
Insurance	1,087,219	-0-	21,323	9,220	11,772	24,897	1,335	-0-	-0-	1,155,766
Depreciation and amortization	<u>3,523,018</u>	<u>4,792</u>	<u>85,543</u>	<u>28,603</u>	<u>21,713</u>	<u>47,457</u>	<u>116,783</u>	<u>-0-</u>	<u>-0-</u>	<u>3,827,909</u>
Total Expenses	<u>61,210,486</u>	<u>278,735</u>	<u>456,061</u>	<u>816,592</u>	<u>1,474,561</u>	<u>1,658,087</u>	<u>532,547</u>	<u>(4,205,017)</u>		<u>62,222,052</u>
Operating Income (Loss)	<u>2,808,195</u>	<u>158,372</u>	<u>(44,965)</u>	<u>447,319</u>	<u>602,819</u>	<u>(347,044)</u>	<u>192,899</u>	<u>(483,557)</u>		<u>3,334,038</u>
Nonoperating Revenues (Expenses)										
Interest income	47,115	-0-	837	-0-	-0-	-0-	-0-	-0-	-0-	47,952
Interest income from limited use assets	155,085	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	155,085
Gain on sale of equipment	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Interest expense	<u>(269,896)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(269,896)</u>
Total Nonoperating Rev (Exp)	<u>(67,696)</u>	<u>-0-</u>	<u>837</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(66,859)</u>
Excess of Revenue over Expenses	\$ 2,740,499	\$ 158,372	\$ (44,128)	\$ 447,319	\$ 602,819	\$ (347,044)	\$ 192,899	\$ (483,557)		\$ 3,267,179

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (Continued)
YEAR ENDED JUNE 30, 2017

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	NRMC Comprehensive Wound Care, LLC	NRMC Walk-In Clinic Ventures, LLC	NRMC Pain Institute Ventures, LLC	Eliminating Entries	Consolidated
Less: Consolidated net income attributable to noncontrolling interest	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ (526,680)	\$ (526,680)
Other comprehensive income									
Unrealized holding gains (losses)	<u>(145,126)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(145,126)</u>
Comprehensive income (loss)	2,595,373	158,372	(44,128)	447,319	602,819	(347,044)	192,899	(1,010,237)	2,595,373
Beginning net position	61,095,451	843,248	1,661,991	443,051	1,168,403	94,898	654,262	(4,865,869)	61,095,435
Capital contribution	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Distribution paid	<u>-0-</u>	<u>(75,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>(531,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>606,000</u>	<u>-0-</u>
Ending net position	\$ <u>63,690,824</u>	\$ <u>926,620</u>	\$ <u>1,617,863</u>	\$ <u>890,370</u>	\$ <u>1,240,222</u>	\$ <u>(252,146)</u>	\$ <u>847,161</u>	\$ <u>(5,270,106)</u>	\$ <u>63,690,808</u>

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF NET POSITION
JUNE 30, 2016

<u>ASSETS</u>	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	NRMC Comprehensive Wound Care, LLC	NRMC Walk-In Clinic Ventures, LLC	NRMC Pain Institute Ventures, LLC	Eliminating Entries	Consolidated
Current									
Cash and cash equivalents	\$ 4,507,549	\$ 509,992	\$ 121,897	\$ 254,519	\$ 789,865	\$ 90,803	\$ 783,700	\$ -0-	\$ 7,058,325
Limited use assets	554,767	-0-	-0-	-0-	-0-	-0-	-0-	-0-	554,767
Patient accounts receivable, net	9,430,122	95,568	-0-	11,250	-0-	877,081	-0-	-0-	10,414,021
Estimated third-party payor settlements	969,218	-0-	-0-	-0-	-0-	-0-	-0-	-0-	969,218
Other receivables	1,958,345	(6,255)	210	104,252	133,087	-0-	65,784	(1,603,120)	652,303
Inventory	2,063,999	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,063,999
Prepaid expenses	1,149,960	9,850	4,502	1,859	-0-	8,310	-0-	-0-	1,174,481
Notes receivable - current	51,097	-0-	-0-	-0-	-0-	-0-	-0-	-0-	51,097
Total Current Assets	20,685,057	609,155	126,609	371,880	922,952	976,194	849,484	(1,603,120)	22,938,211
Other									
Limited use assets	14,339,301	-0-	-0-	-0-	-0-	-0-	-0-	-0-	14,339,301
Land	1,073,049	-0-	45,899	-0-	-0-	-0-	-0-	-0-	1,118,948
Depreciable capital assets, net	34,946,798	5,990	1,524,857	10,457	383,587	-0-	-0-	-0-	36,871,689
Bond issue cost, net	42,318	-0-	-0-	-0-	-0-	-0-	-0-	-0-	42,318
Capitalized construction interest	1,732,443	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,732,443
Notes receivable	15,123	-0-	-0-	-0-	-0-	-0-	-0-	-0-	15,123
Other	3,454,579	233,200	-0-	87,519	-0-	79,088	-0-	(3,378,139)	476,247
Total Assets	\$ 76,288,668	\$ 848,345	\$ 1,697,365	\$ 469,856	\$ 1,306,539	\$ 1,055,282	\$ 849,484	\$ (4,981,259)	\$ 77,534,280

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF NET POSITION (Continued)
JUNE 30, 2016

<u>LIABILITIES AND NET POSITION</u>	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	NRMC Comprehensive Wound Care, LLC	NRMC Walk-In Clinic Ventures, LLC	NRMC Pain Institute Ventures, LLC	Eliminating Entries	Consolidated
Current									
Accounts payable	\$ 3,369,479	\$ 5,097	\$ 33,556	\$ 23,554	\$ 138,136	\$ 960,384	\$ 195,222	\$ (1,603,120)	\$ 3,122,308
Accrued expenses	1,902,943	-0-	1,818	3,251	-0-	-0-	-0-	-0-	1,908,012
Unearned revenue	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Estimated third-party payor settlements	1,275,795	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,275,795
Current portion of long-term debt	1,175,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,175,000
Total Current Liabilities	7,723,217	5,097	35,374	26,805	138,136	960,384	195,222	(1,603,120)	7,481,115
Long-term Liabilities:									
Long-term debt	7,470,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	7,470,000
Total Liabilities	15,193,217	5,097	35,374	26,805	138,136	960,384	195,222	(1,603,120)	14,951,115
Net Position									
Invested in capital assets, net of related debt	27,374,847	-0-	-0-	-0-	-0-	-0-	-0-	1,970,790	29,345,637
Restricted	985,064	-0-	-0-	-0-	-0-	-0-	-0-	-0-	985,064
Unrestricted	32,735,540	-0-	-0-	-0-	-0-	-0-	-0-	(1,970,806)	30,764,734
Total Controlling Net Position	61,095,451	-0-	-0-	-0-	-0-	-0-	-0-	(16)	61,095,435
Noncontrolling interest in subsidiary	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,487,730	1,487,730
Total Net Position	61,095,451	-0-	-0-	-0-	-0-	-0-	-0-	1,487,714	62,583,165
Members' Equity	-0-	843,248	1,661,991	443,051	1,168,403	94,898	654,262	(4,865,853)	-0-
Total Liabilities and Net Position	\$ 76,288,668	\$ 848,345	\$ 1,697,365	\$ 469,856	\$ 1,306,539	\$ 1,055,282	\$ 849,484	\$ (4,981,259)	\$ 77,534,280

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016

	Natchitoches		Natchitoches		NRMC		NRMC		Eliminating	Consolidated
	Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	NRMC Comprehensive Wound Care, LLC	NRMC Walk-In Clinic Ventures, LLC	NRMC Pain Institute Ventures, LLC		Entries	
Revenues										
Net patient service revenue	\$ 50,243,508	\$ 528,463	\$ -0-	\$ -0-	\$ -0-	\$ 1,367,345	\$ -0-	\$ -0-	\$ -0-	\$ 52,139,316
Other revenue	7,803,164	104	479,846	1,280,612	1,232,304	-0-	65,784	(3,050,811)	7,811,003	
Total Revenues	<u>58,046,672</u>	<u>528,567</u>	<u>479,846</u>	<u>1,280,612</u>	<u>1,232,304</u>	<u>1,367,345</u>	<u>65,784</u>	<u>(3,050,811)</u>	<u>59,950,319</u>	
Expenses										
Salaries and benefits	26,169,027	-0-	219,100	437,317	325,144	1,086,987	53,084	-0-	28,290,659	
Medical supplies and drugs	5,401,302	17,817	-0-	96,059	121,176	91,214	22,705	-0-	5,750,273	
Medical, professional and consulting	3,651,524	73,576	-0-	-0-	479,250	37,191	64,129	-0-	4,305,670	
Other expenses	17,167,459	192,205	171,959	263,828	106,262	118,062	53,570	(2,719,624)	15,353,721	
Insurance	1,086,062	-0-	21,738	9,517	4,623	16,693	1,734	-0-	1,140,367	
Depreciation and amortization	4,229,067	4,889	91,854	25,741	50,663	21,090	-0-	-0-	4,423,304	
Total Expenses	<u>57,704,441</u>	<u>288,487</u>	<u>504,651</u>	<u>832,462</u>	<u>1,087,118</u>	<u>1,371,237</u>	<u>195,222</u>	<u>(2,719,624)</u>	<u>59,263,994</u>	
Operating Income (Loss)	<u>342,231</u>	<u>240,080</u>	<u>(24,805)</u>	<u>448,150</u>	<u>145,186</u>	<u>(3,892)</u>	<u>(129,438)</u>	<u>(331,187)</u>	<u>686,325</u>	
Nonoperating Revenues (Expenses)										
Interest income	12,344	-0-	196	-0-	-0-	-0-	-0-	-0-	12,540	
Interest income from limited use assets	171,834	-0-	-0-	-0-	-0-	-0-	-0-	-0-	171,834	
Gain on sale of equipment	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Interest expense	(384,775)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(384,775)	
Total Nonoperating Rev (Exp)	<u>(200,597)</u>	<u>-0-</u>	<u>196</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(200,401)</u>	
Excess of Revenue over Expenses	\$ 141,634	\$ 240,080	\$ (24,609)	\$ 448,150	\$ 145,186	\$ (3,892)	\$ (129,438)	\$ (331,187)	\$ 485,924	

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (Continued)
YEAR ENDED JUNE 30, 2016

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	NRMC Comprehensive Wound Care, LLC	NRMC Walk-In Clinic Ventures, LLC	NRMC Pain Institute Ventures, LLC	Eliminating Entries	Consolidated
Less: Consolidated net income attributable to noncontrolling interest	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ (344,290)	\$ (344,290)
Other comprehensive income									
Unrealized holding gains (losses)	<u>78,670</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>78,670</u>
Comprehensive income (loss)	220,304	240,080	(24,609)	448,150	145,186	(3,892)	(129,438)	(675,477)	220,304
Beginning net position	60,875,147	753,168	1,686,600	894,901	1,058,080	226,053	-0-	(4,618,818)	60,875,131
Capital contribution	-0-	-0-	-0-	-0-	-0-	-0-	783,700	(783,700)	-0-
Distribution paid	<u>-0-</u>	<u>(150,000)</u>	<u>-0-</u>	<u>(900,000)</u>	<u>(34,863)</u>	<u>(127,263)</u>	<u>-0-</u>	<u>1,212,126</u>	<u>-0-</u>
Ending net position	\$ <u>61,095,451</u>	\$ <u>843,248</u>	\$ <u>1,661,991</u>	\$ <u>443,051</u>	\$ <u>1,168,403</u>	\$ <u>94,898</u>	\$ <u>654,262</u>	\$ <u>(4,865,869)</u>	\$ <u>61,095,435</u>

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF NET POSITION
JUNE 30, 2015

<u>ASSETS</u>	Natchitoches			NRMC			Eliminating		<u>Consolidated</u>
	Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	NRMC Comprehensive Wound Care, LLC	NRMC Walk-In Clinic Ventures, LLC	NRMC Pain Institute Ventures, LLC	Entries	
Current									
Cash and cash equivalents	\$ 5,709,646	\$ 406,805	\$ 65,716	\$ 657,277	\$ 1,028,626	\$ 31,773	\$ -0-	\$ -0-	\$ 7,899,843
Limited use assets	533,661	-0-	-0-	-0-	-0-	-0-	-0-	-0-	533,661
Patient accounts receivable, net	8,605,193	38,406	-0-	88,982	-0-	181,066	-0-	-0-	8,913,647
Estimated third-party payor settlements	385,490	-0-	-0-	-0-	-0-	-0-	-0-	-0-	385,490
Other receivables	1,059,852	(6,583)	210	-0-	99,709	-0-	-0-	(334,069)	819,119
Inventory	1,679,348	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,679,348
Prepaid expenses	1,198,831	22,124	6,983	25,750	-0-	-0-	-0-	-0-	1,253,688
Notes receivable - current	<u>70,389</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>70,389</u>
Total Current Assets	<u>19,242,410</u>	<u>460,752</u>	<u>72,909</u>	<u>772,009</u>	<u>1,128,335</u>	<u>212,839</u>	<u>-0-</u>	<u>(334,069)</u>	<u>21,555,185</u>
Other									
Limited use assets	15,162,132	-0-	-0-	-0-	-0-	-0-	-0-	-0-	15,162,132
Land	1,073,049	-0-	45,899	-0-	-0-	-0-	-0-	-0-	1,118,948
Depreciable capital assets, net	35,753,708	10,879	1,597,805	12,329	-0-	-0-	-0-	-0-	37,374,721
Bond issue cost, net	48,608	-0-	-0-	-0-	-0-	-0-	-0-	-0-	48,608
Capitalized construction interest	1,789,888	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,789,888
Notes receivable	54,304	-0-	-0-	-0-	-0-	-0-	-0-	-0-	54,304
Other	<u>3,322,969</u>	<u>233,200</u>	<u>-0-</u>	<u>111,389</u>	<u>-0-</u>	<u>177,319</u>	<u>-0-</u>	<u>(3,246,529)</u>	<u>598,348</u>
Total Assets	<u>\$ 76,447,068</u>	<u>\$ 704,831</u>	<u>\$ 1,716,613</u>	<u>\$ 895,727</u>	<u>\$ 1,128,335</u>	<u>\$ 390,158</u>	<u>\$ -0-</u>	<u>\$ (3,580,598)</u>	<u>\$ 77,702,134</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF NET POSITION (Continued)
JUNE 30, 2015

<u>LIABILITIES AND NET POSITION</u>	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	NRMC Comprehensive Wound Care, LLC	NRMC Walk-In Clinic Ventures, LLC	NRMC Pain Institute Ventures, LLC	Eliminating Entries	<u>Consolidated</u>
Current									
Accounts payable	\$ 3,436,589	\$ (48,337)	\$ 27,936	\$ (2,782)	\$ 70,255	\$ 164,105	\$ -0-	\$ (334,069)	\$ 3,313,697
Accrued expenses	2,101,447	-0-	2,077	3,608	-0-	-0-	-0-	-0-	2,107,132
Unearned revenue	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Estimated third-party payor settlements	273,885	-0-	-0-	-0-	-0-	-0-	-0-	-0-	273,885
Current portion of long-term debt	1,115,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,115,000
Total Current Liabilities	<u>6,926,921</u>	<u>(48,337)</u>	<u>30,013</u>	<u>826</u>	<u>70,255</u>	<u>164,105</u>	<u>-0-</u>	<u>(334,069)</u>	<u>6,809,714</u>
Long-term Liabilities									
Long-term debt	8,645,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	8,645,000
Total Liabilities	<u>15,571,921</u>	<u>(48,337)</u>	<u>30,013</u>	<u>826</u>	<u>70,255</u>	<u>164,105</u>	<u>-0-</u>	<u>(334,069)</u>	<u>15,454,714</u>
Net Position									
Invested in capital assets, net of related debt	27,066,757	-0-	-0-	-0-	-0-	-0-	-0-	1,666,912	28,733,659
Restricted	963,958	-0-	-0-	-0-	-0-	-0-	-0-	-0-	963,958
Unrestricted	32,844,432	-0-	-0-	-0-	-0-	-0-	-0-	(1,666,928)	31,177,504
Total Controlling Net Position	60,875,147	-0-	-0-	-0-	-0-	-0-	-0-	(16)	60,875,131
Noncontrolling interest in subsidiary	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,372,289	1,372,289
Total Net Position	<u>60,875,147</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,372,273</u>	<u>62,247,420</u>
Members' Equity	-0-	753,168	1,686,600	894,901	1,058,080	226,053	-0-	(4,618,802)	-0-
Total Liabilities and Net Position	<u>\$ 76,447,068</u>	<u>\$ 704,831</u>	<u>\$ 1,716,613</u>	<u>\$ 895,727</u>	<u>\$ 1,128,335</u>	<u>\$ 390,158</u>	<u>\$ -0-</u>	<u>\$ (3,580,598)</u>	<u>\$ 77,702,134</u>

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015

	Natchitoches			NRMC			Eliminating		Consolidated
	Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	NRMC Comprehensive Wound Care, LLC	NRMC Walk-In Clinic Ventures, LLC	NRMC Pain Institute Ventures, LLC	Entries	
Revenues									
Net patient service revenue	\$ 47,444,168	\$ 495,868	\$ (749)	\$ -0-	\$ 99,709	\$ 212,839	\$ -0-	\$ (99,709)	\$ 48,152,126
Other revenue	9,398,575	180	382,309	1,025,964	-0-	-0-	-0-	(1,253,602)	9,553,426
Total Revenues	<u>56,842,743</u>	<u>496,048</u>	<u>381,560</u>	<u>1,025,964</u>	<u>99,709</u>	<u>212,839</u>	<u>-0-</u>	<u>(1,353,311)</u>	<u>57,765,552</u>
Expenses									
Salaries and benefits	25,972,583	-0-	202,257	391,082	42,923	145,120	-0-	-0-	26,753,965
Medical supplies and drugs	4,396,034	18,777	-0-	112,671	23,470	5,848	-0-	-0-	4,556,800
Medical, professional and consulting	5,200,840	84,259	-0-	-0-	-0-	-0-	-0-	-0-	5,285,099
Other expenses	12,771,748	131,976	135,305	211,058	3,862	13,137	-0-	(1,150,901)	12,116,185
Insurance	1,263,729	585	23,100	8,874	-0-	-0-	-0-	-0-	1,296,288
Depreciation and amortization	4,197,114	5,112	104,854	81,410	-0-	-0-	-0-	-0-	4,388,490
Total Expenses	<u>53,802,048</u>	<u>240,709</u>	<u>465,516</u>	<u>805,095</u>	<u>70,255</u>	<u>164,105</u>	<u>-0-</u>	<u>(1,150,901)</u>	<u>54,396,827</u>
Operating Income (Loss)	<u>3,040,695</u>	<u>255,339</u>	<u>(83,956)</u>	<u>220,869</u>	<u>29,454</u>	<u>48,734</u>	<u>-0-</u>	<u>(202,410)</u>	<u>3,308,725</u>
Nonoperating Revenues (Expenses)									
Interest income	1,911	1	9	-0-	-0-	-0-	-0-	-0-	1,921
Interest income from limited use assets	115,083	-0-	-0-	-0-	-0-	-0-	-0-	-0-	115,083
Gain on sale of equipment	72,836	-0-	-0-	-0-	-0-	-0-	-0-	-0-	72,836
Interest expense	(430,981)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(430,981)
Total Nonoperating Rev (Exp)	<u>(241,151)</u>	<u>1</u>	<u>9</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(241,141)</u>
Excess of Revenue over Expenses	\$ 2,799,544	\$ 255,340	\$ (83,947)	\$ 220,869	\$ 29,454	\$ 48,734	\$ -0-	\$ (202,410)	\$ 3,067,584

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (Continued)
YEAR ENDED JUNE 30, 2015

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	NRMC Comprehensive Wound Care, LLC	NRMC Walk-In Clinic Ventures, LLC	NRMC Pain Institute Ventures, LLC	Eliminating Entries	Consolidated
Less: Consolidated net income attributable to noncontrolling interest	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	(268,053)	\$ (268,053)
Other comprehensive income									
Unrealized holding gains (losses)	<u>130,626</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>130,626</u>
Comprehensive income (loss)	2,930,170	255,340	(83,947)	220,869	29,454	48,734	-0-	(470,463)	2,930,157
Beginning net position	57,944,977	647,828	1,820,547	674,032	-0-	-0-	-0-	(3,142,410)	57,944,974
Capital contribution	-0-	-0-	-0-	-0-	1,028,626	177,319	-0-	(1,205,945)	-0-
Distribution paid	<u>-0-</u>	<u>(150,000)</u>	<u>(50,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>200,000</u>	<u>-0-</u>
Ending net position	\$ <u>60,875,147</u>	\$ <u>753,168</u>	\$ <u>1,686,600</u>	\$ <u>894,901</u>	\$ <u>1,058,080</u>	\$ <u>226,053</u>	\$ <u>-0-</u>	\$ <u>(4,618,818)</u>	\$ <u>60,875,131</u>

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Daily patient services:			
Routine services	\$ 5,290,760	\$ 5,262,628	\$ 3,166,311
Intensive care	3,048,166	3,541,227	1,322,568
Nursery	449,655	434,394	262,200
Long-term care	6,034,617	5,884,849	6,008,404
Swing bed	65,786	1,547	-0-
Geriatric psych	<u>2,896,696</u>	<u>2,944,817</u>	<u>3,602,940</u>
Total daily patient services	<u>17,785,680</u>	<u>18,069,462</u>	<u>14,362,423</u>
Other professional services:			
Operating and recovery room			
Inpatient	6,890,137	7,222,082	7,243,276
Outpatient	<u>10,319,181</u>	<u>11,139,979</u>	<u>9,603,990</u>
Total	<u>17,209,318</u>	<u>18,362,061</u>	<u>16,847,266</u>
Labor and delivery			
Inpatient	986,708	976,255	918,349
Outpatient	<u>211,813</u>	<u>242,375</u>	<u>76,679</u>
Total	<u>1,198,521</u>	<u>1,218,630</u>	<u>995,028</u>
Anesthesia			
Inpatient	857,439	304,111	264,954
Outpatient	<u>1,154,913</u>	<u>816,574</u>	<u>640,308</u>
Total	<u>2,012,352</u>	<u>1,120,685</u>	<u>905,262</u>
Radiology, ultrasound, MRI & CT scan			
Inpatient	3,185,863	3,345,171	3,316,324
Outpatient	<u>23,722,609</u>	<u>20,637,801</u>	<u>18,463,279</u>
Total	<u>26,908,472</u>	<u>23,982,972</u>	<u>21,779,603</u>
Laboratory			
Inpatient	5,328,061	5,234,306	4,972,424
Outpatient	<u>14,835,944</u>	<u>12,211,294</u>	<u>10,782,781</u>
Total	\$ <u>20,164,005</u>	\$ <u>17,445,600</u>	\$ <u>15,755,205</u>

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Blood			
Inpatient	\$ 1,506,439	\$ 1,015,298	\$ 668,403
Outpatient	<u>1,010,320</u>	<u>677,171</u>	<u>436,075</u>
Total	<u>2,516,759</u>	<u>1,692,469</u>	<u>1,104,478</u>
Inhalation therapy			
Inpatient	6,454,858	4,531,923	3,163,213
Outpatient	<u>2,670,151</u>	<u>1,879,312</u>	<u>1,423,108</u>
Total	<u>9,125,009</u>	<u>6,411,235</u>	<u>4,586,321</u>
Physical therapy			
Inpatient	361,546	395,435	470,200
Outpatient	<u>59,761</u>	<u>51,777</u>	<u>81,956</u>
Total	<u>421,307</u>	<u>447,212</u>	<u>552,156</u>
Occupational therapy			
Inpatient	259,468	246,272	263,689
Outpatient	<u>45,121</u>	<u>69,714</u>	<u>54,683</u>
Total	<u>304,589</u>	<u>315,986</u>	<u>318,372</u>
Speech therapy			
Inpatient	80,425	59,646	81,652
Outpatient	<u>182,899</u>	<u>133,608</u>	<u>144,228</u>
Total	<u>263,324</u>	<u>193,254</u>	<u>225,880</u>
Electrocardiology			
Inpatient	434,444	532,357	552,065
Outpatient	<u>1,595,066</u>	<u>1,654,248</u>	<u>1,381,883</u>
Total	<u>2,029,510</u>	<u>2,186,605</u>	<u>1,933,948</u>
Central services			
Inpatient	1,028,291	1,000,858	973,034
Outpatient	<u>382,776</u>	<u>392,195</u>	<u>349,094</u>
Total	<u>1,411,067</u>	<u>1,393,053</u>	<u>1,322,128</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Pharmacy			
Inpatient	\$ 9,960,451	\$ 10,292,262	\$ 7,294,813
Outpatient	<u>6,242,158</u>	<u>5,917,775</u>	<u>3,557,472</u>
Total	<u>16,202,609</u>	<u>16,210,037</u>	<u>10,852,285</u>
Emergency room			
Inpatient	1,529,634	1,112,060	2,280,205
Outpatient	<u>13,895,425</u>	<u>17,094,128</u>	<u>19,439,968</u>
Total	<u>15,425,059</u>	<u>18,206,188</u>	<u>21,720,173</u>
Observation			
Outpatient	<u>7,807,618</u>	<u>6,251,436</u>	<u>4,254,486</u>
Ambulance			
Outpatient	<u>5,398,773</u>	<u>4,901,766</u>	<u>3,754,737</u>
Physician clinic			
Outpatient	<u>4,513,399</u>	<u>3,662,153</u>	<u>3,176,654</u>
Campti clinic			
Outpatient	<u>739,883</u>	<u>610,234</u>	<u>332,761</u>
Intensive outpatient psychiatric services			
Outpatient	<u>1,759,627</u>	<u>1,603,144</u>	<u>1,813,867</u>
Hospitalist program			
Inpatient	1,974,901	2,023,721	449,300
Outpatient	<u>-0-</u>	<u>(34,766)</u>	<u>99,124</u>
Total	<u>1,974,901</u>	<u>1,988,955</u>	<u>548,424</u>
Women's health clinic			
Outpatient	<u>180,838</u>	<u>279,590</u>	<u>248,173</u>
Walk-in clinic			
Outpatient	\$ <u>6,609,771</u>	\$ <u>4,493,131</u>	\$ <u>3,510,940</u>

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Pediatric clinic			
Outpatient	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>1,000</u>
Wound care			
Outpatient	<u>4,711,072</u>	<u>2,664,991</u>	<u>239,714</u>
Hyperbarics			
Outpatient	<u>2,543,158</u>	<u>1,730,460</u>	<u>214,984</u>
Pain management			
Outpatient	<u>2,418,155</u>	<u>219,279</u>	<u>-0-</u>
Total other professional services	<u>153,849,096</u>	<u>137,591,126</u>	<u>116,993,845</u>
Gross charges	<u>171,634,776</u>	<u>155,660,588</u>	<u>131,356,268</u>
Less charges associated with charity patients	<u>65,013</u>	<u>170,797</u>	<u>175,745</u>
Gross patient service revenue	171,569,763	155,489,791	131,180,523
Less deductions from revenue:			
Medicare and Medicaid contractual adjustments	75,260,141	59,137,478	47,095,276
Commercial contractual adjustments	35,689,057	31,962,074	24,945,802
Other deductions	63,154	63,271	69,451
Physician supplemental revenue	<u>(1,390,265)</u>	<u>(518,655)</u>	<u>(254,253)</u>
Patient service revenue (net of contractual adjustments and discounts)	61,947,676	64,845,623	59,324,247
Less provision for bad debts	<u>7,579,888</u>	<u>12,706,307</u>	<u>11,172,121</u>
Net patient service revenue	\$ <u>54,367,788</u>	\$ <u>52,139,316</u>	\$ <u>48,152,126</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF OTHER REVENUE
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Other revenue:			
Rental income	\$ 1,063,287	\$ 1,052,745	\$ 1,055,808
Assisted living housing & care income	411,096	479,846	382,309
Medical records	64	200	378
Dietary sales	346,048	314,033	260,777
Drugs sold to employees	343,675	143,260	-0-
Vending revenue	35,124	36,696	31,777
Ambulance tax	1,733,459	1,650,000	1,650,600
Grants	193,277	844,901	6,074,772
Intergovernmental transfer grant	6,258,143	2,897,162	-0-
340B pharmaceutical program	641,443	125,464	(19,814)
Other	<u>162,686</u>	<u>266,696</u>	<u>116,819</u>
 Total other operating revenue	 \$ <u>11,188,302</u>	 \$ <u>7,811,003</u>	 \$ <u>9,553,426</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – SALARIES AND BENEFITS
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Salaries:			
Human resources	\$ 191,988	\$ 172,012	\$ 165,113
Administration	818,388	976,690	872,069
Information systems	610,943	518,989	428,731
Accounting	202,787	206,789	205,212
Admitting	525,091	452,553	423,597
Business office	339,772	351,744	393,883
Housekeeping	435,284	497,837	474,164
Dietary and cafeteria	629,465	615,978	732,737
Laundry	40,570	47,079	55,924
Plant operations and maintenance	410,548	415,190	409,316
Security	186,042	155,290	94,456
Nursing administration	1,109,060	1,106,571	959,453
Medical records	370,760	305,454	271,617
Nursing services	2,088,672	2,080,782	2,016,998
ICU	944,935	1,012,603	939,327
Geriatric psych	764,237	864,947	894,712
Nursery	297,559	267,078	241,177
Long-term care	2,769,017	2,693,916	2,564,045
Operating room	1,042,410	1,144,899	1,024,036
Labor and delivery	377,528	424,466	487,564
Anesthesiology	-0-	1,703	2,895
Radiology	968,609	913,069	872,388
Laboratory	927,564	856,469	810,319
Respiratory therapy	637,921	562,080	476,663
Physical therapy	271,172	209,372	304,863
Occupational therapy	204,710	207,036	201,422
Speech therapy	133,544	91,044	97,097
Purchasing	165,350	143,600	156,864
Pharmacy	408,920	371,236	339,644
Intensive outpatient psychiatric services	343,380	294,511	325,558
Emergency room	1,694,679	2,290,542	2,231,358
Ambulance	1,243,526	1,241,611	1,242,004
Physician clinic	477,816	451,954	404,974
Campti clinic	258,546	238,801	245,774
Assisted living	199,094	200,020	184,470
Hospitalist program	529,988	580,297	556,125
Women's health clinic	181,131	181,286	187,066
Walk-in clinic	1,025,861	981,783	685,338
Wound care	471,467	294,770	99,242
Hyperbarics	-0-	-0-	7,011

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – SALARIES AND BENEFITS (Continued)
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Pain management	\$ 185,497	\$ 48,248	\$ -0-
Sleep center	23,031	-0-	-0-
Sports medicine	200,873	178,562	67,904
Discovery house	<u>73,741</u>	<u>-0-</u>	<u>-0-</u>
 Total salaries	 <u>24,781,476</u>	 <u>24,648,861</u>	 <u>23,153,110</u>
Benefits:			
FICA and Medicare tax	1,812,592	1,781,190	1,617,715
Hospital insurance	2,291,427	1,594,404	1,821,896
Retirement	126,587	123,169	125,489
Other	<u>354,431</u>	<u>143,035</u>	<u>35,755</u>
 Total benefits (excluding retirement)	 <u>4,585,037</u>	 <u>3,641,798</u>	 <u>3,600,855</u>
 Total salaries and benefits	 \$ <u>29,366,513</u>	 \$ <u>28,290,659</u>	 \$ <u>26,753,965</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – MEDICAL SUPPLIES AND DRUGS
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Nursing service	\$ 126,513	\$ 84,671	\$ 81,045
ICU	57,839	60,585	37,847
Geriatric psych	6,841	7,120	6,592
Nursery	28,424	14,710	16,548
Long-term care	263,855	239,174	210,641
Operating room	2,025,742	1,820,232	2,240,712
Labor and delivery	108,434	110,359	135,975
Anesthesiology	104,878	80,365	68,550
Radiology, nuclear medicine, CT scan	200,862	243,250	250,592
Laboratory and blood	554,897	698,249	803,215
Respiratory therapy	102,240	113,994	125,660
Physical therapy	1,254	180	955
EKG	2,993	2,258	-0-
Central supply	162,452	167,647	178,384
Pharmacy	1,895,504	1,542,649	33,114
Emergency room	206,149	193,398	166,183
Ambulance	57,917	31,368	43,026
Physician clinic	104,232	96,059	112,671
Campti clinic	4,872	5,541	4,466
Women's health clinic	6,970	2,471	2,138
Walk-in clinic	102,960	91,214	5,848
Wound care	123,558	121,176	31,600
Pain management	51,738	22,705	-0-
Intensive outpatient psychiatric services	<u>447</u>	<u>898</u>	<u>1,038</u>
 Total medical supplies and drugs	 \$ <u>6,301,571</u>	 \$ <u>5,750,273</u>	 \$ <u>4,556,800</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – MEDICAL, PROFESSIONAL AND
CONSULTING SERVICES
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Routine nursing	\$ 40,086	\$ 22,985	\$ 46,985
ICU	31,600	17,102	29,136
Geriatric psych	154,432	146,145	312,672
Nursery	1,775	-0-	-0-
LTCU	100,219	93,763	79,832
Operating room	195,997	189,415	-0-
Labor and delivery	525	1,422	-0-
Radiology, ultrasound, CT scan	153,086	220,240	215,917
Laboratory	284,323	483,612	258,755
Respiratory therapy	73,902	56,681	22,632
Physical therapy	4,658	10,721	5,667
Pharmacy	280,491	198,315	2,157,699
Emergency room	1,302,435	1,668,355	1,636,136
Other	7,043	14,928	6,442
Sleep study	319,018	423,312	353,569
Intensive outpatient psychiatric services	157,234	154,950	132,345
Hospitalist program	473,044	20,000	16,667
Women's health clinic	-0-	3,154	6,645
Walk-in clinic	41,653	37,191	-0-
Pain management	142,341	64,129	-0-
Wound care	<u>636,500</u>	<u>479,250</u>	<u>4,000</u>
 Total medical, professional and consulting	 \$ <u>4,400,362</u>	 \$ <u>4,305,670</u>	 \$ <u>5,285,099</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – OTHER
YEARS ENDED JUNE 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Service fees	\$ 4,160,890	\$ 3,589,311	\$ 2,963,236
Legal and accounting	345,440	340,959	332,406
Non-medical supplies	3,582,175	3,661,673	2,551,611
Repairs and maintenance	891,441	777,627	686,988
Utilities	1,672,049	1,669,807	1,838,130
Telephone	112,084	85,173	85,053
Travel and fuel - ambulance	73,082	68,048	89,803
Travel and fuel - other	135,011	112,323	80,188
Rental expense	741,972	723,536	645,029
Education expense	97,860	44,886	33,747
Licenses, dues and subscriptions	1,464,580	1,491,392	1,407,518
Patient days tax	447,355	357,779	369,821
Advertising	390,295	378,939	154,546
Recruitment	122,930	151,709	339,175
Inter-governmental transfer expense	2,611,313	1,831,720	478,929
Other	<u>321,454</u>	<u>68,839</u>	<u>60,005</u>
 Total other expenses	 \$ <u>17,169,931</u>	 \$ <u>15,353,721</u>	 \$ <u>12,116,185</u>

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY

The Natchitoches Parish Hospital was built by the people of the Parish of Natchitoches, Louisiana, in cooperation with the United States Government, and is operated by the Natchitoches Parish Hospital Service District as created by the Police Jury of Natchitoches Parish, Louisiana.

In consideration of an agreement between the Police Jury of Natchitoches Parish, Louisiana, and the Natchitoches Parish Hospital Service District whereby the Police Jury agreed to construct, complete and equip a hospital in Natchitoches Parish, the Hospital Service District agrees to do and perform the following:

1. To operate the District for the duration of this twenty-year agreement as a non-profit institution in accordance with an agreement entered into by and between the Parish and the United States.
2. To maintain and operate the District and assume and pay the expenses of operations and maintenance to the extent of the income and revenues derived therefrom.
3. To have full and complete charge of the management and operation of the District and conduct and operate said District at all times in accordance with acceptable standards of hospital practice.

The Parish covenants to do and perform, as consideration for this agreement, the following:

1. To equip the hospital building for hospital purposes with modern equipment sufficient to meet the needs of present day hospital practice. If, however, the District desires to replace said equipment with new equipment, it may do so, and said new equipment shall be and remains the property of the Parish if paid for out of the income resulting from the operation of the District. It is understood and agreed, however, that the Parish shall not be responsible for the securing of additional equipment other than that already purchased or installed when the District takes possession of the premises.
2. To levy the special tax of one mill on the dollar of all property subject to state taxation in the Parish for a period of three years beginning with the year 1956, as authorized by the special election held in the Parish on November 15, 1955, and the Parish shall pay to the District the net proceeds of said tax, as when collected. Said net proceeds shall be used by the District solely to defray the costs of operating and maintaining the District described herein, and proceeds at such intervals as the Parish may require.

During the year ended September 30, 1965, the Natchitoches Parish Hospital was enlarged by the addition of a nursing home, an autopsy room, new patient rooms and additional administrative and storage space. The new construction was financed by: (1) a grant from the United States Government under the Hill-Burton Act in the amount of \$307,000; (2) proceeds of a \$400,000 bond issue; and, (3) revenues of the Natchitoches Parish Hospital. The \$400,000 of Natchitoches Parish, Louisiana, Hospital Improvement Revenue Bonds, 3 1/2%, Series 1963, were purchased by the United States of America, Housing and Home Finance Agency. These bonds were retired in 1979.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY (Continued)

On June 14, 1977, a seven million dollar (\$7,000,000) bond issue was passed by the people of Natchitoches Parish. The seven million dollars (\$7,000,000) consisted of four million five hundred thousand dollars (\$4,500,000) of Public Improvement Bonds to be paid by ad valorem taxes. Two million five hundred thousand dollars (\$2,500,000) were to be Revenue Bonds and were to be paid off out of the general operating revenue of the District. Pursuant to a public hearing held on March 6, 1979, the District was authorized to issue \$4,500,000 of Hospital Revenue Bonds in lieu of the \$2,500,000 of Hospital Revenue Bonds.

On May 22, 1978, the Public Improvement Bonds were sold. The Public Improvement Hospital Bonds are dated April 1, 1978, and are in denominations of five thousand dollars (\$5,000) each, and bear interest at a rate or rates not exceeding six and one-half percent (6 1/2%) per annum on any bond in any interest payment period. Said interest to be payable April 1, 1979, and semi-annually thereafter on April 1st and October 1st of each year. Bonds numbered 204 to 900, inclusive, are callable for redemption by the District in the inverse order of their maturities, and if less than a full maturity, then by lot within such maturity, on any interest payment date on or after April 1, 1988, at the principal amount thereof and accrued interest to the date fixed for redemption, provided that official notice be given of such call of any of the bonds for redemption date by means of publication of an appropriate notice one time in a financial newspaper or journal published in the City of New York, or in the City of New Orleans, Louisiana, and sent by registered mail to the place of payment of the bonds. Bonds of this issue numbered 1 to 203, inclusive, are not callable for redemption prior to their stated dates of maturity. The bonds are secured by a special tax to be imposed and collected annually in excess of all other taxes on all the property subject to taxation within the territorial limits of the District. On October 1, 1985, funds were deposited in an irrevocable trust and zero coupon United States of America Trust securities were purchased. The securities began maturing in February 1995, and will be used to pay payments on the bonds until payment in full. No collections of taxes were required after that time.

In May 1979, the Hospital Revenue Bonds were sold. These bonds are dated April 1, 1979, and are in denominations of five thousand dollars (\$5,000) each, and bear interest at a rate or rates not exceeding seven and seven-eighths percent (7 7/8%) per annum on any bond in any interest period. Said interest to be payable October 1, 1979, and semi-annually thereafter on April 1st and October 1st of each year.

The Series 1979 Revenue Bonds are also subject to redemption in whole, at any time, or in part, at any interest payment date, at the option of the District upon the occurrence of any of the following conditions or events: (1) if title to, or the permanent use of, or use for a limited period of, substantially all of the District is condemned; or (2) if the title to substantially all of the District is found to be deficient to the extent that the Hospital is untenable or the efficient utilization of the District by the District is substantially impaired; or (3) if substantially all of the District is damaged or destroyed by fire or other casualty; or (4) if as a result of any changes in the Constitution of the United States of America or of the State of Louisiana or of legislative or administrative action, or failure of administrative action, by the United States or the State of Louisiana, or any agency or political subdivision thereof, or by reason of any judicial decision, (i) the Resolution becomes void or unenforceable or impossible to perform without unreasonable delay or (ii) unreasonable burdens or excessive liabilities are imposed on the District, including without limitation Federal, state or other ad valorem property, income or other taxes being imposed on the property of the District. In the event of such redemption, the Bonds shall be subject to redemption at the principal amount thereof plus accrued interest to the date of redemption, but without premium.

The Series 1979 Bonds are issued pursuant to a Resolution, under which payment of the principal of, redemption premium, if any, and interest on the Series 1979 Bonds is secured by a pledge of the income, revenues, receipts and accounts receivable derived by, payable or accruing to the District by reason of its operation of the District, subject to payment of the operating expenses of the District.

NATCHITOCHEES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY (Continued)

The Series 1979 Bonds are limited obligations of the District which are payable solely from revenues derived by the District from its operation of the Hospital. The Series 1979 Bonds are not an indebtedness or pledge of the general credit of the State of Louisiana, the Parish or City of Natchitoches or the District. Neither the District nor any of the assets of the District are pledged or mortgaged as security for the Series 1979 Revenue Bonds.

On February 26, 1980, the Louisiana State Bond Commission approved a notice of intention to issue not exceeding \$750,000 of Hospital Revenue Bonds to bear interest at rates not exceeding 9 1/4% per annum, the proceeds of which will be used for the purpose of constructing improvements to the existing facilities or to provide additional facilities, said bonds are to be secured by and payable solely from the District from operations, to mature at such time not exceeding 30 years from date of issuance, and subject further to the approval of the Natchitoches Parish Police Jury. In lieu of issuing these bonds the District made an application for the approval to the State Bond Commission to issue \$500,000 of Certificates of Indebtedness at an interest rate not to exceed eleven and one-half percent per annum. This application was approved on September 1, 1981. The \$500,000 in Certificates of Indebtedness were issued on April 6, 1982. Certificates totaling \$150,000 were issued to each of three banks in Natchitoches. These Certificates of Indebtedness were paid in full on September 28, 1984.

On November 20, 1985, the District's Commissioners resolved to donate a portion of land to the Natchitoches Parish Police Jury so they could construct a parish health clinic. The act of donation was made by resolution of the Board of Commissioners on October 23, 1987. The District's basis in the donated land was \$8,200.

An ambulance service tax is collected by the Natchitoches Parish Police Jury. The tax money is forwarded to the District upon submitting ambulance cost for the year. A ten-year renewal was passed in 1986. The voters of Natchitoches Parish voted not to renew this tax in July 1996.

Effective January 30, 1987, the Long-Term Care Unit qualified as a Medicare participating skilled nursing facility. As of September 25, 1987, a home health program was begun.

On December 1, 1988, the District began renting office space for four physicians in a newly constructed physician office building.

During the year ended June 30, 1990, the District purchased approximately ten acres of land on Keyser Avenue. The State of Louisiana expropriated one quarter acre for road right-of-way.

During the year ended June 30, 1991, the District began an \$845,000 renovation of the fourth and fifth floors of the Hospital which include two additional elevators and a rehabilitation fitness center. The Hospital began redecorating and refurbishing 84 patient rooms. These renovations were completed in fiscal year 1992.

During the year ended June 30, 1992, the District began replacing the chillers and completed replacement of the chillers in fiscal year 1993. The Hospital began and nearly completed a building to be rented as a dialysis center.

During the year ended June 30, 1994, the District completed construction of the dialysis center and began construction of rental facilities for a mental health unit and an obstetrics/gynecology doctors' office. The District also refinanced \$3,600,000 of Revenue bonds. As with the 1979 series, the \$3,560,000 of Series 1994 Bonds, dated May 19, 1994, are obligations of the District which are payable from revenues derived by the District from its operation of the Hospital. The interest rates vary from 3.95% to 5.5%.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY (Continued)

The District completed construction of the mental health unit, the obstetrics/gynecology doctors' office, senior care center and remodeling of the labor and delivery rooms during the fiscal year ended June 30, 1995. A cooperative endeavor with Northwest Psychiatry, Inc. resulted in the establishment of an adolescent psychiatric program in Natchitoches Parish. Additionally, the Hospital began its own geriatric psychiatric program on the hospital campus just prior to year end.

Effective July 1, 1995, the Hospital's geriatric psychiatric unit received "Distinct Part" status which provides for reasonable cost reimbursement of necessary services to Medicare patients. In February 1996 the cooperative endeavor with Northwest Psychiatry, Inc. ended as Medicaid, the primary payor source for the adolescent facility, tightened its admission and length of stay criteria. The result was an inadequate census and the unit was closed.

The District began leasing twenty-one beds and selling ancillary services to Satellite Rehab, Inc., a separately licensed hospital and unrelated party, on December 1, 1997. Satellite Rehab, Inc. offers inpatient rehabilitative services.

Also, on December 1, 1997, the District entered into a management agreement with Christus Health (the "Manager"). The Manager is responsible for providing an administrator for routine administrative services, making recommendations for the overall rate structure, preparing monthly reports to the Board, managing cash and investments, preparing annual budgets and reviewing the insurance program. The Board of Commissioners retained all authority and control over the District.

During the year ended June 30, 2000, the District financed \$10,000,000 of 6% Series 2000 Revenue Bonds. The \$10,000,000 of Series 2000 bonds, dated June 14, 2000, are obligations of the District which are payable from revenues derived by the District from its operation of the Hospital and must be used for expansion of hospital facilities.

The District received escrow funds in the amount of \$5,000,000 from Christus Health on March 3, 2000, as a part of an agreement with the District to be used for expansion of outpatient facilities. As certain conditions were met, the \$5,000,000 was earned during 1999, 2000, 2001 and 2002.

The District ceased operations of the home health and partial day psychiatric services in June 2000.

During the year ended June 30, 2002, the Hospital renovated the second and third floor of the tower as part of the beginning of a three-phase construction project, which will include a new outpatient service center. This project is being financed by the issuance of the Series 2000 Revenue Bonds of \$10,000,000 and from the \$5,000,000 contribution received by Christus Health.

The Hospital continued its three-phase construction project during 2004 with the completion of the renovation of the second and third floors and expected completion of the new outpatient service center by September of 2005. The final phase of the project, renovation of the first floor, will start after the completion of the outpatient service center.

The Hospital entered into a joint venture with local physicians and created Natchitoches Outpatient Services, LLC. NOP, LLC offers outpatient therapy services and MRI services. NOP, LLC began operations in June of 2005.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY (Continued)

The Hospital has changed its d/b/a name to Natchitoches Regional Medical Center to reflect its regional healthcare status.

The Hospital purchased a minority interest in Northwestern Louisiana Cancer Center, LLC, which provides outpatient cancer treatment, in March 2006.

Christus Health conveyed a medical office building to the Hospital in July 2006. The conveyance contains an act of re-conveyance which is subject to the term of the management agreement with Christus Health. At the end of the agreement, the Hospital will recognize the building as an asset and the income based at fair market value.

In September of 2006, the Hospital opened the new outpatient center and started renovation of the first and fourth floor. The fourth floor will be leased to a rehab hospital.

The Hospital completed the renovation of the first and fourth floors in January 2007. The fourth floor is leased to a physical rehabilitation hospital.

The Hospital created a new entity called Natchitoches Assisted Living, LLC. NAL, LLC purchased an assisted living facility for \$1,200,000 on July 12, 2007, through a cash investment by the Hospital. NAL, LLC offers housing and limited care for elderly residents.

During the year ended June 30, 2009, the District financed \$8,000,000 of 4.26% Series 2008 Revenue Bonds. The \$8,000,000 of Series 2008 bonds, dated August 26, 2008, are obligations of the District which are payable from revenues derived by the District from its operation of the Hospital and must be used for expansion of hospital facilities.

Construction of the new nursing home facility began in September of 2008. The facility was completed in November 2009 and the patients were transferred. During FY 2012, the old nursing home was demolished.

The Hospital created a new entity called Regional Cardiology Clinic, LLC on March 2, 2009. RCC, LLC provides cardiology diagnostics and testing services.

The Natchitoches Hospital Foundation merged on November 3, 2010, with the Natchitoches Regional Medical Center Foundation.

The Hospital acquired a medical office building valued at \$4,550,000 by act of donation from Christus Health on December 31, 2010.

On February 3, 2014, the Hospital entered into a joint venture, NRMC Comprehensive Wound Care, LLC, to offer wound care and hyperbaric services.

On April 1, 2015, the Hospital entered into a joint venture with local physicians, NRMC Walk-In Clinic Ventures, LLC, to establish an after-hours care clinic.

On April 7, 2016, the Hospital entered into a joint venture, NRMC Pain Institute Ventures, LLC, to offer pain management services.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
 SCHEDULE OF PER DIEM
 OR OTHER AMOUNTS PAID TO OR ON BEHALF OF COMMISSIONERS
 YEAR ENDED JUNE 30, 2017

<u>Board Member</u>	<u>Paid on Behalf of Commissioners</u>
Roger Williams	\$ -0-
Ronald Corkern	-0-
Dr. Chris Ingram	-0-
Samuel Jackson	-0-
John Luster	-0-
Arthur Welch	-0-
Aaron Johnson	-0-
	-0-
	\$ -0-

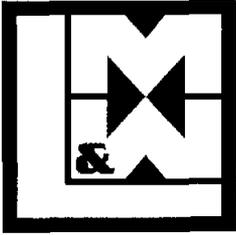
NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULE OF BONDS PAYABLE
YEARS ENDED JUNE 30, 2017, 2016 AND 2015

NATCHITOCHE PARISH HOSPITAL	RATES	PAYMENT DATES	ISSUE DATES	FINAL MATURITY DATE	ANNUAL SERIAL PAYMENTS	BONDS			
						AUTHORIZED	ISSUED	RETIRED	OUTSTANDING
Revenue bonds - 2000	4.350%	4/1; 10/1	6/14/2000	10/1/2020	685,000 (2018) 730,000 (2019) 770,000 (2020) 815,000 (2021)	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$ 7,000,000</u>	<u>\$ 3,000,000</u>
Revenue bonds - 2008	2.450%	4/1; 10/1	3/26/2008	10/1/2023	550,000 (2018) 575,000 (2019) 605,000 (2020) 635,000 (2021) 670,000 (2022) 700,000 (2023) 735,000 (2024)	<u>\$10,000,000</u>	<u>\$8,000,000</u>	<u>\$ 3,530,000</u>	<u>\$ 4,470,000</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
 PAYMENTS TO CHIEF EXECUTIVE OFFICER
 YEAR ENDED JUNE 30, 2017

Agency Head Name: Kirk Soileau
 Position: CEO

Purpose	Amount
Salary	252,096
Health insurance	5,130
Retirement	33,000
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	5,365
Travel	858
Registration fees	2,419
Conference travel	20,371
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	11,280
Professional dues	-0-
Cell phone	-0-



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INDEPENDENT AUDITORS' 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

Board of Commissioners
Natchitoches Parish Hospital Service District
Natchitoches, Louisiana

We have audited, 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, the consolidated financial statements of the Natchitoches Parish Hospital Service District and its affiliates (the "District" or the "Hospital"), a component unit of the Natchitoches Parish Police Jury, Natchitoches, Louisiana, as of and for the years ended June 30, 2017, 2016, and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's consolidated 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2017-01.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

December 11, 2017



Natchitoches Parish Hospital Service District
Schedule of Findings
Year Ended June 30, 2017

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified - No
- Significant deficiencies identified - No

Compliance

- Noncompliance issue noted - Yes

Management letter issued - No

Federal Awards - Not applicable

Section II. Financial Statement Findings

FINDING 2017-01 – Uninsured Bank Balances

Finding: The Hospital had deposits with a financial institution of \$39,200 that were neither insured by the FDIC or the assigned pledged securities in their name at year end.

Recommendation: We recommend closer monitoring of the bank balances, FDIC coverage and pledged securities' market value by management to insure all deposits are in compliance with state law.

Response: The controller will monitor bank balances regularly starting immediately to ensure that the Hospital's deposits are fully secured by FDIC insurance or pledged securities.

Section III. Federal Awards Findings and Questioned Costs

Not applicable

Section IV. Management Letter

Not applicable



Natchitoches Parish Hospital Service District
Schedule of Prior Year Findings
Year Ended June 30, 2017

Section I. Financial Statement Findings

2016-01 – Draft of Financial Statements

Fiscal Year Initially Reported: June 30, 2011

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006 SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

Recommendation: Management should either (a) obtain the resources necessary to internally prepare or review the auditors' preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

Response: The Hospital's accounting personnel will continue to attend education courses in order to further their knowledge of GAAP. Further, due to the size of our organization and the cost of implementation, we will continue to rely on our independent auditors to assist us in preparation of our external financial statements.

Resolution: This matter has been resolved.

2016-02 – Segregation of Duties

Fiscal Year Initially Reported: June 30, 2011

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: Management will continue to segregate duties as much as possible and will closely supervise and review duties to prevent errors.

Resolution: This matter has been resolved.



Natchitoches Parish Hospital Service District
Schedule of Prior Year Findings
Year Ended June 30, 2017

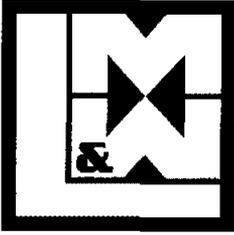
Section II. Federal Award Findings and Questioned Costs

Not applicable

Section III. Management Letter

Not applicable





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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
of Natchitoches Parish Hospital Service District
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Natchitoches Parish Hospital Service District (the Hospital) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Hospital's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - 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.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts**, including receiving, recording, and preparing deposits
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - 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

Board of Commissioners
of Natchitoches Parish Hospital Service District
and the Louisiana Legislative Auditor

- g) **Credit Cards (and debit cards, fuel cards, P-cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings: The Hospital did not have written policies and procedures for the following areas: budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, credit cards, ethics, and debt service. A policy was provided for travel and expense reimbursement. The policy includes allowable expenses, documentation requirements, and required approvers. The policy does not include dollar thresholds by category of expense.

Management's Response: In the past the Hospital has followed practices documented by our external auditors related to the noted areas, however, the policies and procedures were not formally documented in written form. Management is currently in the process of drafting written policies and procedures addressing each of the noted areas to be followed when fulfilling responsibilities related to these areas. These policies and procedures are expected to be completed and presented to the Board for approval by March 31, 2018.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Findings: No exceptions were noted in applying the above procedure.



Bank Reconciliations

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

Findings: We obtained a list of bank accounts, and management provided representation that the list was complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
- Bank reconciliations have been prepared;
 - Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Findings: Of the seven (7) bank accounts tested, one did not have a formal reconciliation, evidence of review by management, or documentation indicating that reconciling items have been researched. No other exceptions were noted.

Management's Response: Effective December of 2017 the accounting staff and Management will begin documenting their completion and review of the reconciliations for the account noted.

Collections

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

Findings: We obtained a list of cash collection locations, and management provided representation that the list was complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
- Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.



Board of Commissioners
of Natchitoches Parish Hospital Service District
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- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Findings: Written documentation was not provided stating whether each person responsible for collecting cash was (1) bonded, (2) not responsible for depositing cash in the bank, recording the related transactions, or reconciling the related bank account, and (3) not required to share the same cash register or drawer.

Interviews with hospital cashiers and accounting staff indicate that employees in two (2) of the five (5) cash collection locations selected for testing are responsible for collecting cash and making cash deposits. Transactions are posted to the general ledger at the end of each day by the cashiers. A member of the accounting staff is responsible for reconciling the related bank account for each cash collection location. Employees in three (3) of the five (5) cash collection locations selected for testing share the same cash drawer/ register.

The Hospital provided deposit slips, system reports, and daily cash reconciliation worksheets that demonstrate that cash collections are reconciled to the general ledger the day after cash is collected by an employee not responsible for cash collections.

Of the nineteen (19) days of cash collections, five (5) deposits were made within one (1) day of collection. Six (6) deposits were made within two (2) days of collection. Three (3) deposits were made within three (3) days of collection. Three (3) deposits were made within four (4) days of collection. Two (2) deposits were made within five (5) days of collection. All deposits that exceeded two (2) days from collection to deposit were due to weekends. No other exceptions were noted. All cash collections tested were completely supported by documentation.

Management's Response: The written documentation will be addressed through the development of the written policies and procedures noted in section one. Management feels that proper mitigating controls have been implemented through reconciliation of collection logs and bank accounts to address handling of receipts and deposits by the same person and the location of the cash drawers. The timeliness of deposits will also be addressed in the formal written policies and procedures.

- 7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.



Findings: The Hospital does not have written documentation detailing a process specifically defined to determine the completeness of all collections, including electronic transfers, for each revenue source and agency fund addition.

Management's Response: See management's response in procedure #1.

Disbursements – General (excluding credit card/debit card/fuel card/P-card purchases or payments)

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

Findings: We obtained general ledger details representing all entity disbursements and management provided representation that the listing was complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
- Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Findings: No exceptions were noted in applying the above procedure.

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

Findings: No exceptions were noted in applying the above procedure.

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

Findings: No exceptions were noted in applying the above procedure.

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



Findings: No exceptions were noted in applying the above procedure.

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

Findings: No exceptions were noted in applying the above procedure.

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

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

Findings: We obtained a list of all active credit cards, bank debit cards, fuel cards, and P -cards, and management provided representation that the list was complete.

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

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Findings: Of the ten (10) cards selected for testing, three (3) cards were not reviewed by someone independent of the authorized card holder. No finance charges or late fees were assessed on the selected statements.

Management's Response: The Hospital implemented a formal process for documenting the business purpose of the charges related to fuel cards prior to the end of the 2017 fiscal year. Beginning in January of 2018, Management will ensure that all credit card and fuel card purchases are properly documented including the business purpose for the purchase and Management will ensure that documentation for all meal charges includes a list of attendees. Additionally, Management will ensure that all employees using credit cards and fuel cards are properly educated on the documentation requirements when using credit cards and fuel cards and that all cards obtain necessary approval prior to payment.



16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
 - c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless of whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Findings: For the ten (10) credit cards selected (including five (5) fuel cards), one-hundred and thirty-eight (138) transactions were tested. Seventy-five (75) transactions were supported by original itemized receipts. Forty-four (44) transactions lacked written documentation of business purpose. Thirteen (13) transactions for meals lacked a listing of attendees. We were unable to determine the appropriateness of seven (7) transactions due to lack of documentation. The Hospital did not provide a written policy for purchasing/disbursements. None of the transactions tested were made to circumvent the Louisiana Public Bid Law. None of the transactions were loans, pledges, or donations of funds, credit, property, or things of value as referenced under Article 7, Section 14 of the Louisiana Constitution.

Management's Response: The Hospital implemented a formal process for documenting the business purpose of the charges related to fuel cards prior to the end of the 2017 fiscal year. Beginning in January of 2018, Management will ensure that all credit card and fuel card purchases are properly documented including the business purpose for the purchase and Management will ensure that documentation for all meal charges includes a list of attendees. Additionally, Management will ensure that all employees using credit cards and fuel cards are properly educated on the documentation requirements when using credit cards and fuel cards and that all cards obtain necessary approval prior to payment.

Travel and Expense Reimbursement

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

Findings: We obtained a list of all travel and related expense reimbursements, by person, and management provided representation that the list was complete.



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

Findings: The Hospital provided written policies and procedures for travel and reimbursements. The policy does not define per diem rates for meals or lodging. The mileage rate is defined as the "allowable rate established by IRS guidelines", which agrees to the GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
 - Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
 - Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings: Of the three (3) employees selected, two incurred lodging costs which exceeded the GSA rates, the largest of which exceeds the GSA rate by \$77. All reimbursements were supported by itemized receipts. Reimbursements for two employees lacked documentation supporting the business purpose. There were no violations of Article 7, Section 14 of the Louisiana Constitution. Reimbursements for one employee lacked evidence of review/approval.

Management's Response: See management's response in procedure #1.

Contracts

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

Findings: We obtained a list of contract vendors for the fiscal period, and management provided representation that the list was complete.



Board of Commissioners
of Natchitoches Parish Hospital Service District
and the Louisiana Legislative Auditor

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 - Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
 - Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Findings: Formal written contracts were provided for the five (5) vendors selected for testing. None of the contracts selected for testing were subject to Louisiana Public Bid Law or Procurement code. Management provided no evidence indicating that quotes were solicited as a best practice. None of the contracts were amended. The largest payment for each of the five (5) vendors were paid in compliance with the terms and conditions of the related contract. Documentation was provided indicating board approval for three (3) of the five (5) contracts.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Findings: We obtained a listing of all employees with their related salaries and management provided representation that the listing was complete. There were no exceptions in applying the above procedures.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and



does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Findings: No exceptions were noted in applying the above procedure.

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

Findings: No exceptions were noted in applying the above procedure.

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

Findings: For federal payroll taxes, there were fourteen (14) occurrences of late payments, thirteen (13) of which were due to payroll checks paid in between bi-weekly payroll periods. Payroll taxes for one normal payroll period were submitted thirty-one (31) days late. All state withholding and retirement contributions were submitted timely.

Management's Response: The one payroll run that was paid late was an isolated incident and a checklist was developed that is being used by the payroll department to ensure consistency in the timeliness of these payments. Management will ensure that all payments related to payroll taxes including those taxes related to payroll runs outside of the Hospital's regular bi-weekly payroll periods are submitted by the required due date.

Ethics (excluding nonprofits)

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

Findings: No exceptions were noted in applying the above procedure.

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



Findings: No exceptions were noted in applying the above procedure.

Debt Service (excluding nonprofits)

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

Findings: No exceptions were noted in applying the above procedure.

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

Findings: No exceptions were noted in applying the above procedure.

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

Findings: No exceptions were noted in applying the above procedure.

Other

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

Findings: No exceptions were noted in applying the above procedure.

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

Findings: We noted that the Hospital posted the notice in the main hallway by the elevators in accordance with LA R.S. 24:523.1. In addition, the Hospital has the notice posted on its website.

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

Findings: No exceptions were noted in applying the above procedure.



Board of Commissioners
of Natchitoches Parish Hospital Service District
and the Louisiana Legislative Auditor

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those 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.

The purpose of this report is 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.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

December 27, 2017

