FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 1
PARISH OF ST. MARY
FRANKLIN, LOUISIANA

SEPTEMBER 30, 2016 AND 2015

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SEPTEMBER 30, 2016 AND 2015

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hospital Service District No. 1
Parish of St. Mary, State of Louisiana
Franklin, Louisiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying statements of net position of Hospital Service District No. 1 Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, ("the Hospital"), as of September 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1 Parish of St. Mary, State of Louisiana as of September 30, 2016 and 2015, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Accounting Standards*, we have also issued our report dated March 23, 2017 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Langlinais Broussard & Kohlenberg

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

March 23, 2017

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

STATEMENT OF NET POSITION **FOR THE YEARS ENDED SEPTEMBER 30,**

ASSETS

	2016	2015
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 1,696,050	$ 1,725,318
Investments	4,090,289	4,039,604
Accounts Receivables, less Allowance For Doubtful accounts of $1,675,602 in 2016 and $1,956,426 in 2015	1,583,138	1,897,477
Due from Third Party Payors	1,487,432	568,545
Other Receivables	1,959,315	2,403,436
Inventories	752,299	800,375
Prepaid Expenses	496,074	568,476
Total Current Assets	12,064,597	12,003,231
ASSETS WHOSE USE IS LIMITED:		
By Board	5,346,794	3,188,071
By Bond Indenture	568,489	489,994
Total Assets Whose Use is Limited	5,915,283	3,678,065
PROPERTY, PLANT AND EQUIPMENT:		
Property, Plant and Equipment Cost	34,571,750	34,418,967
Less: Accumulated Depreciation	(21,908,304)	(20,637,030)
Total Property, Plant and Equipment	12,663,446	13,781,937
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Financing Costs	33,335	36,271
Total Deferred Outflows of Resources	33,335	36,271
TOTAL ASSETS	$ 30,676,661	$ 29,499,504

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

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

STATEMENT OF NET POSITION **FOR THE YEARS ENDED SEPTEMBER 30,**

LIABILITIES AND NET POSITION

	2016	2015
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	$ 488,385	$ 464,763
Accounts Payable	461,438	586,680
Due to Third Party Payors	538,739	300,840
Credit Balances	83,005	63,858
Interest Payable	12,319	13,551
Accrued Salaries and Related Withholdings	647,754	503,171
Accrued Vacation and Holiday Expense	469,856	448,962
Total Current Liabilities	2,701,496	2,381,825
LONG-TERM LIABILITIES:		
Revenue Bonds Series 2005	4,086,807	4,173,899
Revenue Refunding Bonds Series 2010	1,873,601	2,366,461
Capital Lease Payable	-	14,192
Total Long-Term Liabilities	5,960,408	6,554,552
TOTAL LIABILITIES	8,661,904	8,936,377
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	6,214,653	6,762,622
Restricted Net Position (Expendable)	5,915,283	3,678,065
Unrestricted	9,884,821	10,122,440
TOTAL NET POSITION	22,014,757	20,563,127
TOTAL LIABILITIES AND NET POSITION	$ 30,676,661	$ 29,499,504

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

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE YEARS ENDED SEPTEMBER 30,

	2016	2015
OPERATING REVENUES:		
Net Patient Service Revenue before Provision for Doubtful Accounts	$ 21,170,465	$ 19,754,497
Provision for Doubtful Accounts	(2,990,462)	(3,827,156)
Net Patient Service Revenue less Provision for Doubtful Accounts	18,180,003	15,927,341
Ad Valorem Taxes	2,402,698	2,423,664
Intergovernmental Transfers - Operating Grant	2,656,847	2,811,806
Other Operating Revenue	336,837	349,164
TOTAL OPERATING REVENUE	23,576,385	21,511,975
OPERATING EXPENSES:		
Professional Services	13,171,238	12,684,192
General and Administrative	9,894,924	8,809,818
Depreciation and Amortization	1,532,397	1,638,778
TOTAL OPERATING EXPENSES	24,598,559	23,132,788
NET INCOME (LOSS) FROM OPERATIONS	(1,022,174)	(1,620,813)
NON-OPERATING REVENUES (EXPENSES)		
Full Medicaid Payment Program Funding	2,486,800	2,448,667
Grant Revenue	252,111	488,838
Litigation Settlement Receipts	-	250,000
Net Decrease in the Fair Value of Investments	(20,017)	(20,606)
Investment Income	86,681	65,646
Loss on the Sale of Fixed Assets	(42,432)	-
Interest Income	7,219	5,618
Interest Expense	(296,718)	(321,539)
Other Non-Operating Revenue	160	177
TOTAL NON-OPERATING REVENUES (EXPENSES)	2,473,804	2,916,801
CHANGE IN NET POSITION	1,451,630	1,295,988
TOTAL NET POSITION, BEGINNING	20,563,127	19,267,139
TOTAL NET POSITION, ENDING	$ 22,014,757	$ 20,563,127

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

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

STATEMENTS OF CASH FLOWS **FOR THE YEARS ENDED SEPTEMBER 30,**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Patients	$ 17,426,174	$ 16,413,573
Ad Valorem Taxes	2,452,579	2,319,542
Intergovernmental Transfers-Operating Grant	3,085,876	2,811,806
Cash Received from Other Sources	134,686	149,786
Cash Payments to Suppliers for Goods and Services	(11,954,135)	(11,246,341)
Cash Payments to Employees for Services	(10,951,315)	(10,504,168)
Net Cash Provided By (Used In) Operating Activities	193,865	(55,802)
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:		
Acquisition of Property and Equipment	(456,338)	(284,929)
Principal Payments on Long-term Debt	(570,522)	(567,022)
Interest Payments on Long-term Debt	(297,951)	(321,634)
Grant Income	3,312,600	2,363,816
Lawsuit Settlement Receipts	-	250,000
Other Non-Operating Income	160	177
Net Cash Provided By Capital and Related Financial Activities	1,987,949	1,440,408
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Deferred Financing Costs	2,936	2,692
Net Cash Provided By Non-Capital Financing Activities	2,936	2,692
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(4,145,659)	(3,232,837)
Proceeds from the Sale of Investments	4,052,544	3,198,243
Investment Income	86,681	65,646
Net Decrease in the Fair Value of Investments	(20,017)	(20,606)
Interest Income	7,219	5,618
Loss on Sale of Assets	42,432	-
Net Cash Provided By Investing Activities	23,200	16,064
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,207,950	1,403,362
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, INCLUDING $3,678,065 AND $990,499 LIMITED AS TO USE FOR 2016 AND 2015, RESPECTIVELY	5,403,383	4,000,021
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING $5,915,283 AND $3,678,065 LIMITED AS TO USE FOR 2016 AND 2015, RESPECTIVELY	$ 7,611,333	$ 5,403,383

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

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

STATEMENTS OF CASH FLOWS **FOR THE YEARS ENDED SEPTEMBER 30,**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	$ (1,022,174)	$ (1,620,813)
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	1,532,397	1,638,778
Provision for Doubtful Accounts	2,990,462	3,827,156
Increase in Receivables and Due from/to Third Parties	(3,467,532)	(3,644,424)
Decrease (Increase) in Inventories and Prepaid Expenses	120,478	(202,720)
Increase (Decrease) in Accounts Payable and Accrued Expenses	40,234	(53,779)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 193,865	$ (55,802)

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

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

Reporting Entity. Hospital Service District No. 1, Parish of St. Mary (the Hospital) was created by Ordinance No. 559 of the Police Jury of St. Mary Parish on September 20, 1950, to operate, control, and manage matters concerning the health care of citizens west and northwest of the Wax Lake Outlet. The Hospital is governed by a board of seven commissioners who are appointed by the St. Mary Parish Council. For this reason, the Hospital is considered to be a component unit of the St. Mary Parish Government, St. Mary Parish, Louisiana.

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

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

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

Property, Plant and Equipment. Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds, if any, during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, building, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents. Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. Uses of restricted funds are determined by board resolution only.

Compensated Absences. Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences on the Hospital's Statement of Net Position were $469,856 and $448,962 for 2016 and 2015, respectively.

Ad valorem Taxes. The Hospital received approximately nine percent(9%) in 2016 and ten percent (10%) in 2015 of its financial support from ad valorem taxes. Current taxes are received beginning in December of each year and become delinquent after January 31 of the following year.

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

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

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

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

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

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

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

Net patient service revenue. The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Operating and Non-operating Revenue. Operating revenue includes net patient revenue, ad valorem taxes, intergovernmental transfer grants, cafeteria and vendor sales, rental income, and other revenues determined by management to be derived from operations of the hospital. Non-operating revenues include grant revenue, interest income and gains or losses not considered to be derived from operations of the hospital.

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

Restricted Resources. Restricted funds may be designated by the board in order to comply with bond covenants, contracts, or other specific purposes. The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

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

Advertising. The Hospital expenses advertising costs as incurred.

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

Reclassifications. To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets.

NOTE 2: MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 62% and 61% of its gross patient service revenue in 2016 and 2015, respectively, from patients covered by the Medicare and Medicaid programs. The Hospital received total grant revenue, including operating and non-operating, of $5,395,758 and $5,749,311 for 2016 and 2015, respectively.

NOTE 3: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

A summary of the payment arrangements with major third-party payors follows.

Medicare Inpatient services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medical Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through September 30, 2012.

Medicaid Inpatient services are reimbursed at a fixed rate per day for medical/surgical patients. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, with certain limitations and exceptions. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports filed by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2011.

NOTE 3: NET PATIENT SERVICE REVENUE, CONTINUED

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

Commercial The Hospital has entered into payment agreements with certain commercial insurance carriers and preferred-provider organizations. The basis for payment to the Hospital under some of these agreements includes prospectively determined daily rates.

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts, recognized in the period from these major payor sources, is as follows.

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

	2016	2015
Medicare	$ 8,659,921	$ 7,454,710
Medicaid	7,513,712	7,651,497
All other payors	4,996,832	4,648,290
Total Net Patient Service Revenue Before Provision for Doubtful Accounts	$ 21,170,465	$ 19,754,497

The following schedule represents total Net Patient Service Revenue:

	2016	2015
Gross Patient Service Revenue	$ 35,094,457	$ 35,892,414
Less: Contractual Adjustments	(15,366,611)	(16,450,666)
Add: Physician Full Medicaid Payment	1,442,619	312,749
Net Patient Service Revenue Before Provision for Doubtful Accounts	21,170,465	19,754,497
Provision for Doubtful Accounts	(2,990,462)	(3,827,156)
Net Patient Service Revenue after Provision For Doubtful Accounts	$ 18,180,003	$ 15,927,341

NOTE 3: NET PATIENT SERVICE REVENUE, CONTINUED

During the fiscal year ended September 30, 2016, the Hospital received funding based on provider services provided to the Managed Care Organizations (MCOs) through the Louisiana Department of Health and Hospital's Bayou Health Program referred to as "Physician Full Medicaid Payment" above. Under this program, the Hospital was required to make intergovernmental transfers ("IGT") totaling $928,890 to the Louisiana DHH. The hospital later received matching dollars for the transfer in addition to the FMP payment. Before administrative fees paid to the MCO and a third-party representative organization, the Hospital recognized a gross benefit of approximately $1,188,995 for the year ended September 30, 2016. The Hospital has included this amount in the "Physician Full Medicaid Payment" shown above as a part of Net Patient Service Revenue.

The Hospital also received funds from the Louisiana Department of Health and Hospitals for Physician UPL Supplemental Payments. Under this payment program, which ended in fiscal year 2016, the Hospital recognized $449,814 and $554,259 of gross funds and subsequently paid an Intergovernmental Transfer to LA DHH in the amount of $196,190 and $241,510, for a net recognized benefit of approximately $253,624 and $312,749 for the years ended September 30, 2016 and 2015, respectively. The Hospital has included this amount in the "Physician Full Medicaid Payment" shown above as a part of Net Patient Service Revenue.

NOTE 4: ACCOUNTS RECEIVABLE – PATIENTS

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

Patients Accounts Receivable consists of the following:

	2016	2015
Total Patient Accounts Receivable	$ 4,484,556	$ 5,150,785
Less: Allowances for Doubtful Accounts and Contractual Allowances	(2,901,418)	(3,253,308)
Net Patient Accounts Receivable	$ 1,583,138	$ 1,897,477

NOTE 5: ACCOUNTS RECEIVABLE - OTHER

Other Accounts Receivable consists of the following:

	2016	2015
Accrued Ad Valorem Tax Revenue	$ 1,752,052	$ 1,804,203
Accrued Investment Income	31,342	25,545
Full Medicaid Capacity Funding Grant	-	573,688
All Other	175,921	-
Total Accounts Receivable - Other	$ 1,959,315	$ 2,403,436

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

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

September 30, 2016

	Asset life in years	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not depreciated:					
Land		$ 625,739	$ -	$ -	$ 625,739
Construction in Progress		83,761	35,134	76,732	42,163
Total assets not being depreciated		709,500	35,134	76,732	667,902
Other Capital Assets:					
Buildings	10 - 40	18,564,730	-	303,555	18,261,175
Fixed Equipment	5 - 25	571,164	-	-	571,164
Movable Equipment	5 - 25	13,572,014	497,936	-	14,069,950
Land Improvements	5 - 25	1,001,559	-	-	1,001,559
Total other assets		33,709,467	497,936	303,555	33,903,848
Less accumulated depreciation for:					
Buildings		7,729,843	963,413	261,123	8,432,133
Equipment and furniture		12,377,782	505,060	-	12,882,842
Improvements		529,405	63,924	-	593,329
Total Accumulated Depreciation		20,637,030	1,532,397	261,123	21,908,304
Net Property, Plant and Equipment		$13,781,937	$ (999,327)	$ (119,164)	$12,663,446

September 30, 2015

	Asset life in years	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not depreciated:					
Land		$ 625,739	$ -	$ -	$ 625,739
Construction in Progress		88,998	76,732	81,969	83,761
Total assets not being depreciated		714,737	76,732	81,969	709,500
Other Capital Assets:					
Buildings	10 - 40	18,482,761	81,969	-	18,564,730
Fixed Equipment	5 - 25	571,164	-	-	571,164
Movable Equipment	5 - 25	13,366,817	205,197	-	13,572,014
Land Improvements	5 - 25	998,559	3,000	-	1,001,559
Total other assets		33,419,301	290,166	-	33,709,467
Less accumulated depreciation for:					
Buildings		6,745,285	984,558	-	7,729,843
Equipment and furniture		11,787,636	590,146	-	12,377,782
Improvements		465,331	64,074	-	529,405
Total Accumulated Depreciation		18,998,252	1,638,778	-	20,637,030
Net Property, Plant and Equipment		$15,135,786	$(1,271,880)	$ (81,969)	$13,781,937

NOTE 6: PROPERTY, PLANT AND EQUIPMENT, CONTINUED

Total depreciation expense for the years ended September 30, 2016 and 2015 is $1,532,397 and $1,638,778, respectively.

Equipment in the amount of $65,609 is under capital lease for the period ended September 30, 2016 and 2015. The related amortization/depreciation expense recognized for the years ended September 30, 2016 and 2015 is $13,122.

NOTE 7: OPERATING LEASES

The Hospital leases equipment, storage space, and office space through operating leases. Total lease expense for September 30, 2016 and 2015, respectively, for all operating leases was $140,228 and $125,384.

The Hospital entered into a non-cancellable operating lease agreement for lab equipment during the year ended September 30, 2016. Future minimum rental payments under this lease are as follows:

	September 30, 2016
2017	$ 5,580
2018	5,580
2019	5,580
2020	3,720
Total	$ 20,460

NOTE 8: LONG TERM DEBT

Long-term debt at September 30, 2016 and 2015, consists of the following:

	2016	2015
Revenue Bonds - face value $5,000,000, dated September 5, 2007, bearing interest at 4.25%, collateralized by hospital revenue, maturing monthly with the final maturity October 5, 2047.	$ 4,173,900	$ 4,257,374
Revenue Refunding Bonds - face value $6,295,462 April 30, 2010, bearing interest at 4.45%, collateralized by Hospital operating revenue, maturing monthly with the final maturity December 1, 2027.	2,260,262	2,734,262
Capital Lease Payable, dated October 4, 2012, bearing interest of 3.25%, maturing October 4, 2017, with principal due monthly collateralized by lab equipment	14,631	27,679
	6,448,793	7,019,315
Less: Current Portion	488,385	464,763
Long-Term Portion	$ 5,960,408	$ 6,554,552

NOTE 8: LONG TERM DEBT, CONTINUED

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

September 30, 2016

	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds 2005	$ 4,257,374	$ -	$ 83,474	$ 4,173,900
Revenue Bonds 2010	2,734,261	-	474,000	2,260,261
Capital Lease Payable	27,680	-	13,048	14,632
Total	$ 7,019,315	$ -	$ 570,522	$ 6,448,793

September 30, 2015

	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds 2005	$ 4,337,396	$ -	$ 80,022	$ 4,257,374
Revenue Bonds 2010	3,208,261	-	474,000	2,734,261
Capital Lease Payable	40,680	-	13,000	27,680
Total	$ 7,586,337	$ -	$ 567,022	$ 7,019,315

Balance due within one year:

	2016	2015
Revenue Bonds 2005	$ 87,093	$ 83,475
Revenue Bonds 2010	386,661	367,801
Capital Lease Payable	14,631	13,487
Total	$ 488,385	$ 464,763

Scheduled repayments on long-term debt are as follows:

September 30, 2016

	Principal	Interest	Total
2017	$ 488,385	$ 261,056	$ 749,441
2018	536,001	246,345	782,346
2019	559,044	222,218	781,262
2020	582,903	197,008	779,911
2021	583,440	170,712	754,152
2022-2026	587,094	726,906	1,314,000
2027-2031	725,826	588,174	1,314,000
2032-2036	897,340	416,660	1,314,000
2037-2041	1,109,383	204,617	1,314,000
2042-2043	379,377	12,833	392,210
Total	$ 6,448,793	$ 3,046,529	$ 9,495,322

NOTE 8: LONG TERM DEBT, CONTINUED

September 30, 2015

	Principal	Interest	Total
2016	$ 464,763	$ 284,788	$ 749,551
2017	519,679	272,793	792,472
2018	532,882	249,716	782,598
2019	555,520	225,741	781,261
2020	579,219	200,692	779,911
2021-2025	1,127,739	766,555	1,894,294
2026-2030	695,677	618,323	1,314,000
2031-2035	860,067	453,933	1,314,000
2036-2040	1,063,302	250,698	1,314,000
2041-2043	620,467	34,543	655,010
Total	$ 7,019,315	$ 3,357,782	$ 10,377,097

NOTE 9: BOND DEFEASANCE

On April 30, 2010, the Hospital issued $6,295,462 in Revenue Bonds (Refunding Bonds, Series 2010) with interest rate of 4.45% and annual debt service payments from $515,052 to $519,545. These bonds were issued through a current refunding totaling $6,295,457 of outstanding 2005A Revenue Bonds (R-1 and R-2) bearing interest rates of 7.83% and 6.50%, respectively. The net proceeds were used to immediately refund the Series 2005A Revenue Bonds.

As a result, the 2005A Revenue Bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by $51,687. This amount has been amortized and has a net carrying value of $33,335 and $36,271 for September 30, 2016 and 2015, respectively, and is reflected on the Statement of Net Position as Deferred Outflows of Resources. It is being amortized over the remaining life of the refunded debt, which has a shorter life than the original bonds. At the time of the refunding, aggregate debt service payments were reduced by $1,048,787, and the Hospital obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1,313,547. The effective interest rate on the new issue is 4.49%.

NOTE 10: CONCENTRATIONS OF CREDIT RISK

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

	2016	2015
Medicare	18%	14%
Medicaid	16	15
Commercial and other third-party payors, and patients	66	71
Total	100%	100%

NOTE 11: ASSETS WHOSE USE IS LIMITED

Pursuant to a resolution by the Board of Commissioners of the hospital made in February of 2008, a board-designated plant fund was established to be utilized for replacement of existing capital assets and the purchase of new capital assets.

In relation to the revenue bonds issued on September 7, 2005 with a face value of $5,000,000, the hospital entered into an agreement with the United States Department of Agriculture to reserve cash funds as follows:

"Borrowers issuing bonds or other evidences of debt pledging facility revenues as a security will plan their reserve to provide for at least an annual reserve payment equal to one-tenth of an average annual loan installment, with payments made monthly and evenly divided between a reserve fund and a depreciation and contingency fund, until an amount equal to the highest annual debt service in any future year is accumulated in the reserve fund..."

In relation to the revenue bonds issued April 30, 2010 with a face value of $6,295,462, the hospital entered into an agreement with Capital One, N. A., to reserve cash funds as follows:

Debt Service (Sinking) Fund:

"The maintenance of the 'Hospital Revenue Bond Sinking Fund' sufficient in amount to pay promptly and fully the principal of and the interest on the Outstanding Parity Bonds and Bonds, including any pari passu bonds issued hereafter in accordance with Outstanding Parity Bond resolution, as said bonds severally become due and payable by transferring from the Operating fund to the paying agent, monthly in advance … a monthly amount of moneys sufficient to provide payment of principal and/or interest and premium, if any, on the Outstanding Parity Bonds and Bonds at the time such payment is due….It is not expected that any amounts will remain in the Debt Service Fund after all payments in a Bond Year have been made therefrom."

Reserve Fund:

"The maintenance of the 'St. Mary Parish Hospital Service District No. 1 Reserve Fund', by transferring…monthly in advance…a sum at least equal to five percent (5%) of the amount to be paid into the Sinking Fund…"

Contingency Fund:

"The maintenance of the 'St. Mary Parish Hospital District Depreciation and Contingency Fund'…by transferring…monthly in advance…a sum at least equal to five percent (5%) of the amount to be paid into the Sinking Fund…When a sum equal to the Debt Service Reserve Requirement has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall be increased to an amount equal to 10% of the amount being paid monthly into the Sinking Fund said payments to continue over the life of the bonds."

On April 22, 2015 the board restricted use of grant funds received from the Full Medicaid Capacity Program to be used for purposes connected to establishing Franklin Foundation Hospital as a Center of Excellence. These funds will be used for non-operating expenses.

In August of 2014, the hospital settled a litigation for interior repairs and remediation work resulting from deficiencies in the initial construction of the Hospital. The Hospital received a lump sum of $250,000 in October of 2014 of which the board has reserved in order to fund the necessary remediation.

NOTE 11: ASSETS WHOSE USE IS LIMITED, CONTINUED

The composition of assets limited as to use at September 30, 2016 and 2015 are set forth in the following table:

	2016	2015
Internally designated for capital acquisitions	$ 582,114	$ 580,602
By Bond Indenture - Contingency Fund	284,243	244,996
By Bond Indenture - Reserve Fund	284,246	244,998
Building Litigation Settlement	250,000	250,000
Full Medicaid Capacity Funding Grant	4,514,680	2,357,469
Total Assets Whose Use is Limited	$ 5,915,283	$ 3,678,065

NOTE 12: BANK DEPOSITS AND INVESTMENTS

The Hospital had bank balances as follows:

	2016	2015
Insured (FDIC)	$ 250,000	$ 250,000
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	8,634,315	7,436,330
Total	$ 8,884,315	$ 7,686,330
Cash and Cash Equivalents - Bank Balance	$ 8,084,844	$ 5,501,264
Portion Covered by Federal Deposit Insurance	$ 250,000	$ 250,000
Collateralized by Securities	$ 8,634,315	$ 7,436,330

The Hospital's investment policy states that it must at all times conform to Louisiana R.S. 33:2955, as amended from time to time, which is the main statute that governs investments that local political subdivisions are allowed to make in Louisiana. In addition, Act 264 of the 2012 Regular Session enacted R.S. 46:1073 which allows hospital service districts (as defined in R.S. 46:1072) to invest its funds in the same manner as provided by law for investment of funds of the Louisiana Employees Retirement System (LASERS) including but not limited to R.S. 11:263 (the "prudent man rule"). However, any such investment may be made only in compliance with rules and regulations established by the Hospital's Board of Commissioners and in compliance with the provisions of R.S. 11:263 and any other law which provides for the investment of funds in which the funds of LASERS may be invested.

The Hospital's investment policy also states that all investment decisions shall be the responsibility of the Board and that all investment decisions are to be made using reasonable efforts to control risk.

Investments are reported at their fair values in the statement of net position. Unrealized gains and losses are included in the change in net position in the statement of revenues, expenses, and changes in net position. Investments consisted of the following as of September 30, 2016 and 2015:

NOTE 12: BANK DEPOSITS AND INVESTMENTS, CONTINUED

	2016	
	Cost	Market Value
Federated Prime Obligation Fund, .01% (AAAm/Standard & Poor)	$ 321,996	$ 321,996[1]
Federal Home Loan Banks Note, .875% (AA+/Standard & Poor)	249,958	250,960[1]
Fannie Mae Note, 1.5% (AA+/Standard & Poor)	50,968	50,762
Fannie Mae Note, 1.75% (AA+/Standard & Poor)	255,554	255,405[1]
Allen Cnty IND Redev Dist Taxable Ser A 1.35% Maturity 11/15/2017 (A2/Moody's Rating)	199,832	200,240
Bossier City LA Pub Impt Sales & Use Tax Revenue Txbl-Ref 2% Maturity 12/01/2018 (AA3/Moody's Rating)	121,129	122,242
Boulder Cops Txbl 3% Maturity 11/01/2020 (AA1/Moody's Rating)	234,452	239,108[1]
Colorado Springs CO Utilities Revenue Build America Bonds 3.446% Maturity 11/15/2018 (AA2/Moody's Rating)	105,209	104,584
Connecticut St Txbl-B 2.5% Maturity 08/01/2020 (AA3/Moody's Rating)	100,778	102,806
FSU Financial Assistance Inc Assistance Inc Txble Ser B 1.5% Maturity 10/01/2017 (A1/Moody's Rating)	200,000	200,470
Georgia Mun Elec Auth Taxable-Sub Gen Resolution 3.52% Maturity 01/01/2018 (A/S&P)(A2/Moody's Rating)	238,225	231,424[1]
Glendale Cmnty Dev Auth Ref-Taxab;e Ser B 1.7% Maturity 10/01/2017 (A1/Moody's Rating)	150,000	150,962
Harlingen TX Econ Dev Corp Sales Taxable-Lease Rental Ser B 5.29% Maturity 02/15/2018 (AA/Standard & Poor)	216,634	210,144[1]

NOTE 12: BANK DEPOSITS AND INVESTMENTS, CONTINUED

	2016	
	Cost	Market Value
High Point NC Comb Enterprise Sys Rev Build America Bonds 3.904% Maturity 11/01/2017 (AAA/S&P)(AA2/Moody's Rating)	162,217	160,034
Hollywood Beach Cmnty Dev Dist Revenue Txbl-Public Pkg Facs Proj 5% Maturity 10/01/2018 (A1/Moody's Rating)	107,820	106,589
Kansas City Spl Oblg Taxable Kansas City MO Ser C 5.361% Maturity 04/01/2018 (AA-/S&P)(A1/Moody's Rating)	109,382	106,444
McKinney Cmnty Dev Corp Sales Tax Revenue Txbl 1.15% Maturity 08/15/2017 (AA-/Standard & Poor)	109,999	110,207
Metropolitan Transport Auth NY Build America Bonds-Taxable Transn-Ser C-1 4.546% Maturity 11/15/2017 (AA-/Standard & Poor)	111,095	109,006
Mississippi ST Taxable-Ser D 3.907% Maturity 10/01/2016 (AA/S&P)(AA2/Moody's Rating)	162,441	150,000
Monmouth OR Taxable Ref Obligs Ser B 1.84% Maturity 12/01/2018 (A+/Standard & Poor)	205,697	207,651[1]
New Hampshire St Hsg Fin Auth SF Revenue Taxable Ref Ser A 1.758% Maturity 01/01/2018 (AA2/Moody's Rating)	120,000	120,365
New York State Urban Dev Corp Rev Txbl-ST Personal Income Tax-Ser F 1.0% Maturity 03/15/2017 (AAA/S&P)(AA1/Moody's Rating)	99,534	100,052
Owensboro KY Taxable 3.125% Maturity 12/01/2016 (A1/Moody's Rating)	102,876	100,338
Rhode Island St & Providence GO St & Providence Plantations Txbl- Capital Dev Loan-Ser B 1.227% Maturity 10/15/2016 (AA/S&P)(AA2/Moody's Rating)	100,000	100,008

NOTE 12: BANK DEPOSITS AND INVESTMENTS, CONTINUED

	2016	
	Cost	Market Value
Satilla Regl Wtr & Swr Auth GA Wtr & Swr Revenue Txbl-Ref-Ser B 2% Maturity 06/01/2018 (AA/Standard & Poor)	100,162	101,704
Tampa Bay FL Wtr Regl Wtr Sply Auth Utility Sys Revenue Ref-Txbl-Ser B 1.362% Maturity 06/01/2018 (AA+/Standard & Poor)	149,100	151,037
Wichita KS Txbl-Ser 815 2% Maturity 12/01/2019 (AA+/S&P)(AA1/Moody's Rating)	25,248	25,751
	$ 4,110,306	$ 4,090,289

	2015	
	Cost	Market Value
Federated Prime Obligation Fund, .01% (AAAm/Standard & Poor)	$ 58,587	$ 58,587
Arkon OH Cops Txbl-Arkon Municipal Baseball Stadium Project 1.25% Maturity 12/01/2015 (A+/Standard & Poor)	114,932	115,129
Allen Cnty IND Redev Dist Taxable Ser A 1.35% Maturity 11/15/2017 (A2/Moody's Rating)	199,832	200,256
Arkansas ST Dev Fin Auth Econ Dev Revenue Taxable Bonds 1% Maturity 10/01/2015 (A+/Standard & Poor)	200,000	200,000
Arkansas ST Dev Fin Auth Econ Revenue Taxable Bonds 1.182% Maturity 12/1/2015 (A+/Standard & Poor)	100,000	100,093
Borger Taxable-CTFS 1.2% Maturity 08/01/2016 (AA-/Standard & Poor)	140,000	140,791
Colorado ST HSG&FIN Auth CO Unemploy Comp Txbl 1.6% Maturity 05/15/2016 (AA2/Moody's Rating)	152,721	151,081
FSU Financial Assistance Inc Assistance Inc Txble Ser B 1.5% Maturity 10/01/2017 (A1/Moody's Rating)	200,000	200,666

NOTE 12: BANK DEPOSITS AND INVESTMENTS, CONTINUED

	2015	
	Cost	Market Value
Georgia Mun Elec Auth Taxable-Sub Gen Resolution 3.52% Maturity 01/01/2018 (A/S&P)(A2/Moody's Rating)	238,225	237,055[1]
Glendale Cmnty Dev Auth Ref-Taxable Ser B 1.7% Maturity 10/01/2017 (A1/Moody's Rating)	150,000	150,645
Green Bay WI General Txbl Community Dev-Ser A 2.0% Maturity 04/01/2016 (AA2/Moody's Rating)	154,293	151,126
Harlingen TX Econ Dev Corp Sales Taxable-Lease Rental Ser B 5.29% Maturity 02/15/2018 (AA/Standard & Poor)	216,634	216,834[1]
Kansas City Spl Oblg Taxable Kansas City MO Ser C 5.361% Maturity 04/01/2018 (AA-/S&P)(A1/Moody's Rating)	109,382	109,423
McKinney Cmnty Dev Corp Sales Tax Revenue Txbl 1.15% Maturity 08/15/2017 (AA-/Standard & Poor)	109,999	110,304
Minnesota St Gen Fund Revenue Txbl-Approp-Ser B .598% Maturity 06/01/2016 (AA/Standard & Poor)	100,000	100,064
Mississippi ST Taxable-Ser D 3.907% Maturity 10/01/2016 (AA/S&P)(AA2/Moody's Rating)	162,441	155,122
Monmouth OR Taxable Ref Obligs Ser B 1.84% Maturity 12/01/2018 (A+/Standard & Poor)	205,697	206,632[1]
Montgomery County OH Genl Oblig Txbl Ref Ser B 2.0% Maturity 12/01/2015 (AA/S&P)(AA1/Moody's Rating)	174,430	170,357
New Hampshire St Hsg Fin Auth SF Revenue Taxable Ref Ser A 1.758% Maturity 01/01/2018 (AA3/Moody's Rating)	140,000	140,192

NOTE 12: BANK DEPOSITS AND INVESTMENTS, CONTINUED

	2015	
	Cost	Market Value
New York City Txbl Ser D-2 4.0% Maturity 12/01/2015 (AA/S&P)(AA2/Moody's Rating)	159,437	150,860
New York State Urban Dev Corp Rev Txbl-ST Personal Income Tax-Ser F 1.0% Maturity 03/15/2017 (AAA/S&P)(AA1/Moody's Rating)	99,534	100,027
Owensboro KY Taxable 3.125% Maturity 12/01/2016 (A1/Moody's Rating)	102,876	102,516
Palm Beach Cnty FL Pub Impt Rev Txbl-Convention Ctr Hotel 1.0% Maturity 11/01/2015 (AA+/S&P)(AA1/Moody's Rating)	201,192	200,102
Rhode Island ST Island ST HSG & MTGE Fin Corp Revenue Txbl-MF Dev 1.27% Maturity 04/01/2016 (AA2/Moody's Rating)	150,000	150,474
Rhode Island St & Providence GO St & Providence Plantations Txbl- Capital Dev Loan-Ser B 1.227% Maturity 10/15/2016 (AA/S&P)(AA2/Moody's Rating)	100,000	100,652
University OK 1.19% Maturity 07/01/2016 (A+/Standard & Poor)	120,000	120,646
Waterbury Txbl-Lot B 1.178% Maturity 12/01/2015 (AA-/S&P)(A1/Moody's Rating)	200,000	199,970
	$ 4,060,212	$ 4,039,604

[1] denotes a concentration of credit risk due to the individual investment value representing a percentage greater than or equal to five percent of the total investment value.

The net decrease in the fair value of investments was a decrease of $20,017 and decrease of $20,606 for the years ended September 30, 2016 and 2015, respectively.

Fair Value of Financial Instruments

FASB Accounting Standards Codification Topic 820, "Fair Value Measurements (Topic 820)." Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements.

NOTE 12: BANK DEPOSITS AND INVESTMENTS, CONTINUED

These levels are:

Level 1 - inputs are based upon adjusted quoted prices for identical instruments traded in active markets.

Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.

Level 3 - inputs are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

All investments are based on Level 1 inputs. The hospital relies on the valuation procedures and methodologies of the external managers hired specifically to invest in such securities or in strategies which employ such securities.

NOTE 13: NET POSITION

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

	2016	2015
Invested in Capital Assets, net of related debt	$ 6,214,653	$ 6,762,622
Restricted for:		
Capital Projects (Expendable)	582,114	580,602
Bond Indenture (Expendable)	568,489	489,994
Building Mediation Settlement (Expendable)	250,000	250,000
Center of Excellence Endeavors (Expendable)	4,514,680	2,357,469
Unrestricted	9,884,821	10,122,440
Total Net Position	$ 22,014,757	$ 20,563,127

NOTE 14: CASH FLOW SUPPLEMENTAL INFORMATION

Cash and cash equivalents reported in the cash flow statement are as follows:

	2016	2015
Cash and Cash Equivalents	$ 1,696,050	$ 1,725,318
Cash Whose Use is Limited	5,915,283	3,678,065
Cash and Cash Equivalents at End of Year	$ 7,611,333	$ 5,403,383

NOTE 15: GOVERNING BOARD EXPENSES

The board of commissioners of Hospital Service District No. 1, Parish of St. Mary received no compensation for the years ended September 30, 2016 and 2015.

NOTE 16: PENSION PLAN

The Hospital has two defined contribution retirement plans, a 457(b) plan and a 401(a) plan, which are administered by Principal Financial Group. Qualified Employees may elect to make contributions to the plans through salary reduction agreements. The employees are 100% vested in the 457(b) plan when the first contribution is made. The 401(a) plan's vesting percentage varies in relation to the employee's period of service. The amount of the employer contribution is currently 2% of the eligible participants' annual compensation. Benefit terms and amendments require approval by management and the board. Total expense for the years ended September 30, 2016 and 2015 was $184,107 and $164,707, respectively. Forfeitures may first be used to pay administrative expenses. Forfeitures of matching contributions that relate to excess amounts may be used to reduce employer contributions. Forfeitures reflected in pension expense as a reduction of employer contributions were approximately $10,335 and $6,151 for the years ended September 30, 2016 and 2015, respectively. The accrued pension plan liability was $163,437 and $140,364 for the years ended September 30, 2016 and 2015, respectively.

NOTE 17: CHARITY CARE

The Hospital provides services without charge or at amounts less than its rates to patients who meet the criteria of its charity care policy. The criteria for charity care consider items such as family income, net worth, extent of financial obligations for healthcare services, etc. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported in revenue.

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges forgone, based on established rates, were approximately $202,803 and $315,754 for the years ended September 30, 2016 and 2015, respectively.

Management estimates that approximately $142,150 and $203,505 of costs were related to charity care for the years ended September 30, 2016 and 2015, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

NOTE 18: CONTINGENCIES AND COMMITMENTS

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

The principal contingencies are described below:

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

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

NOTE 18: CONTINGENCIES AND COMMITMENTS, CONTINUED

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

Professional Liability Risk - The Hospital is contingently liable for losses outside of its professional liability insurance coverage.

NOTE 19: UNCOMPENSATED CARE REVENUE AND OTHER FUNDING

Intergovernmental Transfers-Operating Grant. The Hospital received Uncompensated Care ("UCC") reimbursement for the years ended September 30, 2016 and prior years (formerly called Disproportionate Share payments or "DSH"). In fiscal year 2015 the Hospital entered into a cooperative endeavor agreement ("CEA") with a regional public rural hospital (the "Grantor") whereby the Grantor distributes the funds as an intergovernmental transfer ("IGT"). The aggregate IGT grant revenue is $2,656,848 and $2,811,806 for the years ended September 30, 2016 and 2015, respectively, and is reflected on the Statement of Revenues, Expenses and Changes in Fund Net Position in Intergovernmental Transfers-Operating Grant.

The UCC reimbursements are based upon estimated uncompensated care costs and are subject to audit by the Louisiana Department of Health and Hospitals ("DHH"). The Hospital recorded an adjustment for the 2011 Uncompensated Care of $240,428 receivable and 2012 Uncompensated Care of $262,602 liability during the fiscal year ended September 30, 2015. During the fiscal year ended September 30, 2016, the Hospital recorded the 2013 Uncompensated Care liability of $234,825. The Hospital has elected to aggregate these related balances and reflect the net liability on the Statement of Net Position in Due to Third Party Payors. The UCC balances per year are reflected as follows at September 30, 2016:

2011 Uncompensated Care Receivable	$ 240,428
2012 Uncompensated Care Payable	(76,673)
2013 Uncompensated Care Payable	(234,825)
2014 Uncompensated Care Payable	(194,204)
Total Net Liability	$ (265,274)

Subsequent to the year ended September 30, 2016, the Hospital received $240,428 for the 2011 Uncompensated Care settlement and completed repayment of the 2012 Uncompensated Care Payable in the amount of $76,673.

Full Medicaid Payment Program Funding. The Hospital received Full Medicaid Payment Program ("FMPP") funding from the Louisiana Department of Health & Hospitals ("DHH") during the fiscal years ended September 30, 2016 and 2015. As a part of the agreement with the DHH, the Hospital was required to provide an IGT of 37.83% and 37.95%, respectively, of the gross funds to the DHH in order to secure federal Medicaid matching funds. In addition, the Hospital entered into a Cooperative Endeavor Agreement ("CEA") with Teche Action Board, Inc., a Louisiana non-profit corporation, under the terms of which the Hospital granted a portion of the FMPP funding to Teche Action Board, Inc. for the purpose of promoting and providing for the general health of the community. Under the terms of the CEA, in the event that the Hospital does not receive funding for these efforts, there is no obligation on the Hospital to provide funds to Teche Action Board, Inc.

NOTE 19: UNCOMPENSATED CARE REVENUE AND OTHER FUNDING, CONTINUED

The following is a breakdown of the Full Medicaid Payment Program funding received by the Hospital during the year ended September 30, 2016 and 2015:

	2016	2015
Gross Full Medicaid Payment Program Funding	$ 6,000,000	$ 6,000,000
Intergovernmental Transfer (IGT)	(2,269,800)	(2,277,000)
Legal Fees Associated with FMPP	-	(50,000)
Net Full Medicaid Payment Program Funding	$ 3,730,200	$ 3,673,000
Funds Granted to Teche Action Board, Inc.	(1,243,400)	(1,224,333)
Grant Revenue - Franklin Foundation Hospital	$ 2,486,800	$ 2,448,667

The FMPP grant revenue is reflected on the Statement of Revenues, Expenses and Changes in Fund Net Position as Non-operating Revenue - Full Medicaid Payment Program Funding. On April 22, 2015 the Board restricted use of the FMPP grant funds to purposes connected to establishing the Hospital as a Center of Excellence. These funds will be used for non-operating activities.

NOTE 20: GRANT REVENUE

Electronic Health Records. The Hospital recognized non-operating grant income of $152,963 and $323,136 from Medicare and $96,921 and $151,181 from Medicaid for the years ended September 30, 2016 and 2015, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use" which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in in three stages, with each progressive stage incorporating more stringent measures. The Hospital's policy is to record the incentive payments once various stages have been met and the funds received, rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the Hospital meets certain criteria in future implementation.

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

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

NOTE 21: SUBSEQUENT EVENTS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through March 23, 2017, the date the financial statements were available to be issued.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

SCHEDULE OF PATIENT SERVICE REVENUE **FOR THE YEARS ENDED SEPTEMBER 30,**

INPATIENT SERVICE REVENUES

	2016	2015
Daily Patient Services:		
Room and Board	$ 1,839,543	$ 1,729,308
Total Daily Patient Services	1,839,543	1,729,308
Other Nursing Services:		
Central Supplies	1,808,837	2,018,211
Emergency Service	9,399	35,127
Labor and Delivery	251,150	271,053
Observation	4,091	3,556
Operating Room	438,980	473,418
Total Other Nursing Services	2,512,457	2,801,365
Other Professional Services:		
Anesthesiology	252,479	321,641
Blood	105,851	108,647
Cardiac Rehab	547	1,062
EKG & EEG	144,740	162,724
Inhalation Therapy	694,626	690,737
Laboratory	793,923	855,042
Pharmacy	1,956,004	1,676,262
Physical Therapy	302,405	222,271
Radiology	268,262	272,148
Wound Care	750	11,892
Total Other Professional Services	4,519,587	4,322,426
TOTAL INPATIENT SERVICE REVENUE	8,871,587	8,853,099

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

SCHEDULE OF PATIENT SERVICE REVENUE **FOR THE YEARS ENDED SEPTEMBER 30,**

OUTPATIENT SERVICE REVENUE

	2016	2015
Other Nursing Services:		
Central Supplies	997,665	1,110,578
Emergency Services	5,703,641	5,913,047
Labor and Delivery	25,898	2,364
Observation	85,835	71,278
Operating Room	1,567,337	1,460,935
Total	8,380,376	8,558,202
Other Professional Services:		
Anesthesiology	491,217	436,876
Blood	47,990	15,335
Cardiac Rehab	23,640	15,743
Clinics	2,576,156	2,657,550
EKG and EEG	580,291	692,412
Inhalation Therapy	128,320	154,221
Laboratory	6,231,656	5,994,621
Pharmacy	1,619,770	1,715,559
Physical Therapy	539,345	416,557
Radiology	5,285,672	5,594,189
Wound Care	318,437	788,050
Total	17,842,494	18,481,113
TOTAL OUPATIENT SERVICE REVENUE	26,222,870	27,039,315
GROSS PATIENT SERVICE REVENUE	35,094,457	35,892,414
Less: Contractual Adjustments	13,923,992	16,137,917
NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	$ 21,170,465	$ 19,754,497

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

SCHEDULE OF OTHER OPERATING REVENUES **FOR THE YEARS ENDED SEPTEMBER 30,**

	2016	2015
Cafeteria and Vendor Sales	$ 202,151	$ 199,378
Rental Income	100,527	97,560
Other	34,159	52,226
TOTAL OTHER OPERATING REVENUES	$ 336,837	$ 349,164

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

SCHEDULE OF PROFESSIONAL SERVICES **FOR THE YEARS ENDED SEPTEMBER 30,**

	2016	2015
Salaries and Fees:		
Anesthesiology	$ 310,246	$ 317,982
Central Supply	110,195	103,651
Clinics	2,564,804	2,304,118
EKG and EEG	4,566	5,548
Emergency Room	1,832,920	1,754,356
Hospitalist	240,000	220,000
Intensive Care Unit	458,281	427,090
Inhalation Therapy	371,152	360,387
Labor and Delivery	857,286	498,158
Laboratory	796,529	778,056
Nursing	1,102,158	1,009,446
Occupational Therapy	101,374	92,365
Operating Room	550,582	534,267
Pharmacy	276,958	259,335
Physical Therapy	271,925	270,065
Radiology	964,017	1,028,053
Social Services	97,392	88,683
Speech Therapy	77,811	69,419
Wound Care	148,650	308,295
Other	3,564	4,965
Total Professional Salaries and Fees	11,140,410	10,434,239
Supplies and Other Expenses:		
Anesthesiology	9,651	6,176
Central Supply	199,330	197,561
Clinics	443,849	439,493
Emergency Room	59,880	81,036
Intensive Care Unit	12,518	15,364
Inhalation Therapy	37,732	42,530
Labor and Delivery	29,961	31,990
Laboratory	211,556	216,556
Nursing	80,330	65,122
Operating Room	106,823	205,645
Pharmacy	712,084	717,196
Physical Therapy	10,054	4,921
Radiology	115,023	217,922
Social Services	2,015	8,426
Wound Care	22	15
Total Professional Supplies and Other Expenses	2,030,828	2,249,953
TOTAL PROFESSIONAL SERVICES	$ 13,171,238	$ 12,684,192

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES FOR THE YEARS ENDED SEPTEMBER 30,

	2016	2015
Salaries and Fees:		
Administrative	$ 3,347,751	$ 3,154,078
Dietary	204,397	189,190
Housekeeping	274,917	265,624
Maintenance	244,625	207,102
Medical Records	242,323	216,068
Total General and Administrative Salaries and Fees	4,314,013	4,032,062
Supplies and Other Expenses:		
Administrative	1,615,430	1,516,302
Employee Benefits	3,004,660	2,327,737
Dietary	239,524	243,758
Housekeeping	59,000	51,653
Maintenance	626,508	593,028
Medical Records	35,789	45,278
Total General and Administrative Supplies and Other Expenses	5,580,911	4,777,756
TOTAL GENERAL AND ADMINISTRATIVE SERVICES	$ 9,894,924	$ 8,809,818

HOSPITAL SERVICE DISTRICT NO. 1
Parish of St. Mary
Franklin, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CEO FOR THE YEAR ENDED SEPTEMBER 30,

	2016	2015
CRAIG CUDWORTH, ACTING CEO		
Salary	$ 196,678	$ 146,248
Benefits-Insurance	11,014	8,190
Benefits-Retirement	5,114	3,802
Benefits-Other	-	-
Car Allowance	-	-
Reimbursements	25,983	24,162
Travel	9,710	-
Conference Travel	-	340
Housing	35,800	22,478
	$ 284,299	$ 205,220
CLAUDIA EISENMANN, CEO		
October 2014 - January 2015		
Salary	$ -	$ 108,740
Benefits-Insurance	-	3,445
Benefits-Retirement	-	1,600
Benefits-Other	-	-
Car Allowance	-	1,950
Reimbursements	-	-
Travel	-	-
Conference Travel	-	-
Housing	-	-
Relocation	-	47,847
	$ -	$ 163,582

LANGLINAIS BROUSSARD & KOHLENBERG
CERTIFIED PUBLIC ACCOUNTANTS

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

Chris A. Kohlenberg, CPA, MBA, MHA Retired

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

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

Board of Commissioners
Hospital Service District No. 1
Parish of St. Mary, State of Louisiana
Franklin, 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 statements of net position of Hospital Service District No. 1 Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, ("the Hospital"), as of September 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 23, 2017.

INTERNAL CONTROL OVER FINANCIAL STATEMENTS

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan", we identified certain deficiencies in internal control that we consider to be material weaknesses - Findings 2016-1 through 2016-2.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not identify findings of noncompliance.

HOSPITAL'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

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

Sincerely,

Langlinais Broussard & Kohlenberg

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

March 23, 2017

HOSPITAL SERVICE DISTRICT NO. 1
PARISH OF ST. MARY
FRANKLIN, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN
For the years ended September 30, 2016 and 2015

We have audited the financial statements of Hospital Service District Number 1, Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council (the Hospital), as of and for the years ended September 30, 2016 and 2015, and have issued our report thereon dated March 23, 2017.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of September 30, 2016 and 2015 resulted in unmodified opinions.

Section 1: Summary of Auditor's Results

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

Internal Control

Material Weaknesses:	Yes
Significant Deficiencies:	Yes

Compliance:

Compliance Material to Financial Statements	No

Section II: Financial Statement Findings

B - Significant Deficiencies and Material Weaknesses

Finding 2016-1 Segregation of Duties

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

Cause: The amount of the hospital staff dedicated to the accounting function is limited, and therefore, segregation of duties in all areas is difficult to achieve.

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

Recommendation: The authorization, recording, and reconciliation of transactions and decisions as well as custody of assets related to those transactions and decisions should be segregated functions. Management should increase oversight in areas where this does not occur.

Management Response: Because of the small size of the hospital and the corresponding small staff size, complete segregation of duties is not possible.

Finding 2016-2 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal years ended September 30, 2016 and 2015 had material effects on the financial statements. The proposed audit adjustments primarily consisted of adjustments to record the effects of Medicaid and Medicare cost reports, filed subsequent to the year-end. There was also a proposed audit adjustment to recognize revenue related to the receipt of a lawsuit settlement for the year ended September 30, 2015.

Cause: The filing of annual Medicare and Medicaid cost reports result in settlements either due to or from the Hospital. These settlements result from complex calculations, many variables, several payors, and the use of third party data that is often not complete until several months after year end. These factors make it difficult to properly estimate and record cost report settlements. The Hospital is conservative in its cost report estimates.

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

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

Management Response: The Chief Financial Officer performed a comprehensive review of the financial statements, estimates particularly as to Medicare cost report settlements, and journal entries prior to closing the fiscal year. This resulted in a conservative approach in recognizing cost report settlements. As some cost report settlements, particularly Medicaid now lag behind several years since the state converted Medicaid care to Coordinated Care Network ("CCN") providers, it is difficult to properly estimate and record these cost report settlements. When settlements are estimated and recorded, the hospital consistently takes a conservative approach.

Section III: Management Letter Items

There are no management letter items at September 30, 2016.

HOSPITAL SERVICE DISTRICT NO. 1
PARISH OF ST. MARY
FRANKLIN, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2016

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

Finding 2015-1 Segregation of Duties

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

Status: Unresolved. See Finding 2016-1.

Finding 2015-2 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal year ended September 30, 2015 had material effects on the financial statements. The proposed audit adjustments primarily consisted of adjustments to record the effects of Medicaid and Medicare cost reports, filed subsequent to the year-end. There was also a proposed audit adjustment to recognize revenue related to the receipt of a lawsuit settlement.

Status: Unresolved. See Finding 2016-2.