HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER

FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hospital Service District Number 1 of Plaquemines Parish, Louisiana
d/b/a Plaquemines Medical Center

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Hosptial Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center (the Center), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 opinions.

Opinions

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the business-type activities of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year 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, *Schedule of Employer's Proportionate Share of Net Pension Liability* and *Schedule of Employer's Contributions* found on pages 4-10 and 37-38, 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 opinions on the financial statements that collectively comprise the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center's basic financial statements. The *Schedule of Compensation, Benefits and Other Payments to Agency Head* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *Schedule of Compensation, Benefits and Other Payments to Agency Head* is the responsibility of management and was derived from and relate 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, Benefits and Other Payments to Agency Head* 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 28, 2017, on our consideration of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center'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 Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center's internal control over financial reporting and compliance.

Camnetar & Co.

Camnetar & Co., CPAs
a professional accounting corporation

Gretna, Louisiana
June 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hospital Service District No. 1 of the Parish of Plaquemines (d/b/a Plaquemines Medical Center) (the "Center") annual financial report presents the Center's financial performance during the fiscal year that ended on December 31, 2016. This should be read in conjunction with the financial statements and the accompanying notes to those financial statements in this report.

Financial Highlights

- The Center's total assets decreased by $252,250, or approximately 0.47%.

- During the year, the Center's total operating revenue increased $111,142 or 13.79%, to $917,394 from the prior year while expenses increased $298,898, or 4.98% to $6,298,322. The Center had loss from operations of $5,380,928, which is approximately 587% of total operating revenue. This compares to the prior fiscal year's loss from operations of $5,193,172, or 644% of operating revenue.

- The Center received $2,190,378 and $2,705,805 in 2016 and 2015, respectively, in ad valorem tax revenue for the operations of the facility.

- The Center received $2,480,405 and $3,075,272 in 2016 and 2015, respectively in special millage ad valorem tax revenue for operations, construction and new programs for the facility.

- During the fiscal year, the Center made capital investments for a total of $34,665.

Required Financial Statements

The Consolidated Financial Statements of the Center report information about the Center and Plaquemines Primary Care, Inc. using Governmental Accounting Standards Board ("GASB") accounting principles. These Statements offer short-term and long-term financial information about their activities.

The Consolidated Statements of Net Position include all of the Center's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Center's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Center, and assessing the liquidity and financial flexibility of the Center.

All of the current year's revenues and expenses are accounted for in the Consolidated Statements of Revenues and Expenses. This statement measures changes in the Center's operations over the past year and can be used to determine whether the Center has been able to recover all of its costs through its patient service revenue and other revenue sources.

Required Financial Statements (Continued)

The primary purpose of the Consolidated Statement of Cash Flows is to provide information about the Center's cash from operations, investing, and financing and to provide answers to questions such as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Plaquemines Primary Care, Inc. was established for the purpose of providing on-going and follow-up treatment for chronic illnesses on a schedule appointment basis during pre-determined scheduled hours. Plaquemines Primary Care, Inc. will allow the Center to better service the medical needs of its constituents.

Financial Analysis of the Hospital

The Consolidated Statements of Net Position and the Consolidated Statements of Revenue and Expenses report information about the Center's activities. These two statements report the net position of the Center and changes in them. Increases or decreases in the Center's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors, such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting, should also be considered.

Net Position

The following table presents a summary of the Center's Statement of Net Position for each of the fiscal years ended December 31, 2016 and 2015:

TABLE 1
Condensed Consolidated Statements of Net Position

	2016	2015	Dollar Change	Percent Change
Assets				
Current assets	$ 27,791,464	$ 6,290,968	$ 21,500,496	341.77%
Capital assets - net	26,172,395	27,215,540	(1,043,145)	-3.83%
Restricted assets	-	20,709,601	(20,709,601)	-100.00%
Total Assets	53,963,859	54,216,109	(252,250)	-0.47%
Deferred Outflows of Resources				
Deferred outflows of related net pension liability	812,934	261,348	551,586	211.05%
Total Assets and Deferred Outflows of Resources	$ 54,776,793	$ 54,477,457	$ 299,336	0.55%
Liabilities				
Current liabilities	$ 358,357	$ 394,461	$ (36,104)	-9.15%
Non-current liabilities	547,945	42,385	505,560	1192.78%
Total Liabilities	906,302	436,846	469,456	107.46%
Deferred Inflows of Resources				
Deferred inflows of related net pension liability	97,268	22,251	75,017	337.14%
Net Position				
Net investment in capital assets	26,172,395	27,215,540	(1,043,145)	-3.83%
Restricted	-	22,328,733	(22,328,733)	-100.00%
Unrestricted	27,600,828	4,474,087	23,126,741	516.90%
Total Net Position	53,773,223	54,018,360	(245,137)	-0.45%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 54,776,793	$ 54,477,457	$ 299,336	0.55%

As can be seen in Table 1, total assets decreased by $252,250 to $53,963,859 in fiscal year 2016, from $54,216,109 in fiscal year 2015. The change in total net position is primarily due to the excess of expenses over revenues in fiscal year 2016.

Summary of Revenue and Expenses

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

TABLE 2
Condensed Consolidated Statements of Revenue, Expenses, and Change in Net Position

	Year Ended December 31		Dollar	Percent
	2016	2015	Change	Change
Operating Revenue:				
Net patient service revenue	$ 917,394	$ 806,252	$ 111,142	13.79%
Operating Expenses:				
Salaries & employee benefits	2,269,388	1,929,831	339,557	17.60%
Supplies, contract services, equipment, and fees	1,752,157	1,900,332	(148,175)	-7.80%
Other operating expenses	1,242,668	1,136,287	106,381	9.36%
Depreciation	1,034,109	1,032,974	1,135	0.11%
Total Operating Expenses	6,298,322	5,999,424	298,898	4.98%
Operating Loss	(5,380,928)	(5,193,172)	(187,756)	3.62%
Non-Operating Revenues:				
Ad valorem tax revenue, operating	2,190,378	2,705,805	(515,427)	-19.05%
Ad valorem tax revenue special millage	2,480,405	3,075,272	(594,867)	-19.34%
Grant income	196,380	556,460	(360,080)	-64.71%
Settlements	16	251,539	(251,523)	-99.99%
Loss on disposal of assets	(43,701)	-	(43,701)	0.00%
Miscellaneous	74,535	65,369	9,166	14.02%
Investment income	217,473	5,852	211,621	3616.22%
Other	20,305	16,849	3,456	20.51%
Total Non-Operating Revenue	5,135,791	6,677,146	(1,541,355)	
Change in Net Position	(245,137)	1,483,974	(1,729,111)	-116.52%
Net Position-Beginning	54,018,360	52,534,386	1,483,974	2.82%
Net Position-Ending	$ 53,773,223	$ 54,018,360	$ (245,137)	-0.45%

Sources of Revenue

Operating Revenue

Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established rates and contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. The provision for bad debt increased approximately $174,437 or 5% during 2016.

Investment Income

The Center holds funds that are invested primarily in certificates of deposit. Investments had a total return of $217,473 and $5,852 during fiscal years 2016 and 2015, respectively.

Operating and Financial Performance

The following summarizes the Center's statements of revenue and expenses as between 2016 and 2015:

Overall activity at the Center, as measured by patient-visits and procedures performed increased 8% to 10,386 visits and procedures in 2016 from 9,648 visits and procedures in 2015. Net patient service revenue per patient visit/procedure increased 6% to $88.33 per patient visit/procedure in 2016 from $83.57 per patient visit/procedure in 2015.

TABLE 3
Patient visits and Procedures Statistical Data

	Year ended December31	
Description	2016	2015
Clinic Visits	8,005	7,679
Primary Care	1,884	1,488
Workers Compensation Patients	497	481
Total	10,386	9,648

Operating and Financial Performance (continued)

Salaries and related benefits expense increased $339,557 or 17.60%, to $2,269,388 in 2016 from $1,929,831 in 2015. As a percentage of operating revenue, salary expense was approximately 247% and 239% for the fiscal years ended December 31, 2016 and 2015, respectively.

Supplies, contract services, equipment, and fees and other operating expenses decreased $148,175 or 7.80% the year ended December 31, 2016.

Depreciation expense increased $1,135 for the year ended December 31, 2016. For the fiscal years ended December 31, 2016 and 2015 depreciation expense was $1,034,109 and $1,032,974 respectively.

Total operating expenses increased by $298,898 for the year ended December 31, 2016, for the reasons discussed above.

Restricted Assets

At December 31, 2015 the Center reported $20,709,601 of assets limited as to use. The source of these funds was a special millage passed by the voters of Plaquemines Parish *"for the purpose of acquiring, constructing, improving, maintaining and/or operating hospital facilities and equipment of and for the District, for the dedicated purposes of renovating and modernizing the existing hospital facility and the existing medical office building adjacent to the hospital facility, new construction, medical campus and site improvement, capital equipment, maintenance and repair of facilities and equipment, new service start-up expenses, and professional and regulatory fees and expenses relative to the aforementioned items"* This special millage was approved by the voters of Plaquemines Parish in October 2010. The levy is currently 2.69 mills on all property subject to taxation for a period of ten years beginning with the year 2012 and ending with the year 2021. During 2016, the board sought and obtained a legal opinion regarding the permitted uses of the proceeds of the tax, specifically, if the tax proceeds may be used to pay the expenses of operating the hospital facilities owned by the District. The legal opinion stated that there was no limitation as to the type of expenses which are payable from the tax for hospital operations. Subsequent to receiving the legal opinion, all restrictions were released.

Capital Assets

At the end of 2016, the Center had a decrease in net capital assets of $1,043,145. This amount represents a net decrease of 4% over last year.

Capital Assets, net of depreciation are shown below:

	Year Ended December 31		
Description	2016	2015	Change
Land	$ 127,597	$ 127,597	$ -
Construction in progress	-	-	-
Buildings	25,588,991	25,589,424	(433)
Equipment and Furniture	2,750,340	3,311,858	(561,518)
Less: Accumulated Depreciation	(2,294,533)	(1,813,339)	(481,194)
Net Capital Assets	$ 26,172,395	$ 27,215,540	$ (1,043,145)

Contacting the Plaquemines Medical Center

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Center's finances. If you have questions about this report or need additional financial information, please contact the administration for the Center as follows:

Mr. Dale Adams, Chairman
Plaquemines Medical Center
27136 Highway 23
Port Sulphur, LA 70083
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FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
CONSOLIDATED STATEMENT OF NET POSITION
For The Year Ended December 31, 2016

Assets	
Current Assets:	
Cash and cash equivalents	$ 7,176,191
Certificates of deposit	15,288,874
Ad valorem tax revenue receivable (net of estimated uncollectibles of $206,478)	4,964,909
Patient accounts receivable (net of estimated uncollectibles of $3,378,578)	189,158
Grant income receivable	37,411
Other receivable	7,000
Prepaid expenses	79,666
Inventories	48,255
Total Current Assets	27,791,464
Non-Current Assets:	
Capital assets (net of accumulated depreciation of $2,294,533)	26,172,395
Total Assets	53,963,859
Deferred Outflows of Resources	
Deferred outflows of related net pension liability	812,934
Liabilities	
Current Liabilities:	
Accounts payable	286,780
Accrued expenses	71,577
Total Current Liabilities	358,357
Non-Current Liabilities:	
Net pension liability	547,945
Total Liabilities	906,302
Deferred Inflows of Resources	
Deferred inflows of related net pension liability	97,268
Net Position	
Net investment in capital assets	26,172,395
Unrestricted	27,600,828
Total Net Position	$ 53,773,223

The accompanying notes are an integral part of these statements.

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
CONSOLIDATED STATEMENT OF REVENUES AND EXPENSES
For The Year Ended December 31, 2016

Operating Revenues		
Net patient service revenue	$	917,394
Operating Expenses		
Salaries and related expenses		2,269,388
Professional fees		448,966
Medical supplies		227,993
Contract labor		2,598
Repairs and maintenance		231,771
Purchased services		1,521,566
Depreciation		1,034,109
Utilities and telephone		209,287
Insurance		239,723
Administrative expense		112,921
Total Operating Expenses		6,298,322
Operating Loss		(5,380,928)
Non-Operating Revenues (Expenses)		
Ad valorem tax revenue, operating		2,190,378
Ad valorem tax revenue, special millage		2,480,405
Grant income		196,380
Settlements		16
Loss on disposal of assets		(43,701)
Miscellaneous		74,535
Investment income		217,473
Other		20,305
Total Non-Operating Revenues		5,135,791
Excess of Expenses Over Revenues	$	(245,137)

The accompanying notes are an integral part of these statements.

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For The Year Ended December 31, 2016

	Total	Restricted	Unrestricted
Net Position at December 31, 2015	$ 54,018,360	$ 22,328,734	$ 31,689,626
Restrictions released	-	(22,328,734)	22,328,734
Excess (deficiency) of revenues over expenses	(245,137)	-	(245,137)
Net Position at December 31, 2016	$ 53,773,223	$ -	$ 53,773,223

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2016

Cash Flows from Operating Activities:	
Revenue collected	$ 871,441
Cash payments to employees and for employee-related costs	(2,117,279)
Cash payments for operating expenses	(3,032,806)
Net Cash Used in Operating Activities	(4,278,644)
Cash Flows from Non-Capital Financing Activities:	
Grant income	417,084
Settlements	16
Ad valorem taxes	2,313,850
Ad valorem taxes - 2002 millage	2,624,276
Other	(5,547)
Net Cash Provided by Non-Capital Financing Activities	5,349,679
Cash Flows from Capital And Related Financing Activities:	
Purchase of capital assets (property, plant and equipment)	(34,665)
Net Cash Used in Capital and Related Financing Activities	(34,665)
Cash Flows from Investing Activities:	
Investment income	217,473
Net Cash Used by Investing Activities	217,473
Net Increase in Cash and Cash Equivalents	1,253,843
Cash and Cash Equivalents, Beginning of Year	21,211,222
Cash and Cash Equivalents, End of Year	$ 22,465,065
Reconciliation of Loss from Operations to Net Cash Used in Operating Activities:	
Operating loss	$ (5,380,928)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization	1,034,109
Bad debt expense	174,437
Pension expense, net of employer contribututions	44,138
Changes in operating assets and liabilities:	
Accounts receivable	(227,390)
Prepaid Expenses	27,444
Inventories	(621)
Accounts payable and accrued expenses	50,167
Net Cash Used in Operating Activities	$ (4,278,644)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The financial statements include the accounts of the following entities:

Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center (the Center) is organized under powers granted to parishes in the Louisiana Revised Statutes and is exempt from Federal and State income taxes. All corporate powers are vested in a Board of Commissioners appointed by the Plaquemines Parish Council. Prior to January 1, 1990, the Center operated as Plaquemines Parish General Hospital (the Hospital). Since January of 1990 the Center has operated as Plaquemines Comprehensive Care Center and more recently Plaquemines Medical Center. In the fall of 2014, the Center moved into its new permanent facility at 27136 Highway 23 in Port Sulphur, LA. The current facility was constructed primarily with funds provided by the Federal Emergency Management Agency (FEMA) as a result of damages sustained to its former facility due to Hurricane Katrina. The Center currently provides urgent, emergency, and primary medical care to residents of Plaquemines Parish.

Plaquemines Primary Care Inc. is a Louisiana non-profit corporation organized to assist the Hospital in providing primary care medical services to the community in a cost effective and efficient manner.

Reporting Entity

The Governmental Accounting Standards Board issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 34,* which established criteria for determining the reporting entity and component units that should be included within the reporting entity and other reporting relationships. The basic criterion for including a potential component unit within the reporting is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

- Appointing a voting majority of an organization’s governing body, and the ability of the primary government to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.
- Organizations for which the primary government does not appoint a voting majority but are fiscally dependent on the primary government.
- Organization for which the reporting entity financial statements would be misleading if the data of the organization is not included because of the nature or significance of the relationship.

Based upon the previous criteria, the Center has determined that Plaquemines Primary Care Inc. is a component unit of the reporting entity.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of consolidation- As mentioned above, the accompanying consolidated financial statements include the accounts and transactions of the Center and Plaquemines Primary Care Inc. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Measurement Focus, Basis of Accounting – Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The Center utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. The financial statements are reported using the economic resources measurement focus.

Accounting Standards – GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* incorporates the text of certain FASB, APB, and ARB pronouncements that were issued before November 30, 1989, that applied to governments. Those pronouncements had become non authoritative for governmental entities when the FASB established the FASB Accounting Standards Codification as the single source of authoritative, nongovernmental GAAP for nonpublic entities in September 2009. While GASBS No. 62 kept the substance of that guidance, it nevertheless modified the guidance to recognize the effects of the governmental environment and the needs of governmental financial statement users.

Income Taxes – The Center and Plaquemines Primary Care, Inc. are a governmental entity under Section 517 of the Internal Revenue Code and is therefore exempt from Federal income taxes.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Cash and Cash Equivalents – Cash and cash equivalents, for cash flow statement purposes, include investments in highly liquid debt instruments with maturities of three months or less, including amounts whose use is limited by board designation.

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets – Capital assets purchased or acquired are reported at cost. Contributed assets are reported at fair market value at date received. Additions, improvements, and other capital outlays that extended the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Center has adopted a capitalization policy as it relates to reporting thresholds. Depreciation on all assets, other than land and construction in progress, is provided on the straight line basis over the following estimated useful lives:

Description	Years Depreciated
Land	N/A
Land Improvements	20-30
Buildings	25-40
Building Improvements	7-30
Infrastructure	20-50
Machinery and Equipment	5-15

Assets Whose Use is Limited or Restricted - Assets whose use is limited or restricted consists of cash, investments, and ad valorem tax receivables reported at fair value with gains and losses included in the consolidated statements of revenues and expenses.

Charity Care – The Center does not have a formal charity care policy, nor does it maintain detailed records of the amount of charity care it provides.

Subsequent Event Review - Management of the Center has reviewed subsequent events through June 28, 2017, which is the date the financial statements were available to be issued and concluded no disclosure is required in accordance with accounting principles generally accepted in the United States of America.

Operating Revenues and Expenses - The Center's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Center's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Restricted Resources - When the Center has both restricted and unrestricted resources available to finance a particular program, it is the Center'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 borrowing 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.

Ad valorem Revenue and Receivables - Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. Ad valorem tax revenue receivables presented in the financial statements represents the estimated tax collectable assessed in the current fiscal year.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Accumulated vacation and sick leave is accrued as an expense of the period in which incurred. Employees of the Center earn vacation pay and sick pay based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid full value for any accrued general leave earned.

At December 31, 2016 employees have accumulated and vested $72,052 of annual leave benefits, which is recorded as a current liability.

Property Tax Calendar

Property taxes are assessed and collected each fiscal year according to the following property tax calendar.

Lien Date	January 1
Levy Date	June 30
Due Date	December 31
Delinquent Date	January 1 of the following year

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

At December 31, 2016, the Center has cash equivalents (book balances) totaling $7,176,191 and certificates of deposit totaling $15,288,874 as follows:

Demand Deposits	$ 750
Money Market Accounts	7,175,441
Total Cash and Cash Equivalents	7,176,191
Certificates of Deposit	15,288,874
Total	$ 22,465,065

These deposits are stated at cost, which approximates market. Under state law, the deposits held at a fiscal agent bank (or the resulting bank balances) must be secured by federal deposit insurance or the pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must, at all times, equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Restricted cash of which the use of is restricted as described in Note 4.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits Held at Fiscal Agent Bank - At December 31, 2016, the Center had $7,202,181 in deposits (collected bank balances). These deposits are secured from risk by $500,000 of federal deposit insurance and $9,167,909 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). At December 31, 2016 none of the Center's deposits with the financial institutions were under collateralized.

Custodial Credit Risk – Certificates of Deposit - At December 31, 2016, the Center had $15,338,174 in deposits (collected bank balances). These deposits are secured from risk by $250,000 of federal deposit insurance and $15,288,874 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). At December 31, 2016 none of the Center's deposits with the financial institutions were under collateralized.

For the year ended December 31, 2016, the Center had no non-cash financing and investing activities to report.

NOTE 3 –PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

NOTE 4 – AD VALOREM TAX RECEIVABLES AND REVENUES

Current ad valorem taxes are received beginning in December of each year and become delinquent after January 31 of the following year. Taxes are reported as revenues in the period for which they are levied.

The Hospital Service District levies an annual ad valorem tax on all property subject to taxation in the District. The tax is collected to defray the cost of the Center's operations. For 2016, the millage was 2.37 mills, and is set to expire in 2024

The Hospital Service District levies an annual ad valorem tax on all property subject to taxation in the District. The tax is collected for the purpose of acquiring, constructing, improving, maintaining and/or operating hospital facilities and equipment of and for the District. For 2016, the millage was 2.69 mills, and is set to expire in 2021.

The Center calculates on allowance of uncollectible ad valorem tax revenues of the current year assessment that is does not expect to collect in the upcoming year. The percentage of allowance for uncollectible ad valorem receivable for 2016 is 4%.

NOTE 5 – GRANT RECEIVABLE AND GRANT INCOME

The Center also had a grant from FEMA related to the construction of the permanent facility. The total amount of the grant was $22,251,541; it was programmatically closed during 2016. Grant income recognized in the current year of $62,010 is for the construction and contents of the permanent facility. For the year ended December 31, 2016, the Center had outstanding reimbursement requests in the amount of $6,000 which were submitted to FEMA for the construction of the facility.

The Center also has an outstanding grant from Louisiana Public Health Institute, a private, non-profit corporation. The grant is part of the Gulf Region Health Outreach Program that is established, under the Deepwater Horizon Medical Benefits class action settlement agreement. The purpose of the grant is to expand capacity for and access to high quality, sustainable, community-based healthcare services, including primary care, behavioral and mental healthcare, and environmental medicine, in the gulf coast. The total amount of the grant is $250,000. Grant income recognized in the current year was $105,648.

The Center also has an outstanding grant from the University of South Alabama. The Center is a sub-recipient of the grant for the Consortium for Resilient Gulf Communities Community Health Worker Outreach Project. The grant is part of the Gulf Region Health Outreach Program that is established, under the Deepwater Horizon Medical Benefits class action settlement agreement. The purpose of the grant is to assess community needs, conduct outreach to enhance community resiliency, and measure resiliency increases in community capacity. The total amount of the grant is $63,800. Grant income recognized in the current year was $28,722.

NOTE 6 – CAPITAL ASSETS

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

Description	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Depreciated				
Land	$ 127,597	$ -	$ -	$ 127,597
Capital Assets Depreciated				
Buildings	25,589,424	-	433	25,588,991
Equipment at cost	3,311,858	34,665	596,183	2,750,340
Less accumulated depreciation	(1,813,339)	(1,034,109)	(552,915)	(2,294,533)
Total	27,087,943	(999,444)	43,701	26,044,798
Capital Assets, Net	$ 27,215,540	$ (999,444)	$ 43,701	$ 26,172,395

During the year 2016, the Center recorded depreciation expense in the amount of $1,034,109.

NOTE 6 – CAPITAL ASSETS (CONTINUED)

In 2014, construction of the new facility was completed and the related equipment and building costs were capitalized. During 2016, the Center performed a thorough review of fixed assets for the new facility. In order for the Center's fixed assets listing to accurately reflect the current capital assets, adjustments were made for removal of equipment from the old facility, resulting in a net loss on disposition of assets of $43,701.

NOTE 7 – MALPRACTICE INSURANCE

During 1976, the State of Louisiana enacted legislation that created a statutory limit of $500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The Center participates in the State Insurance Fund, which provides up to $400,000 coverage for settlement amounts in excess of $100,000 per claim.

NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Certain payments to vendors that relate to 2016 activity have been accrued. These payments will be made following the year end December 31, 2016.

NOTE 9 - RESTRICTED NET POSITION

At December 31, 2015 the Center reported a temporarily restricted fund balance of $22,328,734 for the unexpended portion of the Ad Valorem tax revenue along with the Ad Valorem tax receivable. The source of these funds was a special millage passed by the voters of Plaquemines Parish "*for the purpose of acquiring, constructing, improving, maintaining and/or operating hospital facilities and equipment of and for the District, for the dedicated purposes of renovating and modernizing the existing hospital facility and the existing medical office building adjacent to the hospital facility, new construction, medical campus and site improvement, capital equipment, maintenance and repair of facilities and equipment, new service start-up expenses, and professional and regulatory fees and expenses relative to the aforementioned items*" This special millage was approved by the voters of Plaquemines Parish in October 2010. The levy is currently 2.69 mills on all property subject to taxation for a period of ten years beginning with the year 2012 and ending with the year 2021. During 2016, the board sought and obtained a legal opinion regarding the permitted uses of the proceeds of the tax, specifically, if the tax proceeds may be used to pay the expenses of operating the hospital facilities owned by the District. The legal opinion stated that there was no limitation as to the type of expenses which are payable from the tax for hospital operations. Subsequent to receiving the legal opinion, all restrictions were released.

The Center first applies restricted resources when expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 10 - THIRD-PARTY PAYOR ARRANGEMENTS

The Center participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Center 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 11 – NET PATIENT SERVICE REVENUE

Net patient service revenue is patient revenue reported at the Center's established rates less contractual adjustment, policy discounts and bad debt expense.

Following is a summary of contractual and other adjustment to arrive at net patient service revenues for the year ended December 31, 2016:

Gross patient revenue	$ 1,633,360
Less: Bad debt	174,437
Contractual adjustments	541,529
Net patient revenue	$ 917,394

NOTE 12 – CONCENTRATIONS OF CREDIT RISK

Concentration of Credit Risk

The Center grants credit without collateral to its patients, most of who are residents of Plaquemines Parish and who are often insured under third-party payor agreements such as Medicare, Medicaid and Blue Cross. Any balances remaining after the third-party payors have completed their obligation are considered patient responsibility.

Economic Dependency

The Center is located in Port Sulphur, Louisiana and relies primarily on ad valorem taxes imposed by Plaquemines Parish Government.

NOTE 13 – PENSION PLAN

Plan Description

Employees of the Plaquemines Medical Center (the "Center") are provided with a pension through a cost-sharing, multiple-employer, defined benefit plan administered by the Parochial Employees' Retirement System of Louisiana (PERS). PERS is a state-wide public retirement system for the benefit of all employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elect to become members of PERS. PERS was established and provided for within LSA-RS 11:1901 through 11:2025. The plan is a qualified plan as defined by the Internal Revenue Service Code Section 401 (a), effective January 1, 1993. Membership in PERS is a condition of employment for the full-time employees of the Center

Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised PERS to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The Employees of the Center are members of Plan A. For the year ended December 31, 2014, there were 230 contributing employers in Plan A and 57 in Plan B. Statewide retirement membership consisted of:

	Plan A	Plan B	Total
Inactive plan members or beneficiaries receiving benefits	6,783	747	7,530
Inactive plan members entitled to but not yet receiving benefits	7,860	1,693	9,553
Active members	14,232	2,413	16,645
Total Participating as of the Valuation Date	28,875	4,853	33,728

NOTE 13 – PENSION PLAN (CONTINUED)

PERS administers a plan to provide retirement, disability, and survivor's benefits to eligible employees and their beneficiaries as defined in the plan. The age and years of creditable service (service) required in order for a member to receive retirement benefits are established by the plan and vary depending on the member's hire date.

PERS issues a publicly available financial report that includes financial statements and required supplementary information for the system for the fiscal year ended December 31, 2015. Access to the report can be found on the Louisiana Legislative Auditor's website, www.lla.la.gov, or by contacting the Parochial Employees' Retirement System of Louisiana, 7905 Wrenwood Boulevard, Baton Rouge, Louisiana. 70809.

Eligibility Requirements

All permanent Center employees who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

Retirement Benefits

A member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) years or more of creditable service
2. Age 55 with twenty five (25) years of creditable service
3. Age 60 with a minimum of ten (10) years of creditable service
4. Age 65 with a minimum of seven (7) years of creditable service

For employees hired after January 1, 2007:

1. Age 55 with thirty (30) years of service
2. Age 62 with ten (10) years of service
3. Age 67 with seven (7) years of service

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions as outlined in the statues, the benefits are limited to specified amounts.

Survivor Benefits

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit as outlined in the statutes.

NOTE 13 – PENSION PLAN (CONTINUED)

Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007 and has at least five (5) years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three (3) percent of the member's final average compensation multiplied by his/her years of service, not to be less than fifteen (15), or three (3) percent multiplied by years of service assuming continued service to age sixty.

Deferred Retirement Option Plan (DROP)

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Parochial Employees' Retirement System of Louisiana. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in DROP in which they are enrolled for three (3) years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his/her option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the DROP on or after January 1, 2004, all amounts which remain credited to the individuals subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return, or at the option of PERS, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the State or PERS, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

NOTE 13 – PENSION PLAN (CONTINUED)

Cost of Living Adjustments

The Board of Trustees (the "Board") is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are age sixty-five (65) equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older as provided in Louisiana Revised Statute 11:1937. Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Contributions

Contributions for all members are established by State statute at 9.5% of compensation for Plan A and 3.0% of compensation for Plan B. The contributions are deducted from the member's salary and remitted by the participating employer.

According to State statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2014, the actuarially determined contribution rate was 13.07% of member's compensation for Plan A and 8.60% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2014 was 16.00% for Plan A and 9.25% for Plan B.

According to State statute, PERS also receives ¼ of 1% of ad valorem taxes collected within the respective parishes except for Orleans and East Baton Rouge parishes. PERS also receives revenue sharing funds each year as appropriated by the Louisiana Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-contributing entities.

Administrative costs of PERS are financed through employer contributions.

The Center's employer and employee contributions to PERS for the measurement date fiscal year ended December 31, 2015 were as follows:

Source	Contribution Amount	Covered Payroll	Percent of Covered Payroll
Employee	$ 113,164	1,191,203	9.5%
Employer	172,724	1,191,203	14.5%
	$ 285,889		

NOTE 13 – PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the Center reported a liability of $547,945 for its proportionate share of the PERS Net Pension Liability (NPL). The NPL for PERS was measured as of December 31, 2015, and the total pension liability used to calculate the NPL was determined based on an actuarial valuation as of that date. The Center's proportion of the NPL was based on a projection of the Center's long-term share of contributions to the pension plan relative to the projected contribution of all participating employers, actuarially determined. As of December 31, 2015, the most recent measurement date, the Center's proportion was 0.208163%, an increase 0.053138% % from the December 31, 2014 proportion.

For the year ended December 31, 2016, the Center recognized a total pension expense of $233,316. This amount was made up of the following:

Components of Pension Expense	Amount
Center's pension expense per the PERS	$ 234,796
Center's amortization of actual contributions over its propottionate share of contribution	(1,480)
Total Pension Expense Recognized by the Center	$ 233,316

At year end, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 87,083
Differences between projected and actual investment earnings	501,385	-
Change in assumptions	122,091	-
Change in proprotionate share of the NPL	279	6,884
Differences between the District's contributions and its proportionate share of contributions		3,301
Center's contributions subsequent to the December 31, 2015 measurement date	189,179	-
	$ 812,934	$ 97,268

NOTE 13 – PENSION PLAN (CONTINUED)

Deferred outflows of resources related to pensions resulting from the Center's contributions subsequent to the measurement date in the amount of $189,179 will be recognized as a reduction of the PERS NPL in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended December 31,	Amount of Amortization
2016	$ 137,955
2017	137,957
2018	147,385
2019	103,190

Actuarial Assumptions

The current year actuarial assumptions utilized for this report are based on the assumptions used in the December 31, 2015 actuarial valuation, which (with the exception of mortality) were based on results of an actuarial experience study for the period January 1, 2010 to December 31, 2014, unless otherwise specified.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2015, are as follows:

NOTE 13 – PENSION PLAN (CONTINUED)

Description	Assumptions / Methods
Valuation Date	December 31, 2015
Acturial Cost Method	Plan A & B - Entry Age Normal
Investment Rate of Return	7.00% (Net of investment expense), including inflation
Expected Remaining Service Lives	4 years
Projected Salary Increases	Plan A & B - 5.25% (2.75% Merit / 2.50% Inflation)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits being paid by PERS and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees
Mortality	RP-2000 Employee Sex Distinct Table was selected for active members. RP-2000 Healthy Annuitant Sex Distinct Mortality Tables was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

Change in Assumptions

Amounts reported in fiscal year ended December 31, 2015 for the PERS reflect adjustments in the (a) discount rate used to measure the total pension liability, (b) inflate rate, (c) project salary increases. The discount rate for the System was reduced by .250% to 7.00% as of the valuation date December 31, 2015. The inflation rate was reduced from 3.00% to 2.50% as of the valuation date December 31, 2015. The project salary increases rate decreased from 5.75% to 5.25% as of the valuation date December 31, 2015.

The Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.55% for the year ended December 31, 2015.

Best estimates of arithmetic real rates of return for each major asset class included in the PERS's target asset allocation as of December 31, 2015 are summarized in the following table:

NOTE 13 – PENSION PLAN (CONTINUED)

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed income	34%	1.06%
Equity	51%	3.56%
Alternatives	12%	0.74%
Real assets	3%	0.19%
Totals	100%	5.55%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.55%

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the PERS's liabilities.

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for Plan A and 7.00% for Plan B. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the PERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 13 – PENSION PLAN (CONTINUED)

Sensitivity of the Proportionate Share of the NPL to Changes in the Discount Rate

The following presents the Center's proportionate share of the NPL using the current discount rate of 7.00%, as well as what the Center's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage higher than the current rate.

	Changes in Discount Rate 2015		
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Center's Proportionate Share of the Net Pension Liability	$ 1,372,801	$ 547,945	$ (149,158)

Pension Plan Fiduciary Net Position

The components of the net position liability of PERS employers as of December 31, 2015, are as follows:

	Plan A	Plan B
Total Pension Liability	$ 3,387,821,896	$ 272,907,932
Plan Fiduciary Net Position	3,124,593,132	255,103,397
Net Pension Liability	$ 263,228,764	$ 17,804,535

Detailed information about PERS's fiduciary net position is available in the separately issued December 31, 2015 financial report. This report can be found on the Louisiana Legislative Auditor's website (www.lla.la.gov) in the database of reports.

Payables to the Pension Plan

At December 31, 2016, the Center had $90,862 in payables to PERS for the fourth quarter 2016 employee ($38,364) and employer ($52,498) legally required contributions. The employer amount is accrued as a payable at year end and is also included in the deferred outflows figure since it is included as contributions made subsequent to the December 31, 2015 measurement date...

NOTE 14 –CONTINGENCIES

The Center's legal representatives have reviewed all litigation and claims in order to evaluate the likelihood of an unfavorable outcome to the Center and arrive at an estimate of the amount of potential loss to the Center. At December 31, 2016, as a result of this review, in the opinion of the Center's legal representatives, there are no claims with a probable unfavorable outcome that exceed limits of available coverage; therefore, no provisions have been made in the financial statements for loss contingencies.

NOTE 15 –POST EMPLOYMENT BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Center provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured on or before the first day of the month for the actual month covered. This program is offered for duration of 18 months after the termination date. There is no associated cost to the Center under this program, and there are no participants in the program as of December 31, 2016.

NOTE 16 – AMOUNTS PAID TO GOVERNING BOARD MEMBERS

The Hospital Board of Commissioners received the following compensation from the Center for services as Commissioners during the year ended December 31, 2016:

Dale Adams	$ 440
Brigette Belair	360
Virgie Encalage	360
Stanley Gaudet	440
Norma Lafrance	280
Mena Marinovich	440
Brandon Taylor	240
Bonnie Thomas	320
Daniel Trosclair	240
	$ 3,120

NOTE 17 – FINANCIAL DATA OF COMPONENT UNIT

The condensed financial statement data of Plaquemines Primary Care, Inc. for the year ended December 31, 2016 is shown below in the following statements: (1) condensed statement of net position; (2) condensed statement of revenues, expenses, and change in net position; (3) statement of cash flows.

PLAQUEMINES PRIMARY CARE, INC.
Condensed Statement of Net Position
For the Year Ended December 31, 2016

Assets		
Current assets	$	55,524
Capital assets-net		18,990
Total Assets	$	74,514
Liabilities		
Current liabilities	$	3,358
Due to Plaquemines Medical Center		336,270
Total Liabilities		339,628
Net Position		
Restricted (deficit)		(265,114)
Unrestricted		-
Total Net Position		(265,114)
Total Liabilities and Net Position	$	74,514

NOTE 17 – FINANCIAL DATA OF COMPONENT UNIT (CONTINUED)

PLAQUEMINES PRIMARY CARE, INC.
Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended December 31, 2016

Operating Revenue	
Net patient service revenue	$ 145,912
Operating Expenses	
Salaries & employee benefits	231,464
Supplies, contract services, equipment, and fees	14,998
Other operating expenses	74,886
Depreciation	6,316
Total Operating Expenses	327,664
Operating Loss	(181,752)
Non-Operating Revenues	
Grant Income	105,648
Other	6
Total Non-Operating Revenues	105,654
Change in Net Position	(76,098)
Net Position-Beginning	(180,016)
Net Position-Ending	$ (256,114)

NOTE 17 – FINANCIAL DATA OF COMPONENT UNIT (CONTINUED)

PLAQUEMINES PRIMARY CARE, INC.
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash Flows from Operating Activities:		
Revenue collected	$	150,224
Cash payments to employees and for employee-related costs		(145,194)
Cash payments for operating expenses		(108,801)
Net Cash Used in Operating Activities		(103,771)
Cash Flows from Non-Capital Financing Activities:		
Grant Income		89,555
Other		6
Net Cash Provided by Non-Capital Financing Activities		89,561
Cash Flows from Capital And Related Financing Activities:		
Purchase of capital assets (property, plant and equipment)		(19,190)
Net Cash Used in Capital and Related Financing Activities		(19,190)
Net Decrease in Cash and Cash Equivalents		(33,400)
Cash and Cash Equivalents, Beginning of Year		55,239
Cash and Cash Equivalents, End of Year	$	21,839
Reconciliation of Loss from Operations to Net Cash Used in Operating Activities:		
Operating loss	$	(181,752)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		6,316
Bad Debt Expense		6,333
Changes in operating assets and liabilities		
Accounts receivable		(2,022)
Accounts payable and accrued expenses		67,354
Net cash used in operating activities	$	(103,771)

REQUIRED SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY
For The Year Ended December 31, 2016

Year ended December31	Plan	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position As a Percentage of the Total Pension Liability
2015	PERS Plan A	0.155025%	$ 42,385	$ 844,000	5.0%	99.1%
2016	PERS Plan A	0.208163%	$ 547,945	$ 1,191,203	46.0%	108.4%

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
For The Year Ended December 31, 2016

Year ended December31	Plan	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	PERS Plan A	$ 172,724	$ 172,724	$ -	$ 1,191,203	14.5%
2016	PERS Plan A	$ 189,179	$ 189,179	$ -	$ 1,458,617	13.0%

OTHER SUPPLEMENTAL INFORMATION

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
For The Year Ended December 31, 2016

Agency Head: Leslie Prest

Purpose	Amount
Salary	$ 101,968
Benefits-Insurance	7,367
Benefits-Retirement	13,256
Benefits-Life Insurance	168
Travel	3,697
	$ 126,456

COMPLIANCE AND INTERNAL CONTROL SECTION

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

To the Board of Commissioners
Hospital Service District Number 1 of Plaquemines Parish, Louisiana
d/b/a Plaquemines Medical Center

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 the business type activities of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center (the Center) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated June 28, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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.*

However, we noted certain matters that we reported to the management of the Center, in a separate letter dated June 28, 2017.

The Center's Response

The Center's response to the advisory comment identified in our audit is described in the accompanying schedule of findings and responses. The Center'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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under the Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Camnetar & Co.

Camnetar & Co., CPAs
a professional accounting corporation

Gretna, Louisiana
June 28, 2017

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2016

We have audited the financial statements of the Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center as of and for the year ended December 31, 2016, and have issued our report thereon dated June 28, 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. Our audit of the financial statements as of December 31, 2016, resulted in an unqualified 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 ☒ No Significant Deficiencies ☐ Yes ☒ No

Compliance
Compliance Material to Financial Statements ☐ Yes ☒ No

Was a management letter issued? ☒ Yes ☐ No

b. Federal Awards

The Hospital Service District Number 1 of Plaquemines Parish, Louisiana d/b/a Plaquemines Medical Center did not expend federal awards exceeding $750,000 during the year ended December 31, 2016, and therefore is exempt from the audit requirements under the Uniform Guidance.

Section II Financial Statement Findings

A – Issues of Noncompliance

None

B – Significant Deficiencies

None

C – Material Weaknesses

None

Section III – Management Letter

2016-1 Written Procedure for General Ledger Reconciliation

Albeit, the Center has a strong written accounting policies and procedures manual. The manual does not have a written procedure supporting the general ledger reconciliation policy. We suggest the Center develop and implement written procedures regarding general ledger reconciliations.

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
SCHEDULE OF PRIOR YEAR FINDINGS
For The Year Ended December 31, 2016

Section I – Internal Control and Compliance Material to the Financial Statements

No prior year findings regarding internal control and compliance material to the financial statements.

Section II - Financial Statement Findings

A – Issues of Noncompliance

No prior year findings regarding issues of noncompliance.

B – Significant Deficiencies

2015-1 Fixed Asset Management

The Center has acquired a computer program to identify, tag, and track its fixed assets. Initial entry of assets into the program was contracted to the Center's construction management firm. Upon completion of the project, assets on the list did not reconcile to the Center's general ledger. The difference between the detail listing and the general ledger was not considered material in relation to the Center's fixed asset accounts but were substantial in amount. These differences can be due to a number of factors including assets included in the general ledger that have been abandoned, destroyed or otherwise disposed of as well as assets on the list which were not capitalized in the Center's general ledger system. We feel the Center should engage a qualified professional with proper accounting skills to reconcile the differences and make the necessary adjustments to the general ledger system and or to the fixed asset listing.
(Resolved)

C – Material Weaknesses

No prior year findings of material weaknesses

Section III – Management Letter

2015-2 Legal Opinion on Millage

The Center collects a millage of 3.00 mills dedicated for the purpose of starting new programs, offering additional services and for capital expenditures related to equipment acquisitions and facility renovations. The millage was passed in 2002 and renewed in 2012. Due to the vague language in the millage, questions persist as to what expenditures are eligible to be funded from the millage on an ongoing basis, such as, but not limited to, increased cost to maintain, insure, and operate new equipment, new facilities constructed, and funding of new positions created to deliver services and operate the facility. We feel that the Center should engage its legal counsel to assist in defining specifically the types of expenditures that are eligible for millage funding.
(Resolved)

Section III – Management Letter (continued)

2015-3 Monthly Closing of the Books and Password Protection

The Center currently does not currently close the books on a monthly basis. We believe a system of closing the month after the monthly reconciliations are complete should be established. We also recommend using a password to ensure that controls are in place to prevent prior transactions from being changed or edited once the month has been closed. *(Resolved)*

HOSPITAL SERVICE DISTRICT NUMBER 1
OF
PLAQUEMINES PARISH, LOUISIANA
d/b/a
PLAQUEMINES MEDICAL CENTER
MANAGEMENT'S CORRECTIVE ACTION PLAN
For The Year Ended December 31, 2016

Section III – Management Letter

2016-1 Written Procedure for General Ledger Reconciliation

Albeit, the Center has a strong written accounting policies and procedures manual. The manual does not have a written procedure supporting the general ledger reconciliation policy. We suggest the Center develop and implement written procedures regarding general ledger reconciliations.

Management's Response

As noted, the Center has strong written accounting policies and procedures. Management agrees to the advisory comment and will develop and implement a written procedure regarding general ledger reconciliations to support the Center's general ledger reconciliation policy.