

LASALLE H.S.D. NO. 2  
D/B/A  
LASALLE GENERAL HOSPITAL  
AND  
LASALLE NURSING HOME  
  
FINANCIAL STATEMENTS  
  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2016, 2015, AND 2014



**LESTER, MILLER & WELLS**  
*A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Financial Statements  
And  
Independent Auditors' Report  
Years Ended September 30, 2016, 2015, and 2014

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Hospital Service District No. 2 of LaSalle Parish, State of Louisiana  
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)  
Management's Discussion and Analysis  
Of the Financial Statements  
Years ended September 30, 2016, 2015, and 2014

This section of the Service District's annual financial report presents background information and management's analysis of the Service District's financial performance during the fiscal year that ended on September 30, 2016. Please read it in conjunction with the financial statements in this report.

### **Financial Highlights**

- The Service District's total assets decreased by \$1,611,692 or 9%, during fiscal year 2016, following decreases of \$163,737, or .9% and \$279,168 in fiscal years 2015 and 2014, respectively. Cash decreased by \$825,156 as this was used for operations. Accounts Receivable, net, also decreased by \$838,066 due to lower volume and increased write offs. Decreases in total assets were offset by an increase in third-party payors of \$332,235.
- During the year, the Service District's total operating revenues decreased \$688,538 or 3.1%, following a decrease of \$724,608 or 3.2% compared to an increase of \$198,816 in fiscal year 2014. Decreases in patient volume as well as declines in operating grants and intergovernmental transfer grants contributed to the decrease in operating revenues.
- Total expenses continued to decrease with a slight drop of \$149,027 or .66%, compared to a decrease of \$997,284 or 4.2%, and \$1,429,504 or 5.7%, in fiscal years 2016, 2015, and 2014, respectively. An increase in salaries and benefits of \$161,449 or 1.2% was offset by decreases in Medical Supplies and Professional Fees of \$343,006. Prior year decreases in salaries and benefits of \$711,289 and decreasing other expenses by \$285,995 aided in the total expense decrease of \$997,284 in FY 2015. A decrease in fiscal year 2014's salaries and benefits of \$1,671,756 was achieved by the downsizing of the District's work force. This was the driving factor behind the 2014 decrease in total expenses.
- The Service District has a loss from operations of \$1,183,481 compared to prior year losses of \$643,970 and \$916,646 in fiscal years 2015 and 2014, respectively.

### **Required Financial Statements**

The Financial Statements of the Service District report information about the Service District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position includes all of the Service District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Service District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Service District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures improvements in the Service District's operations over the past two years and can be used to determine whether the Service District has been able to recover all of its costs through its patient

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana  
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)  
Management's Discussion and Analysis (Continued)

**Required Financial Statements (Continued)**

service revenue and other revenue sources. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the Service District's cash from operations, investing and financing activities, and to 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"?

**Financial Analysis of the Service District**

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

**Net Position**

Table 1 presents a condensed Statements of Net Position for the Service District.

**TABLE 1**  
**Condensed Statements of Net Position**

	<u>2016</u>	September 30,		<u>2013</u>
		<u>2015</u>	<u>2014</u>	
Total current assets	\$ 4,580,288	\$ 5,955,734	\$ 5,039,081	\$ 5,566,442
Capital assets - net	9,994,196	10,142,759	10,876,080	10,635,040
Assets limited to use	1,718,822	1,801,902	2,144,307	2,132,490
Other assets	<u>25</u>	<u>4,628</u>	<u>9,292</u>	<u>13,956</u>
 Total Assets	 \$ <u>16,293,331</u>	 \$ <u>17,905,023</u>	 \$ <u>18,068,760</u>	 \$ <u>18,347,928</u>
 Current liabilities	 \$ 5,106,598	 \$ 5,194,554	 \$ 4,233,370	 \$ 3,866,501
Long-term debt	1,425,761	1,735,092	2,169,784	1,866,277
Invested in capital assets, net of related debt	8,250,885	8,075,704	8,483,172	8,594,535
Restricted: debt reserve fund	1,718,822	1,801,902	2,144,307	2,132,490
Unrestricted	<u>(208,735)</u>	<u>1,097,771</u>	<u>1,038,127</u>	<u>1,888,125</u>
 Total Liabilities and Net Position	 \$ <u>16,293,331</u>	 \$ <u>17,905,023</u>	 \$ <u>18,068,760</u>	 \$ <u>18,347,928</u>

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana  
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)  
Management's Discussion and Analysis (Continued)

**Summary of Revenues, Expenses, and Changes in Net Position**

Table 2 presents a summary of the Service District's historical revenues and expenses.

**TABLE 2**  
**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2016</u>	September 30, <u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>				
Net patient service revenue	\$ 19,615,136	\$ 19,195,328	\$ 19,820,560	\$ 19,082,606
Operating grants	1,155,729	2,355,516	2,304,915	2,750,341
Other revenue	<u>641,071</u>	<u>549,630</u>	<u>699,607</u>	<u>793,319</u>
<b>Total Revenues</b>	<u>21,411,936</u>	<u>22,100,474</u>	<u>22,825,082</u>	<u>22,626,266</u>
<b>Expenses</b>				
Salaries and benefits	13,159,808	12,998,359	13,709,648	15,381,404
Medical supplies and drugs	1,339,370	1,493,546	1,263,728	1,066,646
Professional fees	2,533,072	2,721,902	2,655,323	2,574,230
Other expenses	4,573,700	4,511,284	5,266,325	5,040,351
Depreciation and amortization	<u>989,467</u>	<u>1,019,353</u>	<u>846,704</u>	<u>1,108,601</u>
<b>Total Expenses</b>	<u>22,595,417</u>	<u>22,744,444</u>	<u>23,741,728</u>	<u>25,171,232</u>
<b>Operating Income (Loss)</b>	<u>(1,183,481)</u>	<u>(643,970)</u>	<u>(916,646)</u>	<u>(2,544,966)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	9,954	14,879	12,554	32,295
Interest expense	(51,480)	(27,618)	(27,898)	(85,776)
Gain on disposal of assets	<u>8,661</u>	<u>(33,520)</u>	<u>(30,028)</u>	<u>6,367</u>
<b>Changes in Net Position</b>				
before Capital Grants	(1,216,346)	(690,229)	(962,018)	(2,592,080)
Capital grants	<u>1,941</u>	<u>-0-</u>	<u>12,474</u>	<u>-0-</u>
<b>Increase (Decrease) in Net Position</b>	(1,214,405)	(690,229)	(949,544)	(2,592,080)
<b>Net Position at Beginning of Year</b>	<u>10,975,377</u>	<u>11,665,606</u>	<u>12,615,150</u>	<u>15,207,230</u>
<b>Net Position at End of Year</b>	\$ <u>9,760,972</u>	\$ <u>10,975,377</u>	\$ <u>11,665,606</u>	\$ <u>12,615,150</u>

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana  
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)  
Management's Discussion and Analysis (Continued)

**Sources of Revenue**

**Operating Revenue**

During fiscal year 2016, the Service District derived the majority of its total revenue from patient services. Patient service revenue includes revenue from the Medicare and Medicaid programs, commercial insurance, other various third-party payors, and patients who receive care in the Service District's facilities. Reimbursement for the Medicare and Medicaid programs, commercial insurance, and other third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance.

Table 3 presents the percentages by payor. The Hospital's is a percentage of gross charges billed for patient services. The Nursing Home's is based on the census.

**TABLE 3  
Payor Mix by Percentage**

	LaSalle General Hospital September 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Medicare	42.96%	42.12%	41.04%	45.56%
Medicaid	15.85%	15.73%	16.65%	14.91%
Commercial Insurance	35.82%	36.60%	33.67%	32.79%
Self Pay	5.37%	5.55%	8.64%	6.74%
	LaSalle Nursing Home September 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Medicare	10.70%	11.49%	10.34%	9.20%
Medicaid	78.45%	82.14%	82.14%	82.24%
Commercial Insurance	N/A	N/A	N/A	N/A
Self Pay	10.85%	6.37%	7.52%	8.56%

**Non-operating Income**

The Service District has funds invested primarily in Certificates of Deposit (CD) held during FY 2016 with Sabine State Bank which has a security interest in one of the CD's which is collateral for a loan of \$1,510,216. The difference is secured by pledged securities and FDIC insurance. Investments at year end include a restricted CD of approximately \$1,718,822 with an unrestricted CD of \$92,670 together they earned \$9,954 in interest income.

Hospital Service District No. 2 of LaSalle Parish, State of Louisiana  
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)  
Management's Discussion and Analysis (Continued)

**Operating and Financial Performance**

The following summarizes the Service District's Statements of Revenues, Expenses, and Changes in Net Position between 2016, 2015, and 2014:

Overall activity at the Hospital, as measured by acute patient discharges, was 500, compared to 497 in 2015, and 512 in 2014. Acute patient days were 1,886 in 2016, compared to 1,939 in 2015, and 2,206 in 2014. A decrease in inpatient volume contributed to the overall operating loss for the District. Average length of stay was 3.77 for 2016, compared to 3.90 in 2015, and 4.31 in 2014.

For Swing Bed activity at the Hospital during 2016, discharges were 27 compared to 13 for 2015, and 25 for 2014. Swing Bed patient days were 234 compared to 104 in 2015 and 234 in 2014.

The Nursing Home census increased slightly to 95 residents compared to the slight decrease of an average of 93 residents during the fiscal year 2015, compared to 96 residents in fiscal year 2014.

Net Patient Service Revenue for the District increased by \$419,808 or 2.2% compared to a decrease of \$625,232 or 3.2%, compared to fiscal year 2014's increase of \$737,954, or approximately 3.9%. The Jonesville clinic was closed in fiscal year 2016 as well as the Operating Room department. These two closures were due to low volume for both departments. The District is actively recruiting additional physicians for the Jena rural health clinic. A Behavioral Health unit was opened after year end in an effort to increase services at the Hospital. The District increased the charges on the charge master in fiscal year 2014 which helped in offsetting the decrease in inpatient volume.

With continued efforts to expand our market through both new patient services and new infrastructure, the District is positioned to move forward. The District will continue to aggressively develop, sustain and enhance access to high quality, affordable healthcare.



Hospital Service District No. 2 of LaSalle Parish, State of Louisiana  
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)  
Management's Discussion and Analysis (Continued)

**Capital Assets**

Table 4 presents a condensed schedule of capital assets.

**TABLE 4**  
**Capital Assets**

	September 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land	\$ 278,893	\$ 278,893	\$ 278,893	\$ 278,893
Land improvements	299,446	268,226	268,226	301,778
Buildings and fixed equipment	17,243,391	16,896,710	16,899,679	16,352,646
Moveable equipment	8,357,625	8,373,475	7,887,909	7,899,722
Construction in progress	<u>386,053</u>	<u>15,643</u>	<u>381,025</u>	<u>667,746</u>
 Total	 26,565,408	 25,832,947	 25,715,732	 25,500,785
Less: accumulated depreciation	<u>16,571,212</u>	<u>15,690,188</u>	<u>14,839,651</u>	<u>14,865,745</u>
 Net Capital Assets	 \$ <u>9,994,196</u>	 \$ <u>10,142,759</u>	 \$ <u>10,876,081</u>	 \$ <u>10,635,040</u>

The District's net capital assets decreased in 2016 by \$148,563 partially due to increase in accumulated depreciation of \$881,024 netted with renovation of Suite H in the LaSalle Family Medicine Clinic of \$222,777 and the Nurses call system at a total cost of \$99,187. Construction in progress of \$386,053 was the renovation needed for the Behavioral Health unit which opened October 1, 2016. The District removed assets from the depreciation schedule totaling \$103,840 with related accumulated depreciation of \$103,840.

**Long-term Debt**

At year-end, the Service District had \$1,743,311 in long-term debt including \$317,550 in short-term debt. The District took out a \$2,500,000 loan in 2009 for construction of the Physician Office Building, which opened September 1, 2009. This loan was refinanced in fiscal year 2014 at Sabine State Bank. No new debt was entered into in fiscal years 2016 or 2015. The District entered into three capital leases totaling \$554,022 in fiscal year 2014. More detailed information about the District's long-term debt is presented in Note 11 to the basic financial statements.

**Contacting the Service District's Financial Manager**

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Service District's finances and to demonstrate the Service District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration and/or Nursing Home Administration.



## **LESTER, MILLER & WELLS**

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### INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Hospital Service District No. 2,  
Parish of LaSalle, State of Louisiana  
Jena, Louisiana

#### **Report on Financial Statements**

We have audited the accompanying statements of net position of Hospital Service District No. 2, Parish of LaSalle, State of Louisiana (the "District"), a component unit of the LaSalle Parish Police Jury, Jena, Louisiana, as of and for the years ended September 30, 2016, 2015, and 2014, 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 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.

#### **Members:**

American Institute of Certified Public Accountants

**Members:**  
Society of Louisiana Certified Public Accountants

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 2, Parish of LaSalle as of September 30, 2016, 2015, and 2014, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the financial information of LaSalle General Hospital and do not purport to, and do not, present fairly the financial position of the LaSalle Parish Police Jury as of September 30, 2016, 2015, and 2014, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "vi" 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Hospital Service District No. 2, Parish of LaSalle's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally



Board of Commissioners  
Hospital Service District No. 2  
Parish of LaSalle, State of Louisiana  
Jena, Louisiana  
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accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2017 on our consideration of the 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 District's internal control over financial reporting and compliance.

*Lasater, Miller & Wells*

Certified Public Accountants  
Alexandria, Louisiana

March 20, 2017



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Combined Statements of Net Position  
September 30,

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current Assets			
Cash and cash equivalents (Note 3)	\$ 973,775	\$ 1,798,931	\$ 713,605
Limited use assets - required for current liabilities (Note 4)	22,546	28,880	27,893
Investments (Note 3)	11,495	43,469	311,241
Estimated third-party payor settlements	774,438	442,203	446,948
Accounts receivable, net (Note 5)	2,402,131	3,240,197	3,049,567
Other receivables	-0-	14,766	110,828
Inventory	252,251	301,855	283,926
Prepaid expenses	143,652	85,433	95,073
Total Current Assets	<u>4,580,288</u>	<u>5,955,734</u>	<u>5,039,081</u>
Capital assets, net (Note 6)	9,994,196	10,142,759	10,876,080
Limited use assets (Note 4)	1,718,822	1,801,902	2,144,307
Other assets (Note 7)	25	4,628	9,292
Total Assets	<u>\$ 16,293,331</u>	<u>\$ 17,905,023</u>	<u>\$ 18,068,760</u>
 <u>LIABILITIES AND NET POSITION</u> 			
Current Liabilities			
Accounts payable	\$ 993,122	\$ 1,197,475	\$ 889,763
Accrued expenses and withholdings (Note 8)	1,154,447	1,257,490	1,384,631
Estimated third-party payor settlements	370,133	483,355	200,000
Limited use assets	1,277,796	1,284,154	1,283,191
Retirement plan payable	993,550	640,117	252,661
Current portion of long-term debt (Note 11)	317,550	331,963	223,124
Total Current Liabilities	<u>5,106,598</u>	<u>5,194,554</u>	<u>4,233,370</u>
Long-term debt, net of current maturities (Note 11)	<u>1,425,761</u>	<u>1,735,092</u>	<u>2,169,784</u>
Total Liabilities	<u>6,532,359</u>	<u>6,929,646</u>	<u>6,403,154</u>
Net Position			
Invested in capital assets, net of related debt	8,250,885	8,075,704	8,483,172
Restricted: debt reserve fund	1,718,822	1,801,902	2,144,307
Unrestricted	<u>(208,735)</u>	<u>1,097,771</u>	<u>1,038,127</u>
Total Net Position	<u>9,760,972</u>	<u>10,975,377</u>	<u>11,665,606</u>
Total Liabilities and Net Position	<u>\$ 16,293,331</u>	<u>\$ 17,905,023</u>	<u>\$ 18,068,760</u>

See accompanying notes to financial statements.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Combined Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended September 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Revenues</b>			
Net patient service revenue (Note 12)	\$ 19,615,136	\$ 19,195,328	\$ 19,820,560
Operating grants	1,155,729	2,355,516	2,304,915
Ad valorem taxes	249,675	250,315	248,318
Other revenue	<u>391,396</u>	<u>299,315</u>	<u>451,289</u>
<b>Total Revenues</b>	<u>21,411,936</u>	<u>22,100,474</u>	<u>22,825,082</u>
<b>Expenses</b>			
Salaries and benefits	13,159,808	12,998,359	13,709,648
Medical supplies and drugs	1,339,370	1,493,546	1,263,728
Insurance	463,928	475,209	539,303
Professional fees	2,533,072	2,721,902	2,655,323
Other expenses	4,109,772	4,036,075	4,727,022
Depreciation and amortization	<u>989,467</u>	<u>1,019,353</u>	<u>846,704</u>
<b>Total Expenses</b>	<u>22,595,417</u>	<u>22,744,444</u>	<u>23,741,728</u>
<b>Operating Income (Loss)</b>	<u>(1,183,481)</u>	<u>(643,970)</u>	<u>(916,646)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	9,954	14,879	12,554
Interest expense	(51,480)	(27,618)	(27,898)
Gain (loss) on disposal of assets	<u>8,661</u>	<u>(33,520)</u>	<u>(30,028)</u>
<b>Changes in Net Position before Capital Grants</b>	<u>(1,216,346)</u>	<u>(690,229)</u>	<u>(962,018)</u>
Capital grants	<u>1,941</u>	<u>-0-</u>	<u>12,474</u>
<b>Increase (Decrease) in Net Position</b>	<u>(1,214,405)</u>	<u>(690,229)</u>	<u>(949,544)</u>
<b>Net Position at Beginning of Year</b>	<u>10,975,377</u>	<u>11,665,606</u>	<u>12,615,150</u>
<b>Net Position at End of Year</b>	<u>\$ 9,760,972</u>	<u>\$ 10,975,377</u>	<u>\$ 11,665,606</u>

See accompanying notes to financial statements.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Combined Statements of Cash Flows  
Years Ended September 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 19,427,283	\$ 19,292,798	\$ 19,238,523
Other receipts from operations	2,392,043	3,001,208	2,942,537
Cash payments to employees and for employee-related cost	(12,909,418)	(12,738,044)	(13,570,116)
Cash payments for other operating expenses	<u>(8,659,126)</u>	<u>(8,427,308)</u>	<u>(8,960,279)</u>
Net cash provided (used) by operating activities	<u>250,782</u>	<u>1,128,654</u>	<u>(349,335)</u>
Cash flows from investing activities:			
Purchase of investments	-0-	(353,638)	-0-
Proceeds from investing activities	31,974	621,410	579,351
Proceeds from limited use assets	83,056	342,381	(8)
Interest income	<u>9,954</u>	<u>14,879</u>	<u>12,554</u>
Net cash provided (used) by investing activities	<u>124,984</u>	<u>625,032</u>	<u>591,897</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(836,300)	(281,369)	(1,083,080)
Proceeds from long-term debt	-0-	-0-	554,022
Principal payments on long-term debt	(323,744)	(325,853)	(201,619)
Interest expense on long-term debt	(51,480)	(27,618)	(27,898)
Proceeds from capital grants	1,941	-0-	12,474
Proceeds from disposal of capital assets	<u>8,661</u>	<u>(33,520)</u>	<u>(30,028)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,200,922)</u>	<u>(668,360)</u>	<u>(776,129)</u>
Net increase (decrease) in cash and cash equivalents	(825,156)	1,085,326	(533,567)
Beginning cash and cash equivalents	<u>1,798,931</u>	<u>713,605</u>	<u>1,247,172</u>
Ending cash and cash equivalents	<u>\$ 973,775</u>	<u>\$ 1,798,931</u>	<u>\$ 713,605</u>

See accompanying notes to financial statements.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Combined Statements of Cash Flows (Continued)  
Years Ended September 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>51,480</u>	\$ <u>59,285</u>	\$ <u>59,565</u>
Equipment acquired under capital lease	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>554,022</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (1,183,481)	\$ (643,970)	\$ (916,646)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	989,467	1,019,353	846,704
Change in current assets (increase) decrease:			
Net patient accounts receivable	838,066	(190,630)	(485,095)
Other receivables	14,766	96,062	(61,985)
Estimated third-party payor settlements	(445,457)	288,100	(96,942)
Inventory	49,604	(17,929)	62,875
Prepaid expenses	(58,219)	9,640	44,452
Change in current liabilities (increase) decrease:			
Accounts payable	(204,354)	307,713	117,770
Accrued expenses and withholdings payable	(103,043)	(127,141)	193,017
Retirement plan payable	<u>353,433</u>	<u>387,456</u>	<u>(53,485)</u>
Net cash provided (used) by operating activities	\$ <u>250,782</u>	\$ <u>1,128,654</u>	\$ <u>(349,335)</u>

See accompanying notes to financial statements.



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Notes to Combined Financial Statements  
Years Ended September 30, 2016, 2015, and 2014

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

LaSalle Parish Hospital Service District No. 2, State of Louisiana (referred to as "the District") was created in 1968 by the LaSalle Parish Police Jury.

The District is a political subdivision of the LaSalle Parish Police Jury whose jurors are elected officials. The District's five Commissioners are appointed by the LaSalle Parish Police Jury. As the governing authority of the Parish for reporting purposes, the LaSalle Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the LaSalle Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

On April 18, 2001, the District resumed control of LaSalle Nursing Home. LaSalle General Hospital and LaSalle Nursing Home are both enterprise funds within the District.

Nature of Business

The District provides acute inpatient services, skilled nursing (through "Swing Beds"), emergency, home health, and outpatient services, including rural health clinics and private physician offices. Long-term intermediate care is also provided.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Notes to Combined Financial Statements  
Years Ended September 30, 2016, 2015, and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The entity is a political subdivision and is exempt from taxation.

Principles of Combination

The accompanying combined financial statements include the accounts of the Hospital Service District No. 2 of the Parish of LaSalle including LaSalle General Hospital and LaSalle Nursing Home. These are two separate enterprise funds. The District has one board. All intercompany transactions and balances have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Credit Risk

The District provides medical care primarily to LaSalle Parish residents and grants credit to patients, substantially all of whom are local residents.

The District's estimate of collectability is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 12. Accordingly, changes in federal and state legislation or interpretations of rules have a significant impact on the District.

Inventory

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market value.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Notes to Combined Financial Statements  
Years Ended September 30, 2016, 2015, and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the District is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the District services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges for the services provided, less an estimate made for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by utilizing a historical experience applied to an aging of accounts. Patient accounts receivable are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expense are recorded as a reduction of bad debt expense when received.

Capital Assets

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. The District uses straight-line depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations when incurred.

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Notes to Combined Financial Statements  
Years Ended September 30, 2016, 2015, and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The District classifies net position into three components: invested in capital assets, net of related debt; restricted, and unrestricted. Invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, or contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues and Expenses

The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the District's principal activity. Operating revenue also includes ad valorem taxes passed to provide the District with revenue to operate and maintain the District. Non exchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

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

Use of Estimates

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

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classification.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Notes to Combined Financial Statements  
Years Ended September 30, 2016, 2015, and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Resident Deposits

The Nursing Home manages residents' personal funds that are shown on the financial statements as "Limited use assets" with a related liability, "Limited use assets".

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Risk Management

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the District to invest in direct obligations of the United States Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the District be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Hospital Service District No. 2  
 Of the Parish of LaSalle, State of Louisiana  
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 Notes to Combined Financial Statements  
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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Account balances according to bank's records at September 30, 2016, for the District are as follows:

	<u>Catahoula</u> <u>LaSalle Bank</u>	<u>Sabine State</u> <u>Bank</u>
Cash in banks	\$ <u>1,086,648</u>	\$ <u>1,811,492</u>
Insured by FDIC	\$ <u>500,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>586,648</u>	\$ <u>50,776</u>
Collateralized by note payable	\$ <u>-0-</u>	\$ <u>1,510,716</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured, entirely collateralized by securities held by the pledging bank's trust department in the District's name, or collateralized by the note payable at September 30, 2016, 2015, and 2014.

Concentration of Credit Risks - The District has 92% of its cash and cash equivalents at Catahoula LaSalle Bank in checking accounts.

Interest Rate Risks - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Enterprise Funds  
Notes to Combined Financial Statements  
Years Ended September 30, 2016, 2015, and 2014

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The carrying amounts of deposits and investments are included in the District's statements of net position as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Carrying amounts			
Deposits	\$ 973,775	\$ 1,798,931	\$ 713,605
Investments	<u>1,752,863</u>	<u>1,874,251</u>	<u>2,483,441</u>
 Total	 <u>\$ 2,726,638</u>	 <u>\$ 3,673,182</u>	 <u>\$ 3,197,046</u>
 Included in the following balance sheet captions			
Cash and cash equivalents	\$ 973,775	\$ 1,798,931	\$ 713,605
Limited use assets - required for current liabilities	22,546	28,880	27,893
Investments	11,495	43,469	311,241
Limited use assets	<u>1,718,822</u>	<u>1,801,902</u>	<u>2,144,307</u>
 Total	 <u>\$ 2,726,638</u>	 <u>\$ 3,673,182</u>	 <u>\$ 3,197,046</u>

NOTE 4 - LIMITED USE ASSETS

Limited use assets consist of the following items at September 30:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt reserve fund	\$ 1,718,822	\$ 1,801,902	\$ 2,144,307
Residents' deposits	22,546	28,880	27,893
Required for current liabilities	<u>(22,546)</u>	<u>(28,880)</u>	<u>(27,893)</u>
 Limited use assets	 <u>\$ 1,718,822</u>	 <u>\$ 1,801,902</u>	 <u>\$ 2,144,307</u>

As a governmental entity, several years ago the Hospital chose to opt-out of Social Security and provide its full-time employees with a Social Security replacement retirement plan under section 401(a) of the Internal Revenue Service Code. This plan is funded at a rate at least equivalent to Social Security. When the Hospital entered into this arrangement, it received a refund of some prior years' Social Security taxes. These funds were set aside and invested in a Certificate of Deposit for the purpose of making the employees at the time of transition whole in retirement benefits. The Social Security program may offset the amount of benefits paid when one participates in a governmental retirement plan. Therefore, at the inception of the Social Security replacement plan the Hospital set aside these funds to insure those individual employees' retirement benefits were not reduced due to the Hospital selecting this option. The

Hospital Service District No. 2  
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NOTE 4 - LIMITED USE ASSETS (Continued)

fund was invested in a Certificate of Deposit which was shown as a Board restricted asset and was offset by a corresponding contingent liability. The amount of the liability is dependent on several factors for each individual employee so that the amount of this contingent liability cannot be reasonably estimated at this time.

During fiscal year 2013, the Board transferred the retirement investment from restricted to unrestricted as there were no known claims. It was then transferred to restricted status to collateralize the refinancing of the Medical Office Building debt. It is now included as part of the debt reserve fund. According to debt covenants, this amount must remain on deposit to fully collateralize the amount borrowed until the loan is paid in full.

NOTE 5 - ACCOUNTS RECEIVABLE

A summary of accounts receivable as of September 30, is presented below:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Patient accounts receivable	\$ 4,465,857	\$ 5,034,036	\$ 5,169,816
Other accounts receivable	<u>145,397</u>	<u>125,378</u>	<u>93,751</u>
	4,611,254	5,159,414	5,263,567
Estimated uncollectibles	<u>(2,209,123)</u>	<u>(1,919,217)</u>	<u>(2,214,000)</u>
Net accounts receivable	\$ <u>2,402,131</u>	\$ <u>3,240,197</u>	\$ <u>3,049,567</u>

The following is a summary of the mix of accounts receivable from patients and third-party payors at September 30:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Medicare	25%	28%	41%
Medicaid	17%	14%	17%
Blue Cross	7%	9%	10%
Commercial and other third-party payors	21%	37%	24%
Patients	<u>30%</u>	<u>12%</u>	<u>8%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Medicare, Medicaid, and third-party payors are shown net of contractual allowances.



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Of the Parish of LaSalle, State of Louisiana  
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Notes to Combined Financial Statements  
Years Ended September 30, 2016, 2015, and 2014

NOTE 6 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation for the year ended September 30:

	<u>2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>2016</u>
Land	\$ 278,893	\$ -0-	\$ -0-	\$ 278,893
Land improvements	268,226	31,220	-0-	299,446
Buildings and fixed equipment	16,896,710	346,681	-0-	17,243,391
Moveable equipment	8,373,475	87,990	103,840	8,357,625
Construction in progress	<u>15,643</u>	<u>386,053</u>	<u>15,643</u>	<u>386,053</u>
 Total	 25,832,947	 851,944	 119,483	 26,565,408
Accumulated depreciation	<u>15,690,188</u>	<u>984,864</u>	<u>103,840</u>	<u>16,571,212</u>
 Net	 \$ <u>10,142,759</u>	 \$ <u>(132,920)</u>	 \$ <u>15,643</u>	 \$ <u>9,994,196</u>
	 <u>2014</u>	 <u>Additions</u>	 <u>Deductions</u>	 <u>2015</u>
Land	\$ 278,893	\$ -0-	\$ -0-	\$ 278,893
Land improvements	268,226	-0-	-0-	268,226
Buildings and fixed equipment	16,899,679	-0-	2,969	16,896,710
Moveable equipment	7,887,908	695,689	210,122	8,373,475
Construction in progress	<u>381,025</u>	<u>-0-</u>	<u>365,382</u>	<u>15,643</u>
 Total	 25,715,731	 695,689	 578,473	 25,832,947
Accumulated depreciation	<u>14,839,651</u>	<u>1,019,353</u>	<u>168,816</u>	<u>15,690,188</u>
 Net	 \$ <u>10,876,080</u>	 \$ <u>(323,664)</u>	 \$ <u>409,657</u>	 \$ <u>10,142,759</u>

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NOTE 6 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets and related accumulated depreciation for the year ended September 30:

	<u>2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>2014</u>
Land	\$ 278,893	\$ -0-	\$ -0-	\$ 278,893
Land improvements	301,778	-0-	33,552	268,226
Buildings and fixed equipment	16,352,646	741,755	194,722	16,899,679
Moveable equipment	7,899,722	660,400	672,214	7,887,908
Construction in progress	<u>667,746</u>	<u>455,034</u>	<u>741,755</u>	<u>381,025</u>
 Total	 25,500,785	 1,857,189	 1,642,243	 25,715,731
Accumulated depreciation	<u>14,865,745</u>	<u>842,044</u>	<u>868,138</u>	<u>14,839,651</u>
 Net	 \$ <u>10,635,040</u>	 \$ <u>1,015,145</u>	 \$ <u>774,105</u>	 \$ <u>10,876,080</u>

NOTE 7 - OTHER ASSETS

Other assets at September 30, consists of the following:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Physician practice acquisition, net of straight-line amortization over 60 months	\$ -0-	\$ 4,603	\$ 9,267
Deposits	<u>25</u>	<u>25</u>	<u>25</u>
 Total	 \$ <u>25</u>	 \$ <u>4,628</u>	 \$ <u>9,292</u>

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**NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE**

Accrued expenses and withholdings payable at September 30 consist of the following:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Accrued employee insurance payable (net of accrued stop loss receivable)	\$ 394,339	\$ 256,921	\$ 359,547
Accrued interest payable	157,239	125,572	93,905
Accrued salaries and fees payable	78,053	359,477	338,191
Accrued compensated absences	423,993	442,489	482,597
Payroll withholdings	63,646	35,234	72,228
Provider tax payable	<u>37,177</u>	<u>37,797</u>	<u>38,163</u>
 Total	 \$ <u>1,154,447</u>	 \$ <u>1,257,490</u>	 \$ <u>1,384,631</u>

**NOTE 9 - COMPENSATED ABSENCES**

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to the employee. However, vested vacation, sick, and paid days off have been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

**NOTE 10 - RETIREMENT PLAN**

The Hospital has a qualified contributory defined contribution plan "LaSalle General Hospital Money Purchase Pension Plan" under Internal Revenue code of 1986, including any later amendments to the code providing retirement benefits for substantially all of its employees. The plan was restated August 15, 2013. The Plan administrator is the Hospital. The Hospital expects to continue the plan indefinitely but reserves the right to terminate the plan in whole or in part at any time upon giving written notice to all parties concerned. Annually, the Hospital contributes 5.1 percent of the aggregate compensation of eligible employees to the Plan. The Hospital has not funded the Plan liability for fiscal years 2016, 2015, and 2014. The liability recorded as "Retirement Plan Payable" on the Combined Statements of Net Position includes employer matching contributions for fiscal years 2016, 2015, and 2014. No liability has been recorded for potential penalties and interest billed by the Plan investment insurer due to untimely submission. Mandatory contributions by the employee consist of 6.2 percent of their compensation. An employee must be age 18 or older to participate in the plan. An employee is 100 percent vested upon entry to the plan with normal retirement age being 65 years of age. The Principal is the plan trustee.

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NOTE 10 - RETIREMENT PLAN (Continued)

The Hospital also has a deferred compensation plan "LaSalle General Hospital Deferred Compensation Plan". The plan was intended to meet the requirements of Section 457 of the Internal Revenue Code of 1986, including any later amendments. The plan was restated, effective August 15, 2013. The Plan administrator is the Hospital. Employee voluntary salary contributions have a discretionary match of up to 2.5 percent by the employer. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 ½ years of age. The employer discretionary match is determined by the employer and can be amended by the employer at their discretion. The Principal is the plan trustee.

Employee and employer contributions were as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employee	\$ <u>750,362</u>	\$ <u>711,136</u>	\$ <u>1,001,801</u>
Employer	\$ <u>539,809</u>	\$ <u>503,935</u>	\$ <u>387,643</u>

The Nursing Home sponsors a tax-deferred annuity arrangement "Security Benefits 457 Deferred Compensation Plan", exempt under Section 457 of the Internal Revenue Code that covers all employees who have completed at least 1,000 hours of service per year. The employees must be 21 years of age or older to participate. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 1/2 years of age. Employees may elect to make contributions of up to \$10,000 to the annuity through a salary reduction agreement. The Nursing Home pays participating employees 50% of their contributions currently. This percentage is at the Board's discretion and is reviewed each year. For the years ended September 30, 2016, 2015, and 2014, the amount of pension expense was \$43,972, \$11,281, and \$11,344, respectively. Security Benefits administers the above plan.

NOTE 11 - LONG-TERM DEBT

A summary of long-term debt at September 30 follows:

	<u>2015</u>	<u>Additions</u>	<u>Payments</u>	<u>2016</u>	<u>Due Within One Year</u>
Note Payable - SSB	\$ 1,681,610	\$ -0-	\$ 170,894	\$ 1,510,716	\$ 181,686
Capital Leases	<u>385,445</u>	<u>-0-</u>	<u>152,850</u>	<u>232,595</u>	<u>135,864</u>
Total	\$ <u>2,067,055</u>	\$ <u>-0-</u>	\$ <u>323,744</u>	\$ <u>1,743,311</u>	\$ <u>317,550</u>

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NOTE 11 - LONG-TERM DEBT (Continued)

	<u>2014</u>		<u>Additions</u>		<u>Payments</u>		<u>2015</u>		<u>Due Within One Year</u>
Note Payable - SSB	\$ 1,865,221	\$	-0-	\$	183,611	\$	1,681,610	\$	179,112
Capital Leases	<u>527,687</u>		<u>-0-</u>		<u>142,242</u>		<u>385,445</u>		<u>152,851</u>
Total	\$ <u>2,392,908</u>	\$	<u>-0-</u>	\$	<u>325,853</u>	\$	<u>2,067,055</u>	\$	<u>331,963</u>
	<u>2013</u>		<u>Additions</u>		<u>Payments</u>		<u>2014</u>		<u>Due Within One Year</u>
Note Payable - SSB	\$ 2,040,505	\$	-0-	\$	175,284	\$	1,865,221	\$	176,670
Capital Leases	<u>-0-</u>		<u>554,022</u>		<u>26,335</u>		<u>527,687</u>		<u>46,454</u>
Total	\$ <u>2,040,505</u>	\$	<u>554,022</u>	\$	<u>201,619</u>	\$	<u>2,392,908</u>	\$	<u>223,124</u>

The following are the terms and due dates of the District's long-term debt at September 30:

- Capital lease with Martin Business Bank at 10.7%, due in monthly payments of \$720 until May 31, 2016, secured by information technology equipment.
- Capital lease with GE at 1.04% due in monthly payments of \$4,058 until September 15, 2019, secured with Mammography machine.
- Capital lease with GE at 1.04%, due in monthly payments of \$8,319 until July 25, 2017, secured by Cat Scan equipment.
- Secured Note Payable at Sabine State Bank (SSB) at 1.4%, secured by certificate of deposit of \$1,718,822, due in monthly payments of \$16,807 until March 2018, when a balloon payment of \$1,251,363 is due.
- Secured Note Payable (MOB) at 7.5%, secured by mortgage on Medical Office Building, due in monthly payments of \$21,908 until August 28, 2014, when a balloon payment of \$1,943,074 is due. This note was refinanced with the Secured Note Payable at Sabine State Bank.

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NOTE 11 - LONG-TERM DEBT (Continued)

Scheduled principal and interest repayments on the long-term debt follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Long-Term Debt</u>		<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 181,686	\$ 19,992	\$ 135,865	\$ 2,262
2019	1,329,030	9,112	48,050	1,371
2020	<u>-0-</u>	<u>-0-</u>	<u>48,680</u>	<u>346</u>
Totals	\$ <u>1,510,716</u>	\$ <u>29,104</u>	\$ <u>232,595</u>	\$ <u>3,979</u>

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$116,488 is included in the depreciation expense. Net book value of capital leases is \$311,503 in 2016.

NOTE 12 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2017, if not extended by Congress. The additional payments received under the Medicare low volume add-on were approximately \$367,072, \$406,021, and \$338,000, for the years ended September 30, 2016, 2015, and 2014. The District qualifies as a Medicare Dependent Hospital. This designation provides for enhanced Medicare reimbursement rates, including increased reimbursement for decreases in volume greater than 5%. The district received \$116,000 during FY 2015 related to the FY 2011 volume adjustment filed due to the significant volume decrease in FY 2011. This designation is set to expire on September 30, 2017 if not extended by Congress. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. Home health services are paid by Medicare under a per episode prospective payment system (PPS).

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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid based on a prospectively determined fee schedule. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. Home health services are paid by Medicaid under a PPS per visit method.

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates. Blue Cross is the largest commercial provider. Blue Cross charges were 17 percent, 14 percent, and 17 percent of total charges for the years ended September 30, 2016, 2015 and 2014, respectively.

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. In fiscal year 2016 the adjustment was an increase of \$293,000 in net patient service revenue. The adjustments resulted in a decrease of \$355,000 and \$180,000 in net patient service revenue in fiscal years 2015 and 2014, respectively.

The Hospital's previous reimbursements are also subject to secondary review by Medicare and Medicaid representatives. These representatives have several initiatives in progress. No material liabilities have been identified to date under these review programs; however, the potential exists for future claims. These will be recognized in the year the amounts are determined, if any.

The District d/b/a LaSalle Nursing Home entered into an Intergovernmental Transfer Agreement (IGT) with the Louisiana Department of Health and Hospitals (DHH) as part of the "Non State Governmental Organization Nursing Facilities Medicaid Upper Payment Limit Program (SPA)". This Medicaid supplemental payment is to be used as a match within the Medicaid program. The District received a total of \$595,225 of which \$258,676 was submitted to DHH as an IGT.

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NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

The following is a summary of the District's net patient service revenue for the years ended September 30:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Gross charges	\$ 43,726,577	\$ 44,104,099	\$ 42,051,029
Less charges associated with charity patients	<u>(47,497)</u>	<u>(2,460)</u>	<u>(3,639)</u>
Gross patient service revenues	43,679,080	44,101,639	42,047,390
Less deductions from revenue:			
Contractual adjustments	(19,560,540)	(21,350,081)	(18,372,077)
Policy and other discounts	<u>(1,463,445)</u>	<u>(1,270,428)</u>	<u>(414,115)</u>
Patient service revenue (net of contractual adjustments and discounts)	22,655,095	21,481,130	23,261,198
Less provision for bad debts	<u>(3,039,959)</u>	<u>(2,285,802)</u>	<u>(3,440,638)</u>
Net patient service revenue less provision for bad debts	\$ <u>19,615,136</u>	\$ <u>19,195,328</u>	\$ <u>19,820,560</u>

The District receives a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. The following is a summary of gross Medicare and Medicaid patient revenues for the years ended September 30:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Medicare and Medicaid gross patient charges	\$ 27,100,877	\$ 27,382,943	\$ 26,502,076
Contractual adjustments	<u>(14,622,759)</u>	<u>(13,728,298)</u>	<u>(12,583,938)</u>
Program patient service revenues	\$ <u>12,478,118</u>	\$ <u>13,654,645</u>	\$ <u>13,918,138</u>
Percent of total gross patient charges	<u>62%</u>	<u>62%</u>	<u>63%</u>
Percent of total net patient revenue	<u>64%</u>	<u>71%</u>	<u>70%</u>

NOTE 13 - PROFESSIONAL LIABILITY RISK

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



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NOTE 13 - PROFESSIONAL LIABILITY RISK (Continued)

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations or equity amounts assigned to the District by the trust fund in its financial statements.

NOTE 14 - WORKMEN'S COMPENSATION RISK

The District participates in the Louisiana Hospital Association Self-Insurance Worker's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations or equity amounts assigned to the District by the trust fund in its financial statements.

NOTE 15 - EMPLOYEE MEDICAL BENEFIT PLAN

The District is self-insured to provide group medical and drug coverage for its employees. The District entered into an agreement on November 1, 1997, with a third-party administrator to administer the plan. The third-party administrator is Insurance Management Services (IMS). The plan year runs from December 1 through November 30. The District funds its losses based on actual claims. A stop-loss insurance contract executed with an insurance carrier provides for payment of 100% of claims in excess of \$75,000 per covered individual. A liability is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims' experience, recently settled claims, and frequency of claims. It is reasonably possible that the District's estimate will change by a material amount in the near term.

The following is a summary of changes in the Hospital's claims liability for the year ended September 30:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Beginning of the year	\$ 256,921	\$ 359,547	\$ 133,000
Plus: Claims incurred and changes in estimate, net of reinsurance	1,133,548	514,747	915,641
Less: Claims paid	<u>996,130</u>	<u>617,373</u>	<u>689,094</u>
End of the year	\$ <u>394,339</u>	\$ <u>256,921</u>	\$ <u>359,547</u>

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NOTE 16 - CONTINGENCIES

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

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 12) - The District 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.

Further, in order to continue receiving reimbursement from the Medicare programs, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determination. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

During July 2012, the District received a request from the Medicare intermediary to repay \$1,057,323 in claim payments that were previously paid for dates of service between January 1, 2008 and April 30, 2009. These claims were disallowed as the result of an audit by the Office of Inspector General (OIG). These claims were recouped by the intermediary during fiscal year 2013 and charged against income as Medicare contractual adjustments. Additionally, during 2013 other adjustments and recoveries were made by the Recovery Audit Contractor (RAC), a company contracted by the government to review claims for medical necessity and appropriate level of care determinations. The amount of future adjustments under this audit process cannot be determined and the amount could be significant. Management has engaged a firm experienced in protesting these denials and believes many of these denials will be overturned.

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 licensure, accreditation, privacy, 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 District 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.

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NOTE 16 - CONTINGENCIES (Continued)

The Patient Protection and Affordable Care Act (PPACA) was passed into law in 2010. This federal legislation is extremely complex and will substantially change the landscape of the healthcare industry. The PPACA has the potential to affect both payment rates and coverage issues for all healthcare payors. While the overall impact of the PPACA cannot currently be estimated, it would have a negative impact on the district's revenues.

Professional Liability Risk (Note 13) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk (Note 14) - The district is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Self-Funded Health Insurance Risk (Note 15) - The Hospital has a self-funded health insurance plan administered by Insurance Management Services. Provision has been made for incurred but non-reported claims in the amount of \$394,000. Accordingly, the Hospital is contingently liable for claims that may be reported subsequent to the balance sheet date. The Hospital has acquired stop-loss insurance to cover individual claims exceeding \$75,000.

NOTE 17 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a per-diem based on the patient's level of income. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the cost associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The cost of caring for charity care patients was approximately \$25,000, \$1,000, and \$2,000 in 2016, 2015, and 2014, respectively. The amount of charges foregone for services and supplies furnished under the District's charity care policy aggregated approximately \$48,000, \$2,000, and \$4,000, in 2016, 2015, and 2014, respectively.

NOTE 18 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred.

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NOTE 18 - OPERATING LEASES (Continued)

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2016, that have initial or remaining lease terms in excess of one year.

Year Ending September 30,	<u>Amount</u>
2017	\$ 55,516
2018	52,516
2019	21,884
2020	<u>-0-</u>
Total minimum future lease payments	\$ <u>129,916</u>

NOTE 19 - AD VALOREM TAXES

The District levies a property tax on all property subject to taxation in the service district. A 10 year 10.45 mill tax was effective thru 2012, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. This tax was renewed for a maximum of 5.0 mills for 10 years in October 2012 and will be effective until the year 2022. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15 each year, are due by December 31, and become delinquent on January 31.

NOTE 20 - INTERGOVERNMENTAL TRANSFER GRANTS

The District entered into a cooperative endeavor agreement with a regional hospital (Grantor) whereby the Grantor awards an intergovernmental transfer grant ("IGT") to be used solely to provide adequate and essential medically necessary and available healthcare services to the District's service population subject to the availability of such grant funds. The aggregate IGT grant income is \$1,153,425 and \$1,693,774 for the fiscal years 2016 and 2015, respectively.

NOTE 21 - GRANT INCOME

The District recognized operating grant income of \$327,663, and \$745,111, from Medicare, and \$122,672, and \$122,672, from Medicaid during the years ended September 30, 2015 and 2014, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use," which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in during the next few years in three stages, with each progressive stage incorporating more stringent measures. The District's policy is to record the incentive payments once various stages have been met

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NOTE 21 - GRANT INCOME (Continued)

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 District 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.

The District received a grant of \$1,433,625 in fiscal year 2014 to be used solely to provide adequate and essential medically necessary health care services to the citizens in its community who are low income and/or indigent patients. As a condition of the grant agreement, the District, along with other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement. Various other grants were received during the year for other uses.

NOTE 22 - SUBSEQUENT EVENTS

Events have been evaluated through March 20, 2017 for subsequent event disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Hospital Service District No. 2  
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Schedules of Net Patient Service Revenue  
Years Ended September 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Routine services:			
Adult and pediatric	\$ 3,294,721	\$ 3,325,722	\$ 2,119,800
Swing bed	409,700	176,800	233,200
Nursing home services	<u>6,280,623</u>	<u>6,712,998</u>	<u>6,334,982</u>
 Total routine services	 <u>9,985,044</u>	 <u>10,215,520</u>	 <u>8,687,982</u>
Other professional services:			
Operating room	164,439	887,175	941,673
Radiology	6,027,039	6,069,552	5,756,297
Laboratory and blood	8,626,236	8,295,428	8,131,189
IV therapy	984,812	1,015,465	985,412
Respiratory therapy, EEG, & EKG	2,382,417	1,993,639	2,065,659
Physical therapy	648,355	630,556	686,281
Occupational therapy	217,786	133,679	126,418
Speech therapy	312,829	229,358	90,570
Medical supply	632,180	755,431	1,190,375
Pharmacy	1,480,720	1,140,007	1,210,987
Wellness center	43,788	48,773	44,286
Emergency service	5,274,267	5,098,747	4,756,665
Observation room	276,158	295,964	357,650
Ambulance service	2,617,020	2,966,659	2,481,711
Home health services	462,221	560,525	712,014
Jonesville Rural Health Clinic	97,187	533,553	1,061,160
Jena Rural Health Clinic	3,494,079	3,234,068	2,724,057
Physician private office	<u>-0-</u>	<u>-0-</u>	<u>40,643</u>
 Total other professional services	 <u>33,741,533</u>	 <u>33,888,579</u>	 <u>33,363,047</u>
 Gross charges	 <u>\$ 43,726,577</u>	 <u>\$ 44,104,099</u>	 <u>\$ 42,051,029</u>

Hospital Service District No. 2  
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Schedules of Net Patient Service Revenue (Continued)  
Years Ended September 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Less charges associated with charity patients	\$ <u>(47,497)</u>	\$ <u>(2,460)</u>	\$ <u>(3,639)</u>
Gross patient service revenue	43,679,080	44,101,639	42,047,390
Less deductions from revenue:			
Medicare and Medicaid contractual adjustments	(14,622,759)	(13,728,298)	(12,583,938)
Other contractual adjustments	(4,937,781)	(7,621,783)	(5,788,139)
Policy and other discounts	<u>(1,463,445)</u>	<u>(1,270,428)</u>	<u>(414,115)</u>
Patient service revenue (net of contractual adjustments ad discounts)	22,655,095	21,481,130	23,261,198
Less provision for bad debts	<u>(3,039,959)</u>	<u>(2,285,802)</u>	<u>(3,440,638)</u>
Net patient service revenue	\$ <u><u>19,615,136</u></u>	\$ <u><u>19,195,328</u></u>	\$ <u><u>19,820,560</u></u>



Hospital Service District No. 2  
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 Schedules of Other Revenue  
 Years Ended September 30,

	<u>2016</u>		<u>2015</u>		<u>2014</u>
Purchase discounts taken	\$ -0-	\$	222	\$	107
Cafeteria	126,280		184,000		192,328
Cot rentals	154		282		294
Medical record abstracts	1,216		1,178		1,390
Vending	2,207		12,095		2,533
Ambulance reimbursement	234,569		76,982		203,977
Medical office rent	13,418		13,906		15,324
Miscellaneous revenue	<u>13,552</u>		<u>10,650</u>		<u>35,336</u>
 Total other revenue	 \$ <u>391,396</u>	\$	 <u>299,315</u>	\$	 <u>451,289</u>

Hospital Service District No. 2  
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Schedules of Expenses - Salaries and Benefits  
Years Ended September 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Salaries:			
Administration	\$ 1,132,320	\$ 1,225,219	\$ 1,221,828
Plant operations and maintenance	212,552	234,862	278,524
Laundry	37,660	49,533	45,070
Housekeeping	342,248	333,332	367,711
Dietary and cafeteria	442,127	473,659	448,755
Nursing administration	351,521	349,533	402,162
Medical records	254,365	247,244	223,062
Social services	95,491	80,864	123,755
Nursing services - acute	797,648	780,912	1,019,129
Nursing services - long-term care	2,119,239	2,118,597	2,178,990
Wellness center	60,287	65,027	61,510
Operating room	36,863	82,305	72,250
Radiology	516,621	568,723	592,501
Laboratory	271,396	285,118	246,489
Respiratory therapy	227,204	227,208	219,857
Physical therapy	195,337	208,692	235,771
Occupational therapy	86,781	59,156	56,263
Speech therapy	63,350	59,224	51,683
Central supply	108,452	111,726	111,366
Pharmacy	247,189	268,236	241,920
Emergency room	942,164	977,957	885,436
Ambulance	431,216	421,828	415,176
Home health	286,563	282,159	335,303
Jonesville Rural Health Clinic	65,370	407,636	637,105
Jena Rural Health Clinic	<u>1,541,635</u>	<u>1,214,406</u>	<u>1,198,926</u>
 Total salaries	 <u>10,865,599</u>	 <u>11,133,156</u>	 <u>11,670,542</u>
 Benefits:			
Payroll taxes	382,515	436,938	437,404
Health insurance	996,130	617,373	689,094
Other	<u>915,564</u>	<u>810,892</u>	<u>912,608</u>
 Total benefits	 <u>2,294,209</u>	 <u>1,865,203</u>	 <u>2,039,106</u>
 Total salaries and benefits	 <u>\$ 13,159,808</u>	 <u>\$ 12,998,359</u>	 <u>\$ 13,709,648</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedules of Expenses - Medical Supplies and Drugs  
Years Ended September 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Nursing services	\$ 14,822	\$ 16,974	\$ 7,259
Wellness center	1,494	668	2,059
Operating room	23,445	23,629	68,138
Radiology	57,648	89,153	121,451
Laboratory and blood	316,600	327,342	78,507
IV therapy	27,828	45,207	38,822
Respiratory therapy	37,231	31,415	29,579
Physical therapy	2,974	5,236	4,270
Occupational therapy	664	234	86
Telemetry	-0-	-0-	311
Central supply	-0-	-0-	53,610
Pharmacy	243,008	265,230	347,984
Emergency room	46,797	32,731	14,479
Ambulance	12,159	26,041	23,802
Home health	7,585	8,275	8,395
Jonesville Rural Health Clinic	9,369	17,057	17,683
Jena Rural Health Clinic	218,025	234,893	95,647
Nursing home supplies	<u>319,721</u>	<u>369,461</u>	<u>351,646</u>
 Total medical supplies and drugs	 \$ <u>1,339,370</u>	 \$ <u>1,493,546</u>	 \$ <u>1,263,728</u>

Hospital Service District No. 2  
 Of the Parish of LaSalle, State of Louisiana  
 Schedules of Expenses - Professional Fees  
 Years Ended September 30,

	<u>2016</u>		<u>2015</u>		<u>2014</u>
Swing bed	\$ -0-	\$	-0-	\$	1,055
Anesthesiology	21,400		100,000		94,040
Radiology	217,700		250,414		177,180
Laboratory	133,908		170,370		227,446
Respiratory therapy	-0-		-0-		316,856
Physical therapy	743,603		755,272		660,899
EKG, EEG	1,505		250		1,750
Emergency room	815,919		818,285		838,760
Pharmacy	7,450		7,900		7,725
Jonesville Rural Health Clinic	4,479		2,560		10
Jena Rural Health Clinic	<u>587,108</u>		<u>616,851</u>		<u>329,602</u>
 Total professional fees	 \$ <u>2,533,072</u>	\$	 <u>2,721,902</u>	\$	 <u>2,655,323</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedules of Expenses - Other Expenses  
Years Ended September 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contract services	\$ 166,891	\$ 121,900	\$ 171,454
Consultants	607,350	564,683	372,897
Legal and accounting	18,677	137,040	175,125
Supplies	606,401	747,842	1,295,624
Laundry contract services	138,751	100,233	71,073
Repairs and maintenance	604,799	534,028	494,112
Utilities	617,762	644,006	662,553
Telephone	74,287	93,667	111,723
Travel	86,611	71,659	163,798
Rentals	144,786	160,591	479,362
Advertising	84,678	83,813	89,772
Recruitment	16,097	8,304	38,499
Dues and subscriptions	225,248	291,173	169,987
Intergovernmental UPL expense	270,778	-0-	-0-
Miscellaneous	115,906	115,646	79,693
Provider tax	<u>330,750</u>	<u>361,490</u>	<u>351,350</u>
 Total other expenses	 \$ <u>4,109,772</u>	 \$ <u>4,036,075</u>	 \$ <u>4,727,022</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Combining Statement of Net Position  
September 30, 2016

	<u>LaSalle General Hospital</u>	<u>LaSalle Nursing Home</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 211,900	\$ 761,875	\$ -0-	\$ 973,775
Assets whose use is limited - required for current liabilities	-0-	22,546	-0-	22,546
Investments	11,495	-0-	-0-	11,495
Estimated third-party payor settlements	774,438	-0-	-0-	774,438
Accounts receivable, net of estimated uncollectibles	1,619,644	825,767	(43,280)	2,402,131
Other receivables	53,240	5,038,805	(5,092,045)	-0-
Inventory	252,251	-0-	-0-	252,251
Prepaid expenses	106,626	37,026	-0-	143,652
Total Current Assets	<u>3,029,594</u>	<u>6,686,019</u>	<u>(5,135,325)</u>	<u>4,580,288</u>
Capital assets, net	8,503,543	1,490,653	-0-	9,994,196
Assets limited as to use	1,718,822	-0-	-0-	1,718,822
Other assets	-0-	25	-0-	25
Total Assets	<u>\$ 13,251,959</u>	<u>\$ 8,176,697</u>	<u>\$ (5,135,325)</u>	<u>\$ 16,293,331</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 873,411	\$ 184,389	\$ (64,678)	\$ 993,122
Accrued expenses and withholdings payable	1,035,670	150,619	(31,842)	1,154,447
Estimated third-party payable	271,097	99,036	-0-	370,133
Liabilities of limited use assets	1,255,298	22,498	-0-	1,277,796
Retirement plan payable	993,550	-0-	-0-	993,550
Current maturities of long-term debt	317,550	-0-	-0-	317,550
Total Current Liabilities	<u>4,746,576</u>	<u>456,542</u>	<u>(96,520)</u>	<u>5,106,598</u>
Long-term debt, net of current maturities	<u>6,464,566</u>	<u>-0-</u>	<u>(5,038,805)</u>	<u>1,425,761</u>
Total Liabilities	<u>11,211,142</u>	<u>456,542</u>	<u>(5,135,325)</u>	<u>6,532,359</u>
Net Position				
Invested in capital assets, net of related debt	1,721,427	1,490,653	5,038,805	8,250,885
Restricted: debt reserve fund	1,718,822	-0-	-0-	1,718,822
Unrestricted net position	<u>(1,399,432)</u>	<u>6,229,502</u>	<u>(5,038,805)</u>	<u>(208,735)</u>
Total Net Position	<u>2,040,817</u>	<u>7,720,155</u>	<u>-0-</u>	<u>9,760,972</u>
Total Liabilities and Net Position	<u>\$ 13,251,959</u>	<u>\$ 8,176,697</u>	<u>\$ (5,135,325)</u>	<u>\$ 16,293,331</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Combining Statement of Net Position  
September 30, 2015

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	<u>Combined</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 806,089	\$ 992,842	\$ -0-	\$ 1,798,931
Assets whose use is limited - required for current liabilities	-0-	28,880	-0-	28,880
Investments	43,469	-0-	-0-	43,469
Estimated third-party payor settlements	308,736	133,467	-0-	442,203
Accounts receivable, net of estimated uncollectibles	2,343,722	928,142	(31,667)	3,240,197
Other receivables	82,757	4,580,346	(4,648,337)	14,766
Inventory	301,855	-0-	-0-	301,855
Prepaid expenses	75,704	9,729	-0-	85,433
Total Current Assets	<u>3,962,332</u>	<u>6,673,406</u>	<u>(4,680,004)</u>	<u>5,955,734</u>
Capital assets, net	8,592,750	1,550,009	-0-	10,142,759
Assets limited as to use	1,801,902	-0-	-0-	1,801,902
Other assets	4,603	25	-0-	4,628
Total Assets	<u>\$ 14,361,587</u>	<u>\$ 8,223,440</u>	<u>\$ (4,680,004)</u>	<u>\$ 17,905,023</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 1,050,767	\$ 214,700	\$ (67,992)	\$ 1,197,475
Accrued expenses and withholdings payable	1,175,387	113,770	(31,667)	1,257,490
Estimated third-party payable	483,355	-0-	-0-	483,355
Liabilities of limited use assets	1,255,298	28,856	-0-	1,284,154
Retirement plan payable	640,117	-0-	-0-	640,117
Current maturities of long-term debt	331,963	-0-	-0-	331,963
Total Current Liabilities	<u>4,936,887</u>	<u>357,326</u>	<u>(99,659)</u>	<u>5,194,554</u>
Long-term debt, net of current maturities	<u>6,315,437</u>	<u>-0-</u>	<u>(4,580,345)</u>	<u>1,735,092</u>
Total Liabilities	<u>11,252,324</u>	<u>357,326</u>	<u>(4,680,004)</u>	<u>6,929,646</u>
Net Position				
Invested in capital assets, net of related debt	1,945,350	1,550,009	4,580,345	8,075,704
Restricted: debt reserve fund	1,801,902	-0-	-0-	1,801,902
Unrestricted	(637,989)	6,316,105	(4,580,345)	1,097,771
Total Net Position	<u>3,109,263</u>	<u>7,866,114</u>	<u>-0-</u>	<u>10,975,377</u>
Total Liabilities and Net Position	<u>\$ 14,361,587</u>	<u>\$ 8,223,440</u>	<u>\$ (4,680,004)</u>	<u>\$ 17,905,023</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Combining Statement of Net Position  
September 30, 2014

	<u>LaSalle General Hospital</u>	<u>LaSalle Nursing Home</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 225,313	\$ 488,292	\$ -0-	\$ 713,605
Assets whose use is limited - required for current liabilities	-0-	27,893	-0-	27,893
Investments	311,241	-0-	-0-	311,241
Estimated third-party payor settlements	300,608	146,340	-0-	446,948
Accounts receivable, net of estimated uncollectibles	2,050,214	1,031,020	(31,667)	3,049,567
Other receivables	173,797	4,580,345	(4,643,314)	110,828
Inventory	283,926	-0-	-0-	283,926
Prepaid expenses	88,407	6,666	-0-	95,073
Total Current Assets	<u>3,433,506</u>	<u>6,280,556</u>	<u>(4,674,981)</u>	<u>5,039,081</u>
Capital assets, net	9,178,605	1,697,475	-0-	10,876,080
Assets limited as to use	2,144,307	-0-	-0-	2,144,307
Other assets	9,267	25	-0-	9,292
Total Assets	<u>\$ 14,765,685</u>	<u>\$ 7,978,056</u>	<u>\$ (4,674,981)</u>	<u>\$ 18,068,760</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts payable	\$ 733,325	\$ 219,407	\$ (62,969)	\$ 889,763
Accrued expenses and withholding payable	1,254,500	161,798	(31,667)	1,384,631
Estimated third-party payables	200,000	-0-	-0-	200,000
Liabilities of limited use assets	1,255,298	27,893	-0-	1,283,191
Retirement plan payable	252,661	-0-	-0-	252,661
Current maturities of long-term debt	223,124	-0-	-0-	223,124
Total Current Liabilities	<u>3,918,908</u>	<u>409,098</u>	<u>(94,636)</u>	<u>4,233,370</u>
Long-term debt, net of current maturities	<u>6,750,129</u>	<u>-0-</u>	<u>(4,580,345)</u>	<u>2,169,784</u>
Total Liabilities	<u>10,669,037</u>	<u>409,098</u>	<u>(4,674,981)</u>	<u>6,403,154</u>
Net Position				
Invested in capital assets, net of related debt	2,205,352	1,697,475	4,580,345	8,483,172
Restricted: bond reserve fund	2,144,307	-0-	-0-	2,144,307
Unrestricted	<u>(253,011)</u>	<u>5,871,483</u>	<u>(4,580,345)</u>	<u>1,038,127</u>
Total Net Position	<u>4,096,648</u>	<u>7,568,958</u>	<u>-0-</u>	<u>11,665,606</u>
Total Liabilities and Net Assets	<u>\$ 14,765,685</u>	<u>\$ 7,978,056</u>	<u>\$ (4,674,981)</u>	<u>\$ 18,068,760</u>



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended September 30, 2016

	LaSalle General <u>Hospital</u>	LaSalle Nursing <u>Home</u>	Eliminating <u>Entries</u>	<u>Combined</u>
<b>Revenues</b>				
Net patient service revenue	\$ 13,375,445	\$ 6,239,691	\$ -0-	\$ 19,615,136
Operating grants	1,155,729	-0-	-0-	1,155,729
Ad valorem taxes	249,675	-0-	-0-	249,675
Other operating revenue	<u>1,059,815</u>	<u>609</u>	<u>(669,028)</u>	<u>391,396</u>
 Total Revenues	 <u>15,840,664</u>	 <u>6,240,300</u>	 <u>(669,028)</u>	 <u>21,411,936</u>
<b>Expenses</b>				
Salaries and benefits	9,678,442	3,481,366	-0-	13,159,808
Medical supplies and drugs	1,019,649	319,721	-0-	1,339,370
Insurance	387,676	76,252	-0-	463,928
Professional fees	1,782,019	782,553	(31,500)	2,533,072
Other expenses	3,137,800	1,609,500	(637,528)	4,109,772
Depreciation and amortization	<u>838,470</u>	<u>150,997</u>	<u>-0-</u>	<u>989,467</u>
 Total Expenses	 <u>16,844,056</u>	 <u>6,420,389</u>	 <u>(669,028)</u>	 <u>22,595,417</u>
 Operating Income (Loss)	 <u>(1,003,392)</u>	 <u>(180,089)</u>	 <u>-0-</u>	 <u>(1,183,481)</u>
<b>Nonoperating Revenues</b>				
Interest income	9,954	33,380	(33,380)	9,954
Interest expense	(84,860)	-0-	33,380	(51,480)
Gain (loss) on disposal of assets	<u>7,911</u>	<u>750</u>	<u>-0-</u>	<u>8,661</u>
 Changes in Net Position before Capital Grants	 <u>(1,070,387)</u>	 <u>(145,959)</u>	 <u>-0-</u>	 <u>(1,216,346)</u>
Capital grants	<u>1,941</u>	<u>-0-</u>	<u>-0-</u>	<u>1,941</u>
 Changes in Net Position	 <u>(1,068,446)</u>	 <u>(145,959)</u>	 <u>-0-</u>	 <u>(1,214,405)</u>
 Beginning Net Position	 <u>3,109,262</u>	 <u>7,866,115</u>	 <u>-0-</u>	 <u>10,975,377</u>
 Ending Net Position	 <u>\$ 2,040,816</u>	 <u>\$ 7,720,156</u>	 <u>\$ -0-</u>	 <u>\$ 9,760,972</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended September 30, 2015

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
<b>Revenues</b>				
Net patient service revenue	\$ 12,537,276	\$ 6,658,052	\$ -0-	\$ 19,195,328
Operating grants	2,355,516	-0-	-0-	2,355,516
Ad valorem taxes	250,315	-0-	-0-	250,315
Other operating revenue	<u>886,757</u>	<u>825</u>	<u>(588,267)</u>	<u>299,315</u>
 Total Revenues	 <u>16,029,864</u>	 <u>6,658,877</u>	 <u>(588,267)</u>	 <u>22,100,474</u>
<b>Expenses</b>				
Salaries and benefits	9,601,543	3,396,816	-0-	12,998,359
Medical supplies and drugs	1,124,085	369,461	-0-	1,493,546
Insurance	401,406	73,803	-0-	475,209
Professional fees	1,961,514	792,288	(31,900)	2,721,902
Other expenses	2,980,873	1,611,569	(556,367)	4,036,075
Depreciation and amortization	<u>869,647</u>	<u>149,706</u>	<u>-0-</u>	<u>1,019,353</u>
 Total Expenses	 <u>16,939,068</u>	 <u>6,393,643</u>	 <u>(588,267)</u>	 <u>22,744,444</u>
 Operating Income (Loss)	 <u>(909,204)</u>	 <u>265,234</u>	 <u>-0-</u>	 <u>(643,970)</u>
<b>Nonoperating Revenues</b>				
Interest income	13,438	33,108	(31,667)	14,879
Interest expense	(59,285)	-0-	31,667	(27,618)
Gain (loss) on disposal of assets	<u>(32,335)</u>	<u>(1,185)</u>	<u>-0-</u>	<u>(33,520)</u>
 Changes in Net Position before Capital Grants	 <u>(987,386)</u>	 <u>297,157</u>	 <u>-0-</u>	 <u>(690,229)</u>
Capital grants	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Changes in Net Position	 <u>(987,386)</u>	 <u>297,157</u>	 <u>-0-</u>	 <u>(690,229)</u>
 Beginning Net Position	 <u>4,096,648</u>	 <u>7,568,958</u>	 <u>-0-</u>	 <u>11,665,606</u>
 Ending Net Position	 <u>\$ 3,109,262</u>	 <u>\$ 7,866,115</u>	 <u>\$ -0-</u>	 <u>\$ 10,975,377</u>

Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended September 30, 2014

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
<b>Revenues</b>				
Net patient service revenue	\$ 13,447,065	\$ 6,373,495	\$ -0-	\$ 19,820,560
Operating grants	2,304,915	-0-	-0-	2,304,915
Ad valorem taxes	248,318	-0-	-0-	248,318
Other operating revenue	<u>1,101,142</u>	<u>734</u>	<u>(650,587)</u>	<u>451,289</u>
<b>Total Revenues</b>	<u>17,101,440</u>	<u>6,374,229</u>	<u>(650,587)</u>	<u>22,825,082</u>
<b>Expenses</b>				
Salaries and benefits	10,172,955	3,575,821	(39,128)	13,709,648
Medical supplies and drugs	912,082	351,646	-0-	1,263,728
Insurance	467,003	72,300	-0-	539,303
Professional fees	1,986,820	736,246	(67,743)	2,655,323
Other expenses	3,606,449	1,664,289	(543,716)	4,727,022
Depreciation and amortization	<u>716,862</u>	<u>129,842</u>	<u>-0-</u>	<u>846,704</u>
<b>Total Expenses</b>	<u>17,862,171</u>	<u>6,530,144</u>	<u>(650,587)</u>	<u>23,741,728</u>
<b>Operating Income (Loss)</b>	<u>(760,731)</u>	<u>(155,915)</u>	<u>-0-</u>	<u>(916,646)</u>
<b>Nonoperating Revenues</b>				
Interest income	11,878	32,343	(31,667)	12,554
Interest expense	(59,565)	-0-	31,667	(27,898)
Gain (loss) on disposal of assets	<u>(30,028)</u>	<u>-0-</u>	<u>-0-</u>	<u>(30,028)</u>
<b>Changes in Net Position before Capital Grants</b>	<u>(838,446)</u>	<u>(123,572)</u>	<u>-0-</u>	<u>(962,018)</u>
Capital grants	<u>12,474</u>	<u>-0-</u>	<u>-0-</u>	<u>12,474</u>
<b>Changes in Net Position</b>	<u>(825,972)</u>	<u>(123,572)</u>	<u>-0-</u>	<u>(949,544)</u>
<b>Beginning Net Position</b>	<u>4,922,620</u>	<u>7,692,530</u>	<u>-0-</u>	<u>12,615,150</u>
<b>Ending Net Position</b>	<u>\$ 4,096,648</u>	<u>\$ 7,568,958</u>	<u>\$ -0-</u>	<u>\$ 11,665,606</u>

Hospital Service District No. 2  
 Of the Parish of LaSalle, State of Louisiana  
 Schedules of Per Diem and  
 Other Compensation Paid to Board Members  
 Years Ended September 30, 2016, 2015, and 2014

Board Members	<u>TERM</u> <u>EXPIRES</u>	<u>2016</u>	-Compensation- <u>2015</u>	<u>2014</u>
I.C. Turnley, Jr., M.D.	April 2018	NONE	NONE	NONE
Charles O. Williams, C.P.A.	April 2018	NONE	NONE	NONE
Janice Doshier	February 2017	NONE	NONE	NONE
Steve Crooks	July 2017	NONE	NONE	NONE
Sandra Webster	September 2019	NONE	NONE	NONE

Hospital Service District No. 2  
 Of the Parish of LaSalle, State of Louisiana  
 Schedule of Compensation, Benefits, and Other Payments  
 to Chief Executive Officers  
 Year Ended September 30, 2016

Agency Head Name: Lana Francis  
 Position: Chief Executive Officer  
 Time Period: October 1, 2015 to September 30, 2016

<u>Purpose</u>	<u>Amount</u>
Salary	105,056
Health insurance	3,212
Retirement (FICA replacement plan)	6,514
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	355
Conference travel	189
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-

Agency Head Name: Phyllis Bryan  
 Position: Administrator  
 Time Period: October 1, 2015 to September 30, 2016

<u>Purpose</u>	<u>Amount</u>
Salary	106,254
Health insurance	16,767
Retirement (FICA replacement plan)	1,300
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	719
Travel	1,085
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	238



## LESTER, MILLER & WELLS

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Retired 2015  
Bobby G. Lester, CPA

### 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

To the Board of Commissioners  
Hospital Service District No. 2  
Parish of LaSalle, State of Louisiana  
Jena, 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 combined financial statements of Hospital Service District No. 2, Parish of LaSalle, the ("District"), a component unit of the LaSalle Parish Police Jury, as of and for the years ended September 30, 2016, 2015, and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2017.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 over financial reporting 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

### **Internal Control Over Financial Reporting (Continued)**

deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies: 2016-01, 2016-02, 2016-03, and 2016-04.

### **Compliance and Other Matters**


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

### **The District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Commissioners, management and others within the organization and the office of 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.

  
Certified Public Accountants  
Alexandria, Louisiana

March 20, 2017



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedule of Current Year Findings and Responses  
Year Ended September 30, 2016

**Section I. Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified - No
- Significant deficiencies identified - Yes

Compliance

- Noncompliance issues noted - No

Management letter issued - No

Federal Awards - Not applicable

**Section II. Financial Statement Findings**

**FINDING 2016-01 - Draft of Financial Statements**

**Fiscal Year Initially Reported:** September 30, 2007

**Finding:** In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

**Recommendation:** Management should either (a) obtain the knowledge and/or resources necessary to internally prepare or review the auditors' preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

**Response:** Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency.

**FINDING 2016-02 - Segregation of Duties**

**Fiscal Year Initially Reported:** September 30, 2007

**Finding:** Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.





Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedule of Current Year Findings and Responses  
Year Ended September 30, 2016

**Section II. Financial Statement Findings (Continued)**

**FINDING 2016-02 - Segregation of Duties (Continued)**

**Recommendation:** We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

**Response:** Due to the size of our organization, and the abilities of current staff, we will continue to closely supervise and review the accounting, recording, and custody functions.

**FINDING 2016-03 - Third-party Payor Settlements**

**Fiscal Year Initially Reported:** September 30, 2015

**Finding:** Management is responsible for calculating and recording estimates of interim (Medicare and Medicaid) cost settlements. Various third-party receivables/payables were found to be inaccurately recorded on the general ledger during fiscal year 2016.

**Recommendation:** Management should calculate and record settlements based on interim cost report calculations, if the cost does not exceed the benefits. Establishing separate general ledger accounts for each cost report settlement year should be helpful in managing the settlements.

**Response:** Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from preparing interim cost reports. It is more efficient and cost effective for external cost report preparers to prepare the cost reports at year-end. Management will record differences between interim payments and actual cost report settlements. These differences will be charged against income in future periods when determinable. Contract Chief Financial Officer will review interim adjustments on a monthly basis. District staff will ensure during each month that all third-party payor settlements are recorded to correct general ledger accounts.

**FINDING 2016-04 - Pension Plan**

**Finding:** Management did not submit employer matching contributions for fiscal years 2014 and 2015 in a timely manner in accordance with plan documents.

**Recommendation:** Employer contributions should be remitted to the plan in accordance with plan documents.

**Response:** Management has remitted fiscal year 2014's employer contributions after year end. We plan to submit the fiscal year 2015 and 2016 employer contributions in fiscal year 2017.



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedule of Current Year Findings and Responses  
Year Ended September 30, 2016

**Section III. Federal Awards Findings and Questioned Costs**

Not applicable

**Section IV. Management Letter**

Not applicable



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedule of Prior Year Findings and Responses  
Year Ended September 30, 2016

**Section I. Financial Statement Findings**

**FINDING 2015-01 - Draft of Financial Statements**

**Finding:** In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

**Recommendation:** Management should either (a) obtain the knowledge and/or resources necessary to internally prepare or review the auditors' preparation of the Hospital's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

**Response:** Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency.

**Resolution:** Not resolved - See Finding 2016-01

**FINDING 2015-02 - Segregation of Duties**

**Finding:** Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

**Recommendation:** We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

**Response:** Due to the size of our organization, and the abilities of current staff, we will continue to closely supervise and review the accounting, recording, and custody functions.

**Resolution:** Not resolved - See Finding 2016-02

**FINDING 2015-03 - Expenses**

**Finding:** Various revenues, expenses, and accruals were found to be inaccurately recorded or misclassified during the fiscal year.

**Recommendation:** We recommend that management establish on-going internal reviews by a staff member knowledgeable of the general ledger to verify revenues, expenses, and accruals are being accurately posted to the general ledger. Monthly reconciliations of subsidiary ledgers/schedules



Hospital Service District No. 2  
Of the Parish of LaSalle, State of Louisiana  
Schedule of Prior Year Findings and Responses  
Year Ended September 30, 2016

**Section I. Financial Statement Findings (Continued)**

**FINDING 2015-03 - Expenses (Continued)**

should also be reviewed and approved by knowledgeable staff. Communication of staff should be encouraged throughout this process with cross-training of employees considered a priority.

**Response:** Contract Chief Financial Officer will review on a monthly basis. District staff will review during the month to verify correct general ledger accounts are used.

**Resolution:** Resolved

**FINDING 2015-04 - Third-party Payor Settlements**

**Finding:** Various third-party receivables/payables were found to be inaccurately recorded on the general ledger during fiscal year 2015. Misclassified recoupments and payments from third-party payors were found to be the primary cause of these inaccuracies.

**Recommendation:** Third-party payor documentation should be obtained from intermediaries for each payment and/or recoupment and the resulting amounts reconciled to general ledger postings. Establishing separate general ledger accounts for each cost report settlement year should be helpful in managing these intermediary activities.

**Response:** Contract Chief Financial Officer will review on a monthly basis. District staff will ensure during each month that all third-party payor settlements are recorded to correct general ledger accounts. Documentation will be obtained from third parties for Contract Chief Financial Officer to review.

**Resolution:** Partially resolved - See Finding 2016-03

**Section II. Federal Awards Findings and Questioned Costs**

Not applicable

**Section III. Management Letter**

Not applicable



