FINANCIAL STATEMENTS

JACKSON PARISH HOSPITAL

SEPTEMBER 30, 2015 AND 2014

FINANCIAL STATEMENTS

JACKSON PARISH HOSPITAL

SEPTEMBER 30, 2015 AND 2014

TABLE OF CONTENTS

LANGLINAIS BROUSSARD & KOHLENBERG
CERTIFIED PUBLIC ACCOUNTANTS

Glen P. Langlinais, CPA
Gayla Falcon, CPA
Ashley V. Breaux, CPA

Chris A. Kohlenberg, CPA, MBA, MHA Retired

Michael P. Broussard, CPA
Patrick M. Guidry, CPA
Elizabeth L. Whitford, CPA
Kathryn Sagrera Hoag, CPA
Joseph Blake Moss, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Jackson Parish Hospital
Jonesboro, Louisiana

We have audited the accompanying financial statements of the governmental and business-type activities of Jackson Parish Hospital Service District No. 1, dba Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana, ("the Hospital"), as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 qualified audit opinion.

2419 Veterans Memorial Drive • PO Box 1123 • Abbeville, LA 70511-1123 • Office (337) 893-6232 • Fax (337) 893-6249 • www.LBKcpa.net

BASIS FOR QUALIFIED OPINION

The Hospital's financial statements for the year ended September 30, 2015 reflect a current liability for patient credit balances in the amount of $527,769. We believe this amount may be overstated, and that it will require analysis and adjustments of the individual patient balances in order to be fairly stated. If adjusted, the amount would most likely decrease contractual allowances and increase net patient revenues. The amount by which these would be affected has not been determined.

The Hospital's financial statements for the year ended September 30, 2014 do not disclose the estimated amount of loss from the alleged misappropriation of funds as a separate line item on the Statement of Revenues, Expenses, and Changes in Net Position. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

QUALIFIED OPINION

In our opinion, except for the items described in the Basis for Qualified Opinion paragraph above, the financial statements referred to above present fairly, in all material respects, the financial position of Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana as of September 30, 2015 and September 30, 2014, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

The Hospital has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the items described in the Basis for Qualified Opinion paragraph above, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Accounting Standards*, we have also issued our report dated February 22, 2017 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Langlinais Broussard & Kohlenberg

LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

February 22, 2017

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENT OF NET POSITION — **SEPTEMBER 30,**

ASSETS

	2015	2014
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 2,563,810	$ 2,025,644
Accounts Receivables, Less Allowance for Doubtful Accounts of $3,665,671 in 2015 and $1,759,713 in 2014	2,006,548	2,198,023
Due from Third Party Payors	1,006,002	1,335,947
Other Receivables	36,019	13,881
Inventories	462,364	613,629
Prepaid Expenses	109,655	66,482
Total Current Assets	6,184,398	6,253,606
ASSETS WHOSE USE IS LIMITED:		
Internally Designated for Capital Acquisitions	5,302	5,284
By Bond Indenture	500	500
Total Assets Whose Use is Limited	5,802	5,784
PROPERTY, PLANT AND EQUIPMENT:		
Property, Plant and Equipment Cost	10,351,370	9,778,050
Less: Accumulated Depreciation	(6,994,622)	(6,497,613)
Total Property, Plant and Equipment	3,356,748	3,280,437
TOTAL ASSETS	$ 9,546,948	$ 9,539,827

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

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENT OF NET POSITION **SEPTEMBER 30,**

LIABILITIES AND NET POSITION

	2015	2014
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	$ 301,000	$ 288,000
Accounts Payable	510,896	326,719
Accrued Salaries and Related Withholdings	661,364	605,847
Credit Balances	527,769	119,610
Due to Third Party Payors	53,656	-
Due to Employees for Employee Benefits	90,241	90,241
Interest Payable	5,200	6,936
Total Current Liabilities	2,150,126	1,437,353
LONG-TERM LIABILITIES:		
Long-Term Debt:		
General Obligation Issue 2008	644,000	945,000
Total Long-Term Liabilities	644,000	945,000
TOTAL LIABILITIES	2,794,126	2,382,353
NET POSITION:		
Invested in Capital, Net of Related Debt	2,411,748	2,047,437
Restricted: Debt Service (Expendable)	5,802	5,784
Unrestricted	4,335,272	5,104,253
TOTAL NET POSITION	6,752,822	7,157,474
TOTAL LIABILITIES AND NET POSITION	$ 9,546,948	$ 9,539,827

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

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION — YEAR ENDED SEPTEMBER 30,

	2015	2014
OPERATING REVENUES:		
Net Patient Service Revenues before Provision for Doubtful Accounts	$ 14,266,634	$ 14,558,210
Provision for Doubtful Accounts	(4,215,413)	(3,453,933)
Net Patient Service Revenues after Provision for Doubtful Accounts	10,051,221	11,104,277
Intergovernmental Transfers - Operating	2,850,485	-
Other Operating Revenue	143,781	89,856
TOTAL OPERATING REVENUE	13,045,487	11,194,133
OPERATING EXPENSES:		
Professional Services	10,125,630	10,209,849
General and Administrative	5,688,625	5,424,283
Depreciation and Amortization	551,417	498,511
TOTAL OPERATING EXPENSES	16,365,672	16,132,643
INCOME (LOSS) FROM OPERATIONS	(3,320,185)	(4,938,510)
NON-OPERATING REVENUES (EXPENSES)		
Ad Valorem Taxes	2,496,443	2,561,386
Grant Income	529,237	1,922,073
Interest Income	6,172	10,774
Interest Expense	(35,018)	(44,719)
Insurance Refund	-	193,224
Loss on Disposal of Asset	(81,301)	-
TOTAL NON-OPERATING REVENUES	2,915,533	4,642,738
CHANGE IN NET POSITION	(404,652)	(295,772)
TOTAL NET POSITION, BEGINNING	7,157,474	7,453,246
TOTAL NET POSITION, ENDING	$ 6,752,822	$ 7,157,474

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

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENT OF CASH FLOWS — **YEAR ENDED SEPTEMBER 30,**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Patients	$ 11,378,831	$ 10,631,806
Cash Received from Other Revenues	143,781	89,856
Cash Received from Intergovernmental Transfers	2,850,485	-
Cash Payments to Suppliers for Goods and Services	(6,339,904)	(5,918,817)
Cash Payments to Employees for Services	(9,551,949)	(9,786,009)
Net Cash Flow Used in Operating Activities	(1,518,756)	(4,983,164)
CASH FLOW FROM NON CAPITAL FINANCING ACTIVITIES:		
Ad Valorem Taxes	2,496,443	2,561,386
Grant Income	507,098	1,928,876
Loss on Disposal of Asset	81,301	-
Net Cash Provided By Non Capital Financing Activities	3,084,842	4,490,262
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Fixed Assets	(709,321)	(394,506)
Principal Payments on Long-Term Debt	(288,000)	(276,000)
Interest Payments on Long-Term Debt	(36,753)	(46,272)
Insurance Refund	-	193,224
Net Cash Used in Capital and Related Financing Activities	(1,034,074)	(523,554)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	6,172	10,774
Net Cash Provided by Financing Activities	6,172	10,774
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	538,184	(1,005,682)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR INCLUDING $5,784 AND $188,103 LIMITED AS TO USE FOR 2015 AND 2014, RESPECTIVELY	2,031,428	3,037,110
CASH AND CASH EQUIVALENTS AT END OF YEAR INCLUDING $5,802 AND $5,784 LIMITED AS TO USE FOR 2015 AND 2014, RESPECTIVELY	$ 2,569,612	$ 2,031,428

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

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

STATEMENT OF CASH FLOWS — **YEAR ENDED SEPTEMBER 30,**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Loss	$ (3,320,185)	$ (4,938,510)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	551,417	498,511
Provision for Doubtful Accounts	4,215,413	3,453,933
Increase in Receivables and Due from Third Parties	(3,313,188)	(3,926,403)
Increase in Due to Employees for Employee Benefits	-	17,417
Decrease (Increase) in Inventories and Prepaid Expenses	108,092	(38,301)
Increase (Decrease) in Accounts Payable and Accrued Expenses	239,695	(49,811)
NET CASH USED IN OPERATING ACTIVITIES	$ (1,518,756)	$ (4,983,164)

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

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. Jackson Parish Hospital Service District No. 1 (the Hospital) was created in 1950, by the Parish Government of Jackson Parish, Louisiana to operate, control, and manage matters concerning the parish's health care functions. The Jackson Parish Police Jury appoints the Board of Commissioners of the Hospital, and the Hospital may not issue debt without the Parish's approval. For this reason, the Hospital is considered to be a component unit of the Jackson Parish Government, Jackson Parish, Louisiana.

Basis of accounting. The accompanying basic financial statements of the Hospital have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* GASB 34 established standards for external financial reporting for all state and local governmental entities, which included a balance sheet or statement of net position, a statement of revenues, expenditures and changes in net position, and a statement of cash flows utilizing the direct method of presentation. GASB 34 is found throughout the recently issued GASB Codification. The Hospital follows standards issued by GASB found in the GASB Codification.

Use of estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Proprietary fund accounting. The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized using the economic resources measurement focus and the accrual basis of accounting. Substantially all revenues and expenses are subject to accrual.

Inventories. Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment. Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and donations. Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and donations may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expense.

Operating revenues and expenses. The Hospital's Statements of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Income taxes. The Hospital is a political subdivision and exempt from taxes.

Advertising. The Hospital expenses advertising cost as incurred.

Costs of borrowing. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in either fiscal year ended September 30, 2015 or 2014.

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

Trade receivables and allowance for uncollectible accounts. Trade receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experiences applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Ad valorem Taxes. The Hospital's property tax is levied by the parish on the taxable real property in the district in late October of each year. Bills are sent out in November of each year, and becomes a lien the following March. The collection period for the Hospital's property taxes is from December (at which time they become delinquent) to the succeeding May.

The Hospital received approximately 15.6 percent in 2015, and 16 percent in 2014, of its financial support from ad valorem taxes.

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

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

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Environmental matters. Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at the time, management is not aware of any environmental matters which need to be considered.

Reclassifications. To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets. Such reclassifications include the reclassification of revenue groupings and/or expense groupings in the supplemental schedules.

Investments in debt and equity securities. Investments in debt and equity securities are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at amortized cost, which approximates fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

Net Position. GASB 63 and GASB Codification Section P80, states that net position is equal to assets plus deferred outflows of resources less liabilities and deferred inflows or resources. Net position classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds.

Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets. Assets may be restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of net position that does not meet the definition of the two preceding categories.

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Net patient service revenue. The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Inpatient acute care services, swing bed services and outpatient services rendered to Medicare program beneficiaries are reimbursed at cost plus 1% (subject to limits and rules), while other outpatient laboratory services are reimbursed on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through September 30, 2013.

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services to Medicaid program beneficiaries are reimbursed at cost plus 10%, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through September 30, 2010.

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Louisiana Legislature, through the Healthcare Reform Act of 2007 and Act 1 of 2010, tasked the Department of Health and Hospitals (the DHH) to create a new system of care. In response, the DHH reformed its reimbursement methodology for Medicaid patients from a fee-for-service system to the use of a Coordinated Care Network (CCN). During 2011, the DHH enabled certain third-party payor companies to contract with providers under the CCN methodology. The Hospital is currently contracted and enrolled with payors participating in the Coordinated Care Network. The Hospital has filed annual cost reports with these payors, which are subject to audit and final settlement.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized.

The Hospital has entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and per diem rates. To the extent management's estimate differs from actual results, the differences will be used to adjust income in the period when such differences arise.

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided.

NOTE 2: NET PATIENT SERVICE REVENUE

The following schedule represents total Net Patient Service Revenue:

	2015	2014
Gross Patient Service Revenue	$ 23,345,370	$ 23,244,220
Less: Contractual Adjustments	(9,078,736)	(8,686,010)
Net Patient Service Revenue Before Provision for Doubtful Accounts	14,266,634	14,558,210
Less: Provision for Doubtful Accounts	(4,215,413)	(3,453,933)
Net Patient Service Revenue after Provision For Doubtful Accounts	$ 10,051,221	$ 11,104,277

Net Patient Service Revenue by Payor before Provision for Doubtful Accounts:

	2015	2014
Medicare	$ 3,420,622	$ 3,768,362
Medicaid	2,509,157	3,061,535
All other payors	8,336,855	7,728,313
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	$ 14,266,634	$ 14,558,210

NOTE 3: ACCOUNTS RECEIVABLE - PATIENTS

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with Medicaid, Commercial, and Self-Pay patients, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience and on the age of the receivable balance. The aged balance indicates that third-party claims have reached an age where the probability of payment is low and that self-pay patients are unable or unlikely to pay portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Patients Accounts Receivable consists of the following:

	2015	2014
Total Patient Accounts Receivable	$ 7,497,838	$ 5,496,677
Less: Allowance for Doubtful Accounts And Contractual Allowances	(5,491,290)	(3,298,654)
Net Patient Accounts Receivable	$ 2,006,548	$ 2,198,023

NOTE 4: MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 48% and 54% of its gross patient service revenue in 2015 and 2014, respectively, from patients covered by the Medicare and Medicaid programs.

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, is as follows:

September 30, 2015

	Asset Life In Years	Beginning Balance	Additions	Deletions	Ending Balance
Land		$ 28,900	$ -	$ -	$ 28,900
Construction in Progress		-	8,475	-	8,475
Total assets not being depreciated		28,900	8,475	-	37,375
Other Capital Assets:					
Land Improvements	5 - 25	204,698	-	-	204,698
Building	10 - 40	3,280,992	-	-	3,280,992
Fixed Equipment	5 - 25	3,100,539	-	-	3,100,539
Movable Equipment	5 - 25	3,143,580	700,845	(136,000)	3,708,425
Automobile	5	19,341	-	-	19,341
Total other assets		9,749,150	700,845	(136,000)	10,313,995
Less: Accumulated Depreciation		(6,497,613)	(551,415)	54,406	(6,994,622)
Net Property, Plant and Equipment		$ 3,280,437	$ 157,905	$ (81,594)	$ 3,356,748

NOTE 5: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

September 30, 2014

	Asset Life In Years	Beginning Balance	Additions	Deletions	Ending Balance
Land		$ 28,900	$ -	$ -	$ 28,900
Total assets not being depreciated		28,900	-	-	28,900
Other Capital Assets:					
Land Improvements	5 - 25	204,698	-	-	204,698
Building	10 - 40	3,280,992	-	-	3,280,992
Fixed Equipment	5 - 25	3,100,539	-	-	3,100,539
Movable Equipment	5 - 25	2,749,074	394,506	-	3,143,580
Automobile	5	19,341	-	-	19,341
Total other assets		9,354,644	394,506	-	9,749,150
Less: Accumulated Depreciation		(6,006,850)	(490,763)	-	(6,497,613)
Net Property, Plant and Equipment		$ 3,376,694	$ (96,257)	$ -	$ 3,280,437

Depreciation expense for the years ended September 30, 2015 and 2014 amounted to $551,417 and $490,763, respectively.

NOTE 6: LONG-TERM DEBT

Long-term debt at September 30, 2015 and 2014, consisted of the following:

	2015	2014
Certificates of indebtedness, dated December 4, 2008, in the amount of $2,500,000 with an interest rate of 4.375% maturing serially on February 1 of each year beginning in 2010, with interest payable on February 1 and August 1 of each year, with the final maturity February 1, 2018, collateralized by Ad Valorem tax receipts; After February 1, 2013, interest rate is 3.375%	$ 945,000	$ 1,233,000
Total Long-Term Debt	945,000	1,233,000
Less: Current Portion	(301,000)	(288,000)
Long-Term Portion	$ 644,000	$ 945,000

During the fiscal year ended September 30, 2013, the bondholder, Jonesboro State Bank, agreed to a change in terms to reduce the interest rate from 4.375% to 3.375% to be effective after the February 1, 2013 interest payment.

Under the terms of the Note Indentures, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the financial statements.

A summary of long-term debt activity for the year ended is as follows:

September 30, 2015

	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Issue 2008	$1,233,000	$ -	$ 288,000	$ 945,000
Total	$1,233,000	$ -	$ 288,000	$ 945,000

NOTE 6: LONG-TERM DEBT (CONTINUED)

September 30, 2014

	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Issue 2008	$1,509,000	$ -	$ 276,000	$ 1,233,000
Total	$1,509,000	$ -	$ 276,000	$ 1,233,000

Balance due within one year:

	2015	2014
General obligation issue 2008	$ 301,000	$ 288,000

Scheduled repayments on long-term debt are as follows:

September 30, 2015

	Principal	Interest	Total
2016	301,000	26,814	327,814
2017	315,000	16,419	331,419
2018	329,000	5,552	334,552
Total	$ 945,000	$ 48,785	$ 993,785

September 30, 2014

	Principal	Interest	Total
2015	288,000	36,754	324,754
2016	301,000	26,814	327,814
2017	315,000	16,419	331,419
2018	329,000	5,552	334,552
Total	$1,233,000	$ 85,539	$ 1,318,539

NOTE 7: ASSETS LIMITED AS TO USE AND RESTRICTED NET POSITION

In relation to the revenue bonds issued on December 4, 2008 with a face value of $2,500,000, the hospital entered into an agreement to reserve cash funds as follows:

"All of the avails or proceeds of the Tax for each tax roll year shall be set aside in the Debt Service fund until such time as there is on deposit sufficient proceeds of the Tax to pay all principal and interest falling due on the Certificates in the ensuing year."

The composition of assets limited as to use at September 30, 2015 and 2014, is set forth in the following table.

	2015	2014
Cash:		
By board for capital improvements	$ 5,302	$ 5,284
By Bond indenture	500	500
	$ 5,802	$ 5,784

NOTE 8: CASH FLOWS SUPPLEMENTAL INFORMATION

Total interest paid by the Hospital was $36,753 and $46,272, for 2015 and 2014, respectively.

NOTE 9: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2015 and 2014, are as follows:

	2015	2014
Medicare	12%	20%
Medicaid	10	11
Commercial and other third-party payors	78	69
	100%	100%

NOTE 10: PENSION PLAN

The Hospital sponsors a defined contribution plan. The Plan Administrator is the Human Resources Director. Eligibility requirements are one year of employment and attaining the age of 21. Vesting is 50% at 3 years of service, 75% at 4 years and 100% at 5 years. The Plan's coverage includes death, disability and retirement benefits. The Hospital may amend the Plan at any time at its' sole discretion. However, no amendment may result in any participant's vested interest or any portion of the Plan's assets reverting back to the Hospital. The Hospital contributes 1% for all eligible employees. It will match up to 4% of employee salaries, if the employee also contributes 4%. The Hospital contributed $132,452 and $164,864 for the years ended September 30, 2015 and 2014, respectively.

NOTE 11: GRANT REVENUE

The Hospital received a grant of $-0- and $1,770,200 for the fiscal years ended September 30, 2015 and 2014, respectively to be used solely to provide adequate and essential medically necessary health care services to the citizens in its community who are low income and/or indigent patients. As a condition of the grant agreement, the Hospital, along with other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement.

The Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The aggregate IGT grant income is $2,850,485 and $-0- for the years ended September 30, 2015 and 2014, respectively.

The Hospital recognized non-operating grant income of $387,907 and $-0- from Medicare and/or Medicaid for the years ended September 30, 2015 and 2014, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use" which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in in three stages, with each progressive stage incorporating more stringent measures. The Hospital's policy is to record the incentive payments once various stages have been met and the funds received, rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the Hospital meets certain criteria in future implementation.

NOTE 11: GRANT REVENUE (CONTINUED)

The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

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

NOTE 12: BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana.

At September 30, 2015 and 2014, the Hospital had bank balances as follows:

	2015	2014
Insured (FDIC)	$ 250,000	$ 250,000
Collateralized by Securities Held by the Pledging Financial Institution's Trust Department in the Hospital's Name	2,997,579	3,115,392
Total	$ 3,247,579	$ 3,365,392
Carrying Value	$ 2,627,709	$ 2,000,670

NOTE 13: PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund (PCF) established by the State of Louisiana to provide medical professional liability coverage to health care providers. The PCF provides for $400,000 in coverage per occurrence above the first $100,000 per occurrence for which the Hospital is at risk. The PCF places no limitation on the number of occurrences covered. In connection with the establishment of the PCF's, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to $500,000 per occurrence.

The courts have not tested the constitutionality of this legislation, although the Louisiana Supreme Court has decided that this limit does not apply in cases of strict liability. The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital.

NOTE 14: CRITICAL ACCESS STATUS

Effective November 1, 2004, Jackson Parish Hospital was approved for "critical access" status under the Medicare Rural Hospital Flexibility Program. The program allows states to designate rural facilities as "critical access hospitals" if they are located a sufficient distance from other hospitals, make available 24-hour emergency care, maintain no more than 25 inpatient beds, and keep inpatients no longer than 96 hours (except where weather or emergency conditions dictate, or a Peer Review Organization waives the limit). Payment for inpatient and outpatient services under this program is on the basis of reasonable cost.

NOTE 15: COMPENSATED ABSENCES

Full time employees earn accrued time off (ATO) based on years of service, part time employees accrue ATO on a pro-rated basis based on years of service. All ATO balances will be paid upon termination. Sick pay is not vested and therefore not accrued. The Hospital's policy is to recognize the cost of sick pay when actually paid to employees. Accrued time off, which is included in accrued salaries and related withholdings, at September 30, 2015 and 2014 totaled $395,886 and $305,160, respectively.

NOTE 16: OPERATING LEASES

The Hospital leases various equipment under operating leases expiring at various dates through 2019. Total rental expense for the years ended September 30, 2015 and 2014 for all operating leases was approximately $583,764 and $672,150, respectively.

The following is a schedule by year of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

September 30, 2015	
2016	$ 188,990
2017	120,574
2018	82,967
2019	118,793
Total	$ 511,324

September 30, 2014	
2015	$ 265,187
2016	95,873
2017	36,175
2018	28,127
Total	$ 425,362

NOTE 17: CONTINGENCIES

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

Third-Party Reimbursement Programs.

Cost reimbursements and claims are subject to examination by agencies administering the programs. The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

NOTE 17: CONTINGENCIES (CONTINUED)

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Service (CMS) to implement a Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. 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. 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. The Hospital will deduct from revenue, amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amount due can be reasonably estimated. RAC assessments are anticipated; however, the outcomes of such assessments are unknown and cannot be reasonably estimated.

Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government law 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.

Professional Liability Risk

The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund.

Workman's Compensation Risk

The Hospital participated in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund in 2015. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any.

Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. 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. These laws and regulations include, but are not limited to, accreditation, licensure, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in exclusion from government healthcare program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position.

NOTE 18: GOVERNMENTAL REGULATIONS

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Hospital. Federal healthcare reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Hospital's principal payors. It is not possible at this time to determine the impact on the Hospital of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Hospital in the future years.

NOTE 19: CHARITY CARE

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. The Hospital maintains records to identify and monitor the level of charity care it provides. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone and supplies furnished, based on established rates, were $184,102 and $52,996 as of September 30, 2015 and 2014, respectively.

Management estimates that approximately $129,059 and $36,742 of costs were related to charity care for the years ended September 30, 2015 and 2014, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

NOTE 20: NET POSITION

Net position for the years ended September 30, are as follows:

	2015	2014
Invested in Capital Assets, net of related debt	$ 2,411,748	2,047,437
Restricted for:		
Debt Service (Expendable)	5,802	5,784
Unrestricted	4,335,272	5,104,253
Total Net Position	6,752,822	7,157,474

NOTE 21: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) recently issued GASBS 68- Accounting and Financial Reporting for Pensions, which was implemented to improve accounting and financial reporting by state and local governments for pensions. The hospital participates in defined contribution pension plans and has implemented this standard.

NOTE 22: PRIOR PERIOD ADJUSTMENTS

Beginning net position for the year ended September 30, 2014 has been restated to reflect employee benefits that were incorrectly withheld from employees between 2009 and 2013. As a result of the restatement, an employee benefit receivable was recorded for $153,696, an employee benefit receivable reserve was recorded for $153,696, an employee benefit payable was recorded for $72,824, and net position has decreased by $72,824. The revised beginning net position for the year ended September 30, 2014 is $7,453,246.

Beginning net position for the year ended September 30, 2015 has been restated to reflect employee benefits that were incorrectly withheld from employees in 2014. As a result of the restatement, an additional employee benefit receivable was recorded for $75,965, an employee benefit receivable reserve was recorded for $75,965, an employee benefit payable was recorded for $17,417, and net position has decreased by $17,417. The revised beginning net position for the year ended September 30, 2015 is $7,157,474.

The total amount of employee benefit payable at September 30, 2015 and 2014 was $90,241 and reflected as "Due to Employees for Employee Benefits" on the Statement of Net Position.

NOTE 22: PRIOR PERIOD ADJUSTMENTS (CONTINUED)

September 30, 2014

	Net Position, previously reported	Effect of Employee Benefit Restatement	Net Position, as restated
Restatement of Net Position	7,247,715	(90,241)	7,157,474

NOTE 23: SUBSEQUENT EVENTS

The Hospital entered into several equipment lease agreements after the year end but before the date of this report. One of the leases was entered into in March of 2016, is non-cancelable, and includes a monthly payment of $5,084 for forty-eight months.

In December of 2016, the Hospital board issued a resolution allowing the Hospital to obtain a loan not to exceed $1,000,000 dollars. The loan had not been issued as of the date of this report.

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through February 22, 2017, the date the financial statements were available to be issued.

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

SCHEDULES OF PATIENT SERVICE REVENUES — **YEAR ENDED SEPTEMBER 30,**

	2015	2014
INPATIENT SERVICE REVENUES		
Daily Patient Services:		
Room and Board	$ 568,436	$ 701,064
Observation	31,190	15,070
Total	599,626	716,134
Other Nursing Services:		
Central Supplies	796,708	732,210
Emergency Service	130,094	127,269
Total	926,802	859,479
Other Professional Services:		
Anesthesiology	-	18,241
Blood	21,558	33,974
Laboratory	557,534	539,278
Pharmacy	1,518,343	1,705,831
Radiology	568,628	564,569
Respiratory	1,223,304	1,020,275
Therapy Services	21,739	19,192
Total	3,911,106	3,901,360
TOTAL INPATIENT SERVICE REVENUE	5,437,534	5,476,973

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

SCHEDULE OF PATIENT SERVICE REVENUES — **YEAR ENDED SEPTEMBER 30,**

	2015	2014
OUTPATIENT SERVICE REVENUES		
Other Nursing Services:		
Central Supplies	457,399	478,514
Emergency Service	2,604,599	2,569,575
Observation	319,021	308,857
Operating Room	56,654	106,946
Total	3,437,673	3,463,892
Other Professional Services:		
Anesthesiology	55,378	172,847
Blood	39,165	35,697
Clinics	2,037,359	1,676,788
Laboratory	4,284,518	4,079,773
Pharmacy	1,461,097	1,579,668
Emergency Room Professional Fees	1,704,682	2,032,240
Radiology	4,346,924	4,268,519
Respiratory	541,040	457,823
Total	14,470,163	14,303,355
TOTAL OUPATIENT SERVICE REVENUE	17,907,836	17,767,247
GROSS PATIENT SERVICE REVENUE	23,345,370	23,244,220
Less: Contractual Adjustments	9,078,736	8,686,010
NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	$ 14,266,634	$ 14,558,210

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

SCHEDULES OF OTHER OPERATING REVENUES	YEAR ENDED SEPTEMBER 30,	
	2015	**2014**
Cafeteria and Vending Sales	$ 70,085	$ 66,114
Medical Records	6,077	1,522
Other	67,619	22,220
Total	$ 143,781	$ 89,856

SCHEDULES OF PROFESSIONAL SERVICES	YEAR ENDED SEPTEMBER 30,	
	2015	2014
Salaries and Fees:		
Anesthesiology	$ 56,200	$ 98,230
Central Supply	60,296	59,975
Clinics	1,742,514	1,716,376
Emergency Room	1,889,601	1,694,301
Hospitalist	310,650	245,000
Laboratory	902,569	923,314
Nursing	1,682,976	1,823,652
Operating Room	6,404	8,607
Pharmacy	282,323	242,675
Radiology	577,748	697,914
Respiratory	410,664	497,170
Therapy	95,025	95,025
Total Salaries and Fees	8,016,970	8,102,239
Supplies and Other Expenses:		
Anesthesiology	1,200	-
Blood	50,680	46,683
Central Supply	102,088	13,028
Clinics	208,129	222,272
Emergency Room	162,530	21,366
Laboratory	350,255	432,749
Nursing	164,921	146,573
Pharmacy	433,234	632,651
Radiology	560,701	541,443
Respiratory	74,922	50,845
Total Supplies and Other Expenses	2,108,660	2,107,610
Total Professional Services	$ 10,125,630	$ 10,209,849

JACKSON PARISH HOSPITAL
Jonesboro, Louisiana

SCHEDULES OF GENERAL AND ADMINISTRATIVE	YEAR ENDED SEPTEMBER 30,	
	2015	2014
Salaries and Fees:		
Administrative	$ 1,376,291	$ 1,242,855
Dietary	163,040	177,816
Housekeeping	171,756	175,227
Maintenance	269,183	287,876
Medical Records	213,523	206,003
Total Salaries and Fees	2,193,793	2,089,777
Supplies and Other Expenses:		
Administrative	803,263	590,784
Dietary	145,844	137,365
Employee Benefits	1,640,529	1,633,987
Housekeeping	84,400	108,767
Information Technology	178,191	204,038
Insurance	163,066	254,140
Maintenance	417,479	361,916
Medical Records	62,060	43,509
Total Supplies and Other Expenses	3,494,832	3,334,506
Total General and Administrative Services	$ 5,688,625	$ 5,424,283

SCHEDULES OF GOVERNING BOARD EXPENSES | **YEAR ENDED SEPTEMBER 30,**

	2015	2014
	COMPENSATION	COMPENSATION
Barbara Johns	$ 240	$ 280
David Chestnut	$ -	$ -
Debra Jackson	$ 200	$ 120
Fannie Williams	$ -	$ -
Lonnie Menzina	$ -	$ -
Sean Disotell	$ -	$ -
Claudean Cartwright	$ -	$ -
Freddy Tolar	$ -	$ -

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER — SEPTEMBER 30,

	2015	2014
ROBERT LLOYD MONGER		
October 2014 - May 2015		
Salary	$ 79,947	$ 110,000
Health Insurance Stipend	1,500	5,750
Benefits-Insurance	-	34
Benefits-Retirement	719	1,100
Tuition Reimbursement	-	-
Reimbursements	1,233	-
Travel	-	-
Conference Expenses	-	4,797
Registration Fees	-	-
	$ 83,399	$ 121,681
BOBBY JORDAN		
May 2015 - September 2015		
Salary	$ 60,577	$ -
Health Insurance Stipend	-	-
Benefits-Insurance	-	-
Benefits-Retirement	-	-
Tuition Reimbursement	-	-
Reimbursements	88	-
Travel	-	-
Conference Expenses	-	-
Registration Fees	-	-
	$ 60,665	$ -

LANGLINAIS BROUSSARD & KOHLENBERG
CERTIFIED PUBLIC ACCOUNTANTS

Glen P. Langlinais, CPA
Gayla Falcon, CPA
Ashley V. Breaux, CPA

Chris A. Kohlenberg, CPA, MBA, MHA Retired

Michael P. Broussard, CPA
Patrick M. Guidry, CPA
Elizabeth L. Whitford, CPA
Kathryn Sagrera Hoag, CPA
Joseph Blake Moss, CPA

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

Board of Commissioners
Jackson Parish Hospital
Hospital Service District No. 1
Parish of Jackson
Jonesboro, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jackson Parish Hospital Service District No.1, dba Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana (the Hospital), as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated February 22, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Hospital'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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we identified findings which are described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan".

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider Findings 2015-6 through 2015-17 to be material weaknesses. 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. We consider Findings 2015-4 through 2015-5 to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 identified findings of noncompliance that are required to be reported under *Government Auditing Standards.* These findings are listed as 2015-1 and 2015-3, as well as 2015-14 through 2015-17.

THE HOSPITAL'S RESPONSE TO FINDINGS

The Hospital's responses to the findings identified in our audit is described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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

This report is intended for the information and use of the Board of Commissioners and management of the Hospitals, others within the organization, federal awarding agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Langlinais Broussard & Kohlenberg

LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, LA

February 22, 2017

JACKSON PARISH HOSPITAL
JONESBORO, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Years Ended September 30, 2015 and 2014

We have audited the financial statements of Jackson Parish Hospital Service District No. 1, dba Jackson Parish Hospital (the Hospital), a component unit of the Jackson Parish Police Jury, State of Louisiana, as of and for the years ended September 30, 2015 and 2014, and have issued our report thereon dated February 22, 2017. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of September 30, 2015 and 2014 resulted in a qualified opinion.

Section I: Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements:

Internal Control

Material Weaknesses:	Yes
Significant Deficiencies:	Yes

Compliance

Compliance Material to Financial Statements	Yes

Section II: Financial Statement Findings

A – Issues of Noncompliance

Finding 2015-1 Audit Deadline

Criteria: Louisiana law requires audits of governmental districts to be filed within six months of the entity's fiscal year end under RS 24:513.

Condition: The Hospital did not meet the six month deadline for filing the audit report with the Legislative Auditor of the State of Louisiana.

Cause: The Hospital has experienced significant turnover in key senior management positions, as well as other accounting positions including accounts payable and payroll. There was a delay in the Hospital's ability to obtain all requested audit information. The Chief Financial Officer was new to the position and had concurring audits and reviews; as well as focusing his efforts on improving hospital operations in response to prior year audit findings. During the course of the audit the Chief Executive Officer as well as the Chief Financial Officer positions turned over.

Effect: The Hospital is not in compliance with Louisiana RS 24:513.

Recommendation: Audit reports should be filed with the Legislative Auditor's office within six months of the year end to be in compliance with Louisiana RS 24:513.

Management Response: Management recognizes that the untimely submission of this audit report is not in compliance with Louisiana RS 24:513. The current Chief Financial Officer is dedicated to meeting the deadline for filing the audit report. To facilitate this process, reconciliations, schedules, and support will be done monthly.

Finding 2015-2 Physician Payment

Criteria: The hospital is subject to numerous Federal and State Laws including, but not limited to, Medicare and Medicaid Regulations.

Condition: The Hospital issued a check for $7,665 in January of 2016 directly to a doctor who provides services under a separate Hospital agreement for emergency physician services.

Cause: Hospital management felt the disbursement was in compliance with all laws and regulations.

Effect: The Hospital discovered the potential violation and self-reported to the Centers for Medicare and Medicaid (CMS).

Recommendation: The Hospital should seek legal guidance in contracts with and disbursements to providers.

Management Response: Contracts are reviewed by our compliance officer and legal advisors, and presented in the Board of Directors packet. As of January 25, 2017, the accounts payable check register has been included in the board packet monthly.

Finding 2015-3 Ethics

Criteria: All employees are defined as public servants and are subject to Louisiana State Ethics Law.

Condition: During 2016, the CFO resigned his hospital position and subsequently became employed with a company with whom the Hospital was contracted. The CFO was the hospital representative who had previously signed the Hospital contract with the aforementioned company.

Cause: The CFO was employed by the Hospital and subsequently by a Hospital vendor.

Effect: The timing of these two events may cause the public servant to have been out of compliance with State Ethics Laws.

Recommendation: The Hospital should continue to monitor all contracts and authorized signers of contracts.

Management Response: All contracts are reviewed by the management team and presented to the Board of Directors. Due to the timing of the two events mentioned above, Jackson Parish Hospital has reported the event to the Louisiana State Board of Ethics.

B- Significant Deficiencies

Finding 2015-4 Employee Benefits Policy

Criteria and Condition: The Hospital has updated their practices and procedures regarding Employee Discounts for patient services offered to employees. However, the Employee Benefits Policy regarding Employee Discounts has not been updated in order to clearly state the procedure in which the employee should obtain the discount. The policy should be updated to reflect current Hospital practices.

Cause: The Hospital did not update the written policy on Employee Discounts.

Effect: The policy may not be reflective of current practice and procedure.

Recommendation: A clear employee discount policy should be written to provide the procedure in which employees should apply for the discount. The policy should state what authorization should occur before an employees’ account may be discounted.

Management Response: Human Resources and the Jackson Parish Policy Committee will update the Employee Benefit Policy by December 31, 2017 to clearly reflect the procedure in which employees should apply for the employee discount.

Finding 2015-5 Financial Assistance/ Charity Care Policy

Criteria: The Hospital has practices and procedures regarding financial assistance to patients whereby they can apply for charity care.

Condition: The Hospital does not have a written charity care policy.

Effect: Practices and procedures may not be evaluated and reviewed on a timely basis without a corresponding written policy. Practices and procedures may vary without a written policy.

Recommendation: We recommend a written financial assistance policy be written to provide guidance for consistent application of financial assistance treatment.

Management Response: The Hospital Board approved a written charity care policy on February 22, 2017.

C – Material Weaknesses

Finding 2015-6 Financial Statement Preparation

Criteria: The Hospital does not present full disclosure financial statements to its board in accordance with Generally Accepted Accounting Principles. In addition, the Hospital did not present interim financials to the board of commissioners on a consistent basis for the year ended September 30, 2015 and subsequently through the date of the Auditor’s report.

Condition: The Hospital relies on its outside auditors to assist in the preparation of full disclosure GAAP financial statements.

Cause: The Hospital has a small accounting staff.

Effect: The Hospital designates an employee with skilled knowledge and experience to review the draft of the prepared financial statements and footnotes prior to approving them and accepting responsibility for their contents and presentation.

Recommendation: The hospital’s accounting personnel should attend education courses to further their knowledge in the application of Generally Accepted Accounting Principles.

Management Response: Jackson Parish Hospital will allow the Chief Financial Officer to attend continuing education courses in order to remain updated on generally accepted accounting principles. The Chief Financial Officer will continue to review the draft financials presented.

Finding 2015-7 Lack of Segregation of Duties

Criteria: Best practices in internal controls would facilitate segregation of duties in all accounting functions and oversight in each area.

Condition: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated in all accounting areas.

Cause: The hospital has a small accounting staff.

Effect: Failure to adequately segregate accounting and financial functions increases the risk that errors and irregularities including fraud may occur and not be prevented or detected.

Recommendation: The authorization, recording, and reconciliation of transactions and decisions as well as the custody of assets related to those transactions and decisions should be segregated as much as possible. Management should consider the cost/benefit of segregation of duties and continue to monitor areas where lack of segregation exists.

Management Response: Segregation of duties are not economically feasible due to the fact that the hospital has a small accounting department. The Chief Financial Officer will continue to supervise and review accounting procedures on a regular basis.

Finding 2015-8 Proposed Audit Adjustments

Criteria and Condition: The proposed audit adjustments for the fiscal years ended September 30, 2015 and 2014 had material effects on the financial statements.

Cause: The Hospital did not detect misstatements.

Effect: The Hospital’s financial statements have been adjusted to reflect all proposed audit journal entries approved by management.

Recommendation: Management should perform a comprehensive review of financial statements, estimates, and journal entries before closing the fiscal year.

Management Response: The Chief Financial Officer will perform a comprehensive review of financial statements, estimates, and journal entries before closing the fiscal year.

<u>Finding 2015-9 Prior Period Adjustment</u>

Criteria and Condition: As a result of the Legislative Auditor’s Investigation, employee benefits withheld from the years 2009 to 2014 were found to be misstated.

Cause: The Hospital over-withheld and under-withheld employee benefits for this period.

Effect: A prior period adjustment was proposed to reflect the amount due to and from the effected employees.

Recommendation: The Hospital’s financial statements have been adjusted to reflect the proposed prior period adjustment.

Management Response: The Hospital will seek legal guidance to determine an appropriate timeframe for disbursing amounts owed to employees. The Hospital will make every effort to collect the amount due from employees.

<u>Finding 2015-10 Journal Entry Support</u>

Criteria: Support for journal entries should be organized in a fashion that is easily traceable to the workpapers and should reflect the judgement of the accountant at the time the journal entry was made.

Condition: Although journal entries were made throughout the year, the support for those journal entries were not always presented in a manner that was clear and concise.

Effect: The lack of organized support may cause difficulties for third-parties to determine the cause for journal entries.

Recommendation: Journal entry support and accounting workpapers should be filed in a manner in which a skilled person may be able to determine the cause for the journal entry.

Management Response: The Hospital has hired a new Chief Financial Officer who has implemented procedures in order to maintain support for journal entries.

<u>Finding 2015-11 Patient Accounts Receivable Maintenance and Collections</u>

Criteria: The Hospital should maintain patient account balances to ensure balances reflected are accurate. The Hospital should perform an evaluation on collections and implement an appropriate collection process for up-front collections in accordance with applicable laws and regulations.

Condition: The Hospital reflected a large amount of credit balances and aged accounts in accounts receivable. The Hospital has not consistently applied an up-front collection procedure.

Cause: Patient balances are not being monitored timely in order to establish whether credit balances are accurate and/or whether aged accounts should be written off.

Effect: Credit balances may not be fairly stated. Reserve for patient accounts receivable reflected material allowances for bad debts as individual account balances had not been adjusted to reflect bad debt balances.

Recommendation: The Hospital should establish a procedure in order for accounts to be evaluated timely in order to reflect the adjustments needed. Collection procedures should be evaluated to establish an up-front collections procedure and to establish whether outside credit agencies should be used.

Management Response: As of December 2016, the Chief Financial Officer has established procedures for monitoring credit balances and bad debt write-offs. The Business Office staff has been tasked with ensuring the accuracy of patient accounts balances. The Chief Financial Officer will continue to monitor total credit balances and reflect them in the general ledger.

Finding 2015-12 Accrued Compensated Absences

Criteria: The Hospital has experienced errors in employee accrued compensated absences in recent years.

Condition: The Hospital did not adjust each employee's balances in the payroll system to reflect adjustments recognized by the prior year's evaluation. The accrued compensated absence liability did not reflect the adjustment for the current fiscal year.

Cause: The accrued compensated balance was not updated in the payroll system or on the general ledger to reflect actual balance.

Effect: An audit entry was proposed.

Recommendation: The Hospital should update employee balances in the payroll system so that the accrued compensated absences balance may be properly presented and automatically calculated.

Management Response: Management will update employee balances in the Evident Payroll system so that the accrued compensated absences balance may be properly presented and automatically calculated.

Finding 2015-13 Patient Revenue Accounts Mapping

Criteria: The Hospital's accounting system provides for automatic posting from charge codes to general ledger revenue accounts.

Condition and Cause: Charge codes are not accurately mapped to the correct general ledger account.

Effect: A manual journal entry must be made to adjust revenue balances to subsidiary ledgers.

Recommendation: The Hospital should review charge code mapping and correct in order for revenues to be automatically posted to the correct general ledger account.

Management Response: In February 2017, the Hospital hired a software specialist to review the charge code mapping to the general ledger. The Chief Financial Officer will oversee all mapping changes, and the mapping is expected to be complete by December 31, 2017.

Section III: Management Letter Items

There are no management letter items at September 30, 2015.

JACKSON PARISH HOSPITAL
JONESBORO, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2015

Finding 2014-1 Audit Deadline: The Hospital did not meet the six month deadline for filing the audit report with the Legislative Auditor of the State of Louisiana.

Status: Unresolved. See Finding 2015-1.

Finding 2014-2 Nepotism: The Hospital employed two immediate family members in the pharmacy department; with one serving as the department director. The Hospital's internal policy states that exceptions may be made for part-time positions.

Status: Resolved.

Finding 2014-3 Financial Statement Preparation: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures.

Status: Unresolved. See Finding 2015-6.

Finding 2014-4 Lack of Segregation of Duties: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Status: Unresolved. See Finding 2015-7.

Finding 2014-5 Proposed Audit Adjustments: The proposed audit adjustments for the fiscal year ended September 30, 2014 had material effects on the financial statements.

Status: Unresolved. See Finding 2015-8.

Finding 2014-6 Journal Entry Support: Journal entries posted to cash to reconcile the operating cash account do not have adequate supporting documentation.

Status: Unresolved. See Finding 2015-10.

Finding 2014-7 Employee Benefits Program: The Employee Benefits Policy regarding Employee Discounts does not clearly state the procedure in which the employee should obtain the discount. The business office could not show support for the authorization of discounts for employees who had used the services of the Hospital.

Status: Partially Resolved. See 2015-4.

Finding 2014-8 Lack of Oversight from Management: Payroll: Management does not review the final detailed payroll register after each payroll run.

Status: Resolved.

Finding 2014-9 Board Authorization of Cash Restrictions: A transfer was made from the reserved sinking fund to the operating account without board authorization.

Status: Resolved.

Finding 2014-10 Unearned and Unauthorized Payments of Accrued Time Off: The Jackson Parish Hospital's (Hospital) former Human Resource employee, Elizabeth Cheatwood, and its former accounts payable clerk, Vickie Booker, received a combined $89,960 in excessive payments for accrued time off from January 2009 to November 2014. Based upon our review of Hospital documents, these payments were both unearned and unauthorized.

Status: Resolved.

Management Update: The Chief Financial Officer monitors the physical check stock. The Hospital has implemented a direct deposit system for payroll to ensure that a minimal amount of physical checks are issued. The Chief Financial officer reviews and approves the submission of the direct deposit file to the bank. The Chief Financial Officer reviews all payroll runs for accuracy. Secondary payroll runs require approval by CFO, CEO, or designee. The CFO is the only person authorized to process a second payroll run. The Hospital has revised its ATO payout policy to limit payouts to one pay period a year.

Finding 2014-11 Improper Payroll Deductions for Supplemental Insurance and Uniforms: Ms. Cheatwood and Ms. Booker improperly received a combined $25,723 of supplemental health insurance policies and $7,474 of uniforms offered through the Hospital from December 2008 to December 2014. Based on our review of Hospital records, Ms. Cheatwood and Ms. Booker did not pay for these benefits.

Status: Resolved.

Management Update: A reconciliation of insurance benefits has been prepared and reviewed by management through December 31, 2014. The hospital has recorded amounts due to and from employees for benefit withholding. The Hospital will seek legal guidance and will continue to pursue collections deemed receivable. Additionally, the Hospital will disburse funds to those employees who are owed monies from the Hospital. Management will continue to monitor employee benefits to prevent future errors.

Finding 2014-12 Mismanagement of Payroll Deductions: The Hospital did not reconcile its health and supplemental insurance invoices or other employee benefits to payroll deductions to ensure the Hospital received the proper amount from its employees. This resulted in undetected errors to employee payroll deductions and caused the Hospital to pay $200,997 for employee benefits that were not reimbursed by its employees from 2009 to 2014.

Status: Resolved.

Finding 2014-13 Improper Insurance Stipend Payment: Ms. Cheatwood received a stipend for health insurance in the amount of $26,072 from January 1, 2009 to December 31, 2014. Based on review of Hospital records, Ms. Cheatwood was not entitled to receive these funds.

Status: Resolved.

Management Update: As of January 1, 2015, Jackson Parish Hospital began offering group health insurance and has discontinued the practice of stipend payments to employees.

Finding 2014-14 Former Employee Took Hospital Collections for Personal Use: Hospital records indicate that from January 2012 to December 2014, the Hospital collected $121,968 in cash that was never deposited into its operating bank account. Former Hospital employee, Ms. Vickie Booker, stated that she took cash from Hospital collections and deposited it to her personal bank account or spent it.

Status: Resolved.

Management Update: The Hospital obtained a cash register for the cafeteria which is balanced daily. The Hospital developed and implemented a new collections reconciliation form as of December 2014 for daily use. The clinics record what cash is taken in each day. The Hospital reconciles this amount with the amount posted. Jackson Parish Hospital accounting staff has put proper reconciliation procedures into place as of 5/4/2015. As of 11/15/2014, the Hospital initiated the consistent practice of making daily deposits. Cash receipts are taken in and deposited on the following day. The Hospital has established a procedure for reconciling deposits posted to deposits clearing the bank on a daily basis.