ST. TAMMANY PARISH HOSPITAL
SERVICE DISTRICT NO. 2

d/b/a SLIDELL MEMORIAL HOSPITAL

Financial Statements
December 31, 2016 and 2015

Contents

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Management's Discussion and Analysis

This section of St. Tammany Parish Hospital Service District No. 2's (Slidell Memorial Hospital, or SMH or the Hospital) annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal year that ended on December 31, 2016. This should be read in conjunction with the financial statements in this report.

Executive Summary

In 2016, Slidell Memorial Hospital continued to make strategic investments in physician alignment, service growth, and quality improvement to position the facility for the future. The SMH Physician Network has grown to a complement of 28 practitioners. In 2016, the Physician Network recruited three physicians in the specialty areas of pediatric and family practice. Management and the Board are committed to a strategy of improving quality and cost through reducing variation in medical practice patterns and increasing access to primary care in the market place. Although they are hard to fund with only 6.7% EBIDA, in 2016, these strategies are in keeping with the Mission: To Improve the Quality of Life in Our Community.

SMH signed a 20-year Joint Operating Agreement (JOA) with Ochsner Health System (OHS), effective January 1, 2016. The JOA creates collaboration between SMH and Ochsner to achieve more effective and efficient operations by maximizing the utility of our combined assets. The two organizations retain ownership and ultimate control of their assets, but contractual, clinical, and financial integration align incentives to become dispassionate about the location of services. The JOA will be managed by a consolidated management team in order to establish a single culture and an enterprise mindset in decision making. The JOA creates a Strategy and Oversight Committee (SOC) with equal representation from SMH's Board of Commissioners and from OHS. The SOC represents the group through which the two organizations will collaborate on things like what services are delivered in the market, where those services are delivered, physician recruitment, and other strategic objectives. The JOA not only creates opportunity for significant cost reduction, but with critical mass in some services the JOA becomes a quality improvement and growth strategy as well. Together, our volumes are expected to be material enough to offer additional services locally.

In 2016, SMH and Ochsner Northshore consolidated several service lines including Inpatient Rehab, Infusion Therapy, Sleep Laboratory, Inpatient Pediatric services, and Pet CT services. The benefit of consolidating these service lines is to increase quality, increase access to care, to grow local services and to decrease costs.

SMH Regional Cancer Center provides a comprehensive, disciplinary coordinated care model with services ranging from an appearance center, library, laboratory, pharmacy, outpatient chemotherapy and infusion service, and radiation oncology. The board certified medical oncologists are providing care to the region. The provision of services allows patients to remain close to home with the support of family and the community. SMH's cancer program has been accredited by the American College of Surgeons Commission on Cancer since 1992. The Radiation Oncology Department has been accredited by the American College of Radiation Oncology since 2012.

Slidell Memorial Hospital is no different than most other community hospitals in the United States in struggling with the transformation of the healthcare delivery system from fee for service to fee for value. Without significant capital on the balance sheet, it is precarious to under-shoot or over-shoot the unknown glide-path of change. Moving too fast will erode revenues while increasing expenses associated with infrastructure to manage for value. Moving too slow will expose the organization on the backside of the conversion to risk of massive market share loss to early adopters of the transition to managing population utilization and cost. Here again, the JOA with OHS provides a partner with existing infrastructure and scale to be much more effective in this area as we align around the commitment to improving quality, improving access, lowering costs, and growing local services.

Financial Highlights

Net patient service revenue increased by 10.5% from the prior year. Acute admissions were up 6.8% over prior year and patient days were up 2.1%. Observation admissions were down 1.1% from 2015. Compared to prior year, infusion therapy volume increased 35.2%, open heart surgeries were up 14.2%, emergency room visits were up 6.8%, and cardiac catheterization patients were down 0.1%. As volumes increased over prior year, there was also a slight unfavorable shift in the Hospital's payer mix, the Medicaid population slightly increased and Medicare population slightly decreased.

Operating expenses before depreciation and amortization in 2016 increased 10.1% from the prior year. This increase is primarily due to salary, benefit, and supply expense being up as a direct result of increased volumes. Management operates the facility on a daily productivity management system to flex variable labor by shift. Departmental Operating Statements are published monthly with flex budget reporting to guide management on budget variance action plans.

The Hospital's total net position increased by $4.1 million from the prior year. The assets of the Hospital exceeded liabilities at the close of the 2016 fiscal year by $105.6 million. Of this amount, $59.4 million (unrestricted net position) may be used to meet ongoing obligations to the Hospital's patients and creditors, and $38.3 million is net investment in capital assets.

Overview of the Financial Statements

This annual report consists of four components - the management's discussion and analysis (this section), the independent auditor's report, the financial statements, and supplementary information.

The financial statements of Slidell Memorial Hospital report the financial position of the Hospital and the results of its operations and its cash flows. The financial statements are prepared on the accrual basis of accounting. These statements offer short-term and long-term financial information about the Hospital's activities.

The statements of net position include all of the Hospital's assets, deferred outflows, and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities) for both the current year and the prior year. They also provide the basis for evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the *statements of revenues, expenses, and changes in net position*. This statement measures the performance of the Hospital's operations over the past two years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources.

The primary purpose of the *statements of cash flows* is to provide information about the Hospital's cash from operations, investing, and financing activities. The cash flow statement outlines where the cash comes from, what the cash is used for, and the change in the cash balance during the reporting period.

The annual report also includes notes to financial statements that are essential to gain a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Financial Analysis of the Hospital

The statements of net position and the statements of revenue, expenses, and changes in net position report information about the Hospital's activities. These two statements report the net position of the Hospital and changes in them. Increases or improvements, as well as decreases or declines in net position, are one indicator of the financial state of the Hospital. Other non-financial factors that should also be considered include changes in economic conditions (including uninsured and working poor) and population growth.

Net Position

A summary of the Hospital's statements of net position is presented in the following table:

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
		(In Thousands)	
Current and Other Assets	**$ 87,991**	$ 80,786	$ 80,664
Capital Assets, Net	**92,435**	96,145	98,104
Deferred Outflows of Resources	**332**	379	425
Total Assets and Deferred Outflows of Resources	**$ 180,758**	$ 177,310	$ 179,193
Long-Term Debt Outstanding	**$ 50,240**	$ 54,495	$ 58,645
Other Liabilities	**24,909**	21,265	21,441
Total Liabilities	**$ 75,149**	$ 75,760	$ 80,086
Net Investment in Capital Assets	**$ 38,273**	$ 37,879	$ 38,903
Restricted	**7,923**	7,607	8,373
Unrestricted	**59,413**	56,064	51,831
Total Net Position	**$ 105,609**	$ 101,550	$ 99,107

December 31, 2016
Long-term debt decreased $4.3 million in 2016 reflecting the effect of scheduled payments.

December 31, 2015
Long-term debt decreased $4.2 million in 2015 reflecting the effect of scheduled payments.

Summary of Revenues, Expenses, and Changes in Net Position

The following table presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended December 31, 2016, 2015, and 2014:

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
		(In Thousands)	
Net Patient Service Revenue	**$ 154,994**	$ 140,267	$ 133,255
Other Operating Revenue Excluding Interest Income	**3,535**	3,634	3,964
Total Operating Revenues	**158,529**	143,901	137,219
Operating Expenses before Depreciation/Amortization	**147,929**	134,557	127,860
Earnings before Interest, Depreciation, and Amortization and Non-Operating Revenues (Expenses) (EBIDA)	**10,600**	9,344	9,359
Depreciation and Amortization Expense	**9,829**	9,854	9,624
Operating Net Income (Loss)	**771**	(510)	(265)
Non-Operating Revenues (Expenses)			
Interest Income	**682**	430	219
Interest Expense	**(1,797)**	(1,908)	(2,229)
Property Tax Revenue	**4,403**	4,431	4,161
Other, Net	**-**	-	28,760
Excess of Revenues Over Expenses	**4,059**	2,443	30,646
Total Net Position - Beginning of Year	**101,550**	99,107	68,461
Total Net Position - End of Year	**$ 105,609**	$ 101,550	$ 99,107

The following table represents the relative percentage of gross charges billed for patient services by payer for the fiscal years ended December 31, 2016, 2015, and 2014:

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Medicare and Medicare HMO	**50%**	52%	52%
Medicaid	**14%**	12%	12%
Managed Care and Commercial Insurance	**32%**	32%	30%
Uninsured Patients	**4%**	4%	6%
Total Gross Charges	**100%**	100%	100%

Operating and Financial Performance

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

- In 2016, the Hospital had 7,460 acute inpatient admissions. This is an increase of 6.8% from fiscal year 2015. The Hospital's observation admissions decreased 1.1% from 2015. During 2015, the Hospital had 6,983 acute inpatient admissions. This was an increase of 1.6% from fiscal year 2014.

- Emergency registrations were 39,151 and 36,659, in 2016 and 2015, respectively, representing an increase of 6.8% in 2016 over 2015. There was an increase of 8.5% in 2015 compared to fiscal year 2014. The new Emergency Room was opened in 2014.

- During 2016, net patient service revenue increased $14.7 million, or 10.5%, from 2015. This increase is a result of an increase in both inpatient and outpatient volumes from prior year. During 2015, net patient service revenue increased $7 million, or 5.3%, from 2014.

- In 2016, salaries, wages, and benefits increased 4.8% from prior year reflecting increased staff to handle volume increases. During 2015, salaries, wages, and benefits increased 3.9% from prior year reflecting increased staff required to handle volume increases. During 2014, salaries, wages, and benefits increased 7.5% from 2013 as a direct result of additional volume increases and expense attributed to the opening of the new Emergency Room and Cardiology wing.

- In 2016, supplies and materials increased 5.9%, primarily due to increases in inpatient and outpatient volumes. During 2015, supplies and materials increased approximately 11.3% compared to 2014, primarily due to volume increases in specialty areas. During 2014, supplies and materials increased 1.2% compared to 2013.

- Professional fees increased 13.2% from prior year as a result of an increase in physician agreements. Professional fees decreased 5.9% from 2014 to 2015, compared to an increase of 28.8% from 2013 to 2014. The increase from prior year is a result of entering into a new physician agreement.

- In 2016, other direct expenses increased 10.4% from prior year. Other direct expenses increased 5.1% from 2014 to 2015. These expenses increased by approximately 5.8% in 2013 over the previous year.

Performance Against Budget

	FY 2016 Budget	FY 2016 Actual	Favorable (Unfavorable) Variance
		(In Thousands)	
Revenues			
Net Patient Service Revenue	$ 146,803	$ 154,994	$ 8,191
Other Operating Revenue	3,317	3,535	218
Total Revenues	150,120	158,529	8,409
Operating Expenses			
Salaries, Wages, and Benefits	79,046	78,150	896
Supplies and Other	54,815	57,914	(3,099)
Professional and Contractual Services	10,314	11,865	(1,551)
Total Operating Expenses before Depreciation/Amortization and Non-Operating Revenues (Expenses)	144,175	147,929	(3,754)
EBIDA	5,945	10,600	4,655
Interest Income	504	682	178
Interest Expense	(1,796)	(1,797)	(1)
Depreciation and Amortization	(10,204)	(9,829)	375
Property Tax Revenue	4,336	4,403	67
(Deficiency) Excess of Revenues Over Expenses	(1,215)	4,059	5,274
Increase in Net Position	$ (1,215)	$ 4,059	$ 5,274

- Net patient service revenue was over budget for 2016 by 5.5% as a result of an increase in several service lines including infusion therapy, radiation center therapy, open heart procedures, and emergency room visits.
- Salaries, wages, and benefits were over budget for 2016 as a direct result in patient volumes.
- Supplies were over budget for 2016 as a result of the patient volume increases.
- Professional fees were over budget for 2016 as a result of physician contracts being over budget due to volume increases.

Capital Assets

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change	Percent Change
	(In Thousands)			
Land and Land Improvements	**$ 9,036**	$ 9,010	$ 26	0%
Building and Leasehold Improvements	**131,695**	128,846	2,849	2%
Equipment	**72,988**	71,546	1,442	2%
Subtotal	**213,719**	209,402	4,317	2%
Less: Accumulated Depreciation	**(121,283)**	(113,257)	(8,026)	7%
Net Capital Assets	**$ 92,436**	$ 96,145	$ (3,709)	-4%

Economic Factors and Next Year's Budget

The Hospital's Board and Management considered many factors when setting the fiscal year 2017 budget. Management will continue to focus on recruiting employed physicians in the primary care specialty. In addition, the broad economy is of significant importance in setting the 2017 budget, which takes into account market forces and environmental factors such as:

- The effect of general weakness in the broad economy signaling changes in employment, employment-related benefits, and ultimately managed care tightness on utilization and rates.
- Continuing federal budget deficit related cuts threatening critical programs which ensure services in the local community such as the 340B drug program.
- The State of Louisiana continues to face deficits which place Medicaid rates and other reimbursement methods at risk.
- SMH will continue investment in physician alignment and information systems which can result in financial losses in the short run but are anticipated to be a key part of long-term success if not survivability of hospitals in an era of pay for performance, bundled payment, and/or accountable care organizations.
- The industry will continue to face growing utilization of costly technology without adequate reimbursement.
- The industry will continue to face the growing number of high cost of drugs, such as chemotherapy agents and new genetic custom specialty drugs, without adequate reimbursement.
- The industry will continue to face increased compliance costs due to pay for performance, HIPAA, and other regulations.

Contacting the Hospital Financial Manager

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital's finances. If you have any questions about this report or need additional financial information, please contact the Chief Financial Officer, Slidell Memorial Hospital, 1001 Gause Blvd., Slidell, LA 70458.

LAPORTE
CPAs & BUSINESS ADVISORS

LaPorte, APAC
111 Veterans Blvd. | Suite 600
Metairie, LA 70005
504.835.5522 | Fax 504.835.5535
LaPorte.com

Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Hospital Service District No. 2
Slidell, Louisiana

Report on Financial Statements
We have audited the accompanying financial statements of the St. Tammany Parish Hospital Service District No. 2 (d/b/a Slidell Memorial Hospital) (the Organization) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Tammany Parish Hospital Service District No. 2 (d/b/a Slidell Memorial Hospital), as of December 31, 2016 and 2015, and the changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i - ix be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's basic financial statements. The schedule of compensation paid to board of commissioners is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation paid to board of commissioners is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 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 schedule of compensation paid to board of commissioners 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 June 20, 2017 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A Professional Accounting Corporation

Metairie, LA
June 20, 2017

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Statements of Net Position
December 31, 2016 and 2015

	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Cash Equivalents	**$ 58,451,720**	$ 47,130,735
Patient Accounts Receivable, Net of Allowances for Uncollectible Accounts of $13,399,593 and $13,456,453 in 2016 and 2015, Respectively	**12,766,775**	12,989,315
Assets Whose Use is Limited, Required for Current Liabilities	**4,317,257**	4,270,963
Inventories	**3,634,505**	3,532,571
Prepaid Expenses and Other Receivables	**4,904,034**	8,610,808
Total Current Assets	**84,074,291**	76,534,392
Assets Whose Use is Limited or Restricted		
Under Agreements for Capital Improvements and Debt Service	**2,905,814**	3,121,702
By State Department of Workers' Compensation	**700,000**	700,000
By Board Direction	**310,470**	429,795
Total Assets Whose Use is Limited or Restricted	**3,916,284**	4,251,497
Capital Assets		
Land and Improvements	**9,035,700**	9,009,993
Buildings and Improvements	**131,694,831**	128,845,923
Equipment	**72,987,746**	71,546,695
	213,718,277	209,402,611
Less: Accumulated Depreciation	**(121,283,126)**	(113,257,153)
Capital Assets, Net	**92,435,151**	96,145,458
Total Assets	**180,425,726**	176,931,347
Deferred Outflows of Resources	**332,425**	378,809
Total Assets and Deferred Outflows of Resources	**$ 180,758,151**	$ 177,310,156

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Statements of Net Position (Continued)
December 31, 2016 and 2015

	2016	2015
Liabilities and Net Position		
Current Liabilities		
Trade Accounts Payable	**$ 2,640,800**	$ 4,688,607
Salaries, Wages, and Benefits Payable	**3,168,834**	2,886,920
Accrued Paid Time Off Payable	**2,877,905**	2,450,652
Accrued Interest and Other Expenses	**11,966,765**	7,088,660
Amounts Due Within One Year on Bonds Payable	**3,145,000**	3,075,000
Amounts Due Within One Year on Hospital Indebtedness and Notes Payable	**1,110,000**	1,075,000
Total Current Liabilities	**24,909,304**	21,264,839
Hospital Indebtedness, Less Amounts Due Within One Year	**7,615,000**	8,725,000
Bonds Payable, Less Amounts Due Within One Year	**42,625,000**	45,770,000
Total Liabilities	**75,149,304**	75,759,839
Net Position		
Net Investment in Capital Assets	**38,272,576**	37,879,267
Restricted for:		
Debt Service	**7,223,071**	6,906,660
Workers' Compensation	**700,000**	700,000
Unrestricted	**59,413,200**	56,064,390
Total Net Position	**105,608,847**	101,550,317
Total Liabilities and Net Position	**$ 180,758,151**	$ 177,310,156

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	2016	2015
Revenues		
Net Patient Service Revenue	$ **154,993,543**	$ 140,267,167
Other Revenue	**3,535,255**	3,633,571
Total Revenues	**158,528,798**	143,900,738
Operating Expenses		
Salaries and Wages	**64,223,852**	61,075,203
Employee Benefits	**13,925,798**	13,426,158
Supplies and Materials	**32,295,274**	30,502,235
Other Direct Expenses	**25,618,552**	18,370,784
Professional Fees	**6,176,135**	5,454,776
Purchased Services	**5,689,579**	5,728,221
Depreciation and Amortization	**9,828,753**	9,853,547
Total Operating Expenses	**157,757,943**	144,410,924
Operating Income (Loss)	**770,855**	(510,186)
Non-Operating Revenues (Expenses)		
Interest Income	**681,924**	429,844
Interest Expense	**(1,796,839)**	(1,907,634)
Property Tax Revenue	**4,402,590**	4,431,316
Total Non-Operating Revenues, Net	**3,287,675**	2,953,526
Change in Net Position	**4,058,530**	2,443,340
Net Position, Beginning of Year	**101,550,317**	99,106,977
Net Position, End of Year	$ **105,608,847**	$ 101,550,317

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Cash Received from Patient Services	**$ 152,491,058**	$ 143,235,501
Cash Paid to or on Behalf of Employees	**(72,598,426)**	(73,524,903)
Cash Paid for Supplies and Services	**(68,427,675)**	(62,788,650)
Cash Received from Federal and State Programs	**6,542,703**	1,230,897
Net Cash Provided by Operating Activities	**18,007,660**	8,152,845
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	**(6,118,446)**	(8,065,792)
Principal Payments on Long-Term Debt	**(4,150,000)**	(4,310,000)
Dedicated Property Tax Revenue Received	**4,402,590**	4,431,316
Interest Payments	**(1,791,662)**	(1,911,571)
Proceeds from Sale of Capital Assets	**-**	175,517
Net Cash Used in Capital and Related Financing Activities	**(7,657,518)**	(9,680,530)
Cash Flows from Investing Activities		
Decrease in Assets Whose Use is Limited or Restricted	**169,594**	3,631,451
Interest Earned on Investments	**681,924**	429,844
Net Cash Provided by Investing Activities	**851,518**	4,061,295
Increase in Cash and Cash Equivalents	**11,201,660**	2,533,610
Cash and Cash Equivalents, Beginning of Year	**47,130,735**	44,597,125
Cash and Cash Equivalents, End of Year	**$ 58,332,395**	$ 47,130,735

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

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Statements of Cash Flows (Continued)
For the Years Ended December 31, 2016 and 2015

	2016	2015
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	**$ 770,855**	$ (510,186)
Adjustments to Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation and Amortization	**9,828,753**	9,853,547
Changes in Operating Assets and Liabilities		
Patient Accounts Receivable, Net	**222,540**	(243,286)
Inventories and Other Operating Assets	**3,604,840**	(949,256)
Accounts Payable and Accrued Expenses	**3,580,672**	2,026
Net Cash Provided by Operating Activities	**$ 18,007,660**	$ 8,152,845

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

Note 1. Organization and Significant Accounting Policies

Organization and Nature of Operations

Slidell Memorial Hospital (the Hospital) is a nonprofit corporation organized as St. Tammany Parish Hospital Service District No. 2 (the District), a political subdivision of the State of Louisiana as established in Act 180 of the 1984 Regular Session of the Legislature, as amended, and is exempt from federal and state income taxes. The governing authority of the District is the St. Tammany Parish Hospital Service District No. 2 Board of Commissioners (the Board), which are appointed by a cross-section of representatives of city, parish, and state government bodies. The Board is authorized to oversee the assets and govern the operations of the District. The Hospital operates a full service acute care community hospital located in Slidell, Louisiana.

Reporting Entity

The basic financial statements present the Hospital and its component units, entities for which the Hospital is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended Component Units:

Slidell Memorial Hospital Foundation, Inc. (the Foundation) is a Louisiana non-profit corporation exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation's sole member is the District. The Foundation is operated by the District.

SMH Physician Practice Services, Inc. (PPS) is a Louisiana non-profit corporation originally organized to assist the Hospital in providing medical services to the community in a cost effective and efficient manner by assuring the availability of competent health care personnel. PPS is owned by the District and is a taxable non-profit corporation. PPS is currently inactive.

Slidell Radiation Center, Inc. (SRC) is a Louisiana non-profit corporation organized to purchase and operate a radiation facility. SRC is owned and operated by the District and is a taxable non-profit corporation. In September 2015, SRC was dissolved by the Board of directors and all remaining assets were transferred to the District.

The Hospital, the Foundation, PPS, and SRC are collectively referred to as the Organization. There are no other organizations or agencies whose financial statements should be included and presented with these financial statements.

Note 1. Organization and Significant Accounting Policies (Continued)

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, government grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated non-exchange transactions that are not program specific, investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Organization first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available. All significant inter-entity accounts have been eliminated in the accompanying financial statements.

Use of Estimates

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

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

Cash and Cash Equivalents

Cash and cash equivalents are recorded at fair value. The Organization reports short-term, highly liquid investments whose use is not limited (that are both readily convertible to known amounts of cash and mature within three months or less from date of purchase) as cash equivalents. As of December 31, 2016 and 2015, the Organization's cash, cash equivalents, and certificates of deposit were entirely insured or collateralized with securities held by its agent in the Organization's name.

Inventories

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

Capital Assets

Land, buildings, and equipment acquisitions are recorded at historical cost except for assets donated to the Organization. Donated assets are recorded at fair value on the date of donation. Depreciation of buildings and equipment is computed using the straight-line method in amounts sufficient to amortize the cost of these assets over their estimated useful lives.

Note 1. Organization and Significant Accounting Policies (Continued)

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted consist of cash and investments reported at fair value with gains and losses included in the statements of revenues, expenses, and changes in net position.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, consisting of property and equipment and cost in excess of net assets acquired, for impairment and determines whether an event or change in facts and circumstances indicates that their carrying amount may not be recoverable. The Organization determines recoverability of the assets by comparing the carrying value of the asset to net future undiscounted cash flows that the asset is expected to generate. The impairment recognized is the amount by which the carrying amount exceeds the fair market value of the asset. There were no asset impairments recorded during 2016 and 2015.

Net Patient Service Revenue and Related Receivables

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

Medicare and Medicaid Reimbursement Programs

The Hospital is reimbursed under the Medicare Prospective Payment System for acute care inpatient services provided to Medicare beneficiaries and is paid a predetermined amount for these services based, for the most part, on the Diagnosis Related Group (DRG) assigned to the patient. In addition, the Hospital is paid prospectively for Medicare inpatient capital costs based on the federal specific rate. The Hospital qualifies as a disproportionate share provider under the Medicare regulations. As such, the Hospital receives an additional payment for Medicare inpatients served. Except for Medicare disproportionate share reimbursement and Medicare bad debts, there is no retroactive settlement for inpatient costs under the Medicare inpatient prospective payment methodology.

The Hospital is paid a prospective per diem rate for Medicaid inpatients. The per diem rate is based on a peer grouping methodology, which assigns a per diem rate to each hospital in the peer group.

Note 1. Organization and Significant Accounting Policies (Continued)

Medicare and Medicaid Reimbursement Programs (Continued)

Medicare outpatient services (excluding clinical lab and outpatient therapy) are reimbursed by the Outpatient Prospective Payment System (OPPS), which establishes a number of Ambulatory Payment Classifications (APC) for outpatient procedures in which the Hospital is paid a predetermined amount per procedure. Medicaid outpatient services (excluding ambulatory surgery, therapy, and clinical lab) were reimbursed at 66.46% of the lower of cost or charges as of December 31, 2016 and 2015. Medicare and Medicaid outpatient clinical lab and Medicaid ambulatory surgery and outpatient therapy services are reimbursed based upon the respective fee schedules.

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

Electronic Health Record Incentive Program

The Health Information Technology for Economic and Clinical Health Act, established by the American Recovery and Reinvestment Act of 2009, provides for Medicare and Medicaid incentive payments for eligible organizations and providers that adopt and meaningfully use certified electronic health record (EHR) technology. For the years ended December 31, 2016 and, 2015, the Hospital recorded EHR incentive revenue of $110,470 and $529,541, respectively within other revenues on the statement of revenues, expenses, and changes in net position. As of December 31, 2016 and 2015, the Hospital recorded EHR incentive receivables of $-0- and $358,509, respectively related to this revenue and are recorded as other receivables in the statement of net position.

Attestation of the Hospital's compliance with meaningful use criteria is subject to audit by the federal government or its designee and EHR incentive payments received are subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were determined.

Grants and Contributions

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

Note 1. Organization and Significant Accounting Policies (Continued)

Restricted Resources

When the Organization has both restricted and unrestricted resources available to finance a particular program, it is the Organization's policy to use restricted resources before unrestricted resources.

Net Position

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

Net Investment in Capital Assets

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

Restricted

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

Unrestricted

All other net position is reported in this category.

Employee Health and Workers' Compensation Insurance

The Organization is self-insured for hospitalization and workers' compensation claims. Estimated amounts for claims incurred but not reported are calculated based on claims experience and, together with unpaid claims, are included in accrued interest and other expenses on the statements of net position.

Statements of Revenues, Expenses, and Changes in Net Position

All revenues and expenses directly related to the delivery of health care services are included in operating revenues and expenses in the statements of revenues, expenses, and changes in net position. Non-operating revenues and expenses consist of revenues and expenses related to financing and investing type activities and result from non-exchange transactions or investment income.

Note 1. Organization and Significant Accounting Policies (Continued)

Property Tax Revenues

The Hospital receives dedicated property tax revenues in amounts sufficient to fund annual debt maturities of the general obligation bonds and related interest costs (see Note 7). Such revenues are considered non-operating in the accompanying statements of revenues, expenses, and changes in net position. Unexpended property tax revenues are accumulated in a restricted fund held in trust and are exclusive of governmental debt service.

Compensated Absences

The Organization's employees earn paid time off at varying rates depending on years of service. The estimated amount of paid time off as termination payments is reported as a component of the current liability for salaries, wages, and benefits payable in both 2016 and 2015.

Adoption of Recently Issued Accounting Principles

For the year ended December 31, 2016, the Organization adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value. The adoption of this Statement had no impact on the Organization's financial statements.

For the year ended December 31, 2016, the Organization adopted the provisions of GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify, within the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The adoption of this Statement resulted in no modifications to the Organization's financial statements.

Note 2. Cash and Assets Whose Use is Limited or Restricted

Custodial Credit Risk - Deposits: Statutes authorize the Organization to invest in direct obligations of the U.S. Government, certificates of deposit of state banks and national banks having their principal office in the State of Louisiana, and any other federally insured investments, guaranteed investment contracts issued by a financial institution having one of the two highest rating categories published by Standard & Poor's or Moody's, and mutual or trust fund institutions registered with the Securities and Exchange Commission (provided the underlying investments of these funds meet certain restrictions). The Organization's cash deposits and money market accounts included in cash and cash equivalents and assets whose use is limited on its statements of net position, as of December 31, 2016 and 2015, were entirely covered by federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the Organization's name.

Note 2. Cash and Assets Whose Use is Limited or Restricted (Continued)

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

Assets Whose Use is Limited or Restricted: The terms of the Organization's bond issues require certain funds to be maintained on deposit with the trustee. The funds on deposit with the trustee, funds designated by the Board for capital improvements, and donated funds restricted by donor stipulations, as of December 31, 2016 and 2015, were as follows:

	2016	2015
Current Assets		
Dedicated Property Tax Revenue, Under Bond Indenture	**$ 4,317,257**	$ 4,270,963
Total	**$ 4,317,257**	$ 4,270,963
Non-Current Assets		
Dedicated Property Tax Revenue, and Amounts Under Bond Indenture	**$ 2,905,814**	$ 3,121,702
By State Department of Workers' Compensation	**700,000**	700,000
By Board Direction	**310,470**	429,795
Total	**$ 3,916,284**	$ 4,251,497

Note 3. Third-Party Payor Arrangements

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. During the years ended December 31, 2016 and 2015, approximately 64% of the Hospital's gross patient service charges were derived from services provided to Medicare and Medicaid program beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Note 3. Third-Party Payor Arrangements (Continued)

Revenue derived from the Medicare program is subject to audit and adjustment by the fiscal intermediary and must be accepted by the United States Department of Health and Human Services before settlement amounts become final. Revenue derived from the Medicaid program is subject to audit and adjustment and must be accepted by the State of Louisiana, Department of Health before the settlement amount becomes final. The fiscal intermediary has completed its review of estimated Medicare settlements for fiscal years ended through December 31, 2013. The fiscal intermediary has completed its review of estimated Medicaid settlements for fiscal years ended through December 31, 2006 as well as for fiscal years ended December 31, 2008. Annually, management evaluates the recorded estimated settlements and adjusts these balances based upon the results of the intermediary's audit of filed cost reports and additional information becoming available. Although the fiscal intermediary has not completed its audits (or reopened the review) of the estimated settlements for the years ended December 31, 2014 through 2016 for Medicare and for the years ended December 31, 2007 and 2009 through 2016 for Medicaid, the Hospital does not anticipate significant adverse adjustments to the recorded settlements for those years.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and managed care organizations. The basis for payment to the Hospital under these arrangements includes prospectively determined daily rates and discounts from established charges.

Note 4. Net Patient Service Revenue

Net patient service revenue for the years ended December 31, 2016 and 2015, was as follows:

	2016	2015
Gross Patient Service Revenue		
Medicare	**$ 265,525,611**	$ 239,432,986
Medicaid	**136,209,923**	102,367,289
Medicare HMO	**210,847,253**	192,932,552
Managed Care/Commercial	**298,982,007**	267,916,215
Self Pay/Uninsured	**33,584,585**	36,435,607
Total	**945,149,379**	839,084,649
Contractual Adjustments	**(750,743,223)**	(654,379,475)
Charity Care	**(13,563,444)**	(16,212,071)
Provisions for Bad Debts	**(25,849,169)**	(28,225,936)
Total	**$ 154,993,543**	$ 140,267,167

Note 5. Community Benefits

As a community health care provider, the Hospital's stated mission is "To Improve the Quality of Life in our Community". As such, total revenue includes that revenue generated from direct patient care, rentals from various medical office buildings, and sundry revenue related to the operation of the Hospital and its member organizations.

The Hospital 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 Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. As shown in Note 4, charity care provided during the years ended December 31, 2016 and 2015, measured at established rates, totaled $13,563,444 and $16,212,071, respectively.

The Hospital has also entered into a series of agreements related to funding healthcare for low income populations which are detailed in Note 12.

The Hospital also sponsors or participates in numerous activities to benefit the community. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Annually, the Hospital sponsors several health fairs and programs regarding such issues as diabetes, breast cancer, smoking cessation, nutrition, exercise, cardiology, women's health, parenting skills, development topics, etc., to provide the community access to health-related information. Also, the Hospital provides health screenings at no cost, or a reduced cost, to the community. These include prostate cancer, cholesterol, colorectal, skin cancer, glucose, and thyroid screenings.

During 2016, the SMH Community Outreach Center held 573 free or low cost health education programs with 24,051 attendees. Also during 2016, SMH performed free or low cost health screens for 1,338 people. The total lives touched through 640 community outreach programs, classes, and events was 28,344.

The Hospital encourages its employees to volunteer for charitable organizations and to participate in fundraising activities and, in some cases, pays employees to perform public services such as health screenings.

Note 6. Leases

Operating Commitments

The future minimum lease payments at December 31, 2016, for noncancelable operating leases are as follows:

	Operating Leases
2017	$ 435,174
2018	332,684
2019	237,533
2020	233,772
2021	116,886
Total	$ 1,356,049

The Hospital also leases medical and administrative equipment under operating leases with terms that vary from month-to-month to five years. Total rental expense included in other direct expenses on the statements of revenues, expenses, and changes in net position was $804,003 and $800,823, for the years ended December 31, 2016 and 2015, respectively.

Rental Income

The Hospital leases space to physicians through a combination of cancelable and noncancelable lease agreements accounted for as operating leases. Rental income earned under these agreements was $1,737,857 and $1,748,459, for the years ended December 31, 2016 and 2015, respectively.

The future minimum lease payments to be received on noncancelable leases are summarized as follows:

For the Year Ended December 31,	Amount
2017	$ 1,252,689
2018	798,284
2019	608,127
2020	338,868
2021	176,329
Total	$ 3,174,297

Note 7. Long-Term Debt

A summary of the Hospital's long-term debt outstanding is as follows:

Summary	2016	2015
General Obligation Bonds	**$ 45,770,000**	$ 48,845,000
Hospital Indebtedness	**8,725,000**	9,800,000
Total Long-Term Debt	**$ 54,495,000**	$ 58,645,000

The following table, for the years ended December 31, 2016 and 2015, summarizes the changes in long-term debt:

	2016	2015
Balance of Long-Term Debt at January 1,	**$ 58,645,000**	$ 62,955,000
Less: Repayment of Bonds and Notes Payable	**(4,150,000)**	(4,310,000)
Balance of Long-Term Debt at December 31,	**$ 54,495,000**	$ 58,645,000

The details and balances of long-term debt at December 31, 2016 and 2015, are presented in the following table:

	2016	2015
General Obligation Bonds, Series 2009, Described in Detail Below ($875,000 Due in 2017)	**$ 11,375,000**	$ 12,250,000
General Obligation Bonds, Series 2011, Described in Detail Below ($265,000 Due in 2017)	**8,865,000**	9,115,000
General Obligation Bonds, Series 2012, Described in Detail Below ($640,000 Due in 2017)	**13,990,000**	14,610,000
General Obligation Refunding Bonds, Series 2012, Described in Detail Below ($540,000 Due in 2017)	**4,800,000**	5,330,000
Hospital Indebtedness, Series 2013, Described in Detail Below ($1,110,000 Due in 2017)	**8,725,000**	9,800,000
Refunding Taxable Bonds, Series 2014, Described in Detail Below ($70,000 Due in 2017)	**660,000**	730,000
Refunding Tax Exempt Bonds, Series 2014, Described in Detail Below ($755,000 Due in 2017)	**6,080,000**	6,810,000
Total Long-Term Debt	**54,495,000**	58,645,000
Less: Amounts Due Within One Year	**4,255,000**	4,150,000
Total, Net of Amounts Due Within One Year	**$ 50,240,000**	$ 54,495,000

Note 7. Long-Term Debt (Continued)

General Obligation Bonds

The Hospital's general obligation bonds are payable from the annual levy and collection of unlimited ad valorem taxes on all the taxable property located within the boundaries of St. Tammany Hospital Service District No. 2 sufficient to pay such bonds in principal and interest as they mature.

Series 2009

On June 1, 2009, the Hospital issued $17.5 million in General Obligation Bonds with interest rates ranging from 4% to 6%, for the purpose of financing construction of its $20 million full service Cancer Center and related health care facilities project. The bonds were authorized by the voters of the District in a special election held on November 17, 2007.

Series 2011 and 2012

On April 30, 2011, the voters of St. Tammany Parish approved a referendum authorizing the Hospital to issue up to $25 million of general obligation bonds for the purpose of constructing, improving and expanding its facilities, including new emergency room services, cardiology services, and the conversion of existing semi-private rooms into private rooms.

The Hospital issued the first of this series of general obligation bonds on August 4, 2011, in the amount of $9.8 million. Scheduled interest rates over the term of the 2011 bonds range from 2% to 4.75%.

The Hospital issued Series 2012 general obligation bonds in the amount of $15.2 million on March 1, 2012. Scheduled interest rates over the term of the 2012 bonds range from 2% to 3.125%.

All of the District's general obligation bonds are secured by a pledge of dedicated property tax millages described in Note 1.

Interest on the general obligation bonds is payable semi-annually on March 1 and September 1 each year. The Series 2004 bonds mature in annual installments on March 1 each year until 2024 and can be called for early redemption after March 1, 2014. The Series 2009 bonds mature in annual installments on March 1 each year until 2029 and can be called for early redemption after March 1, 2019. The Series 2011 bonds also mature in annual installments due on March 1 each year from 2013 until 2036, and can be called for redemption in full or in part on or after March 1, 2021 The subsequently issued Series 2012 bonds mature in annual installments due on March 1 each year from 2015 until 2032, and can be called for redemption in full or in part on or after March 1, 2022.

Note 7. Long-Term Debt (Continued)

General Obligation Refunding Bonds

Series 2012

On May 30, 2012, the Hospital issued $5,980,000 of general obligation refunding bonds, Series 2012. The bonds were issued for the purpose of refunding a portion of the Hospital's outstanding Series 2004B general obligation bonds. The refunding bonds bear interest at a rate of 2.20%. Interest is payable semi annually on March 1 and September 1 each year. The bonds mature in annual installments on March 1 of each year until 2024. The bonds are not callable for early redemption.

The loss incurred in connection with the advanced refunding of the Hospital's Series 2004B general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was $41,815 at December 31, 2016 and 2015. Amortization is included in interest expense.

Series 2014

In January 2014, the hospital issued $815,000 of general obligation refunding taxable bonds, Series 2014. The bonds were issued for the purpose of refunding the Hospital's outstanding Series 2004C taxable general obligation bonds. The refunding taxable bonds bear interest at a rate of 3.06%. Interest is payable semi annually on March 1 and September 1 each year. The bonds mature in annual installments on March 1 of each year until 2024. The bonds are not callable for early redemption.

In January 2014, the hospital issued $7,650,000 of general obligation refunding tax-exempt bonds, Series 2014. The bonds were issued for the purpose of refunding the Hospital's outstanding Series 2004A and 2004B general obligation bonds. The refunding tax-exempt bonds bear interest at a rate of 1.860%. Interest is payable semi annually on March 1 and September 1 each year. The bonds mature in annual installments on March 1 of each year until 2024. The bonds are not callable for early redemption.

The loss incurred in connection with the advanced refunding of the Hospital's Series 2004A, 2004B, and 2004C general obligation bonds has been deferred and is being amortized over the life of the refunding bond issue. Amortization of this deferred loss was $4,570 at December 31, 2016 and 2015. Amortization is included in interest expense.

Note 7. Long-Term Debt (Continued)

Hospital Indebtedness Obligations

On July 27, 2005, the Hospital issued $10 million of Hospital Indebtedness Obligations to finance the cost of constructing, acquiring, and/or improving hospital facilities and equipment for the Hospital. The obligations bear interest at rates ranging from 3.45% to 4.1% and are payable in annual installments through July 1, 2015. The obligations are not callable for redemption prior to their stated maturity dates. The obligations are secured by a pledge of the net income, revenues, and receipts of the Hospital. The indebtedness was paid in full in 2015 in accordance with its terms.

On November 1, 2013, the Hospital issued $10 million of Hospital Indebtedness Obligations to finance the cost of constructing, acquiring, and/or improving hospital facilities and equipment for the Hospital. The obligations bear interest at a rate of 2.99% and are payable in annual installments through July 1, 2023. The obligations are not callable for redemption prior to their stated maturity dates. The obligations are secured by a pledge of the net income, revenues, and receipts of the Hospital.

Combined Existing Debt Service Commitments

Principal and interest payments due on general obligation bonds and notes payable outstanding as of December 31, 2016, is as follows:

Years Ended December 31,	Principal	Interest
2017	$ 4,255,000	$ 1,682,936
2018	4,395,000	1,567,595
2019	4,515,000	1,477,805
2020	4,650,000	1,352,476
2021	4,785,000	1,226,191
2022-2026	17,455,000	4,107,848
2027-2031	10,180,000	1,727,266
2032-2036	4,260,000	391,859
Total	$ 54,495,000	$ 13,533,976

Note 8. Employee Benefits

The Hospital and its member organizations maintain qualified defined contribution retirement and deferred compensation plans which provide benefits for eligible employees. Beginning in April, 2002, the Hospital initiated a combined deferred compensation and contributory employee savings plan for full-time employees. Each employee's interest in a previous plan was fully vested and was transferred over to the new plan.

The retirement plan provides a discretionary employer match of participant elective deferrals up to 4%, beginning January 1, 2006, rather than contributions based on salaries. Plan participants, who attained age 50 as of September 26, 2005, and were contributing 8% at that time, continue to receive the employer match up to 8% of their elective deferral. Employees are eligible to participate at their date of hire. Participants are immediately vested in their contributions plus actual earnings thereon.

Vesting in the Hospital's contribution is based on years of service. After three years of eligible service, the employee is 100% vested. Prior to that time, the employee is -0-% vested.

The total payroll for the years ended December 31, 2016 and 2015 was $62,223,852 and $61,075,023, respectively. During the years ended December 31, 2016 and 2015, the Hospital and member organizations made required contributions to the plan of $1,497,281 and $1,541,928, respectively.

Note 9. Risk Management and Regulatory Matters

Risk Management

The Hospital participates in the Louisiana Patients' Compensation Trust Fund (PCF) for insurance coverage on professional liability (medical malpractice) claims. As a participant, the Hospital has a statutory limitation of liability which provides that no award can be rendered against it in excess of $500,000, plus interest and costs. The PCF provides coverage on a claims occurrence basis for claims over $100,000 and up to the $500,000 statutory limitation. The Hospital is self-insured with respect to the first $100,000 of each claim.

The Hospital also participates in the Louisiana Hospital Association Trust Fund (LHA Trust Fund), which provides general liability coverage up to $1,000,000 per claim. The LHA Trust Fund also insures excess general liability claims in excess of $1,000,000 but limited to $9,500,000 per claim. The Hospital's insurance coverage under the LHA Trust Fund is subject to a deductible of $100,000 on a claims made basis.

The Hospital is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Hospital and are currently in various stages of litigation. As of December 31, 2016 and 2015, the Hospital has recorded professional and general liability accruals, totaling $1,680,823 and $1,942,366, respectively, as an estimated provision for both asserted claims and for claims incurred but not reported.

Note 9. Risk Management and Regulatory Matters (Continued)

Risk Management (Continued)

This provision is included as a component of accrued interest and other expenses on its statement of net position. Additional claims may be asserted against the Hospital arising from services provided to patients through December 31, 2016, exceeding these coverage limits; however, management believes it has adequately provided for them.

The Hospital is self-insured for workers' compensation up to $450,000 per claim, and employee health up to $185,000 per claim. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are re-evaluated periodically to take into consideration claims incurred but not reported, recently settled claims, frequency of claims, and other economic and social factors. The Hospital carries commercial insurance which provides coverage for workers' compensation and employee health claims in excess of the self-insured limits.

As of December 31, 2016, the Hospital has recorded workers' compensation and employee health accruals, totaling $866,509 and $613,422, respectively, as an estimated provision for both asserted claims and for claims incurred but not reported. This provision is included as a component of accrued interest and other expenses on its statement of net position.

As of December 31, 2015, the Hospital has recorded workers' compensation and employee health accruals, totaling $728,044 and $763,517, respectively, as an estimated provision for both asserted claims and for claims incurred but not reported. This provision is included as a component of accrued interest and other expenses on its statement of net position.

Changes in the Hospital's aggregate claims liability for professional, general liability, workers' compensation, and employee health, which are included in accrued interest and other expenses on the accompanying statements of net position, were as follows for the years ended December 31, 2016 and 2015:

Years Ended December 31,	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year End
2016	$ 3,433,927	$ 9,712,986	$ 9,986,159	$ 3,160,754
2015	$ 2,613,251	$ 8,648,939	$ 7,828,263	$ 3,433,927

Regulatory Matters

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Note 9. Risk Management and Regulatory Matters (Continued)

Regulatory Matters (Continued)

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a so-called Recovery Audit Contractor (RAC) program on a permanent and nationwide basis. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment.

A five-state pilot program concluded in March 2008, with a nationwide rollout of the RAC effort done in phases beginning in 2009. The experiences during the pilot found far more overpayments than underpayments.

Similarly, the Centers for Medicare & Medicaid Services (CMS) created new entities titled Audit Medicaid Integrity Contractors (MIC) in order to continue its efforts to ensure the highest integrity of its healthcare programs. The goal of the provider audits is to identify overpayments and to ultimately decrease the payment of inappropriate Medicaid claims. The MIC is to review claims submitted by all types of Medicaid providers, including all settings of care and types of services, with most audits taking place at staff headquarters and on occasion on-site at a provider's place of business.

The Organization was the subject of ongoing RAC and MIC audits during 2016 and 2015, and deducts from revenue amounts assessed under the RAC audits at the time a notice is received, until such time that estimates of net amounts due can be reasonably estimated. Annual net assessments against the Organization have not been significant through December 31, 2016.

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. The PPACA has created sweeping changes across the healthcare industry, including how care is provided and paid for. A primary goal of this comprehensive reform legislation is to extend health coverage to uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. Management of the Hospital is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other consultants to optimize available reimbursement.

Note 10. Concentrations of Credit Risk

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

	2016	2015
Medicare	4%	5%
Medicaid	7%	6%
Medicare HMO	9%	11%
Managed Care and Other Payors	30%	26%
Patients	50%	52%
Total	100%	100%

Note 11. Changes in Capital Assets

Capital asset activity for the fiscal year ended December 31, 2016, was as follows:

	Balance December 31, 2015	Additions	Transfers/ Deletions	Balance December 31, 2016
Capital Assets Not Being Depreciated				
Land	$ 6,432,882	$ 25,707	$ -	$ 6,458,589
Total Capital Assets Not Being Depreciated	6,432,882	25,707	-	6,458,589
Capital Assets Being Depreciated				
Land Improvements	2,577,111	-	-	2,577,111
Buildings	128,845,923	3,175,679	(326,771)	131,694,831
Equipment	71,546,695	3,960,397	(2,519,346)	72,987,746
Total Capital Assets Being Depreciated	202,969,729	7,136,076	(2,846,117)	207,259,688
Less Accumulated Depreciation for:				
Land Improvements	1,467,492	90,497	-	1,557,989
Buildings	63,762,535	3,592,030	-	67,354,565
Equipment	48,027,128	6,146,225	(1,802,781)	52,370,572
Total Accumulated Depreciation	113,257,155	9,828,752	(1,802,781)	121,283,126
Capital Assets Being Depreciated, Net	89,712,574	(2,692,676)	(1,043,336)	85,976,562
Total	$ 96,145,456	$ (2,666,969)	$ (1,043,336)	$ 92,435,151

Note 11. Changes in Capital Assets (Continued)

Capital asset activity for the fiscal year ended December 31, 2015, was as follows:

	Balance December 31, 2014	Additions	Transfers/ Deletions	Balance December 31, 2015
Capital Assets Not Being Depreciated				
Land	$ 6,155,452	$ 287,382	$ (9,952)	$ 6,432,882
Construction in Process	3,310,948	1,954,233	(5,265,181)	-
Total Capital Assets Not Being Depreciated	9,466,400	2,241,615	(5,275,133)	6,432,882
Capital Assets Being Depreciated				
Land Improvements	2,567,159	-	9,952	2,577,111
Buildings	123,809,560	5,036,363	-	128,845,923
Equipment	92,686,275	6,467,878	(27,607,458)	71,546,695
Total Capital Assets Being Depreciated	219,062,994	11,504,241	(27,597,506)	202,969,729
Less Accumulated Depreciation for:				
Land Improvements	1,374,146	93,346	-	1,467,492
Buildings	60,258,375	3,504,158	-	63,762,533
Equipment	68,793,147	6,251,039	(27,017,058)	48,027,128
Total Accumulated Depreciation	130,425,668	9,848,543	(27,017,058)	113,257,153
Capital Assets Being Depreciated, Net	88,637,326	1,655,698	(580,448)	89,712,576
Total	$ 98,103,726	$ 3,897,313	$ (5,855,581)	$ 96,145,458

Note 12. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements

The Organization routinely provides a substantial amount of uncompensated care to patients in its service area. For the years ended December 31, 2016 and 2015, management estimated that the total costs associated with providing uncompensated care were in excess of $13 million and $16 million, respectively.

To improve or expand allowable healthcare services for Medicaid beneficiaries or low-income, uninsured patients, during 2016 and 2015, the Organization entered into a series of collaborative agreements and cooperative endeavors designed to allow additional Medicaid funds for providing these services in the community.

Note 12. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements (Continued)

These agreements are detailed below:

East Jefferson General Hospital Cooperative Endeavor Agreement: The Organization entered into a cooperative endeavor agreement, which became effective January 12, 2016, with East Jefferson General Hospital (EJGH) (a Louisiana hospital service district) and other participating hospital service districts (HSDs). The Centers for Medicare and Medicaid Services (CMS) have previously approved Medicaid State Plan Amendments (SPA), submitted by the Louisiana Department of Health (LDH), which provides for reimbursement to non-rural, non-state public hospitals up to the Medicare inpatient upper payment limits.

Under this agreement, EJGH has agreed to cooperate in the establishment of a funding program by contributing a portion of the upper payment limit (UPL) payments that result from SPAs to the other HSDs, including Lane Regional Medical Center, for the purpose of ensuring that adequate and essential healthcare services are accessible and available to low-income and/or indigent citizens and medically underserved non-rural populations in Louisiana in a manner defined in the agreement. Funding for each participating hospital service district is based upon a formula utilizing each districts' reported Medicaid patient days. The term of this agreement is one year with automatic renewals for additional terms of one year unless earlier terminated.

Low Income and Needy Care Collaboration Agreement. Under the terms of this agreement with a private health care provider dated March 31, 2011, the Organization agreed to use public funds for purposes of funding Medicaid supplemental payments authorized under Medicaid State Plan Amendments LA 09-5S and LA 09-56. In exchange the private healthcare provider agrees to work cooperatively with Slidell Memorial Hospital to improve access to health care for low income and needy persons. The agreement may be terminated by either party with thirty days written notice.

Physicians' UPL Agreement with the Louisiana Department of Health (LDH). On December 8, 2011, the Organization entered in to an agreement with LDH which was approved by CMS. Under the program LDH began making payments under the Physician's Supplemental Payment Program for non-state owned public hospitals (HSD's) for dates of service effective July 1, 2010. The purpose of this program is to enhance payments to physicians employed or contracted by the public hospitals. Slidell Memorial Hospital agreed to transfer funds to LDH to be used as Medicaid matching funds for the purpose of making physician supplemental payments and providing the State with additional resources to assist in the medical costs to the State.

Note 12. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements (Continued)

Physicians' UPL Agreement with the Louisiana Department of Health (LDH) (Continued). These matching funds are comprised of (1) an amount to be utilized as the "Non-Federal share" of the supplemental payments for services provided by the identified physician, and other healthcare professionals and (2) the "state retention amount," which is 22.5%, effective September 2016, of the "Non-Federal share", for the State to utilize in delivering healthcare services. In turn, LDH agrees to make supplemental Medicaid payments to the Hospital. The supplemental payments include the "Non-Federal share" and the "Federal funds" generated by the "Non-Federal share" payments. The total amount of the supplemental payments is intended to represent the difference between the Medicaid payments otherwise made to these qualifying providers and the Average Community Rate for these services.

Summary: During 2016, in accordance with the funding provisions of the above agreements, the Organization recognized $6,184,191 as an offset to Medicaid contractual adjustments resulting in a corresponding increase in net patient service revenue. Payments to LDH in conjunction with the Low Income and Needy Care Collaboration Agreement totaled $1,655,000, which is being amortized monthly over the effective term of the agreement. A total of $5,155,000 was recognized as other direct expenses during 2016. The Organization also recognized $680,631 as other direct expenses, funds paid or payable to LDH under the terms of the Physicians' UPL agreement during 2016 as income was recognized from the Medicaid Supplemental Payments.

During 2015, in accordance with the funding provisions of the above agreements, the Organization recognized $1,589,406 as an offset to Medicaid contractual adjustments resulting in a corresponding increase in net patient service revenue. Payments to LDH in conjunction with the Low Income and Needy Care Collaboration Agreement totaled $4,850,000, which is being amortized monthly over the effective term of the agreement. A total of $3,337,500 was recognized as other direct expenses during 2015, with the remainder of $3,500,000 included on the Organization's statement of net position as of December 31, 2015 in prepaid expenses. The Organization also recognized $302,088 as other direct expenses, funds paid or payable to LDH under the terms of the Physicians' UPL agreement during 2015 as income was recognized from the Medicaid Supplemental Payments.

Note 12. Louisiana Medicaid Collaboration and Cooperative Endeavor Agreements (Continued)

Physician Rate Enhancement Program. LDH has implemented a supplemental payment program for non-state owned public hospitals, such as the Organization, to enhance Medicaid fee for service payments to physicians employed by or contracted to provide services at such hospitals. LDH contracts with the Healthy Louisiana Program (formerly known as Bayou Health Program) managed care organizations, including those currently under contract with LDH, specifically, Aetna Better Health of Louisiana, Amerigroup Louisiana, Inc., AmeriHealth Caritas Louisiana, Inc., Louisiana Healthcare Connections, Inc., and UnitedHealthcare of Louisiana, Inc., to provide core benefits and services for individuals enrolled in the Healthy Louisiana Program (Medicaid enrollees) that are compensated by specified monthly capitation rates on a per member per month (PMPM) basis.

To ensure uniform reimbursement in the Medicaid program for physician services, provide greater opportunity and incentives for managed care organizations contracted with LDH to provide services to Medicaid beneficiaries to improve recipient health outcomes, add benefits for Medicaid enrollees, and support the health care safety-net for low income and needy patients, LDH increased the PMPM rate for reimbursement of physician services to include the full Medicaid pricing (FMP) component of the Mercer Rate Methodology (enhanced PMPM rate) for safety-net physicians to receive rates more consistent with their fee-for-service payments (referred to herein as Physician Rate Enhancement Funds and the Physician Rate Enhancement Program).

Physician Rate Enhancement Funds can be paid to a hospital political subdivision, such as the Organization, that elects to provide the State match for the federal funding associated with these Physician Rate Enhancement Payments, if an assignment agreement is in place between the hospital and a physician group that has contracted with the hospital to provide inpatient and outpatient physician services and is eligible to receive Physician Rate Enhancement Funds as a result of such services. The Organization obtained assignments from several physician groups that have contracted with the Organization to provide inpatient and outpatient services to the Organization's patients. As a result of these assignments, the Organization received Physician Rate Enhancement Funds from the five managed care organizations participating in the Healthy Louisiana Program totaling $1,501,299 for the year ended December 31, 2016.

Note 13. Combining Blended Component Unit Information

The following tables include condensed combining statements of net position information for the Hospital and its component units as of December 31, 2016 and 2015:

	December 31, 2016				
	Slidell Memorial Hospital	Slidell Memorial Hospital Foundation, Inc.	SMH Physician Practice Services, Inc.	Eliminations	Total
Current Assets	**$ 89,090,111**	**$ 253,145**	**$ -**	**$ (5,268,965)**	**$ 84,074,291**
Assets Whose Use is Limited	**3,703,407**	**212,877**	**-**	**-**	**3,916,284**
Capital Assets, Net	**92,435,151**	**-**	**-**	**-**	**92,435,151**
Deferred Outflows of Resources	**332,425**	**-**	**-**	**-**	**332,425**
Total Assets and Deferred Outflows of Resources	**$ 185,561,094**	**$ 466,022**	**$ -**	**$ (5,268,965)**	**$ 180,758,151**
Liabilities and Net Position					
Current Liabilities	**$ 24,909,304**	**$ -**	**$ 5,268,965**	**$ (5,268,965)**	**$ 24,909,304**
Long-Term Debt - Less Amounts Due Within One Year	**50,240,000**	**-**	**-**	**-**	**50,240,000**
Net Position	**110,411,790**	**466,022**	**(5,268,965)**	**-**	**105,608,847**
Total Liabilities and Net Position	**$ 185,561,094**	**$ 466,022**	**$ -**	**$ (5,268,965)**	**$ 180,758,151**

	December 31, 2015					
	Slidell Memorial Hospital	Slidell Memorial Hospital Foundation, Inc.	SMH Physician Practice Services, Inc.	Slidell Radiation Center, Inc.	Eliminations	Total
Current Assets	$ 81,601,613	$ 201,842	$ -	$ -	$ (5,269,063)	$ 76,534,392
Assets Whose Use is Limited	3,921,474	330,023	-	-	-	4,251,497
Capital Assets, Net	96,145,458	-	-	-	-	96,145,458
Deferred Outflows of Resources	378,809	-	-	-	-	378,809
Total Assets and Deferred Outflows of Resources	$ 182,047,354	$ 531,865	$ -	$ -	$ (5,269,063)	$ 177,310,156
Current Liabilities	$ 21,264,839	$ 98	$ 5,268,965	$ -	$ (5,269,063)	$ 21,264,839
Long-Term Debt - Less Amounts Due Within One Year	54,495,000	-	-	-	-	54,495,000
Net Position	106,287,515	531,767	(5,268,965)	-	-	101,550,317
Total Liabilities and Net Position	$ 182,047,354	$ 531,865	$ -	$ -	$ (5,269,063)	$ 177,310,156

Note 13. Combining Blended Component Unit Information (Continued)

The following table includes condensed combining statements of revenues, expenses, and changes in net position information for the Hospital and its component units for the years ended December 31, 2016:

	Year Ended December 31, 2016				
	Slidell Memorial Hospital	Slidell Memorial Hospital Foundation, Inc.	SMH Physician Practice Services, Inc.	Eliminations	Total
Revenues					
Net Patient Service Revenue	$ 154,994,853	$ -	$ -	$ (1,310)	$ 154,993,543
Other Revenue	3,531,220	116,576	-	(112,541)	3,535,255
Total Revenues	158,526,073	116,576	-	(113,851)	158,528,798
Operating Expenses					
Salaries and Wages	64,225,483	-	-	(1,631)	64,223,852
Employee Benefits	13,925,798	-	-	-	13,925,798
Supplies and Materials	32,292,567	624	-	2,083	32,295,274
Other Direct Expenses	25,542,201	190,654	-	(114,303)	25,618,552
Professional Fees	6,176,135	-	-	-	6,176,135
Purchased Services	5,689,279	300	-	-	5,689,579
Depreciation and Amortization	9,828,753	-	-	-	9,828,753
Total Operating Expenses	157,680,216	191,578	-	(113,851)	157,757,943
Operating (Loss) Income	845,857	(75,002)	-	-	770,855
Non-Operating Revenues (Expenses)					
Interest Income	672,668	9,256	-	-	681,924
Interest Expense	(1,796,839)	-	-	-	(1,796,839)
Property Tax Revenue	4,402,590	-	-	-	4,402,590
Total Non-Operating Revenues, Net	3,278,419	9,256	-	-	3,287,675
Change in Net Position	4,124,276	(65,746)	-	-	4,058,530
Net Position, Beginning of Year	106,287,514	531,768	(5,268,965)	-	101,550,317
Net Position, End of Year	$ 110,411,790	$ 466,022	$ (5,268,965)	$ -	$ 105,608,847

Note 13. Combining Blended Component Unit Information (Continued)

The following table includes condensed combining statements of revenues, expenses, and changes in net position information for the Hospital and its component units for the year ended December 31, 2015:

	Year Ended December 31, 2015					
	Slidell Memorial Hospital	Slidell Memorial Hospital Foundation, Inc.	SMH Physician Practice Services, Inc.	Slidell Radiation Center, Inc.	Eliminations	Total
Revenues						
Net Patient Service Revenue	$ 140,267,167	$ -	$ -	$ -	$ -	$ 140,267,167
Other Revenue	3,555,870	220,272	-	-	(142,571)	3,633,571
Total Revenues	143,823,037	220,272	-	-	(142,571)	143,900,738
Operating Expenses						
Salaries and Wages	61,087,622	180	-	-	(12,599)	61,075,203
Employee Benefits	13,426,158	-	-	-	-	13,426,158
Supplies and Materials	30,500,179	615	-	-	1,441	30,502,235
Other Direct Expenses	18,328,196	179,779	-	-	(137,191)	18,370,784
Professional Fees	5,454,776	-	-	-	-	5,454,776
Purchased Services	5,722,343	100	-	-	5,778	5,728,221
Depreciation and Amortization	9,853,547	-	-	-	-	9,853,547
Total Operating Expenses	144,372,821	180,674	-	-	(142,571)	144,410,924
Operating (Loss) Income	(549,784)	39,598	-	-	-	(510,186)
Non-Operating Revenues (Expenses)						
Interest Income	424,178	5,666	-	-	-	429,844
Interest Expense	(1,907,634)	-	-	-	-	(1,907,634)
Debt Forgiveness - CDL	28,744,667	-	-	-	-	28,744,667
Property Tax Revenue	4,431,316	-	-	-	-	4,431,316
Other	(28,744,667)	-	-	(37,756)	37,756	(28,744,667)
Total Non-Operating Revenues, Net	2,947,860	5,666	-	(37,756)	37,756	2,953,526
Change in Net Position	2,398,076	45,264	-	(37,756)	37,756	2,443,340
Net Position, Beginning of Year	103,889,439	486,503	(5,268,965)	37,756	(37,756)	99,106,977
Net Position, End of Year	$ 106,287,515	$ 531,767	$ (5,268,965)	$ -	$ -	$ 101,550,317

Note 13. Combining Component Unit Information (Continued)

The following tables include condensed combining statements of cash flow information for the Organization and its component units for the years ended December 31, 2016 and 2015:

	Year Ended December 31, 2016				
	Slidell Memorial Hospital	Slidell Memorial Hospital Foundation, Inc.	SMH Physician Practice Services, Inc.	Eliminations	Total
Net Cash Provided by Operating Activities	**$ 18,072,003**	**$ (64,343)**	**$ -**	**$ -**	**$ 18,007,660**
Net Cash Used in Capital and Related Financing Activities	**(7,657,518)**	**-**	**-**	**-**	**(7,657,518)**
Net Cash Provided by Investing Activities	**734,372**	**117,146**	**-**	**-**	**851,518**
Change in Cash and Cash Equivalents	**11,148,857**	**52,803**	**-**	**-**	**11,201,660**
Cash and Cash Equivalents Beginning of Year	**46,930,393**	**200,342**	**-**	**-**	**47,130,735**
End of Year	**$ 58,079,250**	**$ 253,145**	**$ -**	**$ -**	**$ 58,332,395**

	Year Ended December 31, 2015					
	Slidell Memorial Hospital	Slidell Memorial Hospital Foundation, Inc.	SMH Physician Practice Services, Inc.	Slidell Radiation Center, Inc.	Eliminations	Total
Net Cash Provided by Operating Activities	$ 8,138,718	$ 14,127	$ -	$ -	$ -	$ 8,152,845
Net Cash Used in Capital and Related Financing Activities	(9,642,774)	-	-	(37,756)	-	(9,680,530)
Net Cash Provided by (Used in) Investing Activities	4,035,595	25,700	-	-	-	4,061,295
Change in Cash and Cash Equivalents	2,531,539	39,827	-	(37,756)	-	2,533,610
Cash and Cash Equivalents Beginning of Year	44,398,854	160,515	-	37,756	-	44,597,125
End of Year	$ 46,930,393	$ 200,342	$ -	$ -	$ -	$ 47,130,735

Note 14. Deferred Outflows of Resources

The Hospital has recorded deferred outflows of resources of $332,425 and $378,809 at December 31, 2016 and 2015, respectively, related to deferred bond losses resulting from refunding bond issuances.

Note 15. Current Economic Conditions

The current economic conditions continue to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large declines and unanticipated declines in the fair value of investments and other assets, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Unemployment rates have made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medicaid program.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in asset values, including allowances for accounts receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity.

Note 16. Joint Operating Agreement

On July 2, 2015, the Organization signed a Joint Operating Agreement (JOA) with Ochsner Clinic Foundation (owners and operators of Ochsner Medical Center - Northshore) and Ochsner Health Systems (collectively OHS) in order to accomplish over time the following clinical integration and healthcare delivery goals: continuing the charitable and public service missions; optimizing delivery of healthcare beyond what any of the parties can do alone so that community based primary and secondary services can be efficiently performed; reducing costs and improving quality and operational efficiencies beyond what any of the parties can do alone by integrating SMH and OHS clinical and administrative systems; pooling complementary clinical resources to improve quality outcomes and keeping care local and reducing outmigration of care from the community beyond what any of the parties can do alone; and accessing and efficiently utilizing capital.

The parties intend to operate the JOA coordinated operations as a coordinated delivery system, a clinically integrated system, and a financially integrated collaboration. The parties will integrate financially by sharing all financial risk as well as the rewards of their collaboration in accordance with the JOA.

As part of the JOA, during the year ended December 31, 2016, the Organization made the following changes to the service lines offered: (1) all inpatient rehabilitation services offered by the Organization are now performed only at the Ochsner Northshore Campus, (2) all pediatric inpatient/observation services offered by the Organization are now performed only at the Ochsner Northshore Campus, (3) all Sleep lab services offered by the Organization are now provided only at the SMH sleep center, and (4) infusion procedures are performed at the SMH Regional Cancer Center.

Note 16. Joint Operating Agreement (Continued)

Financial consideration as a result of this agreement is based on a pre-established and pre-defined combined adjusted operating income (SMH and OHS) for the area of service as defined by the agreement.

Beginning January 1, 2016 and for each year thereafter during the term of the agreement, the parties will share all combined adjusted operating income or loss based on pre-established percentages. For the year ended December 31, 2016, the Organization recognized approximately $5.3 million in expenses as a result of the JOA which is included in other direct expense on the statement of revenues, expenses, and changes in net position.

The agreement will continue for a term of twenty years, and will automatically renew for one year terms thereafter.

Note 17. Subsequent Events

Effective January 1, 2017, as part of ongoing consolidation of service lines, all cardiac catheterization procedures offered by the Organization will now be performed only at SMH.

OTHER SUPPLEMENTARY INFORMATION

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Schedule of Compensation Paid to Board of Commissioners
For the Year Ended December 31, 2016

Commissioner		Compensation
Kumar K. Amaraneni, MD		$ 2,100
Mack E. Dennis		2,250
Joseph DiGiovanni, Jr.		1,575
Daniel J. Ferrari, Sr.	Vice-Chairman	1,950
Melvin A. Ferlita, Jr., MD		1,350
Michael E. Isabelle, MD		1,275
Walter J. Lane	Secretary/Treasurer	1,725
David G. Mannella	Chairman	1,650
Clinton H. Sharp, III, MD		1,725
Total		$ 15,600

See independent auditor's report

LAPORTE
CPAs & BUSINESS ADVISORS

LaPorte, APAC
111 Veterans Blvd. | Suite 600
Metairie, LA 70005
504.835.5522 | Fax 504.835.5535
LaPorte.com

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

Independent Auditor's Report

To the Board of Commissioners
St. Tammany Parish Hospital Service District No. 2
Slidell, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Tammany Parish Hospital Service District No. 2 (d/b/a Slidell Memorial Hospital) (the Organization) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated June 20, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 20, 2017

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Summary Schedule of the Current Status of Prior Year's Audit Findings
For the Year Ended December 31, 2016

STATUS OF FINDINGS FROM PRIOR YEAR'S AUDIT

NONE

LAPORTE
CPAs & BUSINESS ADVISORS

LaPorte, APAC
111 Veterans Blvd. | Suite 600
Metairie, LA 70005
504.835.5522 | Fax 504.835.5535
LaPorte.com

Independent Auditor's Report on Supplementary Information

To the Board of Commissioners
St. Tammany Parish Hospital Service District No. 2
Slidell, Louisiana

We have audited the financial statements of the St. Tammany Parish Hospital Service District No. 2 (d/b/a Slidell Memorial Hospital) as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated, June 20, 2017, which expressed an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to June 20, 2017.

The accompanying supplementary information is presented for the purpose of additional analysis, as required by Louisiana Revised Statutes, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the comptroller General of the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

LaPorte

A Professional Accounting Corporation

Metairie, LA
June 20, 2017

ST. TAMMANY PARISH HOSPITAL SERVICE DISTRICT NO. 2
d/b/a SLIDELL MEMORIAL HOSPITAL

Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2016

Agency Head
John William Davis, CEO

Purpose	Amount
Salary	$532,554
Benefits - Insurance	$17,533
Benefits - Retirement	$42,468
Benefits - Other	$26,771
Car Allowance	$0
Vehicle Provided by Government	$0
Cell Phone Stipend	$600
Reimbursements	$10,744
Travel	$4,399
Registration Fees - Conference	$1,960
Conference Travel	$5,103
Continuing Professional Education Fees	$0
Housing	$0
Unvouchered Expenses	$0
Other	$0

See Independent Auditor's Report on Supplementary Information.

LaPorte, APAC
111 Veterans Blvd. | Suite 600
Metairie, LA 70005
504.835.5522 | Fax 504.835.5535
LaPorte.com

AGREED-UPON PROCEDURES REPORT
St. Tammany Parish Hospital Service District No. 2
d/b/a Slidell Memorial Hospital

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Year Ended December 31, 2016

To the Board of Commissioners St. Tammany Parish Hospital Service District No. 2 d/b/a Slidell Memorial Hospital:

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of St. Tammany Parish Hospital Service District No. 2 d/b/a Slidell Memorial Hospital (the Hospital) is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the Hospital and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the Hospital's compliance with certain laws and regulations during the year ended December 31, 2016, in accordance with Act 774 of 2014 Regular Legislative Session. 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.

Our procedures and results are as follows:

Collections (cafeteria and gift shop only)

1. Obtain the entity's written policies and procedures over cafeteria and gift shop collections (or report that the entity does not have any written policies and procedures over cafeteria and gift shop collections) and report whether those written policies and procedures address receipts, including receiving, recording, and preparing deposits.

   Results: The written policies and procedures address the specified criteria.

2. For each collection location:

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

Results: The documentation indicated each person responsible for collecting cash met the criteria listed.

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, by a person who is not responsible for cash collections in the cash collection location selected.

Results: The documentation indicated the Hospital has a formal process to reconcile cash collections which met the criteria listed.

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.

  Results: The daily cash collections selected are completely supported by documentation and the deposits were made 4 and 7 days after receipt for some items.

  In the instance where the deposit was made 7 days after collection, the regular Friday collection day fell on a federal holiday. As a result, the Hospital and bank were closed. The next scheduled collection and deposit date was the following Tuesday.

  Management's Response: Cash collections from the gift shop and cafeteria are summarized daily, reviewed by a supervisor, and placed in a safe to which access is restricted. Twice weekly, the accounting department collects the cash from the safe and prepares the bank deposit, which is taken to the bank by a courier on that same day. The timing of deposits is adjusted when the normal deposit day falls on a bank or Hospital holiday. These collections comprise less than .3% of the Hospital's total annual revenue. Hospital management believes that this practice is the most cost effective method of depositing this revenue.

3. Obtain existing written documentation (e.g., policy manual, written procedures) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, for each revenue source (e.g., reconciliation of receipt number sequences) by a person who is not responsible for collections.

   Results: The documentation indicated the Hospital has a process specifically defined to determine completeness of all collections which met the criteria listed.

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

1. Obtain the entity's written policies and procedures over credit cards, bank debit cards, fuel cards, and P-cards (cards) (or report that the entity does not have any written policies and procedures over cards) and report whether those written policies and procedures address the following:

   a) How cards are to be controlled, including procedures for lost cards, removal of signatory authorization upon employment termination, and approval required to open an account;
   b) Allowable business uses, including a prohibition on cash advances;
   c) Documentation requirements, including procedures for lost receipts;
   d) Required approvers and authorized users; and
   e) Monitoring card usage.

   Results: The written policies and procedures address the specified criteria.

2. Obtain from management a listing of all active 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.

   Results: Management provided a complete listing of active cards.

3. 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.

   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 cardholder. [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.]

      Results: Of the 10 cards selected, only 5 cards had evidence that the monthly statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized cardholder. The remaining 5 cards are store credit cards (e.g., Lowes, Office Depot).

Management's Response: Purchases made with store cards are approved via the purchase order process, which requires director level approval as well as oversight by the materials management department. A purchase order is typically issued for each purchase made throughout the month. Because each purchase order is separately approved and matched to the invoice prior to payment, management does not believe it is necessary to perform a separate review of the month end statement.

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

Results: A finance charge of $0.01 was assessed on one of the statements selected. Another statement selected had an over limit charge of $39.00 assessed.

Management's Response: Finance charges and late fees do occur occasionally on store and credit cards due the short payment window allowed by banks and merchants and also due to the review and approval process to which these purchases are subjected. Management is aware of these fees when they do occur and discusses them with the cardholder.

4. Using the monthly statements or combined statements selected under #3 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.)

Results: Each of the transaction's expenses was properly supported with the required documentation.

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.

Results: No exceptions were identified as a result of applying this procedure on the transactions selected.

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.

Results: No exceptions were identified as a result of applying this procedure on the transactions selected.

Travel and Expense Reimbursement

1. Obtain the entity's written policies and procedures over travel and expense reimbursements (or report that the entity does not have any written policies and procedures over travel and expense reimbursements) and report whether those written policies and procedures address (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

   Results: The written policies and procedures address the specified criteria.

2. 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.

   Results: Management provided the complete general ledger.

3. 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.

   Results: The Hospital does not pay per diem. No amount is listed in the policy. The mileage rate per the policy agrees to the rate established by Internal Revenue Service which agrees with the U.S. General Services Administration rate.

4. Using the listing or general ledger from #2 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

   a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#3 above) and report each reimbursement that exceeded those rates.

      Results: Each of the travel expenses was reimbursed in accordance with written policy.

   b) 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).

      Results: Each of the travel expenses was properly supported with the required documentation.

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

   Results: No exceptions were identified as a result of applying this procedure on the expenses selected.

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

   Results: Each expense was properly reviewed and approved by someone other than the person receiving reimbursement.

e) Compare travel expense documentation to credit card charges and related documentation for the same time period and report whether the travel expense was duplicated (i.e., improper reimbursement for expenses that were paid directly by the entity).

   Results: There was no indication of duplication of the expenses selected.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform, an examination or review, the objective of which would be the expression of an opinion or conclusion. 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.

This report is intended solely for the use of management St. Tammany Parish Hospital Service District No. 2 d/b/a Slidell Memorial Hospital and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A Professional Accounting Corporation

Metairie, LA
June 26, 2017