JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2015

Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2015

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P&N Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
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Independent Auditors' Report

Members of the Parish Council
Jefferson Parish, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Jefferson Parish Hospital Service District No. 1 (the Service District), a component unit of Jefferson Parish, as of and for the three months ended December 31, 2015 and the nine months ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Service District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Service District as of December 31, 2015 and September 30, 2015, and the respective changes in financial position and cash flows for the three months ended December 31, 2015 and the nine months ended September 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Cooperative Endeavor Agreement

As described in Note 13 to the financial statements, effective October 1, 2015, the Service District entered into a Master Hospital Lease agreement to lease West Jefferson Medical Center to West Jefferson Holdings, LLC, a Louisiana limited liability company, of which Louisiana Children's Medical Center is the sole member. Our opinions are not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and supplementary information on pages 4 through 21 and 58 through 59 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 Service District's basic financial statements. The schedule of compensation, benefits, and other payments to the Agency Head on page 60 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This schedule 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 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, 2016 on our consideration of the Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service District's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
June 28, 2016

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND SEPTEMBER 30, 2015

This section of Jefferson Parish Hospital Service District No. 1's (the Service District), a component unit of Jefferson Parish, annual financial report provides important background information and management's analysis of the Service District's financial performance during the three months ended December 31, 2015 and the nine months ended September 30, 2015. Please read this section in conjunction with the basic financial statements beginning on page 22 and the notes to the basic financial statements beginning on page 28 in this report. Also, please note that the comparative periods are for three months versus nine months of 2015.

FINANCIAL HIGHLIGHTS

Service District - Financial Highlights for the Three Months Ended December 31, 2015

A Cooperative Endeavor Agreement ("CEA") was executed by and among Louisiana Children's Medical Center (a Louisiana non-profit corporation, ("LCMC")); West Jefferson Holdings, LLC ("WJH") (a Louisiana limited liability company, of which LCMC is the sole member ("Newco")); and Jefferson Parish Hospital District No.1, Parish of Jefferson, State of Louisiana, d/b/a West Jefferson Medical Center (the "Service District"), dated February 26, 2015 (referred to herein as the "Parties" and each, as a "Party"). Children's Hospital of New Orleans, a Louisiana nonprofit corporation ("Children's"), entered into the CEA solely for purposes of its obligations under Sections 5.3 and 12.3(c).

Effective October 1, 2015, the financial statements of the Service District no longer contain the operations of the hospital, including and not limited to, net patient accounts receivable, hospital inventory, investments in joint ventures, net patient service revenue, salaries, wages, and benefits of hospital employees, along with any other items related to the operations of the Facilities. The employees of West Jefferson Medical Center are not employees of the Service District. See Note 13 for further details.

The following summarizes the Service District's financial highlights for the three months ended December 31, 2015.

The Service District had a loss from operations of $12.4 million for the three months ended December 31, 2015, compared to a loss from operations of $19.4 million for the nine months ended September 30, 2015. The net patient service revenue was $144.4 million for the nine months ended September 30, 2015 with no such revenue being recorded during the three months ended December 31, 2015 due to the execution of the Master Hospital Lease. Reimbursement from payors is dependent on many factors including payor mix, acuity of patients, length of stay, etc. In the first nine months of 2015, the Service District was reimbursed approximately 22% of billed charges which represented a slight decrease from the prior period.

Pursuant to the CEA, $1.111 million of lease income is recognized in the three months ended December 31, 2015.

Operating expenses totaled $13.5 million for the three months ended December 31, 2015, compared to $178.2 million for the nine months ended September 30, 2015. Pursuant to the CEA and Master Hospital Lease, salaries and wages, medical and general supplies, and purchased services reduced to zero for the three months ended December 31, 2015. Expenses for the three month period are related to liabilities assumed pursuant to the CEA which include employee benefits and insurance and depreciation related to the leased assets.

Total assets decreased by approximately $86.0 million from September 30, 2015 to December 31, 2015 as the Service District retained cash, deferred charges related to the pension plan, and excess of acquisition costs over net position acquired (See Note 4). Most receivables, inventory, and other assets where transferred to WJH pursuant to the CEA.

Total liabilities decreased by approximately $41.5 million from September 30, 2015 to December 31, 2015. Most current liabilities were assumed by WJH pursuant to the CEA while the Service District retained the liability for certain employee benefits. A potential settlement amount related to Specified Working Capital pursuant to the CEA is recorded at December 31, 2015 along with amounts due to WJH and Jefferson Parish. Long-term liabilities recorded at December 31, 2015 are related mostly to advance lease payments and net pension liability.

Pension Trust Fund - Financial Highlights for the Nine Months Ended September 30, 2015

The Plan's net position decreased by approximately $0.5 million during the three months ended December 31, 2015 due to distributions in excess of investment income. The Plan's net position decreased $3.2 million during the nine months ended September 30, 2015 primarily due to the net depreciation of the market value of Plan's assets.

No employer contributions were made to the Plan during the three months ended December 31, 2015. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The Plan's investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which increased by $152,164 due to investment income offset by benefit payments and Plan administrative expenses. Liabilities increased by $764,307 due to the increase in the benefits payable of $497,867 due to a delay in processing retirement applications and the increase in unpaid consulting fees.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements – Enterprise Fund

The Basic Financial Statements in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles.

The statements of net position include all of the Service District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Service District is improving or deteriorating.

All of the current year's revenues and expenses are accounted for in the statements of changes in net position. These statements measure changes in the Service District's operations over the current and prior period and can be used to determine whether the Service District has been able to recover all of its costs through its patient service revenue and other revenue sources.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Service District's cash from operating, investing, and financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The financial statements provide both long-term and short-term information about the Service District's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Service District's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of changes in net position. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of the Service District are included in the statements of net position.

The statements of net position and the statements of revenues, expenses, and changes in net position report information about the Service District's activities. Increases or decreases in the Service District's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Fund Financial Statements - Pension Trust Fund

The Service District's fund financial statements include its pension trust fund. As a fiduciary fund, the pension trust fund is held for the benefit of employees and retirees of the Service District. The pension trust fund is not reflected in the government wide financials because the resources are not available to the Service District for its activities. The accounting for the pension trust fund is much like that used by the enterprise fund. The statements are followed by required supplementary information.

FINANCIAL ANALYSIS - ENTERPRISE FUND

2015 Statements of Net Position - Enterprise Fund

Table 1A presents a summary of the financial changes to the Service District for the period ended December 31, 2015 as compared to period ended September 30, 2015. The Service District's total assets decreased by $86.0 million, or 25.0%, from $343.7 million at September 30, 2015 to $257.7 million at December 31, 2015. The Service District's total assets and deferred outflows of resources decreased by $86.8 million, or 24.7%, from $351.3 million at September 30, 2015 to $264.5 million at December 31, 2015.

TABLE 1A
Condensed Statements of Net Position

	December 31 2015	September 30 2015	Dollar Change	Percent Change
Total current assets	$ 3,717,182	$ 72,602,725	$ (68,885,543)	-94.9%
Board-designated investments	93,380,309	96,171,500	(2,791,191)	-2.9%
Restricted cash held in escrow	20,000,000	20,002,401	(2,401)	N/A
Property, plant, and equipment, net	140,620,508	146,627,041	(6,006,533)	-4.1%
Other assets	-	8,326,533	(8,326,533)	-100.0%
Total assets	257,717,999	343,730,200	(86,012,201)	-25.0%
Deferred outflows	6,805,553	7,587,980	(782,427)	-10.3%
Total assets and deferred outflows	$ 264,523,552	$ 351,318,180	$ (86,794,628)	-24.7%
Current Liabilities	$ 3,365,370	$ 19,337,731	$ (15,972,361)	-82.6%
Long-term liabilities	265,798,172	291,311,231	(25,513,059)	-8.8%
Total liabilities	269,163,542	310,648,962	(41,485,420)	-13.4%
Net position (deficit)	(4,639,990)	40,669,218	(45,309,208)	-111.4%
Total liabilities and net position	$ 264,523,552	$ 351,318,180	$ (86,794,628)	-24.7%

Current Assets

Current assets decreased by $68.9 million from September 30, 2015 to December 31, 2015. The decrease is due to the execution of the CEA and Master Lease Agreement. See Note 13 to the financial statements for additional information.

Board-designated Cash and Investments

Board-designated cash and investments decreased by approximately $2.8 million due to changes in fair market value.

Property, Plant and Equipment

Table 2A presents the components of property, plant, and equipment at December 31, 2015 and September 30, 2015. During the three months ended December 31, 2015, net property, plant, and equipment decreased by approximately $6.0 million, or 4.1% due to depreciation expense.

Construction in progress decreased by approximately $7.8 million, or 86.9%, as assets were capitalized as they were put in service.

TABLE 2A
Property, Plant and Equipment

	December 31 2015	September 30 2015	Dollar Change	Percent Change
Land and land improvements	$ 25,687,480	$ 25,687,480	$ -	0.0%
Building and fixed equipment	223,217,463	220,390,566	2,826,897	1.3%
Equipment	219,372,102	214,612,454	4,759,648	2.2%
Subtotal	468,277,045	460,690,500	7,586,545	1.6%
Less accumulated depreciation	(328,827,898)	(323,009,269)	(5,818,629)	1.8%
Construction in progress	1,171,361	8,945,810	(7,774,449)	-86.9%
Property, plant, and equipment, net	$ 140,620,508	$ 146,627,041	$ (6,006,533)	-4.1%

In Table 3A, the fiscal year 2016 capital budget includes spending of up to $21.9 million for capital projects. These projects represent primarily equipment purchases and will be funded through Louisiana Children's Medical Center ("LCMC") as part of the Master Hospital Lease described in Note 13. More information about the Service District's capital assets is presented in the Notes to the Financial Statements.

TABLE 3A
LCMC Fiscal Year 2016 Capital Budget

Equipment and technology purchases	$ 8,659,395
Construction / renovations	4,016,256
Patient care equipment	9,212,417
	$ 21,888,068

Other Assets

Other assets are reduced to zero, a reduction of $8.3 million, due to the execution of the CEA and Master Hospital Lease as described in Note 13.

Deferred Outflows of Resources

Deferred outflows of resources decreased by $0.8 million, or 10.3%. Deferred charges related to the net pension liability decreased $0.7 million to $3.4 million.

Current Liabilities

Total current liabilities decreased by $16.0 million due to the execution of the CEA and Master Hospital Lease. Current liabilities recorded at December 31, 2015, include certain employee benefits assumed, amounts owed to Jefferson Parish for the prisoner medical unit, and amounts potentially owed to WJH as part of the CEA and Master Hospital Lease. See Note 13 to the financial statements for more information.

Long-Term Debt

The Service District's long-term debt, excluding current installments, was $0 at December 31, 2015, and September 30, 2015 due to the defeasance of all outstanding obligations on September 30, 2015. See Note 6 to the financial statements for more information.

Net Position (Deficit)

Table 4A presents the components of the Service District's net position at December 31, 2015 and September 30, 2015:

TABLE 4A
Components of Net Position (Deficit)

	December 31 2015	September 30 2015	Dollar Change	Percent Change
Net investment in capital assets	$ 140,620,508	$ 146,627,041	$ (6,006,533)	-4.1%
Restricted	20,000,000	20,001,151	(1,151)	0.0%
Unrestricted	(165,260,498)	(125,958,974)	(39,301,524)	31.2%
Total net position (deficit)	$ (4,639,990)	$ 40,669,218	$ (45,309,208)	-111.4%

2015 Statements of Revenues, Expenses, and Changes in Net Position - Enterprise Fund

The following discussion refers to the summarized activity presented in the Service District's Condensed Statements of Revenues, Expenses, and Changes in Net Position in Table 5A for the three months ended December 31, 2015 and the nine months ended September 30, 2015.

Operating Revenue

Operating revenue decreased by approximately $157.7 million for the three months ended December 31, 2015. Pursuant to the CEA and Master Hospital lease, results of operations of WJMC were no longer recorded in the Service District's financial statements. For the three month period ending December 31, 2015, revenues include mostly $1.111 million of lease income.

TABLE 5A

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Three Months Ended December 31, 2015 and Nine Months Ended September 30, 2015

	December 2015	September 2015	Dollar Change	Percent Change
Operating revenue	$ 1,115,110	$ 158,818,126	$ (157,703,016)	-99.3%
Operating expenses	13,478,347	178,243,494	(164,765,147)	-92.4%
Operating income (loss)	(12,363,237)	(19,425,368)	7,062,131	-36.4%
Total investment income (loss)	(240,590)	325,364	(565,954)	-173.9%
Interest expense	-	(5,769,261)	5,769,261	-100.0%
Loss of bond defeasance	-	(30,093,165)	30,093,165	-100.0%
Loss of transfer of assets and liabilities	(30,323,297)	-	(30,323,297)	100.0%
Other income (expense)	843,703	(757,329)	1,601,032	-211.4%
Transfer to Jefferson Parish Hospital Service District No. 2	(2,975,787)	-	-	100.0%
Assessments by Jefferson Parish and support to others	(250,000)	(750,000)	500,000	-66.7%
Change in net position	(45,309,208)	(56,469,759)	11,160,551	-19.8%
Net position, beginning of year	40,669,218	97,138,977	(56,469,759)	-58.1%
Net position (deficit), end of period	$ (4,639,990)	$ 40,669,218	$ (45,309,208)	-111.4%

Operating Expenses

Operating expenses were $13.5 million for the three months ended December 31, 2015 compared to $178.2 million for the nine months ended September 30, 2015. Pursuant to the CEA and Master Hospital Lease, salaries and wages, medical and general supplies, and purchased services reduced to zero for the three month ended December 31, 2015. Other expenses for the three month period are related to liabilities assumed pursuant to the CEA which include employee benefits, insurance, and depreciation related to the leased assets.

Non-Operating Income (Expenses)

The Service District maintains investments that are shown in its Statements of Net Position as both board-designated trustee-held and restricted funds. These funds are invested primarily in money market funds and securities issued by the U.S. Treasury, government entity bonds, and other U.S. Government agencies.

The Service District had net investment loss of $240,590 for the three months ended December 31, 2015 compared to net investment income of $325,364 for the nine months ended September 30, 2015.

The interest expense for the three months ended December 31, 2015 was $0 compared to $5.8 million for the nine months ended September 30, 2015 due to the defeasance of all bonds on September 30, 2015. There was a loss on transfer of balance sheet items of $30.3 million for the three months ended December 31, 2015. See Note 13 for more information.

Pension Trust Fund

2015 Net Position

Net position of the Medical Center's pension trust fund at December 31, 2015 was approximately $57.1 million, a 0.9% decrease from September 30, 2015. Plan net position decreased by $0.5 million from September 30, 2015 to December 31, 2015 primarily due to distributions in excess of investment income; however, the value of the investments increased during the three month period.

Table 6A
Retirement Plan for Employees of West Jefferson Medical Center
Plan Net Position

	December 31 2015	September 30 2015	Increase (Decrease)	Increase (Decrease)
Cash and investments	$ 57,784,736	$ 57,632,572	$ 152,164	0.3%
Receivables	110,771	11,540	99,231	859.9%
Total assets	57,895,507	57,644,112	251,395	0.4%
Total liabilities	803,582	39,275	764,307	1946.0%
Plan net position	$ 57,091,925	$ 57,604,837	$ (512,912)	-0.9%

2015 Changes in Net Position

Table 7A presents a summary of changes in Plan net position for the three months ended December 31, 2015. Contribution amounts needed to fund the Plan are determined by an independent actuary.

Table 7A
Retirement Plan for Employees of West Jefferson Medical Center
Change in Plan Net Position
Three Months Ended December 31, 2015 and Nine Months Ended September 30, 2015

	December 2015	September 2015	Increase (Decrease)	Increase (Decrease)
Additions:				
Contributions	$ -	$ 3,601,769	$ (3,601,769)	-100.0%
Net income (loss) on investments	1,889,135	(1,944,106)	3,833,241	-197.2%
Total additions	1,889,135	1,657,663	231,472	14.0%
Deductions:				
Administrative expenses	(314,653)	(226,709)	(87,944)	38.8%
Benefits	(2,087,394)	(4,663,781)	2,576,387	-55.2%
Total deductions	(2,402,047)	(4,890,490)	2,488,443	-50.9%
Change in net position	(512,912)	(3,232,827)	2,719,915	-84.1%
Plan net position, beginning of year	57,604,837	60,837,664	(3,232,827)	-5.3%
Plan net position, end of period	$ 57,091,925	$ 57,604,837	$ (512,912)	-0.9%

FINANCIAL HIGHLIGHTS

Service District - Financial Highlights for the Nine Months Ended September 30, 2015

The following summarizes the Service District's financial highlights for the nine months ended September 30, 2015.

The Service District had a loss from operations of $19.4 million for the nine months ended September 30, 2015 compared to a loss from operations of $29.1 million for the year ended December 31, 2014. The net patient service revenue was $144.4 million for the nine months ended September 30, 2015 compared to $219.5 million for the year ended December, 31 2014. Reimbursement from payors is dependent on many factors including payor mix, acuity of patients, length of stay, etc. In 2014, the Service District was reimbursed approximately 23% of billed charges; the percentage decreased to 22% for the first nine months of 2015.

As part of the Budget Control Act, Medicare has reduced all payments to providers by 2% effective with all discharges on or after April 1, 2013. Unless action is taken, this reduced reimbursement will be in place until the year 2022. The impact to the Service District for the first nine months of 2015 was approximately $1,500,000 in reduced net patient revenue and cash collections compared to approximately $2,000,000 in reduced net patient revenue and cash collections for 2014.

Both issues of reduced admissions and reduced reimbursements are not specific to the Service District, but rather are being felt throughout the hospital industry.

Operating expenses totaled $178.2 million for the nine months ended September 30, 2015 compared to $263.3 million for the twelve months ended December 31, 2014. The areas with the largest decreases were purchased services and employee compensation and benefits. Annualized purchased services for the nine months ended September 30, 2015 are consistent with year ended December 31, 2014. Employee compensation and benefits expense for the nine months ended September 30, 2015, when annualized, decreased by approximately 20% compared to 2014. Employee benefits expense for 2014 is higher than 2013 and 2015 because of change in assumptions used in the calculation of the pension liability in 2014.

Assets increased by approximately $17.4 million from December 31, 2014 to September 30, 2015.

Current assets exceed current liabilities by $53.3 million at September 30, 2015 compared to $35.7 million at December 31, 2014, as there was no cash required for current liabilities.

Total assets and deferred outflows of resources increased to $351.3 million at September 30, 2015 from $333.7 million at December 31, 2014. Prepaid expenses increased $7.6 million primarily due to an increase in the deposits for Intergovernmental Transfer and Upper Payment Limit balances offset by a decrease in prepaid expenses compared to December 31, 2014 while property, plant, and equipment decreased by $5.5 million as depreciation outpaced additions to property, plant, and equipment.

Total current liabilities decreased by $19.3 million which is mainly attributable to the decrease of accounts payable and accrued expenses by $12.4 million due to the timing of payment of invoices and a decrease of bond interest payable and current installments of long term debt by $7.1 million due to the defeasance of all outstanding bond issues.

Assets and deferred outflows of resources of the Service District exceeded liabilities by $40.7 million at September 30, 2015 compared to $97.1 million at December 31, 2014 primarily due to the advance lease payment of $200 million and the defeasance of all outstanding bonds using proceeds of the advance lease payment at a loss of $30.1 million. See Note 13 to the financial statements.

Pension Trust Fund - Financial Highlights for the Nine Months Ended September 30, 2015

The Plan's net position decreased by approximately $3.2 million during the nine months ended September 30, 2015 primarily due to the net depreciation of the market value of Plan's assets. In 2014, the Plan's net position increased by approximately $1.9 million.

The Plan's employer contribution increased by approximately $144,000 during the nine months ended September 30, 2015. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The Plan's investments consist primarily of cash equivalents, fixed income mutual funds, equity mutual funds and money market funds, which decreased by approximately $3.2 million for the nine months ended September 30, 2015 due to unrealized losses to the equity and money market mutual funds, distribution of benefits to Plan participants, and plan administrative expenses which were partially offset by employer contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements – Enterprise Fund

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The statements of net position and the statements of revenues, expenses, and changes in net position report information about the Service District's activities. Increases or decreases in the Service District's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Fund Financial Statements - Pension Trust Fund

The Service District's fund financial statements consist of its pension trust fund. As a fiduciary fund, the pension trust fund is held for the benefit of employees and retirees of the Service District. The pension trust fund is not reflected in the government wide financials because the resources are not available to the Service District for its activities. The accounting for the pension trust fund is much like that used by the enterprise fund. The statements are followed by required supplementary information.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND SEPTEMBER 30, 2015

FINANCIAL ANALYSIS - ENTERPRISE FUND

2015 and 2014 Statements of Net Position - Enterprise Fund

Table 1B presents a summary of the financial changes to the Service District in 2015 as compared to 2014. The Service District's total assets and deferred outflows of resources increased by $17.7 million, or 5.3%, from $333.7 million at December 31, 2014 to $351.3 million at September 30, 2015.

TABLE 1B - September 2015 vs. December 31, 2014
Condensed Statements of Net Position

	September 30 2015	December 31 2014	Dollar Change	Percent Change
Total current assets	$ 72,602,725	$ 74,320,243	$ (1,717,518)	-2.3%
Board-designated investments	96,171,500	68,640,654	27,530,846	40.1%
Trustee-held assets	-	23,808,340	(23,808,340)	-100.0%
Restricted cash held in escrow	20,002,401	-	20,002,401	N/A
Property, plant, and equipment, net	146,627,041	152,121,581	(5,494,540)	-3.6%
Other assets	8,326,533	7,391,343	935,190	12.7%
Total assets	343,730,200	326,282,161	17,448,039	5.3%
Deferred outflows	7,587,980	7,375,882	212,098	2.9%
Total assets and deferred outflows	$ 351,318,180	$ 333,658,043	$ 17,660,137	5.3%
Current Liabilities	$ 19,337,731	$ 38,659,843	$ (19,322,112)	-50.0%
Long-term debt and other long-term liabilities	291,311,231	197,859,223	93,452,008	47.2%
Total liabilities	310,648,962	236,519,066	74,129,896	31.3%
Net position	40,669,218	97,138,977	(56,469,759)	-58.1%
Total liabilities and net position	$ 351,318,180	$ 333,658,043	$ 17,660,137	5.3%

Current Assets

Current assets decreased by $1.7 million from December 31, 2014 to September 30, 2015. There was a decrease in cash and cash equivalents and designated cash and investments that are required for current liabilities of $9.2 million partially offset by a corresponding increase of approximately $7.6 million in prepaid expenses.

Board-designated Cash and Investments

Board-designated cash and investments increased by approximately $27.5 million due to the advance rent payment from the Master Lease Agreement. See Note 13 to the financial statements for additional information.

Trustee-held Investments

The decrease in trustee-held assets is due to the defeasance of all outstanding bond issues.

Property, Plant and Equipment

Table 2B presents the components of property, plant, and equipment at September 30, 2015 and December 31, 2014. During the nine months ended September 30, 2015, net property, plant, and equipment decreased by approximately $5.5 million, or 3.6% as depreciation outpaced additions to property, plant, and equipment.

Construction in progress decreased by approximately $2.0 million, or 18.3%, as assets were capitalized as they were put in service.

TABLE 2B
Property, Plant, and Equipment

	September 30 2015	December 31 2014	Dollar Change	Percent Change
Land and land improvements	$ 25,687,480	$ 25,637,889	$ 49,591	0.2%
Buiding and fixed equipment	220,390,566	213,521,168	6,869,398	3.2%
Equipment	214,612,454	240,535,518	(25,923,064)	-10.8%
Subtotal	460,690,500	479,694,575	(19,004,075)	-4.0%
Less accumulated depreciation	(323,009,269)	(338,523,557)	15,514,288	-4.6%
Construction in progress	8,945,810	10,950,563	(2,004,753)	-18.3%
Property, plant, and equipment, net	$ 146,627,041	$ 152,121,581	$ (5,494,540)	-3.6%

In Table 3B, the fiscal year 2016 capital budget for West Jefferson Holdings ("WJH") includes spending of up to $21.9 million for capital projects. These projects represent primarily equipment purchases and will be funded through Louisiana Children's Medical Center ("LCMC") as part of the Master Hospital Lease described in Note 13. More information about the Service District's capital assets is presented in the Notes to the Financial Statements.

TABLE 3B
WJH Fiscal Year 2016 Capital Budget

Equipment and technology purchases	$ 8,659,395
Construction / renovations	4,016,256
Patient care equipment	9,212,417
	$ 21,888,068

Other Assets

Other assets increased by $0.9 million, or 12.7%, primarily due to the recognition of units for the investment in Premier, Inc. Refer to Note 4 for more information regarding the investment in Premier, Inc.

Deferred Outflows of Resources

Deferred outflows of resources increased by $0.2 million, or 2.9%. Deferred charge on bond refunding decreased from $3.5 million to zero due to the defeasance of all outstanding bonds. Deferred charges related to the net pension liability increased from zero to $4.1 million, as there was no contribution to the defined benefit plan for 2015 in the first nine months of 2015.

Current Liabilities

Total current liabilities decreased by $19.3 million which is mainly attributable to the decrease of accounts payable and accrued expenses by $12.4 million due to the timing of payment of invoices and a decrease of bond interest payable and current installments of long term debt by $7.1 million due to the defeasance of all outstanding bond issues.

Long-Term Debt

The Service District's long-term debt, excluding current installments, was $0 at September 30, 2015 compared to $141.0 million at December 31, 2014. The decrease is due to the defeasance of all outstanding obligations on September 30, 2015.

Net Position

Table 4B presents the components of the Service District's net position at September 30, 2015 and December 31, 2014:

TABLE 4B

Components of Net Position

	September 30 2015	December 31 2014	Dollar Change	Percent Change
Net investment in capital assets	$ 146,627,041	$ 24,462,046	$ 122,164,995	499.4%
Restricted	20,001,151	17,958,698	2,042,453	11.4%
Unrestricted	(125,958,974)	54,718,233	(180,677,207)	-330.2%
Total net position	$ 40,669,218	$ 97,138,977	$ (56,469,759)	-58.1%

2015 and 2014 Statements of Revenues, Expenses, and Changes in Net Position - Enterprise Fund

The following discussion refers to the summarized activity presented in the Service District's Condensed Statements of Revenues, Expenses, and Changes in Net Position in Table 5B for the nine months ended September 30, 2015 and the year ended December 31, 2014.

Operating Revenue

Operating revenue decreased by approximately $75.3 million for the nine months ended September 30, 2015 compared to the year ended December 31, 2014 primarily due to the decrease in net patient service revenue resulting from the reduction in the number of admissions and also due to the comparison of nine months of activity in 2015 to all of 2014.

TABLE 5B

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Nine Months Ended September 30, 2015 and Year Ended December 31, 2014

	2015	2014	Dollar Change	Percent Change
Operating revenue	$ 158,818,126	$ 234,157,327	$ (75,339,201)	-32.2%
Operating expenses	178,243,494	263,268,614	(85,025,120)	-32.3%
Operating income (loss)	(19,425,368)	(29,111,287)	9,685,919	-33.3%
Total investment income (loss)	325,364	2,526,012	(2,200,648)	-87.1%
Interest expense	(5,769,261)	(7,516,915)	1,747,654	-23.2%
Other income (expense)	(30,850,494)	1,932,532	(32,783,026)	-1696.4%
Assessments by Jefferson Parish and support to others	(750,000)	(1,116,203)	366,203	-32.8%
Change in net position	(56,469,759)	(33,285,861)	(23,183,898)	69.7%
Net position, beginning of year	97,138,977	130,424,838	(33,285,861)	-25.5%
Net position, end of period	$ 40,669,218	$ 97,138,977	$ (56,469,759)	-58.1%

Table 6B below presents the relative percentages of gross charges billed for patient services by payor for the nine months ended September 30, 2015 and the year ended December 31, 2014.

Table 6B
Payor Mix

	2015	2014
Managed care/commercial	24%	26%
Medicare	53%	49%
Medicaid	8%	9%
Self-pay	8%	9%
Other	7%	7%
Total patient revenues	100%	100%

Reimbursements to the Service District are made on behalf of patients by the federal and state governments under the Medicare and Medicaid programs, respectively, by commercial insurance carriers and health maintenance organizations, as well as by patients on their own behalf. The difference between the covered charges and the payments under government programs and established contracts is recognized as a contractual allowance. The following table presents the contractual allowances on gross billings by payor and the provision for doubtful accounts.

TABLE 7B
ALLOWANCE SUMMARY

	Nine Months Ended September 30, 2015	Year Ended December 31, 2014
Contractual Allowances		
Managed care and commercial accounts	$ 261,793,782	$ 360,373,125
Medicaid contractual allowances	105,299,428	125,116,615
Medicare contractual allowances	118,238,079	168,397,725
Other/Community Benefit/Charity Care contractual allowances	22,264,901	35,895,810
Total contractual allowances	507,596,190	689,783,275
Doubtful accounts	10,854,579	11,671,600
Total allowances	$ 518,450,769	$ 701,454,875

The Service District's doubtful accounts expense decreased as the professional fees for Emergency Room physicians decreased. The cost to care for uninsured patients has increased as acuity levels were greater than in the prior year.

Operating Expenses

Operating expenses were $178.2 million for the nine months ended September 30, 2015 compared to $263.3 million for the year ended December 31, 2014. There were only nine months of expenses for 2015.

Non-Operating Income (Expenses)

The Service District maintains investments that are shown in its Statements of Net Position as both board-designated trustee-held and restricted funds. These funds are invested primarily in money market funds and securities issued by the U.S. Treasury, government entity bonds, and other U.S. Government agencies. The Service District had net investment income of $325 thousand for the nine months ended September 30, 2015 compared to $2.5 million for the year ended December 31, 2014.

Interest expense for the nine months ended September 30, 2015 was $5.8 million compared to $7.5 million for the year ended December 31, 2014. There was a loss of bond defeasance of $30.1 million for the nine months ended September 30, 2015.

Pension Trust Fund

2015 Net Position

Net position of the pension trust fund at September 30, 2015 was approximately $57.6 million, a 5.3% decrease from December 31, 2014. Plan net position decreased by $3.2 million from December 31, 2014 to September 30, 2015 primarily due to the net depreciation of the market value of plan assets and benefit distributions from the plan offset by contributions to the plan.

Table 8B
Retirement Plan for Employees of West Jefferson Medical Center
Plan Net Position

	September 30 2015	December 31 2014	Increase (Decrease)	Increase (Decrease)
Cash and investments	$ 57,632,572	$ 60,832,495	$. (3,199,923)	-5.3%
Receivables	11,540	36,704	(25,164)	-68.6%
Total assets	57,644,112	60,869,199	(3,225,087)	-5.3%
Total liabilities	39,275	31,535	7,740	24.5%
Plan net position	$ 57,604,837	$ 60,837,664	$ (3,232,827)	-5.3%

2015 Changes in Net Position

Table 9B presents a summary of changes in Plan net position for the nine months ended September 30, 2015. Contribution amounts needed to fund the Plan are determined by an independent actuary.

Table 9B
Retirement Plan for Employees of West Jefferson Medical Center
Change in Plan Net Position
Nine Months Ended September 30, 2015 and Year Ended December 31, 2014

	2015	2014	Increase (Decrease)	Increase (Decrease)
Additions:				
Contributions	$ 3,601,769	$ 3,457,582	$ 144,187	4.2%
Net income (loss) on investments	(1,944,106)	4,471,241	(6,415,347)	-143.5%
Total additions	1,657,663	7,928,823	(6,271,160)	-79.1%
Deductions:				
Administrative expenses	(226,709)	(221,892)	(4,817)	2.2%
Benefits	(4,663,781)	(5,769,313)	1,105,532	-19.2%
Total deductions	(4,890,490)	(5,991,205)	1,100,715	-18.4%
Change in net position	(3,232,827)	1,937,618	(5,170,445)	-266.8%
Plan net position, beginning of year	60,837,664	58,900,046	1,937,618	3.3%
Plan net position, end of period	$ 57,604,837	$ 60,837,664	$ (3,232,827)	-5.3%

The decrease in plan net position of $3.2 million was primarily due to the net depreciation of the market value of plan assets, benefit distributions from the plan, and administrative expenses offset by employer contributions to the plan.

Contacting the Service District's Administration

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

Jefferson Hospital Service District No. 1
c/o Jefferson Parish Council Clerk
Jefferson Parish General Government Building
200 Derbigny Street, Suite 6700
Gretna, LA 70053
(504) 364-2627

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND SEPTEMBER 30, 2015

	December 31, 2015	September 30 2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and cash equivalents	$ 2,972,544	$ 5,046,537
Receivables:		
Patient accounts receivable, net	-	34,051,573
Other receivables	346,775	6,213,117
Due from government health care program	-	559,049
Inventory	-	7,284,774
Prepaid expenses and deposits	397,863	19,447,675
Total current assets	3,717,182	72,602,725
Designated cash and investments	93,380,309	96,171,500
Restricted cash held in escrow	20,000,000	20,002,401
Property, plant, and equipment, net	140,620,508	146,627,041
Other assets:		
Prepaid deferred compensation	-	1,605,501
Other	-	6,721,032
Total other assets	-	8,326,533
Total assets	257,717,999	343,730,200
Deferred outflows of resources		
Deferred charges related to the net pension liability	3,443,929	4,106,298
Excess of acquisition costs over net position acquired	3,361,624	3,481,682
Total deferred outflows of resources	6,805,553	7,587,980
Total assets and deferred outflows of resources	$ 264,523,552	$ 351,318,180

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF NET POSITION, CONTINUED
DECEMBER 31, 2015 AND SEPTEMBER 30, 2015

LIABILITIES AND NET POSITION	December 31, 2015	September 30 2015
Current liabilities:		
Accounts payable	$ 243,744	$ 8,416,751
Accrued expenses and other liabilities	3,121,626	9,077,375
Patient deposits and credit balances	-	1,094,152
Due to government health care programs	-	749,453
Total current liabilities	3,365,370	19,337,731
Accrued deferred compensation	-	1,605,501
Advance lease and other payments from CEA (Note 15)	198,888,889	228,374,572
Unearned revenue	-	1,151
Net pension liability	60,588,399	57,421,911
Other long-term liabilities	6,320,884	3,908,096
Total liabilities	269,163,542	310,648,962
Net position:		
Net investment in capital assets	140,620,508	146,627,041
Restricted	20,000,000	20,001,151
Unrestricted (deficit)	(165,260,498)	(125,958,974)
Total net position (deficit)	(4,639,990)	40,669,218
Total liabilities and net position	$ 264,523,552	$ 351,318,180

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
THREE MONTHS ENDED DECEMBER 31, 2015 AND
NINE MONTHS ENDED SEPTEMBER 30, 2015

	Three months ended December 31, 2015	Nine months ended September 30, 2015
OPERATING REVENUES:		
Net patient service revenue	$ -	$ 144,353,579
Earnings from joint ventures	-	929,452
Other operating revenue	1,115,110	13,535,095
Total operating revenue	1,115,110	158,818,126
OPERATING EXPENSES:		
Salaries and wages	-	61,209,186
Employee benefits	4,133,505	16,185,671
Professional fees	337,403	3,685,037
Medical and general supplies	(3,257)	34,183,453
Purchased services	-	36,142,630
Other expenses	3,192,067	11,417,336
Depreciation	5,818,629	15,420,181
Total operating expenses	13,478,347	178,243,494
Operating loss	(12,363,237)	(19,425,368)
NONOPERATING INCOME (EXPENSES):		
Investment income (loss)	(240,590)	325,364
Interest expense	-	(5,769,261)
Amortization expense	(120,058)	(655,349)
Loss on bond defeasance	-	(30,093,165)
Gain (loss) on disposal of property	(187,904)	43,807
Loss on transfer of assets and liabilities (Note 13)	(30,323,297)	-
Community Collaborative Benefits (Note 13)	1,150,000	-
Insurance proceeds	1,665	-
Total nonoperating income (expenses)	(29,720,184)	(36,148,604)
Grants for the acquisition of property, plant, and equipment	-	(145,787)
Changes in net position before assessments by Jefferson Parish and support to others	(42,083,421)	(55,719,759)
Transfer to Jefferson Parish Hospital Service District No. 2	(2,975,787)	-
Assessments by Jefferson Parish and support to others	(250,000)	(750,000)
Changes in net position	(45,309,208)	(56,469,759)
Net position, beginning of period	40,669,218	97,138,977
Net position (deficit), end of period	$ (4,639,990)	$ 40,669,218

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED DECEMBER 31, 2015 AND
NINE MONTHS ENDED SEPTEMBER 30, 2015

	Three months ended December 31, 2015	Nine months ended September 30, 2015
OPERATING ACTIVITIES		
Revenue collected	$ 5,648	$ 157,338,947
Cash payments to employees and for employee-related costs	(4,002,148)	(82,017,948)
Cash payments for operating expenses	(375,959)	(98,264,437)
Net cash used in operating activities	(4,372,459)	(22,943,438)
NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from Cooperative Endeavor Agreement (Note 15)	-	228,374,572
Transfer to LCMC	(5,050)	-
Assessments by Jefferson Parish	(250,000)	(750,000)
Net cash provided by (used in) noncapital financing activities	(255,050)	227,624,572
CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest payments	-	(7,771,558)
Grant received related to capital activity	-	16,531
Capital expenditures	-	(9,897,770)
Proceeds from sale of capital assets	-	15,936
Principal and defeasance payments on borrowings	-	(172,870,990)
Insurance proceeds	1,665	-
Net cash (provided by) used in capital and related financing activities	1,665	(190,507,851)
INVESTING ACTIVITIES		
Purchases of investments	-	(34,234,226)
Proceeds from sales and maturities of investments	2,411,755	36,082,032
Investment income and other	137,695	489,575
Net cash provided by investing activities	2,549,450	2,337,381
Net increase (decrease) in cash and cash equivalents	(2,076,394)	16,510,664
Cash and cash equivalents, beginning of period	25,048,938	8,538,274
Cash and cash equivalents, end of period	$ 22,972,544	$ 25,048,938
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Current cash and cash equivalents	$ 2,972,544	$ 5,046,537
Restricted cash and cash equivalents	20,000,000	20,002,401
Total cash and cash equivalents	$ 22,972,544	$ 25,048,938
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (12,363,237)	$ (19,425,368)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	5,818,629	15,420,181
Bad debt expense	-	10,854,579
Changes in operating assets, deferred outflows, and liabilities:		
Account and other receivables	1,890,974	(11,646,956)
Inventory, prepaid expenses and other assets	64,142	(7,812,722)
Deferred charges related to the net pension liability	662,369	(4,106,298)
Accounts payable	243,744	(6,458,522)
Accrued expenses and other liabilities	(2,744,457)	(5,821,817)
Advance lease payment	(1,111,111)	-
Net pension liability	3,166,488	6,053,485
Net cash used in operating activities	$ (4,372,459)	$ (22,943,438)
Noncash Transactions		
Transfer of non-cash assets and liabilities to LCMC, net (Note 13)	$ 54,576,489	$ -
Transfer of investment in joint venture (Note 13)	$ 2,975,786	$ -

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF FIDUCIARY NET POSITION
PENSION TRUST FUND
DECEMBER 31, 2015 AND SEPTEMBER 30, 2015

	December 31, 2015	September 30, 2015
ASSETS		
Receivables:		
Accrued dividends	$ 110,771	$ 11,540
Total receivables	110,771	11,540
Investments		
Money market funds	1,238,876	2,876,535
Equity mutual funds	39,070,462	37,165,166
Fixed income mutual funds	17,475,398	17,590,871
Total investments	57,784,736	57,632,572
Total assets	57,895,507	57,644,112
LIABILITIES		
Accrued trust fees	305,715	39,275
Accrued benefits	497,867	-
	803,582	39,275
NET POSITION - RESTRICTED FOR PENSION BENEFITS	$ 57,091,925	$ 57,604,837

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
THREE MONTHS ENDED DECEMBER 31, 2015 AND
NINE MONTHS ENDED SEPTEMBER 30, 2015

	Three months ended December 31, 2015	Nine months ended September 30, 2015
ADDITIONS:		
Employer contributions	$ -	$ 3,601,769
Investment income:		
Net appreciation (depreciation)	1,409,139	(2,618,727)
Realized gain from sale of investments	-	-
Dividends	479,996	674,621
Total investment income:	1,889,135	(1,944,106)
Total additions	1,889,135	1,657,663
DEDUCTIONS:		
Benefits	2,087,394	4,663,781
Administrative expenses	314,653	226,709
Total deductions	2,402,047	4,890,490
Change in net position	(512,912)	(3,232,827)
NET POSITION - RESTRICTED FOR PENSION BENEFITS		
Beginning of period	57,604,837	60,837,664
End of period	$ 57,091,925	$ 57,604,837

The accompanying notes are an integral part of these statements.

1. Organization and Significant Accounting Policies

The financial statements include the accounts of the following entities:

West Jefferson Medical Center (the Medical Center) is a Louisiana hospital service district, which is a political subdivision of the State of Louisiana. On April 11, 1956, the Jefferson Parish Police Jury, then the governing authority of Jefferson Parish, adopted Ordinance No. 3121 (the "Enacting Ordinance"). The Enacting Ordinance specifically provides that it was adopted pursuant to Charter 10 of Title 46 of the Louisiana Revised Statutes of 1950 which legislatively authorized the governing authority of a parish within the State to, in its discretion, create hospital service districts. Section 2 of the Enacting Ordinance specifically provides that the name of this new hospital service district shall be "Jefferson Parish Hospital District No. 1, Parish of Jefferson, State of Louisiana". Thus, on April 11, 1956, the "Jefferson Parish Hospital District No. 1, Parish of Jefferson, State of Louisiana" (hereafter the "District") was created. The District does business as West Jefferson Medical Center and operates an acute care hospital, physician clinics, medical office buildings, and health and fitness centers. The Medical Center reporting entity includes the hospital enterprise fund and a pension trust fund. The Medical Center is exempt from federal and state income taxes.

The Medical Center has a 50% interest in the following entities accounted for under the equity method: Associated Hospital Services, West Jefferson MRI, LLC, West Jefferson CT Scan, LLC, and West Jefferson Industrial Medicine, LLC. The Medical Center has a 33.3% interest in Crescent City Research Consortium, LLC, which is accounted for under the equity method. Separate financial statements for each of these organizations can be obtained from the Medical Center.

A Cooperative Endeavor Agreement ("CEA") was executed by and among Louisiana Children's Medical Center (a Louisiana non-profit corporation, ("LCMC")); West Jefferson Holdings, LLC ("WJH") (a Louisiana limited liability company, of which LCMC is the sole member ("Newco"); and Jefferson Parish Hospital District No.1, Parish of Jefferson, State of Louisiana, d/b/a West Jefferson Medical Center (the "Service District"), dated February 26, 2015 (referred to herein as the "Parties" and each, as a "Party"). Children's Hospital of New Orleans, a Louisiana nonprofit corporation ("Children's"), entered into the CEA solely for purposes of its obligations under Sections 5.3 and 12.3(c).

The Parties recognized that the changing health care delivery system and Louisiana's health care reform efforts are driving providers to remodel the delivery of care through partnerships and cooperative efforts between the public and private sectors, and thereby deliver care on a more efficient, cost-effective basis through integrated delivery systems; and, further that the West Jefferson Medical Center (the "Medical Center") and all other clinical and healthcare operations that support Medical Center operations at other locations owned by the District or leased from third parties (collectively with the Medical Center, the "Facilities") can be best operated to meet the needs of the citizens of the District if they receive the benefits of being part of LCMC, a larger academically affiliated system.

1. Organization and Significant Accounting Policies (continued)

Through the CEA the parties seek to: (a) transform the health care delivery landscape in New Orleans through the creation of an integrated healthcare delivery network that provides the entire continuum of care from pediatrics to geriatrics, and that benefits the citizens of the District and the greater New Orleans area, (b) allow for an enhanced integrated delivery system, well-positioned for the challenges of healthcare reform and population health management in the future, (c) enhance physician recruitment and engagement at the Facilities through development of high quality, open medical staffs with significant community involvement, a commitment to medical research and education, the establishment of a physician network that may participate in clinical integration, and a commitment to pluralistic physician alignment models, and (d) achieve for the Facilities the benefits of scale achieved by a larger health system by providing for greater standardization and cost efficiency, allowing for the ability to leverage best practices and generate operational efficiencies. See Note 13 of the financial statements for more information.

West Jefferson Service Corporation (the Service Corporation) is a non-profit corporation which is a component of the Jefferson Parish Hospital District No. 1. The Service Corporation was organized in December 1986 upon the filing with the Louisiana Secretary of State of its Articles of Incorporation. The Service Corporation ceased operations on February 28, 2013. The Service Corporation is exempt from federal and state income taxes.

There are no other organizations or agencies whose financial statements should be combined and presented with these combined basic financial statements.

The Service District is a component unit of Jefferson Parish, Louisiana.

Basis of Accounting

The Service District's basic financial statements consist of the government-wide statements which include the proprietary fund (the enterprise fund) and the fund financial statements which include the fiduciary fund (the pension trust fund). The operations of the Service District are accounted for in the following fund types.

Proprietary Fund Type

The proprietary fund is used to account for the Service District's ongoing operations and activities which are similar to those often found in the private sector. The proprietary fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Net position is segregated into amounts invested in capital assets (net of related debt), restricted for debt service, restricted for capital projects and unrestricted. The Service District's restricted assets are expendable for their purposes. The Service District utilizes available unrestricted assets before utilizing restricted assets. The operating statements present increases (revenues) and decreases (expenses) in net position. The Service District maintains one proprietary fund type – the enterprise fund. The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the

1. Organization and Significant Accounting Policies (continued)

Basis of Accounting (continued)

governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance. Operating revenues include all charges for service; other revenues include non-operating revenues. The enterprise fund is presented in the government-wide financial statements. The Service District uses the accrual basis of accounting for proprietary funds.

Fiduciary Fund Type

The fiduciary fund, the Retirement Plan for Employees of West Jefferson Medical Center (the Plan), is used to account for assets held by the Service District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Service District maintains one fiduciary fund type - the pension trust fund. The pension trust fund uses the flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included in the statement of net position. The pension trust fund is used to account for the activity of the Service District's employee retirement plan. The pension trust fund is presented in the fund financial statements. Additional information on the pension trust fund is presented in Note 9.

Operating and Nonoperating Revenue

The Service District's primary purpose is to provide diversified health care services to individuals, physicians, and businesses. As such, activities related to the ongoing operations of the Service District are classified as operating revenue. Operating revenue includes amounts generated from direct patient care, related support services, earnings from joint venture investments, gains or losses from disposition of operating properties, and sundry revenue related to the operation of the Service District. Interest income from trustee-held investments is reported as a net component of interest expense. Additionally, rental income, gains and losses that are directly related to the ongoing operations of the Service District, and gifts, grants, and bequests not restricted by donors for specific purposes are reported as a component of other operating revenue. Investment income, realized and unrealized gains (losses) from board-designated investments, as well as donated assets are reported as a component of nonoperating income.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding designated cash and investments by board designation or other arrangements under trust agreements or with third-party payers. Cash and cash equivalents include temporary cash investments whose use is not limited. The temporary cash investments have original maturities of three months or less at date of issuance. Certain temporary investments internally designated as long-term investments are excluded from cash and cash equivalents.

1. Organization and Significant Accounting Policies (continued)

Patient Accounts Receivable (continued)

Patient accounts receivables are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third party payers, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Medical Center does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as estimated third-party receivables or payables. As of September 30, 2015 the allowance for doubtful accounts approximated $9.3 million.

Investments

Investments are carried at fair value and all investment income, including changes in the fair value of investments is recognized in the Statements of Revenues, Expenses and, Changes in Net Position.

Designated Cash and Investments

Designated cash and investments include cash, cash equivalents, and investments. These assets are designated as such in the accompanying Statements of Net Position as they are held by bond trustees under related indenture agreements or designated as such by the board of directors. Amounts classified as current assets represent amounts to be used to meet certain debt service requirements and other obligations classified as current liabilities.

Inventory

Inventory, which consists primarily of drugs and supplies, is stated at the lower of cost or market. The cost for drug inventory and operating room special order supplies is determined using the first-in, first-out method. The cost for supplies is determined using the weighted-average method.

Property, Plant, and Equipment

Property, plant, and equipment is stated at cost or, if donated, at fair value at the date of receipt, if known. Depreciation is computed on the straight-line basis over estimated useful lives as follows:

Land improvements	10 years
Buildings	10-40 years
Fixed equipment	10-25 years
Major movable equipment	5-15 years
Minor equipment	3-5 years

1. Organization and Significant Accounting Policies (continued)

Property, Plant, and Equipment (continued)

The Service District recognizes the impairment of capital assets when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. The restoration or replacement of an impaired capital asset is reported as a separate transaction from the associated insurance recovery, if any. The impairment loss is reported net of the associated realized or realizable insurance recovery when the recovery and loss, if any, occur in the same year. Insurance recoveries reported in subsequent years are reported as non-operating revenue.

Other Assets

Other assets consist primarily of the Service District's ownership interest in joint ventures, which are carried under the equity method.

Unearned Revenues

Unearned revenues arise when resources are received by the Service District before it has a legal claim to them, such as advance lease payments. Unearned revenues are reported in the liabilities section of the Statements of Net Position. In subsequent periods, when both revenue recognition criteria are met, or when the Service District has a legal claim to the resources, the liability for unearned revenue is removed from the statements of net position and revenue is recognized.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The excess of acquisition costs over net position included on the statements of net position represents the amount of consideration given in an acquisition of another entity that exceeds the net position of the entity acquired. This amount is amortized over the estimated remaining life of the capital assets required. See Note 9 for a description of deferred outflows related to the defined benefit plan.

Net Position

The Service District classifies net position into three components: net investment in capital assets; restricted; and unrestricted. These components are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding debt attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in this component of net position. Rather, that portion of debt is included in the same component of net position as the unspent proceeds.

1. Organization and Significant Accounting Policies (continued)

Net Position (continued)

Restricted - This component reports the amount of net position with externally imposed constraints placed on their use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component reports the amount of net position that does not meet the definition of either of the other two components.

Compensated Absences

Employees accumulate vacation and sick leave at varying rates according to years of service. Employees become vested in accrued vacation upon completion of six months of employment. Employees do not vest in accrued sick leave. Upon termination, all unused vacation hours are paid to the employee at the employee's current rate of pay provided that the employee has successfully completed six months of employment.

Net Patient Service Revenue

Substantially all of the Service District's net patient service revenue is earned under agreements with third-party payors. Under these agreements, the Service District provides medical services to government program beneficiaries and other third-party payers, such as health maintenance organizations, at amounts different from established rates. These payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem rates. Net patient service revenue is reported at the estimated net realizable amounts billed to patients, third-party payors, and others for services rendered. The Service District's provision for bad debt is classified as a reduction to net patient service revenue.

A summary of net patient service revenue for the nine months ended September 30, 2015 is as follows:

Gross patient service revenue	$ 662,804,348
Less discounts, allowance, and estimated contractual adjustments under third-party reimbursement programs	485,331,289
Less other/Community Benefits contractual allowance	22,264,901
Less provision for bad debts	10,854,579
Net patient service revenue	$ 144,353,579

The Service District is unable to predict the future course of federal, state, and local regulation or legislation, including Medicare and Medicaid statutes and regulations. Future changes could have a material adverse effect on the future financial results of the Service District. The percentage of total gross patient service revenue derived from services furnished to Medicare and Medicaid program beneficiaries, combined, was approximately 61% for the nine months ended September 30, 2015.

1. Organization and Significant Accounting Policies (continued)

Net Patient Service Revenue (continued)

Retroactive settlements are provided for in some of the governmental health care programs outlined above, based on annual cost reports. Such settlements are estimated and recorded as amounts due to or from these programs in the accompanying financial statements. The differences between these estimates and final determination of amounts to be received or paid are based on audits by fiscal intermediaries and are reported as adjustments to net patient service revenue when such determinations are made. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. No significant differences are anticipated between the estimated settlements recorded and the final settlements expected to be determined by program representatives. No adjustments were required in 2015.

Pension Trust Funds

Contributions are recognized as revenues in the period in which the contributions are made. The assets of the plan are invested in various fixed income, equity and short-term money market funds managed by a trustee. Investments are carried at fair value as reported by the Trustee. Fair values are determined by quoted market prices, as available. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Dividend and interest income is recognized when earned. All administrative expenses of the plan are paid by the plan.

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the services employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances (retirement, death, disability, termination or employment) are included, to the extent they are deemed attributable to employee service rendered to the valuation date. Benefits to be provided from annuity contracts excluded from Plan assets are excluded from accumulated plan benefits.

The actuarial present value of Accumulated Plan Benefits is determined by an independent actuary and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of December 31, 2015 and September 30, 2015 were (a) life expectancy of participants (1994 Unisex Pension Mortality Table with Scale AA projection to the valuation date), (b) retirement age assumptions, and (c) investment return. The 2015 valuations included assumed average rates of return of 7.0%. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of Accumulated Plan Benefits.

1. Organization and Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. Actual results could differ from those estimates.

2. Cash and Investments

At December 31, 2015 and September 30, 2015, the Service District's cash consisted of demand deposits with bank balances of $23,145,376 and $32,132,376, respectively. The cash accounts were fully secured by federal depository insurance or collateral held by agents of the Service District in its name.

The composition of restricted and designated cash and investments at December 31, 2015 and September 30, 2015, is set forth in the following tables.

December 31, 2015	Cash and Cash Equivalents	Investments	Total
Board-designated	$ 10,216,930	$ 82,798,920	$ 93,015,850
Restricted	20,000,000	-	20,000,000
Accrued interest	-	364,459	364,459
Total	$ 30,216,930	$ 83,163,379	$ 113,380,309

September 30, 2015	Cash and Cash Equivalents	Investments	Total
Board-designated	$ 58,285,092	$ 37,680,717	$ 95,965,809
Restricted	20,002,401	-	20,002,401
Accrued interest	-	205,691	205,691
Total	$ 78,287,493	$ 37,886,408	$ 116,173,901

Louisiana state statutes authorize the Service District to invest in obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal offices in the state of Louisiana, guaranteed investment contracts issued by highly rated financial institutions and certain investments with qualifying mutual or trust fund institutions. During the three months ended December 31, 2015 and the nine months ended September 30, 2015, the Service District invested primarily in securities issued by the U.S. Treasury and other federal agencies.

2. Cash and Investments (continued)

Credit Risk

Louisiana state statutes authorize the Service District to invest under the Prudent Man Rule. The Prudent Man Rule shall require each fiduciary acting collectively on behalf of the Service District to act with the care, skill, prudence and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent Man Rule, the Service District may invest up to 100% of its assets in U.S. Government treasury and agency bonds, up to 55% of its portfolio in municipal bonds, up to 25% of the portfolio in cash or cash equivalents, which may include commercial paper and pre-refunded municipal bonds.

Obligations of the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The following table presents each applicable rating grouped by investment type as of December 31, 2015:

By Investment Type	Fair Value	Rating
Designated assets:		
Money market funds	$ 10,216,930	See next table for rating
U.S Government securities	49,188,133	See next table for rating
Municipal bonds	33,610,787	See next table for rating
Total cash and designated investment	93,015,850	
Accrued Interest	364,459	Exempt from Disclosure
Total designated assets	93,380,309	
Cash deposits, restricted	20,000,000	Exempt from Disclosure
Cash deposits, operating funds	2,972,544	Exempt from Disclosure
Total cash and investments	$ 116,352,853	

Balance Sheet by Category	Fair Value
Cash deposits, operating funds	$ 2,972,544
Cash deposits, restricted	20,000,000
Designated Assets:	
Trustee-held assets, under bond indenture	93,380,309
Total cash and investments	$ 116,352,853

2. Cash and Investments (continued)

Credit Risk (continued)

Following are the credit ratings of the Service District's investments in debt securities as of December 31, 2015:

Credit Rating	Money market funds	U.S. Government Agencies	Municipal bonds	Total
AAA/ Aaa	$ 10,216,930	$ -	$ 1,949,605	$ 12,166,535
AA+/ Aa1	-	49,188,133	6,595,627	55,783,760
AA/ Aa1	-	-	12,215,433	12,215,433
AA-/ Aa3	-	-	10,004,581	10,004,581
A+/ A1	-	-	2,845,541	2,845,541
	$ 10,216,930	$ 49,188,133	$ 33,610,787	$ 93,015,850

The following table presents each applicable rating grouped by investment type as of September 30, 2015:

By Investment Type	Fair Value	Rating
Designated assets:		
Cash deposits, held by Trustee	$ 9,662,077	Exempt from Disclosure
Money market funds	48,623,015	See next table for rating
U.S Government securities	16,412,296	See next table for rating
Municipal bonds	21,018,421	See next table for rating
Other Government bonds	250,000	See next table for rating
Total cash and designated investment	95,965,809	
Accrued Interest	205,691	Exempt from Disclosure
Total designated assets	96,171,500	
Cash deposits, restricted	20,002,401	
Cash deposits, operating funds	5,046,537	Exempt from Disclosure
Total cash and investments	$ 121,220,438	

Balance Sheet by Category	Fair Value
Cash deposits, operating funds	$ 5,046,537
Cash deposits, restricted	20,002,401
Designated Assets:	
By Board for discretionary purposes	96,171,500
Total designated assets	96,171,500
Total cash and investments	$ 121,220,438

2. Cash and Investments (continued)

Credit Risk (continued)

Following are the credit ratings of the Service District's investments in debt securities as of September 30, 2015:

Credit Rating	Money market funds	U.S. Government Agencies	Municipal bonds	Other Government bonds	Total
AAA/ Aaa	$ 48,623,015	$ -	$ 1,496,454	$ 250,000	$ 50,369,469
AA+/ Aa1	-	16,412,296	2,867,753	-	19,280,049
AA/ Aa1	-	-	8,539,066	-	8,539,066
AA-/ Aa3	-	-	5,241,435	-	5,241,435
A+/ A1	-	-	2,773,574	-	2,773,574
A/ A2	-	-	100,139	-	100,139
	$ 48,623,015	$ 16,412,296	$ 21,018,421	$ 250,000	$ 86,303,732

Concentration Credit Risk

Louisiana state statutes also require that all of the deposits of the Service District be protected by insurance or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by insurance. The bank balances of deposits at December 31, 2015 and September 30, 2015 were fully covered by insurance or collateral held by financial institutions in the Service District's name.

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than five percent (5%) of the market value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. At December 31, 2015 and September 30, 2015, the Service District had no investments requiring a Concentration of Credit Risk disclosure.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Service District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Service District will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

2. Cash and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the portfolio is measured by monitoring the segmented time distribution of the investments in the portfolio. The following table summarizes the Service District's segmented time distribution investment maturities by investment type as of December 31, 2015 and September 30, 2015.

By Investment Type **December 31, 2015**	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years
U.S. Government Agencies	$ 49,188,133	$ 13,430,299	$ 35,757,834	$ -
Municipal bonds	33,610,787	1,477,419	31,140,052	993,316
	$ 82,798,920	$ 14,907,718	$ 66,897,886	$ 993,316

By Investment Type **September 30, 2015**	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years
U.S. Government Agencies	$ 16,412,296	$ -	$ 16,412,296	$ -
Municipal bonds	21,018,421	873,073	18,151,035	1,994,313
Other government bonds	250,000	250,000	-	-
	$ 37,680,717	$ 1,123,073	$ 34,563,331	$ 1,994,313

Pension Trust Fund

Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. In order to create and maintain an actuarially sound pension and retirement system, Article 5 of the plan trust document indicates that the plan investments are governed by ERISA. At September 30, 2015, the Plan's investments were held by Regions Trust. Raymond James & Associates, Inc. was the investment manager. At December 31, 2015 and September 30, 2015, the Plan's investments were held by Bank of New York. Sisung Securities Corporation was the investment manager.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the three month ended December 31, 2015 and the nine months ended September 30, 2015, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, was 3.08% and -3.31%, respectively.

2. Cash and Investments (continued)

Pension Trust Fund (continued)

Investments at December 31, 2015 and September 30, 2015 consist of the following mutual funds which are stated at fair value.

	December 31, 2015		September 30, 2015	
Fixed Income:				
Federated U.S. Government Trust Institutional Fund	$ 3,327,703	*	$ 3,357,271	*
Vanguard Short-term Treasure Fund	14,147,695	*	14,233,598	*
	17,475,398		17,590,871	
Equity:				
Amer Cap World Growth & Inc. FD CL R5	5,800,458	*	5,573,983	*
Homestead Small Co Stock FD	1,931,652		2,002,489	
Gabelli/Westwood Mighty Mites Fund	952,109		923,522	
Vanguard Institutional Index Fund	21,795,398	*	20,360,622	*
Vanguard Mid Cap Index Fund	8,590,845	*	8,304,550	*
	39,070,462		37,165,166	
Cash equivalents:				
Fidelity Institutional Treasury Portfolio	1,238,876		2,876,535	
	$ 57,784,736		$ 57,632,572	

* 5% or more of Plan's investments.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising interest rates, the Retirement Plan's investment policy limits the maximum for any single fixed income security to 10 years. None of the investments of the Retirement Plan have fixed maturity dates.

Credit Risk

The Retirement Plan's investment policy has established targets for investments in equities, fixed income, and cash and cash equivalents. In order to manage the credit risk, the plan invests in mutual funds mostly comprised of U.S. Treasuries, U.S. Agency Securities, and corporate bonds.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Retirement Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the investments of the Retirement Plan are held in the name of the Retirement Plan for the three months ended December 31, 2015 and the nine months ended September 30, 2015.

2. Cash and Investments (continued)

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Retirement Plan's investment in a single issuer. The Retirement Plan's investment policy states that the securities of any one company or government agency cannot exceed ten (10) percent of the total fund, and no more than twenty (20) percent of the total fund can be invested in any one industry. With the exception of U.S. Government securities, no fixed income issue may exceed fifteen (15) percent of the market value of the fixed income portfolio. The investments are reviewed at least quarterly to determine if the investment allocation needs to be rebalanced.

3. Property, Plant and Equipment

The following table summarizes the changes in net property, plant, and equipment for the three months ended December 31, 2015 and the nine months ended September 30, 2015:

Three Months Ended December 31, 2015	Beginning Balance	Additions	Reclassification/ Retirements	Ending Balance
Land and land improvements	$ 25,687,480	$ -	$ -	$ 25,687,480
Building and fixed equipment	220,390,566	-	2,826,897	223,217,463
Equipment	214,612,454	-	4,759,648	219,372,102
Construction in progress	8,945,810	-	(7,774,449)	1,171,361
	469,636,310	-	(187,904)	469,448,406
Less accumulated depreciation	(323,009,269)	(5,818,629)	-	(328,827,898)
Property, plant, and equipment, net	$ 146,627,041	$ (5,818,629)	$ (187,904)	$ 140,620,508

Nine Months Ended September 30, 2015	Beginning Balance	Additions	Reclassification/ Retirements	Ending Balance
Land and land improvements	$ 25,637,889	$ 48,493	$ 1,098	$ 25,687,480
Building and fixed equipment	213,521,168	5,389,319	1,480,079	220,390,566
Equipment	240,535,518	6,464,711	(32,387,775)	214,612,454
Construction in progress	10,950,563	11,299,511	(13,304,264)	8,945,810
	490,645,138	23,202,034	(44,210,862)	469,636,310
Less accumulated depreciation	(338,523,557)	(15,420,181)	30,934,469	(323,009,269)
Property, plant, and equipment, net	$ 152,121,581	$ 7,781,853	$ (13,276,393)	$ 146,627,041

Under the terms of the trust indentures, the Service District has a springing mortgage on substantially all of the Service District's property and equipment.

Construction in progress includes projects such as technical and property infrastructure upgrades as well as software and equipment upgrades. The Service District leases certain major movable and other non-movable equipment under operating leases, some of which are on a month-to-month basis and others which are on a longer-term basis. Rental expense for leased equipment amounted to $0 for the three months ended December 31, 2015 and $871,506 for the nine months ended September 30, 2015.

4. Investments in Joint Ventures and Acquisitions

As of September 30, 2015, the Service District was a member of five (5) limited liability companies, Associated Hospital Services ("AHS"), West Jefferson MRI, LLC ("MRI"), West Jefferson CT Scan, LLC ("CT Scan"), West Jefferson Industrial Medicine, LLC ("WJIM"), and Crescent City Research Consortium, LLC ("CCRC"). West Jefferson Surgery Center ("WJSC") ceased operations on February 28, 2013. The investments in joint ventures are included in Other Assets on the Statements of Net Position.

AHS was organized for the purpose of providing laundry services. MRI was organized on January 23, 2001 in the State of Louisiana for the purpose of operating a free-standing magnetic resonance imaging (MRI) center in Marrero, Louisiana. WJSC was organized on May 26, 2000 in the State of Louisiana for the purpose of operating a free-standing ambulatory surgical care center. CT Scan was organized on September 12, 2003 in the State of Louisiana for the purpose of operating a diagnostic center offering Computerized Axial Tomography (CT) scanning. WJIM was established on September 24, 2009 for the purpose of operating a clinic specializing in pre-employment screenings and work related injuries. CCRC was organized on July 19, 2012 in the State of Louisiana for the purpose of conducting scientific research by entering into clinical research studies and therapeutic trials.

The following information is a summary of the financial statements and operations of AHS, MRI, CT Scan, WJIM, and CCRC as of and for the nine months ended September 30, 2015.

2015

	AHS	MRI	CT Scan	WJIM	CCRC
Current assets	$ 3,858,350	$ 676,708	$ 346,142	$ 880,565	$ 184,925
Property and equipment	2,647,114	532,433	36,925	105,950	2,426
Other assets	-	-	-	2,371,027	-
Total assets	$ 6,505,464	$ 1,209,141	$ 383,067	$ 3,357,542	$ 187,351
Current liabilities	$ 514,192	$ 362,540	$ 111,366	$ 12,695	$ 39,901
Long-term liabilities	68,667	413,879	31,170	-	-
Total liabilities	582,859	776,419	142,536	12,695	39,901
Members' equity	5,922,605	432,722	240,531	3,344,847	147,450
Total liabilities and members' equity	$ 6,505,464	$ 1,209,141	$ 383,067	$ 3,357,542	$ 187,351
Operating revenue	$ 4,443,250	$ 3,047,742	$ 1,235,727	$ 2,716,055	$ 307,964
Net income (loss)	$ (28,967)	$ 1,312,284	$ 215,059	$ 504,197	$ 167,757

Pursuant to the CEA and Master Hospital Lease, the above referenced investments are no longer reflected in the Service District's financial statements as of October 1, 2015. See Note 13 for more information.

4. Investments in Joint Ventures and Acquisitions (continued)

On December 31, 2012, the Service District entered into agreements to purchase the assets of the Heart Clinic of Louisiana Diagnostic Services for $3.8 million and the Heart Clinic of Louisiana for $1.7 million. The effective date of the agreements was January 1, 2013. In 2013, $865,000 of the total purchase price was determined to be the value of tangible assets acquired and the remaining balance of $4,635,000 was classified as deferred outflows of resources and is being amortized over ten years.

5. Risk Management

The Service District participates in the State of Louisiana Patient Compensation Fund (the Fund). The Fund provides malpractice coverage to the Service District for claims in excess of $100,000 and up to $500,000 per claim. According to current state law, medical malpractice liability (exclusive of future medical care awards and litigation expenses) is limited to $500,000 per occurrence. Service District management has no reason to believe that the Service District will be prevented from continuing its participation in the Fund.

The Service District maintains a funded self-insurance program against medical malpractice claims and purchased excess general and auto liability coverage up to $10,000,000 with a $2,000,000 self-insured retention; this excess liability policy includes professional liability (medical malpractice) as of April 1, 2008. The Service District is involved in litigation arising in the ordinary course of business. Claims alleging malpractice liability have been asserted against the Service District and are currently in various states of litigation. The Service District has accrued approximately $6,321,000 and $3,908,000 at December 31, 2015 and September 30, 2015, respectively, for the estimated loss and litigation expenses related to medical malpractice, general, and auto liability claims. The discount rate used to determine the present value of the accrual was 4.0%. Claims have been filed alleging damages in excess of the amount accrued for estimated malpractice costs. It is the opinion of management that estimated malpractice costs accrued are adequate to provide for probable losses resulting from pending or threatened litigation. Additional claims may be asserted against the Service District arising from services provided to patients through September 30, 2015. The Service District is unable to determine the ultimate cost of the resolution of such potential claims; however, an accrual has been made based on estimates for these claims.

The Service District is self-insured for workers' compensation up to $500,000 per claim and is self-insured for employee group health insurance claims. The Service District purchased commercial insurance that provides coverage for workers' compensation claims in excess of the self-insured limits. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

At December 31, 2015, claims liabilities are included in accrued expenses and other long-term liabilities in the amounts of $1,079,973 and $6,320,884 respectively, on the Statements of Net Position. At September 30, 2015, claims liabilities are included in accrued expenses and other long-term liabilities in the amounts of $2,553,083 and $3,908,096, respectively, on the Statements of Net Position.

5. Risk Management (continued)

The following table summarizes the changes in the Service District's aggregate claims liability for medical malpractice, workers' compensation, and health insurance.

Period Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Payments	Balance at Fiscal Year End
December 31, 2015	$6,461,179	$939,678		$7,400,857
September 30, 2015	$6,776,958	$8,974,417	$9,290,196	$6,461,179

6. Long-Term Debt

The changes in long-term debt were as follows for the nine months ended September 30, 2015:

Balance, beginning of year	$ 143,735,000
Defeased	(140,610,000)
Payments	(3,125,000)
Balance, end of period	$ -

Series 1998B Bonds

In September 1998, the Medical Center issued of $86,310,000 of Hospital Revenue Bonds (Series 1998) consisting of $41,310,000 Fixed Rate Hospital Revenue bonds, Series 1998A, and $25,000,000 Variable Rate Hospital Revenue Bonds, Series 1998B, to provide funds to (1) reimburse the Medical Center for certain capital expenditures previously incurred by the Medical Center, (2) finance the acquisitions, construction improvements, renovations, and expansions of the Medical Center and furniture, fixtures, and equipment, (3) finance the costs associated with the acquisition and construction of an outpatient surgical and diagnostic facility, and (4) finance the cost of acquisition and construction of a family medicine facility. In October 2011, the entire amount outstanding of $25,040,000 on the 1998A series was refunded. The Series 1998B Bonds, which had a variable rate of interest, were remarketed as fixed rate bonds in 2009 at a rate of 5.25% and are due in varying installments through 2028. On September 30, 2015, the entire outstanding balance of the Series 1998B Bonds of $25,000,000 was defeased using cash from the Service District.

Series 2009A-2 Bonds

In October 2009 the Service District issued Fixed Rate Hospital Revenue Refunding Bonds Series 2009A-1 ($5,355,000) and Series 2009A-2 ($14,920,000). The bonds, subsequent to the calling of the 2004B bonds, were secured by a pledge of revenues on a parity with the Series 1998A, Series 1998B, and Series 2008B bonds and other outstanding parity obligations. In October 2011, the entire amount outstanding of $3,690,000 on the Series 2009A-1 was defeased, and the Series 2009A-2 bonds were partially defeased in the amount of $3,725,000. These bonds were defeased using cash from the Medical Center; no proceeds from the 2011 bond series were used in this defeasance. The Series 2009A-2 bonds are payable in installments beginning in 2010 through 2019 at a fixed interest rate of 6.15%. On September 30, 2015, the entire outstanding balance of the Series 2009A-2 Bonds of $5,300,000 was defeased using cash from the Service District.

6. Long-Term Debt (continued)

Series 2011A Bonds

In October 2011, the Medical Center completed the issuance of $119,155,000 of Hospital Revenue Refunding Bonds (Series 2011A) to refund the 1998A issue and defease the 2008B-1 and 2008B-2 issues. The 2011A bonds have fixed rates of interest ranging from 1.95% to 6.00% with installments due from 2012 to 2039. The remaining bond proceeds will be used to finance the acquisitions, construction improvements, renovations, and expansions of the Medical Center and furniture, fixtures, and equipment. As part of the debt restructuring in October 2011, part of the proceeds from the 2011A bond issue were used to defease the entire amount outstanding of $16,795,000 and

$35,000,000 on the 2008B-1 and 2008B-2, respectively, resulting in a deferred loss of $1,703,537 and $2,657,883, respectively. The unamortized balance of the deferred charge as of December 31, 2014 and 2013 was $3,534,026 and $3,942,534, respectively. On September 30, 2015, the entire outstanding balance of the Series 2011A Bonds of $110,310,000 was defeased using cash from the Service District.

Defeased Bonds

The Series 2009A-2 bonds were partially defeased in 2011. A portion of the proceeds from a subsequent bond issuance was deposited with an escrow trustee. The principal and interest income from these invested funds will be used to service the debt of the refunded issue. Neither the escrow fund nor the defeased portion of the Series 2009A-2 bonds payable are shown in the accompanying Statements of Net Position. The outstanding balance of the defeased Series 2009A-2 bonds was $3,725,000 at September 30, 2015 and December 31, 2014. This balance was paid in full on January 1, 2016.

The outstanding balances of the Series 1998B, Series 2009A-2, and Series 2011 bonds were defeased in 2015. Cash of the Service District was deposited with an escrow trustee. The principal and interest income from these invested funds will be used to service the debt of these issues. Neither the escrow fund nor the defeased portion of the Series 2009A-2, Series 1998B, and Series 2011 bonds payable are shown in the accompanying Statements of Net Position. The outstanding balances of the defeased Series 1998B, Series 2009A-2, and Series 2011 bonds were $25,000,000, $5,300,000, and $110,310,000 at September 30, 2015, respectively. The loss on bond defeasance recognized during the nine months ended September 20, 2015 was $30,093,165.

7. Community Benefits (Unaudited)

Services provided to the indigent and benefits provided to the broader community by the Medical Center are summarized below for the nine months ended September 30, 2015:

Benefits for the indigent and uninsured:		
Traditional charity care and uninsured	$	22,264,901
Benefits for the broader community:		
Unpaid costs of Medicare and Medicaid programs		39,467,329
Other community benefits		975,229
Total quantifiable benefits for the broader community	$	62,707,459

7. Community Benefits (Unaudited) (continued)

Benefits for the indigent include services provided to persons who cannot afford health care because of inadequate resources or who are uninsured.

Benefits for the broader community include the unpaid cost of treating Medicare and Medicaid programs and other community benefits.

The unpaid cost of Medicare and Medicaid programs is cost incurred by the Medical Center in excess of the government payments. This number continues to grow as the cost incurred increases and the reimbursement decreases. As part of the Budget Control Act, Medicare has reduced all payments to providers by 2% effective with all discharges on or after April 1, 2013. Unless action is taken, this reduced reimbursement will be in place until the year 2022.

Other community benefits services provided to other needy populations that require special services and support. Examples include the cost of health promotion and education, community outreach for the elderly and at-risk populations, health clinics and screenings, and health care for the Parish correctional center, all of which, in management's opinion, benefit the broader community.

West Jefferson Medical Center participated in a collaborative region-wide community health needs assessment (CHNA) with several other healthcare providers. The study was conducted by Tripp Umbach to identify specific regional community health needs. The regional process has connected our participating hospitals with a wide range of public and private organizations, including educational institutions, health-related professionals, local government officials, human service organizations and other community-based groups to evaluate health and social needs and to identify an inventory of community and other resources. Focus groups with patients and stakeholders have been an important component of the process to date as well as an in-depth review of primary and secondary data for the region. The CHNA continued to be shared with a wide range of community organizations in our market, and the inventory of community resources was updated accordingly. Community outreach and community benefits were executed in keeping with the CHNA. A wide range of community programs and services were advanced during 2014 and 2015 including outreach to vulnerable populations as identified in the CHNA.

8. Governmental Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes, and regulations by health care providers in recent years. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Service District is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations. However, assessment of our 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.

8. Governmental Regulations (continued)

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Service District. Federal health care 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 Service District's principal payers. It is not possible at this time to determine the impact on the Service District of government plans to reduce Medicare and Medicaid spending, government implementation of national and state health care reform, or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows, and estimated debt service coverage of the Service District in future years.

9. Employee Benefits

The Retirement Plan for Employees of West Jefferson Medical Center

West Jefferson Medical Center operates under the jurisdiction of the Parish Council of Jefferson Parish, Louisiana (the "Parish") as Jefferson Parish Hospital Service District No. 1 (the "Service District"). A Louisiana Attorney General opinion empowers hospital service districts to create pension plans for officers and employees and to fund the plan with district funds.

The Retirement Plan for Employees of West Jefferson Medical Center (the "Plan") is a single-employer, non-contributory, defined public employee retirement system (PERS). The Plan covers certain employees of West Jefferson Medical Center (the Employer) who met certain length of service requirements through December 31, 2005 and is funded through employer contributions and investment earnings. The Plan issues a publicly available report that includes financial statements and supplementary information for the Plan. The report may be obtained by contacting the Plan's administration at (504) 364-2627.

The Service District implemented Government Accounting Standards Board (GASB) Statement 68 on *Accounting and Financial Reporting for Pensions* and Statement 71 on *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68.* These standards require the Service District to record the Net Pension Liability and report the following disclosures.

Plan Description

The Medical Center contributes to the Retirement Plan for Employees of West Jefferson Medical Center (the Plan). No new entrants were allowed to participate in the plan after December 31, 2005. As a governmental entity, the Plan provides disclosures required by the Governmental Accounting Standards Board (GASB).

9. Employee Benefits (Continued)

Plan Description (Continued)

The Service District's total payroll for all employees and the total covered payroll for the three months ended December 31, 2015, amounted to $0 and $0, respectively while the nine months ended September 30, 2015, amounted to $61,209,186 and $21,722,658, respectively. Covered payroll refers to all compensation paid by the Service District to active employees covered by the Plan on which contributions to the Plan are based.

At December 31, 2015 and September 30, 2015, the Plan's membership consisted of:

	December 31, 2015	September 30, 2015
Active Employees	0	417
Retirees and beneficiaries currently receiving benefits	707	705
Terminated employees entitled to but not yet receiving benefits	1,282	867
Total plan membership	1,989	1,989

Eligibility Requirements

An employee was eligible to participate in the Plan as of the date they have completed one year of service of 1,000 hours or more and attained the age of 21. No new entrants are allowed to participate in the Plan after December 31, 2005.

Benefits Retirement

The Plan provides retirement benefits as well as death and disability benefits. Prior to July 1, 2002, all benefits were fully vested after 10 years of credited service. Effective July 1, 2002, all employees become fully vested after 5 years of credited service. The basic annual retirement benefit at age 65 is a benefit payable for life in an amount equal to the number of years of credited service up to 30 years, multiplied by the sum of (1) 1.2 percent of final average monthly compensation and (2) .65 percent of final average monthly compensation in excess of "covered" compensation, which is defined as the average of the Social Security Taxable Wage Base for the 35-year period ending in the year in which social security normal retirement age is attained. Final average monthly compensation is defined as the monthly compensation of a participant averaged over the 5 consecutive calendar years which produces the highest monthly average within the last 10 calendar years preceding the earlier of retirement or termination of employment. Employees with 10 years of credited service may elect to receive a reduced benefit beginning at age 55.

Deferred and Disability Benefits

A Plan member leaving employment after 10 years of credited service but before attaining retirement age or who ceases active employment because of total and permanent disability after 10 years of credited service but before attaining retirement age is eligible for deferred benefits or may elect to receive reduced benefits beginning on the early retirement date.

9. Employee Benefits (continued)

Survivor Benefits

The survivor benefit provided under the Plan is a death benefit for a vested participant in the form of survivor annuity. Such annuity payments are generally equal to 50 percent of the amount which would be payable to the participant if he or she had survived and elected to commence receiving a retirement income at the earliest date allowed under the Plan.

Contributions

The employer is required to contribute amounts necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions.

Plan Termination

The Service District has the right under the Plan to discontinue its contributions at any time and to terminate the Plan. See further discussion below under "Plan Amendment."

Funding Policy

The funding policy of the Plan for periodic employer contributions at actuarially determined rates that are sufficient to pay benefits when due. The actuarial funding method used to determine the normal cost and the unfunded actuarial accrued liability, amortized over 30 years, for purposes of determining contribution requirements is the entry age normal cost method. The significant actuarial assumptions underlying the actuarial method used to compute the contribution requirement are the same as those used to compute the pension benefit obligation.

The actuarially determined contribution requirement for 2015 is $4,265,707. The actual contribution paid by the employer during 2015 relating to the 2014 contribution requirement was $3,601,769.

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

The components of the net pension liability of the Service District as of December 31, 2015 and September 30, 2015 were as follows:

	December 31, 2015	September 30, 2015
Total pension liability	$ 117,680,324	$ 115,026,748
Plan fiduciary net position	57,091,925	57,604,837
Net pension liability	$ 60,588,399	$ 57,421,911
Plan fiduciary net position as a percentage of the total pension liability	48.5%	50.1%

9. Employee Benefits (continued)

The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Pension expense for the three months ended December 31, 2015 and the nine months ended September 30, 2015 was $3,828,857 and $5,541,216, respectively.

At December 31, 2015 and September 30, 2015, the Service District reported deferred outflows related to the Plan as follows:

	December 31, 2015	September 30, 2015
Net difference between projected and actual earnings on pension plan investments	$ 3,443,929	$ 4,106,298

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2016	$ 860,982
2017	860,982
2018	860,982
2019	860,983
	$ 3,443,929

Actuarial Assumptions

The actuarial present value of accumulated plan benefits is determined by an independent actuary and represents the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The total pension liability was determined by an actuarial valuation as of December 31, 2015 and September 30, 2015, using the following actuarial assumptions:

	2015
Investment rate of return	7.00%
Inflation	2.30%
Salary increases including inflation	N/A *

* As described in Note 13, effective October 1, 2015, the Service District has no employees, and a result, future salary increases are not applicable.

9. Employee Benefits (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are development for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's current and expected asset allocation as of December 31, 2015 and September 30, 2015 are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return December 31, 2015	September 30, 2015
U.S. Cash	0.88%	3.51%
U.S. Core Bonds	2.23%	4.86%
U.S. Equity Market	5.74%	8.37%

Discount Rate

The discount rate used to measure the total pension liability was 7% for the three months ended December 31, 2015 and the nine months ended September 30, 2015. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the current contribution rate and that the Plan's contributions will be made at rates equal to the difference between actuarially determined contribution rate and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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.

Sensitivity of the Net Pension Liability to Change in the Discount Rate

The following presents the net pension liability of Jefferson Parish Hospital Service District No. 1 as of September 30, 2015, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate.

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Total pension liability	$ 131,123,035	$ 117,680,324	$ 106,430,237
Fiduciary net position	57,091,925	57,091,925	57,091,925
Net pension liability	74,031,110	60,588,399	49,338,312

9. Employee Benefits (continued)

Tax Qualification

The Plan is a tax qualified plan under IRS Code Section 401(a).

Plan Amendments

In 2005, the Medical Center adopted a change to the Plan that amends the Plan effective January 1, 2006. The change freezes participation after December 31, 2005 (no new participants) and offer active participants as of January 1, 2006 a one-time irrevocable election to either (1) freeze their benefits under the Plan as of December 31, 2005, with no future accruals but with enhanced benefits available under a new 403(b) Defined Contribution Plan (the "new Defined Contribution Plan"), or (2) continue further accruals under the Plan after December 31, 2005, but without the enhanced benefits otherwise available under the new Defined Contribution Plan (see below).

In 2007, the Medical Center adopted an amendment to the Defined Benefit Plan effective November 1, 2007. The change provides enhanced retirement benefits to eligible participants electing retirement under the Voluntary Retirement Incentive Program (VRIP) by December 17, 2007. Participants age 55 or older with at least 20 years of credited service by December 31, 2007 were granted the most favorable combination of 10 total additional years of age and service (with a forty year service cap) if they retired under the VRIP with an approved retirement date ranging from January 1, 2008 to April 1, 2008. Over 50% of eligible employees elected to accept the enhanced retirement benefits under the VRIP.

Other Benefits

The Medical Center provides a supplemental executive retirement plan (SERP) as well as a contributory flexible benefit plan to certain key employees. The Medical Center's contribution to these plans in the nine months ended September 30, 2015 was $313,742. The Service District's contribution for the three months ended December 31, 2015 was $0. Net assets and liabilities associated with the plans were $0 and $1,605,501 at December 31, 2015 and September 30, 2015, respectively, and are included in noncurrent assets and noncurrent liabilities in the accompanying combined financial statements.

Defined Contribution 403(b) Plan

All new employees after December 31, 2005 and any employees who elected out of the Plan (see above) are eligible to join the Medical Center's Defined Contribution 403(b) Plan. Employer contributions to the 403(b) plan totaled $1,058,784 and $0 for the nine months ended September 30, 2015 and the three months ended December 31, 2015, respectively. New employees are immediately eligible to make pre-tax contributions to the plan and receive employer matching contributions. To receive the employer annual non-discretionary contribution based on years of service, employees must complete at least 12 months of service and 1,000 hours by December 31st of the current plan year and must have contributed at least 2% of their compensation unless grandfathered in.

9. Employee Benefits (continued)

Defined Contribution 403(b) Plan (continued)

Effective October 1, 2015, Jefferson Parish Hospital Service District Number 1, D/B/A/West Jefferson Medical Center, West Jefferson Holdings, LLC, Louisiana Children's Medical Center (LCMC) and Children's Hospital of New Orleans (the "Parties") entered into that certain Cooperative Endeavor Agreement and related agreements (CEA). Contemporaneously with the execution of the CEA, the Parties entered into a certain Closing Side Letter, which, among other things, provided that, notwithstanding the terms of the CEA, the 403(b) plan sponsored by the District and all agreements maintained in connection therewith were assigned to, and assumed by, LCMC. LCMC has assumed the 403(b) plan and all related agreements, and is in the process of merging the assets in the District's former plan into a new LCMC 403(b) plan.

10. Concentrations of Credit Risk

The Service District grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables due from patients and third-party payers was as follows:

	September 30, 2015	
Medicare	51	%
Medicaid	9	%
Managed care	33	%
Other	6	%
Self-pay	1	%
	100	%

11. Operating Leases

The Service District entered into several long-term operating leases. The Service District has no future commitments resulting from these leases as they were transferred to LCMC in accordance with the Master Lease Agreement, effective October 1, 2015, as described in Note 13.

The Service District leases space at its facilities under long-term operating lease agreements. The Service District will not receive future rental income on these leases as they were transferred to LCMC in accordance with the Master Lease Agreement, effective October 1, 2015, as described in Note 13.

See Note 13 for additional information regarding the lease of West Jefferson Medical Center to West Jefferson Holdings, LLC.

12. Related Parties

The Service District paid no amounts to members of its board of directors for compensation or per diem in 2015. Board members are provided health insurance benefits under the Medical Center's health insurance plan.

The Service District owns 50% of Associated Hospital Services (AHS), a laundry service. In the nine months ended September 30, 2015 and the year ended December 31, 2015, the Service District purchased services of $826,730 and $0, respectively, from AHS. As of September 30, 2015 and December 31, 2015, the Service District had accounts payable to AHS of approximately $92,601 and $0, respectively.

At September 30, 2015 and December 31, 2015, $4,198 and $0, respectively was owed from West Jefferson Industrial Medicine, LLC (WJIM), a joint venture investment of the Service District, for a loan made to WJIM during 2009.

At September 30, 2015 and December 31, 2015, $12,227 and $0, respectively was owed from West Jefferson CT Scan, LLC and $5,183 and $0 was owed from West Jefferson MRI, LLC, respectively. At September 30, 2015 and December 31, 2015, $64,354 and $0, respectively was owed from Crescent City Research Consortium, LLC (CCRC), a joint venture investment of the Service District.

The Service District's investment in Associated Hospital Services, Inc. in the amount of approximately $2,975,786 was transferred to Jefferson Parish Hospital Service District No. 2 d/b/a East Jefferson General Hospital (EJGH) effective October 1, 2015.

See Note 13 for additional information.

13. Cooperative Endeavor Agreement

A Cooperative Endeavor Agreement ("CEA") was executed by and among Louisiana Children's Medical Center (a Louisiana non-profit corporation, ("LCMC")); West Jefferson Holdings, LLC ("WJH") (a Louisiana limited liability company, of which LCMC is the sole member ("Newco"); ; and Jefferson Parish Hospital District No.1, Parish of Jefferson, State of Louisiana, d/b/a West Jefferson Medical Center (the "Service District"), dated February 26, 2015 (referred to herein as the "Parties" and each, as a "Party"). Children's Hospital of New Orleans, a Louisiana nonprofit corporation ("Children's"), entered into the CEA solely for purposes of its obligations under Sections 5.3 and 12.3(c). Further and pursuant to the CEA, a Master Hospital Lease by and between the Service District and WJH was executed effective October 1, 2015 (referred to herein as the "Parties" and each, as a "Party").

The Parties recognized that the changing health care delivery system and Louisiana's health care reform efforts are driving providers to remodel the delivery of care through partnerships and cooperative efforts between the public and private sectors, and thereby deliver care on a more efficient, cost-effective basis through integrated delivery systems; and, further that West Jefferson Medical Center (the "Medical Center") and all other clinical and healthcare operations that support Medical Center operations at other locations owned by the District or leased from third parties (collectively with the Medical Center, the "Facilities") can be best operated to meet the needs of the citizens of the District if they receive the benefits of being part of LCMC, a larger academically affiliated system.

13. Cooperative Endeavor Agreement (continued)

Further, the Service District, WJH and LCMC entered into the CEA pursuant to which they seek to: (a) transform the health care delivery landscape in New Orleans through the creation of an integrated healthcare delivery network that provides the entire continuum of care from pediatrics to geriatrics, and that benefits the citizens of the District and the greater New Orleans area, (b) allow for an enhanced integrated delivery system, well-positioned for the challenges of healthcare reform and population health management in the future, (c) enhance physician recruitment and engagement at the Facilities through development of high quality, open medical staffs with significant community involvement, a commitment to medical research and education, the establishment of a physician network that may participate in clinical integration, and a commitment to pluralistic physician alignment models, and (d) achieve for the Facilities the benefits of scale achieved by a larger health system by providing for greater standardization and cost efficiency, allowing for the ability to leverage best practices and generate operational efficiencies.

Through the CEA and Lease, the Facilities joined the LCMC health care system (the "LCMC System" or "System") which includes LCMC, Children's, Touro Infirmary, a Louisiana nonprofit corporation ("Touro"), and the University Medical Center Management Corporation including University Medical Center, a Louisiana nonprofit corporation.

The term of the lease between the Service District and WJH is 45 years, and WJH shall have two (2) consecutive options to renew the Lease for a period of fifteen (15) years each for a total of thirty (30) additional years, under the same terms and conditions. In addition, WJH shall have the right to terminate the Lease without cause and in its sole discretion effective at any time beginning on the thirtieth (30^{th}) anniversary of the commencement date, by providing the Service District with written notice of such election to terminate, at least twelve (12) months prior to the effective date of such termination.

The Total Consideration provided by Newco to the District in connection with the Master Hospital Lease and Contemplated Transactions is:

(a) $200,000,000 which includes Prepaid Rent under the Master Hospital Lease;
(b) $20,000,000 Performance Consideration for foreseeable steady financial performance of the Hospital Business (the operations of the Facilities) over a three (3) period and contingent upon the level of annual Operating EBIDA (Earnings from Operations before Interest Expense, Depreciation and Amortization, determined in accordance with generally accepted accounting principles, consistently applied by LCMC and Newco);
(c) The Service District's right to certain cash, Investments and Trustee Held Funds;
(d) The Service District's assumption of certain post-closing obligations related to agreed-upon Assigned Assets; and,
(e) The assignment and assumption and allocation between the parties of the Final Working Capital at September 30, 2015, i.e., Plus/Minus the amount by which the Estimated Working Capital at September 30, 2015 is more or less than the Targeted Working Capital at September 30, 2015 of $26,573,000 (such amount to be subsequently adjusted as needed post-closing pursuant to Section 4.4 of the CEA).

13. Cooperative Endeavor Agreement (continued)

Further, LCMC and Newco covenant that during the first fifteen years of the agreement (the "Commitment Period"), a minimum of $340 million shall be expended, regardless of the funding source, by Newco for Capital Expenditures for the Facilities and for other related health care projects in the Facilities service area in the District, or outside of the Parish if for (a) the benefit of the Facilities or (b) the improvement of health care services within the Service District. A minimum of $95 million of said commitment shall have been expended in the first five years, $210 million in the first ten (10) years and the full $340 million prior to the end of the first fifteen years.

In addition to the above Consideration and as a Post-Closing Covenant, Newco shall make additional payments ("Community Benefit Payments") to the Service District in the aggregate amount of $3,150,000 ($1,150,000 at closing; $750,000 no later than January 31, 2016; $750,000 no later than January 31, 2017; and, $500,000 no later than January 31, 2018) for use at the Service District's discretion for items that the Service District deems beneficial to the community.

On September 30, 2015, the Service District received $200,000,000 in prepaid rent (item (a) above), prepayment of the $1,150,000 Community Benefits Payment due at closing (preceding paragraph) and $27,224,572 for the excess of Estimated Working Capital over Targeted Working Capital (item (e) above) for a total of $228,374,572. This amount is included in advance lease and other payments from CEA on the statements of net position at September 30, 2015.

Finally, also as a Post-Closing Covenant, the Service District and Newco agree to create a Louisiana Partnership embodied in a partnership agreement to be known as the Community Services Collaborative (CSC) to provide a vehicle to allow the parties to collaboratively monitor and address any service needs by the residents of the Westbank Community (citizens residing within the geographical boundaries of Jefferson Parish Hospital Service District No. 1). The CSC shall be funded initially by a contribution of $150,000 by each partner having a fifty percent (50%) vote in the governance of the Partnership.

Effective October 1, 2015, the financial statements of the Service District will no longer contain the operations of the Facilities, including and not limited to, net patient accounts receivable, hospital inventory, investments in joint ventures, net patient service revenue, salaries, wages, and benefits of hospital employees, along with any other items related to the operations of the Facilities. The employees of West Jefferson Medical Center are not employees of the Service District.

Effective October 1, 2015, total assets of $68,606,730 and total liabilities of $14,025,191 were transferred from the Service District to WJH. The total loss on the transfer of assets and liabilities is $30,323,296. The audited Excess Specified Working Capital is $24,258,243. A liability of $2,966,329 due to WJH for specified working capital (SWC) is reflected in the Service District's financial as of December 31, 2015.

13. Cooperative Endeavor Agreement (continued)

The following table summarizes the transaction.

Assets Excluded:		
Petty cash	$ 5,050	
Other assets	3,745,246	
Assets Transferred:		
Patient accounts receivable, net	32,310,193	
Other current receivables	5,716,748	
Due from government health care program	559,049	
Inventory	7,284,774	
Prepaid expenses and deposits	18,985,670	
Total Assets Excluded or Transferred		$ 68,606,730
Liabilities Transferred:		
Accounts payable	(8,416,751)	
Accrued expenses	(3,764,835)	
Due to government health care program	(749,453)	
Patient deposits and credit balances	(1,094,152)	
Total Liabilities Transferred		(14,025,191)
Excess Specified Working Capital		(24,258,243)
Loss on Transfer		$ 30,323,296
Excess SWC paid by WJH	$ 27,224,572	
Audited Excess SWC	(24,258,243)	
Amount Due To WJH	$ 2,966,329	

In addition, the Service District's investment in Associated Hospital Services, Inc. in the amount of $2,975,786 was transferred to Jefferson Parish Hospital Service District No. 2 d/b/a East Jefferson General Hospital effective October 1, 2015.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB STATEMENT NOS. 67 AND 68

SCHEDULE OF NET PENSION LIABILITY

Actuarial Valuation Date	Total Pension Liability	Plan Fiduciary Net Position	Employer's Net Pension Liability	Plan Fiduciary Net Position as a % of Total Pension Liability	Covered Payroll (millions)	Unfunded AAL as a Percentage of payroll
December 31, 2013	$ 97,327,968	$ 58,900,046	$ 38,427,922	60.5%	$ 28,416,747	135.2%
December 31, 2014	$ 112,206,090	$ 60,837,664	$ 51,368,426	54.2%	$ 26,812,234	191.6%
September 30, 2015	$ 115,026,748	$ 57,604,837	$ 57,421,911	50.1%	$ 28,963,544 *	198.3%
December 31, 2015	$ 117,680,324	$ 57,091,925	$ 60,588,399	48.5%	$ 28,963,544 *	209.2%

* For comparability, covered payroll for the nine months ended September 30, 2015 of $21,722,658 has been annualized. The Service District has no employees effective October 1, 2015.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarial Determined Contribution**	Contribution Deficiency (Excess)	Covered Payroll Contribution	Contributions as a % of Covered Payroll
2006	$ 2,123,511	$ 2,123,511	$ -	$ 58,108,577	3.65%
2007	1,864,390	1,864,390	-	49,734,574	3.75%
2008	2,333,775	2,333,775	-	44,147,514	5.29%
2009	2,741,401	2,741,401	-	40,586,511	6.75%
2010	3,050,861	3,050,861	-	37,334,047	8.17%
2011	3,219,414	3,219,414	-	33,928,713	9.49%
2012	3,444,682	3,444,682	-	31,237,839	11.03%
2013	3,457,582	3,457,582	-	28,416,747	12.17%
2014	3,601,769	3,601,769	-	26,812,234	13.43%
2015	4,265,707	-	4,265,707	28,963,544	14.73% ***

** Contribution made after year-end
*** The contribution for 2015 has not been funded as of the date of this report.

Note to schedule: *Method and assumptions used in calculations of actuarially determined contributions*. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of December 31, 2015. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years for December 31, 2015 valuation and 30 years for September 30, 2015 valuation
Asset valuation method	Market value
Inflation	2.63% and 2.3% per annum, for December 31, 2015 and September 30, 2015 valuations, respectively, compounded annually
Salary increases	Not applicable. The Service District has no employees effective October 1, 2015. As a result, no salary increases are projected.
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Mortality	UP-94 Mortality separately for males and females (set forward 3 years for females), with projection to valuation date using Scale AA factors

SCHEDULE OF INVESTMENT RETURNS

Period Ended	Net Money-Weighted Rate of Return
December 31, 2014	7.28%
September 30, 2015	-3.31%
December 31, 2015	3.08%

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB STATEMENT NOS. 67 AND 68

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	Year ended December 31, 2014	Nine months ended September 30, 2015	Three months ended December 31, 2015
Total Pension Liability			
Service cost	$ 323,166	$ 391,500	$ -
Interest on total pension liability	7,580,434	5,788,949	1,993,852
Effect of plan changes	-	-	-
Differences between expected and actual experience	1,737,592	1,303,989	2,297,442
Effect of assumption changes or inputs	11,028,337	-	-
Benefit payments	(5,791,407)	(4,663,780)	(1,637,718)
Net change in total pension liability	14,878,122	2,820,658	2,653,576
Total pension liability, beginning	97,327,968	112,206,090	115,026,748
Total pension liability, ending (a)	$ 112,206,090	$ 115,026,748	$ 117,680,324
Plan Fiduciary Net Position			
Employer contributions	$ 3,457,582	$ 3,601,769	$ -
Investment income net of investment expenses	4,471,241	(1,944,107)	1,889,135
Benefit payments	(5,791,407)	(4,663,780)	(2,087,394)
Administrative expenses	(199,798)	(226,709)	(314,653)
Net change in plan fiduciary net position	$ 1,937,618	$ (3,232,827)	$ (512,912)
Plan fiduciary net position, beginning	58,900,046	60,837,664	57,604,837
Plan fiduciary net position, ending (b)	$ 60,837,664	$ 57,604,837	$ 57,091,925
Service District's net pension liability, ending = (a) - (b)	$ 51,368,426	$ 57,421,911	$ 60,588,399
Plan fiduciary net position as a % of total pension liability	54.22%	50.08%	48.51%
Covered payroll	$ 26,812,234	$ 28,963,544 *	$ 28,963,544 *
Service District's net pension liability as a % of covered payroll	191.59%	198.26%	209.19%

Notes to Schedules: The schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

* For comparability, covered payroll for the nine months ended September 30, 2015 of $21,722,658 has been annualized. The Service District has no employees effective October 1, 2015.

See independent auditors' report.

Schedule 2

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO THE AGENCY HEAD
THREE MONTHS ENDED DECEMBER 31, 2015

Agency Head Name: John F. Young, Jr. Parish President, Jefferson Parish

Note: Effective October 1, 2015, Jefferson Parish Hospital Service District No. 1 (the "Service District") has no employees. The governing body of the Service District is the Jefferson Parish Council. The agency head is John F. Young, Jr., Parish President of Jefferson Parish. The Service District did not make any payments to or on behalf of the Parish President or any other employees of Jefferson Parish or members of the Jefferson Parish Council.

See accompanying independent auditors' report.

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

Members of the Parish Council
Jefferson Parish, 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 the Jefferson Parish Hospital Service District No. 1 (the Service District), a component unit of Jefferson Parish, as of and for the three months ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the Service District's basic financial statements, and have issued our report thereon dated June 28, 2016.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Service District'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2015-01.

Service District's Response to Finding

The Service District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Service District'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.

Postlethwaite & Netterville

Metairie, Louisiana
June 28, 2016

P&N

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

SCHEDULE OF FINDINGS AND RESPONSES

THREE MONTHS ENDED DECEMBER 31, 2015

2015-01 Collateral on Deposits

Criteria:	Louisiana Revised Statute (R.S.) 39:1225 requires that the Service District's deposits be fully secured at all times by federal deposit insurance and pledged securities owned by the bank.
Condition:	At December 31, 2015, deposits with one financial institution were under collateralized by $253,886.
Cause:	The cost of pledged bank securities in addition to federal deposit insurance exceeded the amount of deposits with the financial institution. However, the decrease in market value of the pledged securities caused the deposits to be under collateralized.
Effect:	The Service District was not in compliance with Louisiana R.S. 39:1255.
Recommendation:	The Service District should review cash balances to determine that they are adequately covered by federal deposit insurance and the pledge of bank owned securities.
Management's Response:	This September 30, 2015, $20 million deposit is held in escrow pursuant to the Cooperative Endeavor Agreement By and Among Louisiana Children's Medical Center; West Jefferson Holdings, L.L.C.; Children's Hospital of New Orleans; and, Jefferson Parish Hospital District No. 1, Parish of Jefferson, State of Louisiana, D/B/A, West Jefferson Medical Center, dated February 26, 2015, which provides in relevant part:

> 3.3(c) Closing Payment Adjustments. At Closing, Newco shall deposit into an escrow account (the "Escrow Account") with Liberty Bank ("Escrow Agent") Twenty Million Dollars ($20,000,000) (the "Escrow Amount") to secure the payment of any Shortfall in connection with the adjustment to the Facilities' Specified Working Capital as set forth in Section 4.4(h) and the other obligations of the District hereunder, including, without limitation, the District's obligations under Article 12 hereof, pursuant to the terms of an escrow agreement by and among Newco, LCMC, the District and the Escrow Agent substantially in the form of Exhibit H hereof(the "Escrow Agreement") to be entered into by Newco, LCMC, the District and the Escrow Agent at the Closing.

The month-end Collateral Pledge Reports provided by Liberty Bank reflect sufficient collateral at the end of each and every month from October, 2015 through May, 2016, save December, 2015. Management will continue to monitor Collateral Pledge Reports to ensure all deposits are collateralized in accordance with Louisiana R.S.39:1255.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

THREE MONTHS ENDED DECEMBER 31, 2015

2015-001 Contractual Allowance and Allowance for Doubtful Accounts

Criteria:	Subsequent to September 30, 2015, West Jefferson Medical Center (the Medical Center) identified an error in the calculation of the contractual allowance and allowance for doubtful accounts for patient accounts receivable previously recorded.
Recommendation:	The Medical Center should implement procedures to ensure that all contractual adjustments are recorded timely. In addition, the Medical Center should review activity for individual patient accounts in the reporting tool to ensure that the expected payment is properly calculated.
Status:	Not applicable. The Service District does not have patient accounts receivable as of December 31, 2015 due to the transfer of West Jefferson Medical Center's hospital-related assets and liabilities to West Jefferson Holdings, LLC (an unrelated entity) on October 1, 2015.