
JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2015



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Independent Auditors' Report

Members of the Parish Council
Jefferson Parish, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Jefferson Parish Hospital Service District No. 1 (the Service District), a component unit of Jefferson Parish, as of and for the nine months ended September 30, 2015 and the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Service District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Service District as of September 30, 2015 and December 31, 2014, and the respective changes in financial position and cash flows for the nine months ended September 30, 2015 and the year ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

Subsequent Event

As described in Note 15 to the financial statements, effective October 1, 2015, the Service District entered into a Master Hospital Lease agreement to lease West Jefferson Medical Center to West Jefferson Holdings, LLC, a Louisiana limited liability company, of which Louisiana Children's Medical Center is the sole member. Our opinions are not modified with respect to that matter.

Correction of an Error

As described in Note 14 to the financial statements, the Service District identified an error in the calculation of the contractual allowance and allowance for doubtful accounts for patient accounts receivable previously recorded. Accordingly, amounts reported for net patient accounts receivable, net patient service revenue, and beginning net position have been restated in the 2014 financial statements now presented, and an adjustment has been made to net position as of December 31, 2014, to correct the error. Our opinions are 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 and supplementary information on pages 4 through 20 and 58 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Service District's basic financial statements. The schedule of compensation, benefits, and other payments to the Chief Executive Officer on page 60 and the specified working capital schedule on page 61 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016 on our consideration of the Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service District's internal control over financial reporting and compliance.

Postlethwaite & Netherville

Metairie, Louisiana
June 21, 2016

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

This section of Jefferson Parish Hospital Service District No. 1's (the Service District), a component unit of Jefferson Parish, annual financial report provides important background information and management's analysis of the Service District's financial performance during the nine months ended September 30, 2015 and the year ended December 31, 2014. Please read this section in conjunction with the basic financial statements beginning on page 21 and the notes to the basic financial statements beginning on page 27 in this report. Also, please note that the comparative periods are for nine months versus twelve months, respectively for 2015 and 2014.

FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

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

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

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

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

Assets and deferred outflows of resources of the Service District exceeded liabilities by \$40.7 million at September 30, 2015 compared to \$97.1 million at December 31, 2014 primarily due to the advance lease payment of \$200 million and the defeasance of all outstanding bonds using proceeds of the advance lease payment at a loss of \$30.1 million. See Note 15 to the financial statements.

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements – Enterprise Fund

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

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

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

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

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

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

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

Fund Financial Statements - Pension Trust Fund

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

FINANCIAL ANALYSIS - ENTERPRISE FUND

2015 and 2014 Statements of Net Position - Enterprise Fund

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

TABLE 1A - 2015 vs. 2014
Condensed Statements of Net Position

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

Current Assets

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

Board-designated Cash and Investments

Board-designated cash and investments increased by approximately \$27.5 million due to the advance rent payment from the Master Lease Agreement. See Note 15 to the financial statements for additional information.

Trustee-held Investments

The decrease of approximately \$30.9 million to zero in trustee-held assets is due to the defeasance of all outstanding bond issues.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

Property, Plant and Equipment

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

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

TABLE 2A
Property, Plant and Equipment

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

In Table 3A, the fiscal year 2016 capital budget for West Jefferson Holdings (“WJH”) includes spending of up to \$21.9 million for capital projects. These projects represent primarily equipment purchases and will be funded through Louisiana Children’s Medical Center (“LCMC”) as part of the Master Hospital Lease described in Note 15. More information about the Service District's capital assets is presented in the Notes to the Financial Statements.

TABLE 3A
WJH Fiscal Year 2016 Capital Budget

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

Other Assets

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

Deferred Outflows of Resources

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

Current Liabilities

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

Long-Term Debt

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

Net Position

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

TABLE 4A
Components of Net Position

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

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

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

Operating Revenue

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

TABLE 5A
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Nine Months Ended September 30, 2015 and Year Ended December 31, 2014

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

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

Table 6A
Payor Mix

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

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

TABLE 7A
ALLOWANCE SUMMARY

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

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

Operating Expenses

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

Non-Operating Income (Expenses)

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

The Service District had net investment income of \$325 thousand for the nine months ended September 30, 2015 compared to \$2.5 million for the year ended December 31, 2014.

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

Pension Trust Fund

2015 Net Position

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

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

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

2015 Changes in Net Position

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

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

	2015	2014	Increase (Decrease)	Increase (Decrease)
Additions:				
Contributions	\$ 3,601,769	\$ 3,457,582	\$ 144,187	4.2%
Net income (loss) on investments	(1,936,726)	4,471,241	(6,407,967)	-143.3%
Total additions	<u>1,665,043</u>	<u>7,928,823</u>	<u>(6,263,780)</u>	-79.0%
Deductions:				
Administrative expenses	(234,089)	(221,892)	(12,197)	5.5%
Benefits	(4,663,781)	(5,769,313)	1,105,532	-19.2%
Total deductions	<u>(4,897,870)</u>	<u>(5,991,205)</u>	<u>1,093,335</u>	-18.2%
Change in net position	(3,232,827)	1,937,618	(5,170,445)	-266.8%
Plan net position, beginning of year	60,837,664	58,900,046	1,937,618	3.3%
Plan net position, end of period	<u>\$ 57,604,837</u>	<u>\$ 60,837,664</u>	<u>\$ (3,232,827)</u>	-5.3%

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

FINANCIAL HIGHLIGHTS

Service District - Financial Highlights for the Year Ended December 31, 2014

The following summarizes the Service District's financial highlights for the year ended December 31, 2014.

The Service District had a loss from operations of \$29,111,287 for the year ending December 31, 2014.

The net patient service revenue decreased from \$234.1 million to \$219.5 million from 2013 to 2014. This is primarily due to an 8% decrease in the number of admissions from 2013 to 2014. There was also been a decrease in reimbursements from payors. In 2013, the Service District was reimbursed approximately 28% of billed charges. The reimbursement percentage decreased to 26% in 2014.

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

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

The operating expenses increased from \$256.9 million in 2013 to \$263.3 million in 2014. The areas with the largest decreases were professional fees and medical supplies. The decrease in professional fees was primarily related to the Heart Clinic of Louisiana and Emergency Room professional fees. Medical supplies expense decreased due to an increase in rebates and decreases in implant costs.

Total assets decreased by approximately \$22.9 million from 2013 to 2014. This is primarily due to the decrease in designated cash and investments of approximately \$21.2 million. Capital projects are funded through cash reserves and the 2011 bond project fund.

Current assets exceed current liabilities by \$35.7 million in 2014 compared to \$37.1 million in 2013. Current assets decreased by \$321,000. Current liabilities decreased by \$1.7 million which is mainly attributable to the decrease of accrued expenses by \$4.9 million partially offset by a \$3.0 million increase in accounts payable.

Assets and deferred outflows of resources of the Service District exceeded liabilities by \$97.1 million in 2014 compared to \$130.4 million in 2013. The change is due to the decrease in net patient service revenue in addition to the increase in the net pension liability due to the change in assumptions used to calculate the liability.

Pension Trust Fund - Financial Highlights for the Year Ended December 31, 2014

The Plan's net position increased by approximately \$1.9 million in 2014 primarily due to net appreciation of the market value of Plan's assets. In 2013, the Plan's net position increased by approximately \$6.7 million.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

The Plan's employer contribution increased by approximately \$144,000 in 2014 and increased by approximately \$13,000 in 2013. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The Plan's investments consist primarily of cash equivalents, fixed income mutual funds, equity mutual funds and money market funds, which increased by approximately \$2.1 million in 2014 due to unrealized gains to the equity and money market mutual funds and employer contributions which were partially offset by distribution of benefits to Plan participants and plan administrative expenses.

FINANCIAL ANALYSIS - ENTERPRISE FUND

2014 and 2013 Statements of Net Position - Enterprise Fund

Table 1B presents a summary of the financial changes to the Service District in 2014 as compared to 2013. The Service District's total assets and deferred outflows of resources decreased by \$23.8 million, or 6.6%, from \$357.5 million in 2013 to \$333.7 million in 2014.

TABLE 1B - 2014 vs. 2013
Condensed Statements of Net Position

	December 31		Dollar Change	Percent Change
	2014 (Restated)	2013 (Restated)		
Total current assets	\$ 74,320,243	\$ 73,999,337	\$ 320,906	0.4%
Board-designated investments	61,590,269	75,705,180	(14,114,911)	-18.6%
Trustee-held assets	30,858,725	38,008,401	(7,149,676)	-18.8%
Property, plant, and equipment, net	152,121,581	155,545,324	(3,423,743)	-2.2%
Other assets	7,391,343	5,950,804	1,440,539	24.2%
Total assets	<u>326,282,161</u>	<u>349,209,046</u>	<u>(22,926,885)</u>	-6.6%
Deferred outflows	<u>7,375,882</u>	<u>8,264,622</u>	<u>(888,740)</u>	-10.8%
Total assets and deferred outflows	<u>\$ 333,658,043</u>	<u>\$ 357,473,668</u>	<u>\$ (23,815,625)</u>	-6.7%
Current Liabilities	\$ 38,659,843	\$ 36,915,189	\$ 1,744,654	4.7%
Long-term debt and other				
long-term liabilities	<u>197,859,223</u>	<u>190,133,641</u>	<u>7,725,582</u>	4.1%
Total liabilities	<u>236,519,066</u>	<u>227,048,830</u>	<u>9,470,236</u>	4.2%
Net position	<u>97,138,977</u>	<u>130,424,838</u>	<u>(33,285,861)</u>	-25.5%
Total liabilities and net position	<u>\$ 333,658,043</u>	<u>\$ 357,473,668</u>	<u>\$ (23,815,625)</u>	-6.7%

Current Assets

Current assets increased by approximately \$0.3 million from 2013 to 2014. The changes to the components of current assets are as follows: Net patient accounts receivables increased by \$1.0 million. Cash and cash equivalents decreased by approximately \$1.5 million. Prepaid expenses increased by \$1.2 million.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

Board-designated Cash and Investments

Board-designated cash and investments decreased by approximately \$14.1 million primarily due to the funding of debt obligations and retirement plans.

Trustee-held Investments

The decrease of approximately \$7.1 million in trustee-held assets is primarily due to the use of funds for capital projects.

Property, Plant and Equipment

Table 2B presents the components of property, plant, and equipment at December 31, 2014 and 2013. In 2014, net property, plant, and equipment decreased by approximately \$3.4 million, or 2.2%.

Construction in progress decreased by approximately \$0.7 million, or 6.3%, as assets were capitalized as they were put in service.

TABLE 2B
Property, Plant and Equipment

	December 31		Dollar Change	Percent Change
	2014	2013		
Land and land improvements	\$ 25,637,889	\$ 24,224,531	\$ 1,413,358	5.8%
Building and fixed equipment	213,521,168	209,181,193	4,339,975	2.1%
Equipment	240,535,518	247,507,612	(6,972,094)	-2.8%
Subtotal	479,694,575	480,913,336	(1,218,761)	-0.3%
Less accumulated depreciation	(338,523,557)	(337,050,706)	(1,472,851)	0.4%
Construction in progress	10,950,563	11,682,694	(732,131)	-6.3%
Property, plant, and equipment, net	<u>\$ 152,121,581</u>	<u>\$ 155,545,324</u>	<u>\$ (3,423,743)</u>	-2.2%

In Table 3B, the Service District's fiscal year 2015 capital budget includes spending of up to \$21.3 million for capital projects. These projects represent primarily equipment purchases and will be funded through cash reserves and the 2011 bond project fund. More information about the Service District's capital assets is presented in the Notes to the Financial Statements.

TABLE 3B
Fiscal Year 2015 Capital Budget

Equipment and technology purchases	\$ 6,060,885
Construction / renovations	2,800,500
Patient care equipment	12,456,532
	<u>\$ 21,317,917</u>

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

Other Assets

Other assets increased by \$1.4 million, or 24.2%. The main reason for the increase is the recognition of the change in ownership in Premier, Inc. which was valued at \$1.1 million at the end of 2014.

Deferred Outflows of Resources

Deferred outflows of resources decreased by \$0.9 million, or 10.8%, as these assets are amortized over time.

Long-Term Debt

The Service District's long-term debt, excluding current installments, was approximately \$141.0 million as of December 31, 2014 as compared to \$144.1 as of December 31, 2013. The decrease is due primarily to the payment of bond obligations.

Net Position

Table 4B presents the components of the Service District's net position at December 31, 2014 and 2013:

TABLE 4B
Components of Net Position

	December 31		Dollar Change	Percent Change
	2014 (Restated)	2013 (Restated)		
Net investment in capital assets	\$ 24,462,046	\$ 32,506,294	\$ (8,044,248)	-24.7%
Restricted	17,958,698	17,886,436	72,262	0.4%
Unrestricted	54,718,233	80,032,108	(25,313,875)	-31.6%
Total net position	<u>\$ 97,138,977</u>	<u>\$ 130,424,838</u>	<u>\$ (33,285,861)</u>	-25.5%

2014 and 2013 Statements of Revenues, Expenses, and Changes in Net Position - Enterprise Fund

The following discussion refers to the summarized activity presented in the Service District's Condensed Statements of Revenues, Expenses, and Changes in Net Position in Table 5B for 2014 and 2013.

Operating Revenue

Operating revenue decreased by approximately \$19.6 million from 2013 to 2014. The decrease is primarily due to the decrease in net patient service revenue due to a decrease in the number of admissions and a decrease in the percentage of reimbursement from payors.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

TABLE 5B
CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended December 31

	<u>2014 (Restated)</u>	<u>2013 (Restated)</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenue	\$ 234,157,327	\$ 253,782,954	\$ (19,625,627)	-7.7%
Operating expenses	263,268,614	256,910,735	6,357,879	2.5%
Operating income	(29,111,287)	(3,127,781)	(25,983,506)	830.7%
Total investment income (loss)	2,526,012	(371,828)	2,897,840	-779.3%
Interest expense	(7,516,915)	(7,527,457)	10,542	-0.1%
Other income (expense)	1,932,532	(337,152)	2,269,684	-673.2%
Assessments by Jefferson Parish and support to others	(1,116,203)	(1,420,180)	303,977	-21.4%
Change in net position	(33,285,861)	(12,784,398)	(20,501,463)	160.4%
Net position, beginning of year	130,424,838	178,179,576	(47,754,738)	-26.8%
Restatement (Note 1 to statements)	-	(34,970,340)	34,970,340	-100.0%
Net position, end of year	<u>\$ 97,138,977</u>	<u>\$ 130,424,838</u>	<u>\$ (33,285,861)</u>	<u>-25.5%</u>

Table 6B below presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2014 and 2013.

Table 6B
Payor Mix

	<u>2014</u>	<u>2013</u>
Managed care/commercial	26%	25%
Medicare	49%	50%
Medicaid	9%	13%
Self-pay	9%	7%
Other	7%	5%
Total patient revenues	<u>100%</u>	<u>100%</u>

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

TABLE 7B
ALLOWANCE SUMMARY

	Years Ended December 31	
	2014 (Restated)	2013 (Restated)
Contractual Allowances		
Managed care and commercial accounts	\$ 360,373,125	\$ 358,790,604
Medicaid contractual allowances	125,116,615	133,892,818
Medicare contractual allowances	168,397,725	183,252,409
Other/Community Benefit/Charity		
Care contractual allowances	35,895,810	31,395,912
Total contractual allowances	689,783,275	707,331,743
Doubtful accounts	11,671,600	12,179,203
Total allowances	<u>\$ 701,454,875</u>	<u>\$ 719,510,946</u>

The Service District's doubtful accounts expense increased as the percentage of uninsured patients increased. The cost to care for uninsured patients has also increased as acuity levels were greater than in the prior year.

Operating Expenses

Operating expenses increased by \$6.4 million, or 2.5%, as compared to the prior year. Employee benefits expense increased by approximately \$13.6 million from 2013 to 2014 due to the implementation of GASB Statement No. 68 as of December 31, 2013 in addition change in assumptions used to calculate pension liability from 2013 to 2014. Professional fees decreased by approximately \$3.3 million, or 22.9%, compared to the prior year primarily due to the decrease in fees for specialized physician services from the Heart Clinic of Louisiana and Emergency Room physicians. Medical and General Supplies decreased by approximately \$7.3 million or 15.0%. This decrease is primarily due to decreases in implant cost and increases in rebates. Purchased services increased by \$3.5 million, or 8.1%. The increase was due primarily to the outsourcing of the lab.

Non-Operating Income (Expenses)

The Service District maintains investments that are shown in its Statements of Net Position as both board-designated and restricted trustee-held funds. These funds are invested primarily in money market funds and securities issued by the U.S. Treasury, government entity bonds, and other U.S. Government agencies. The Service District had an income on net investment income of \$2,526,012 due to the requirement that investments be carried at their fair value. In 2013, there was net investment loss of \$371,828.

Pension Trust Fund

2014 Net Position

Net position of the Medical Center's pension trust fund at December 31, 2014 was approximately \$60.8 million, a 3.3% increase from December 31, 2013. Plan net position increased by \$1.9 million from 2013 to 2014 primarily due to net appreciation of the market value of plan assets and contributions to the plan.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

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

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Increase (Decrease)</u>
Cash and investments	\$ 60,832,495	\$ 58,908,736	\$ 1,923,759	3.3%
Receivables	36,704	24,029	12,675	52.7%
Total assets	60,869,199	58,932,765	1,936,434	3.3%
Total liabilities	31,535	32,719	(1,184)	-3.6%
Plan net position	<u>\$ 60,837,664</u>	<u>\$ 58,900,046</u>	<u>\$ 1,937,618</u>	3.3%

2014 Changes in Net Position

Table 9B presents a summary of changes in Plan net position for the year ended December 31, 2014. Contributions to the pension plan increased in 2014 as compared to 2013. Contribution amounts needed to fund the Plan are determined by an independent actuary.

Table 9B
Retirement Plan for Employees of West Jefferson Medical Center
Change in Plan Net Position

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Increase (Decrease)</u>
Additions:				
Contributions	\$ 3,457,582	\$ 3,444,681	\$ 12,901	0.4%
Net income on investments	4,471,241	8,767,946	(4,296,705)	-49.0%
Total additions	7,928,823	12,212,627	(4,283,804)	-35.1%
Deductions:				
Administrative expenses	(221,892)	(223,055)	1,163	-0.5%
Benefits	(5,769,313)	(5,274,698)	(494,615)	9.4%
Total deductions	(5,991,205)	(5,497,753)	(493,452)	9.0%
Change in net position	1,937,618	6,714,874	(4,777,256)	-71.1%
Plan net position, beginning of year	58,900,046	52,185,172	6,714,874	12.9%
Plan net position, end of year	<u>\$ 60,837,664</u>	<u>\$ 58,900,046</u>	<u>\$ 1,937,618</u>	3.3%

The increase in plan net position of \$1.9 million was primarily due to employer contributions and net appreciation of the market value of Plan's assets which were partially offset by benefits payments and plan administrative expenses.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

ECONOMIC FACTORS

The 2015 unemployment rate in Louisiana of 6.1% was 1.1% above the United States' rate of 5.0%, compared to 7.2% and 5.6% respectively for 2014. The growing medical corridor in New Orleans, also known as the BioDistrict New Orleans, was anticipated to create 22,000 new jobs over the next eight to ten years, although, the advancement of the BioDistrict has been "uneven," and its ambitions narrowed. But, with the opening of University Medical Center on Canal Street in August 2015 and a Veterans Administration Hospital under construction close by, this planned medical corridor is evolving.

The New Orleans region is expected to add 2,900 jobs in 2016, a modest increase of just 0.5% from 2015. Contributing to the creation of these jobs include: the opening of University Medical Center and the planned opening of Veterans Administration Hospital, along with industrial development, expansions at Louis Armstrong New Orleans International Airport, condo construction, and the introduction of new firms to the region.

The Jefferson Parish Economic Development Commission recently introduced an updated, two-tiered strategic framework called the Jefferson EDGE 2020 initiative, with priorities including a focus on the health care services industry in Jefferson Parish, which employs the greatest number of Jefferson Parish residents. Destination health care is becoming of increased significance to local hospitals in the area, and through this updated economic development strategy, workforce development, regionally integrated marketing, and support of medical tourism will be addressed.

Visitor spending in Louisiana created an estimate of 171,000 direct jobs throughout 2015. In the same year, the New Orleans region experienced 9.8 million total visits and a record total of \$7.1 billion in visitor spending, an increase of 3% over 2014.

Recent national healthcare legislation has provisions for the implementation of new Accountable Care Organizations, or ACOs, with several important government policies publicized in 2015. Secretary Burwell proclaimed the Department of Health and Human Services' (HHS) 2018 goal to move half of Medicare payments toward risk. Throughout 2015, ACOs experienced growth, with ACO discussions and payment policy pressures evolving, and providers evaluating population-level payments as a strong contender considering their goal of providing exceptional care.

Contacting the Service District's Administration

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

Jefferson Hospital Service District No. 1
c/o Jefferson Parish Council Clerk
Jefferson Parish General Government Building
200 Derbigny Street, Suite 6700
Gretna, LA 70053
(504) 364-2626

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

	<u>September 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014 (Restated)</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current assets:		
Cash and cash equivalents	\$ 5,046,537	\$ 7,221,261
Receivables:		
Patient accounts receivable, net	34,051,573	35,532,866
Other receivables	6,213,117	3,061,784
Due from government health care program	559,049	1,599,030
Inventory	7,284,774	8,036,707
Prepaid expenses and deposits	19,447,675	11,818,210
Designated cash and investments that are required for current liabilities	-	7,050,385
Total current assets	<u>72,602,725</u>	<u>74,320,243</u>
Designated cash and investments:		
By board for specific purposes, at fair value	96,171,500	68,640,654
Trustee-held assets, at fair value	-	30,858,725
Total designated cash and investments	<u>96,171,500</u>	<u>99,499,379</u>
Less amounts required for current liabilities	-	(7,050,385)
Noncurrent designated cash and investments	<u>96,171,500</u>	<u>92,448,994</u>
Restricted cash held in escrow	<u>20,002,401</u>	<u>-</u>
Property, plant, and equipment, net	<u>146,627,041</u>	<u>152,121,581</u>
Other assets:		
Prepaid deferred compensation	1,605,501	1,473,967
Other	6,721,032	5,917,376
Total other assets	<u>8,326,533</u>	<u>7,391,343</u>
Total assets	<u>343,730,200</u>	<u>326,282,161</u>
Deferred outflows of resources		
Deferred charge on bond refunding	-	3,534,026
Deferred charges related to the net pension liability	4,106,298	-
Excess of acquisition costs over net position acquired	3,481,682	3,841,856
Total deferred outflows of resources	<u>7,587,980</u>	<u>7,375,882</u>
Total assets and deferred outflows of resources	<u>\$ 351,318,180</u>	<u>\$ 333,658,043</u>

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF NET POSITION, CONTINUED
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

<u>LIABILITIES AND NET POSITION</u>	<u>September 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014 (Restated)</u>
Current liabilities:		
Accounts payable	\$ 8,416,751	\$ 14,875,273
Accrued expenses	9,077,375	15,007,434
Patient deposits and credit balances	1,094,152	1,726,751
Due to government health care programs	749,453	-
Bond interest payable	-	3,925,385
Current installments of long-term debt	-	3,125,000
Total current liabilities	<u>19,337,731</u>	<u>38,659,843</u>
Accrued deferred compensation	1,605,501	1,473,967
Advance lease and other payments from CEA (Note 15)	228,374,572	-
Unearned revenue	1,151	-
Net pension liability	57,421,911	51,368,426
Other long-term liabilities	3,908,096	4,048,242
Long-term debt, net of original issue premium	-	140,968,588
Total liabilities	<u>310,648,962</u>	<u>236,519,066</u>
Net position:		
Net investment in capital assets	146,627,041	24,462,046
Restricted	20,001,151	17,958,698
Unrestricted	(125,958,974)	54,718,233
Total net position	<u>40,669,218</u>	<u>97,138,977</u>
Total liabilities and net position	<u>\$ 351,318,180</u>	<u>\$ 333,658,043</u>

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NINE MONTHS ENDED SEPTEMBER 30, 2015 AND YEAR ENDED DECEMBER 31, 2014

	2015	2014 (Restated)
<u>OPERATING REVENUES:</u>		
Net patient service revenue	\$ 144,353,579	\$ 219,470,299
Earnings from joint ventures	929,452	1,414,065
Other operating revenue	13,535,095	13,272,963
Total operating revenue	158,818,126	234,157,327
<u>OPERATING EXPENSES:</u>		
Salaries and wages	61,209,186	95,969,434
Employee benefits	16,185,671	34,092,339
Professional fees	3,685,037	10,964,346
Medical and general supplies	34,183,453	41,379,512
Purchased services	36,142,630	46,394,713
Other expenses	11,417,336	15,004,566
Depreciation	15,420,181	19,463,704
Total operating expenses	178,243,494	263,268,614
Operating loss	(19,425,368)	(29,111,287)
<u>NONOPERATING INCOME (EXPENSES):</u>		
Investment income	325,364	2,526,012
Interest expense	(5,769,261)	(7,516,915)
Amortization expense	(655,349)	(873,799)
Loss on bond defeasance	(30,093,165)	-
Gain on sales and disposal of property	43,807	113,235
Total nonoperating income (expenses)	(36,148,604)	(5,751,467)
Grants for the acquisition of property, plant, and equipment	(145,787)	2,693,096
Changes in net position before assessments by Jefferson Parish and support to others	(55,719,759)	(32,169,658)
Assessments by Jefferson Parish and support to others	(750,000)	(1,116,203)
Changes in net position	(56,469,759)	(33,285,861)
Net position, beginning of period, as restated (Note 1)	97,138,977	130,424,838
Net position, end of period, as restated	\$ 40,669,218	\$ 97,138,977

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2015 and YEAR ENDED DECEMBER 31, 2014

	2015	2014 (Restated)
<u>OPERATING ACTIVITIES</u>		
Revenue collected	\$ 157,338,947	\$ 232,312,099
Cash payments to employees and for employee-related costs	(82,017,948)	(118,781,142)
Cash payments for operating expenses	(98,264,437)	(113,859,814)
Net cash used in operating activities	(22,943,438)	(328,857)
<u>NON-CAPITAL FINANCING ACTIVITIES</u>		
Proceeds from Cooperative Endeavor Agreement (Note 15)	228,374,572	-
Assessments by Jefferson Parish	(750,000)	(1,116,203)
Net cash provided by (used in) noncapital financing activities	227,624,572	(1,116,203)
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Interest payments	(7,771,558)	(7,901,864)
Grant received related to capital activity	16,531	2,693,096
Capital expenditures	(9,897,770)	(16,071,521)
Proceeds from sale of capital assets	15,936	478,644
Principal and defeasance payments on borrowings	(172,870,990)	(2,995,000)
Net cash used in capital and related financing activities	(190,507,851)	(23,796,645)
<u>INVESTING ACTIVITIES</u>		
Purchases of investments	(34,234,226)	(11,741,520)
Proceeds from sales and maturities of investments	36,082,032	31,735,216
Investment income and other	489,575	3,128,453
Net cash provided by investing activities	2,337,381	23,122,149
Net increase (decrease) in cash and cash equivalents	16,510,664	(2,119,556)
Cash and cash equivalents, beginning of period	8,538,274	10,657,830
Cash and cash equivalents, end of period	\$ 25,048,938	\$ 8,538,274
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Current cash and cash equivalents	\$ 5,046,537	\$ 7,221,261
Designated cash and cash equivalents	-	1,317,013
Restricted cash and cash equivalents	20,002,401	-
Total cash and cash equivalents	\$ 25,048,938	\$ 8,538,274
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (19,425,368)	\$ (29,111,287)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	15,420,181	19,463,704
Bad debt expense	10,854,579	11,671,600
Changes in operating assets, deferred outflows, and liabilities:		
Account and other receivables	(11,646,956)	(12,405,000)
Inventory, prepaid expenses and other assets	(7,812,722)	(2,479,151)
Deferred charges related to the net pension liability	(4,106,298)	-
Accounts payable	(6,458,522)	3,002,444
Accrued expenses and other liabilities	(5,821,817)	(3,411,671)
Net pension liability	6,053,485	12,940,504
Net cash used in operating activities	\$ (22,943,438)	\$ (328,857)

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF FIDUCIARY NET POSITION
PENSION TRUST FUND
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

	2015	2014
<u>ASSETS</u>		
Receivables:		
Accrued dividends	\$ 11,540	\$ 36,704
Total receivables	11,540	36,704
Investments		
Money market funds	2,876,535	4,164,631
Equity mutual funds	37,165,166	39,256,911
Fixed income mutual funds	17,590,871	17,410,953
Total investments	57,632,572	60,832,495
Total assets	57,644,112	60,869,199
<u>LIABILITIES</u>		
Accrued trust fees	39,275	31,535
	39,275	31,535
<u>NET POSITION - RESTRICTED FOR</u>		
<u>PENSION BENEFITS</u>	\$ 57,604,837	\$ 60,837,664

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND

NINE MONTHS ENDED SEPTEMBER 30, 2015 AND YEAR ENDED DECEMBER 31, 2014

	2015	2014
<u>ADDITIONS:</u>		
Employer contributions	\$ 3,601,769	\$ 3,457,582
Investment income:		
Net appreciation (depreciation)	(2,618,727)	3,322,765
Realized gain from sale of investments	-	305,366
Dividends	674,621	843,110
Total investment income:	(1,944,106)	4,471,241
Total additions	1,657,663	7,928,823
<u>DEDUCTIONS:</u>		
Benefits	4,663,781	5,769,313
Administrative expenses	226,709	221,892
Total deductions	4,890,490	5,991,205
Change in net position	(3,232,827)	1,937,618
<u>NET POSITION - RESTRICTED FOR</u>		
<u>PENSION BENEFITS</u>		
Beginning of period	60,837,664	58,900,046
End of period	\$ 57,604,837	\$ 60,837,664

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

1. Organization and Significant Accounting Policies

Organization

The financial statements include the accounts of the following entities:

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

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

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

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

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

Basis of Accounting

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

1. Organization and Significant Accounting Policies (continued)

Basis of Accounting (continued)

Proprietary Fund Type

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

Fiduciary Fund Type

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

Operating and Non-operating Revenues and Expenses

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

1. Organization and Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

Patient Accounts Receivable

Patient accounts receivables are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third party payers, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Medical Center does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as estimated third-party receivables or payables. As of September 30, 2015 and December 31, 2014, the allowance for doubtful accounts approximated \$9.3 million and \$10.4 million, respectively.

Investments

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

Designated Cash and Investments

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

Restricted Cash

Restricted cash includes cash held in escrow to secure certain obligations of the Service District in accordance with the Cooperative Endeavor Agreement described in Note 15.

Inventory

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

1. Organization and Significant Accounting Policies (continued)

Property, Plant, and Equipment

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

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

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

Other Assets

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

Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The deferred charge on refunding reported on the statements of net position results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. As described in Note 6, all outstanding debt was defeased at September 30, 2015, and as a result, the deferred charge on refunding is \$0 at September 30, 2015. The excess of acquisition costs over net position included on the statements of net position represents the amount of consideration given in an acquisition of another entity that exceeds the net position of the entity acquired. This amount is amortized over the estimated remaining life of the capital assets required. See Note 9 for a description of deferred outflows related to the defined benefit plan.

Net Position

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

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

1. Organization and Significant Accounting Policies (continued)

Net Position (continued)

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

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

Compensated Absences

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

Net Patient Service Revenue

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

A summary of net patient service revenue for the nine months ended September 30, 2015 and the year ended December 31, 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Gross patient service revenue	\$ 662,804,348	\$ 920,925,174
Less discounts, allowance, and estimated contractual adjustments under third-party reimbursement programs	485,331,289	653,887,465
Less other/Community Benefits contractual allowance	22,264,901	35,895,810
Less provision for bad debts	<u>10,854,579</u>	<u>11,671,600</u>
Net patient service revenue	<u>\$ 144,353,579</u>	<u>\$ 219,470,299</u>

The Service District is unable to predict the future course of federal, state, and local regulation or legislation, including Medicare and Medicaid statutes and regulations. Future changes could have a material adverse effect on the future financial results of the Service District. The percentage of total gross patient service revenue derived from services furnished to Medicare and Medicaid program beneficiaries, combined, was approximately 61% and 58% for the nine months ended September 30, 2015 and the year ended December 31, 2014, respectively.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

1. Organization and Significant Accounting Policies (continued)

Net Patient Service Revenue (continued)

Retroactive settlements are provided for in some of the governmental health care programs outlined above, based on annual cost reports. Such settlements are estimated and recorded as amounts due to or from these programs in the accompanying financial statements. The differences between these estimates and final determination of amounts to be received or paid are based on audits by fiscal intermediaries and are reported as adjustments to net patient service revenue when such determinations are made. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. No significant differences are anticipated between the estimated settlements recorded and the final settlements expected to be determined by program representatives. The effect of any adjustments that may be made to cost reports still subject to review will be reported in the Service District's financial position or results of operations as such determinations are made. Cost reports have been settled for all years through 2011.

Pension Trust Funds

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

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

The actuarial present value of Accumulated Plan Benefits is determined by an independent actuary and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of September 30, 2015 and December 31, 2014 were (a) life expectancy of participants (1994 Unisex Pension Mortality Table with Scale AA projection to the valuation date), (b) retirement age assumptions, and (c) investment return. The 2015 and 2014 valuations included assumed average rates of return of 7.0%. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of Accumulated Plan Benefits.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

1. Organization and Significant Accounting Policies (continued)

Current Year Adoption of New Accounting Standard and Restatement of Net Position

The Service District adopted Government Accounting Standards Board (GASB) Statement Number 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and Statement Number 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The net effect to the Statement of Net Position for the Enterprise Fund for the prior year that resulted from the adoption of GASBs 68 and 71 is as follows:

Total net position, January 1, 2014, as previously reported	\$ 171,795,178
Increase in net pension liability at January 1, 2014	(34,970,340)
Decrease in patient accounts receivable at January 1, 2014 (Note 14)	(6,400,000)
Total net position, January 1, 2014, restated	<u>\$ 130,424,838</u>
Total net position, December 31, 2014, as previously reported	\$ 153,805,634
Increase in net pension liability at December 31, 2014	(47,766,657)
Decrease in patient accounts receivable at December 31, 2014 (Note 14)	(8,900,000)
Total net position, December 31, 2014, restated	<u>\$ 97,138,977</u>

Use of Estimates

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

2. Cash and Investments

At September 30, 2015 and December 31, 2014, the Service District's cash consisted of demand deposits with bank balances of \$32,132,376 and \$13,592,625, respectively. The cash accounts were fully secured by federal depository insurance or collateral held by agents of the Service District in its name.

The composition of restricted and designated cash and investments at September 30, 2015 and December 31, 2014, is set forth in the following tables.

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

2. Cash and Investments (continued)

<u>December 31, 2014</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Board-designated	\$ 1,317,013	\$ 66,867,720	\$ 68,184,733
Trustee-held:			
1998 Bond Issue:			
Reserve Fund	-	10,908,312	10,908,312
Bond Fund	-	656,251	656,251
Total 1998 Bond Issue	-	11,564,563	11,564,563
2009 Bond Issue:			
Interest Account	-	230,625	230,625
Sinking Fund	-	2,200,000	2,200,000
Total 2009 A-2 Bond Issue	-	2,430,625	2,430,625
2011 Bond Issue:			
Interest Account	-	3,038,510	3,038,510
Project Account	-	12,884,045	12,884,045
Sinking Fund	-	925,000	925,000
Total 2011 A Bond Issue	-	16,847,555	16,847,555
Total trustee-held	-	30,842,743	30,842,743
Total carrying value (at fair value)	1,317,013	97,710,463	99,027,476
Accrued interest	-	471,903	471,903
Total	<u>\$ 1,317,013</u>	<u>\$ 98,182,366</u>	<u>\$ 99,499,379</u>

Louisiana state statutes authorize the Service District to invest in obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal offices in the state of Louisiana, guaranteed investment contracts issued by highly rated financial institutions and certain investments with qualifying mutual or trust fund institutions. During the nine months ended September 30, 2015 and the year ended December 31, 2014, the Service District invested primarily in securities issued by the U.S. Treasury and other federal agencies.

Credit Risk

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

2. Cash and Investments (continued)

Obligations of the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The following table presents each applicable rating grouped by investment type as of September 30, 2015:

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

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

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

2. Cash and Investments (continued)

The following table presents each applicable rating grouped by investment type as of December 31, 2014:

<u>By Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Designated assets:		
Cash deposits, held by Trustee	\$ 1,317,013	Exempt from Disclosure
Money market funds	24,900,225	See next table for rating
U.S Government securities	35,230,753	See next table for rating
Municipal bonds	35,590,669	See next table for rating
Other Government bonds	1,988,816	See next table for rating
Total cash and designated investment	99,027,476	
Accrued Interest	471,903	Exempt from Disclosure
Total designated assets	99,499,379	
Cash deposits, operating funds	7,221,261	Exempt from Disclosure
Total cash and investments	<u>\$ 106,720,640</u>	
<u>Balance Sheet by Category</u>	<u>Fair Value</u>	
Cash deposits, operating funds	\$ 7,221,261	
Designated Assets:		
Trustee-held assets, under bond indenture	30,858,725	
By Board for discretionary purposes	68,640,654	
Total designated assets	99,499,379	
Total cash and investments	<u>\$ 106,720,640</u>	

Following are the credit ratings of the Service District's investments in debt securities as of December 31, 2014:

Credit Rating	Money market funds	U.S. Government		Other Government bonds	Total
		Agencies	Municipal bonds		
AAA/ Aaa	\$ 24,900,225	\$ -	\$ 2,155,839	\$ 588,785	\$ 27,644,849
AA+/ Aa1	-	35,230,753	8,262,736	-	43,493,489
AA/ Aa1	-	-	12,536,948	1,269,135	13,806,083
AA-/ Aa3	-	-	7,979,147	130,896	8,110,043
A+/ A1	-	-	1,680,118	-	1,680,118
A/ A2	-	-	2,534,741	-	2,534,741
A/ A3	-	-	441,140	-	441,140
	<u>\$ 24,900,225</u>	<u>\$ 35,230,753</u>	<u>\$ 35,590,669</u>	<u>\$ 1,988,816</u>	<u>\$ 97,710,463</u>

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

2. Cash and Investments (continued)

Concentration Credit Risk

Louisiana state statutes also require that all of the deposits of the Service District be protected by insurance or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by insurance. The bank balances of deposits at September 30, 2015 and December 31, 2014 were fully covered by insurance or collateral held by financial institutions in the Service District's name.

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than five percent (5%) of the market value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. At September 30, 2015 and December 31, 2014, the Service District had no investments requiring a Concentration of Credit Risk disclosure.

Custodial Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the portfolio is measured by monitoring the segmented time distribution of the investments in the portfolio. The following tables summarize the Service District's segmented time distribution investment maturities by investment type as of September 30, 2015 and December 31, 2014.

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

2. Cash and Investments (continued)

Interest Rate Risk (continued)

By Investment Type December 31, 2014	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years
U.S. Government Agencies	\$ 35,230,753	\$ 4,847,958	\$ 30,382,795	\$ -
Municipal bonds	35,590,669	3,753,273	24,548,291	7,289,105
Other government bonds	1,988,816	1,988,816	-	-
	<u>\$ 72,810,238</u>	<u>\$ 10,590,047</u>	<u>\$ 54,931,086</u>	<u>\$ 7,289,105</u>

Pension Trust Fund

Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. In order to create and maintain an actuarially sound pension and retirement system, Article 5 of the plan trust document indicates that the plan investments are governed by ERISA. At September 30, 2015 and December 31, 2014, the Plan's investments were held by Regions Trust. Raymond James & Associates, Inc. was the investment manager.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the nine months ended September 30, 2015 and the year ended December 31, 2014, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, were -3.31% and 7.42%, respectively.

Investments at September 30, 2015 and December 31, 2014 consist of the following mutual funds which are stated at fair value.

	September 30, 2015		December 31, 2014	
Fixed Income:				
Federated U.S. Government Trust Institutional Fund	\$ 3,357,273	*	\$ 3,325,271	*
Vanguard Short-term Treasury Fund	14,233,598	*	14,085,682	*
	<u>17,590,871</u>		<u>17,410,953</u>	
Equity:				
Amer Cap World Growth & Inc. FD CL R5	5,573,983	*	5,912,817	*
Homestead Small Co Stock FD	2,002,489		2,112,420	
Gabelli/Westwood Mighty Mites Fund	923,522		1,013,642	
Vanguard Institutional Index Fund	20,360,622	*	21,500,329	*
Vanguard Mid Cap Index Fund	8,304,550	*	8,717,703	*
	<u>37,165,166</u>		<u>39,256,911</u>	
Cash equivalents:				
Fidelity Institutional Treasury Portfolio	2,876,535		4,164,631	*
	<u>\$ 57,632,572</u>		<u>\$ 60,832,495</u>	

* 5% or more of Plan's investments.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

2. Cash and Investments (continued)

Pension Trust Fund (continued)

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Retirement Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the investments of the Retirement Plan are held in the name of the Retirement Plan for the nine months ended September 30, 2015 and the year ended December 31, 2014.

Concentration of Credit Risk

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

3. Property, Plant and Equipment

The following tables summarize the changes in net property, plant, and equipment for the nine months ended September 30, 2015 and the year ended December 31, 2014:

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

<u>2014</u>	Beginning Balance	Additions	Reclassification/ Retirements	Ending Balance
Land and land improvements	\$ 24,224,531	\$ 266,227	\$ 1,147,131	\$ 25,637,889
Building and fixed equipment	209,181,193	6,283,442	(1,943,467)	213,521,168
Equipment	247,507,612	10,590,861	(17,562,955)	240,535,518
Construction in progress	11,682,694	12,619,443	(13,351,574)	10,950,563
	<u>492,596,030</u>	<u>29,759,973</u>	<u>(31,710,865)</u>	<u>490,645,138</u>
Less accumulated depreciation	(337,050,706)	(19,463,704)	17,990,853	(338,523,557)
Property, plant, and equipment, net	<u>\$ 155,545,324</u>	<u>\$ 10,296,269</u>	<u>\$ (13,720,012)</u>	<u>\$ 152,121,581</u>

Construction in progress includes projects such as technical and property infrastructure upgrades as well as software and equipment upgrades. The Service District leases certain major movable and other non-movable equipment under operating leases, some of which are on a month-to-month basis and others which are on a longer-term basis. Rental expense for leased equipment amounted to \$871,506 for the nine months ended September 30, 2015 and \$1,177,729 for the year ended December 31, 2014.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

4. Investments in Joint Ventures and Acquisitions

As of September 30, 2015 and December 31, 2014, the Service District was a member of five (5) limited liability companies, Associated Hospital Services ("AHS"), West Jefferson MRI, LLC ("MRI"), West Jefferson CT Scan, LLC ("CT Scan"), West Jefferson Industrial Medicine, LLC ("WJIM"), and Crescent City Research Consortium, LLC ("CCRC"). West Jefferson Surgery Center ("WJSC") ceased operations on February 28, 2013. The investments in joint ventures are included in Other Assets on the Statements of Net Position.

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

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

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

4. Investments in Joint Ventures and Acquisitions (continued)

The following information is a summary of the financial statements and operations of AHS, MRI, CT Scan, WJIM, and CCRC as of and for the year ended December 31, 2014.

	<u>AHS</u>	<u>MRI</u>	<u>CT Scan</u>	<u>WJIM</u>	<u>CCRC</u>
Current assets	\$ 3,164,991	\$ 636,773	\$ 322,098	\$ 767,761	\$ 371,773
Property and equipment, net	2,945,993	15,605	7,972	127,745	3,466
Other assets	-	431,419	-	2,371,028	-
Total assets	<u>\$ 6,110,984</u>	<u>\$ 1,083,797</u>	<u>\$ 330,070</u>	<u>\$ 3,266,534</u>	<u>\$ 375,239</u>
Current liabilities	\$ 90,745	\$ 325,066	\$ 93,580	\$ 135,188	\$ 46,721
Long-term liabilities	68,667	331,004	-	700	-
Total liabilities	159,412	656,070	93,580	135,888	46,721
Members' equity	5,951,572	427,727	236,490	3,130,646	328,518
Total liabilities and members' equity	<u>\$ 6,110,984</u>	<u>\$ 1,083,797</u>	<u>\$ 330,070</u>	<u>\$ 3,266,534</u>	<u>\$ 375,239</u>
Operating revenue	<u>\$ 5,531,336</u>	<u>\$ 3,415,906</u>	<u>\$ 1,582,343</u>	<u>\$ 4,334,652</u>	<u>\$ 634,989</u>
Net income (loss)	<u>\$ (95,497)</u>	<u>\$ 1,440,012</u>	<u>\$ 241,010</u>	<u>\$ 665,546</u>	<u>\$ 408,516</u>

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

The Service District is a member of a group purchasing organization (Premier) which had an initial public offering (IPO). In connection with the IPO, each member owner received Class B common units of Premier, Inc. These Class B units, and their associated Class B common shares, are eligible for exchange into Class A common stock over the next seven years with one-seventh becoming eligible for exchange each October 31st, beginning October 31, 2014 and the last seventh eligible for exchange on October 31, 2020. At September 30, 2015, the Service District had recognized 55,114 units totaling \$1,908,779. At December 31, 2014, the Service District had recognized 33,548 units totaling \$1,124,733.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

5. Risk Management

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

The Service District maintains a funded self-insurance program against medical malpractice claims and purchased excess general and auto liability coverage up to \$10,000,000 with a \$2,000,000 self-insured retention; this excess liability policy includes professional liability (medical malpractice) as of April 1, 2008. The Service District is involved in litigation arising in the ordinary course of business. Claims alleging malpractice liability have been asserted against the Service District and are currently in various states of litigation. The Service District has accrued approximately \$3,908,000 and \$3,601,000 at September 30, 2015 and December 31, 2014, respectively, for the estimated loss and litigation expenses related to medical malpractice, general, and auto liability claims. The discount rate used to determine the present value of the accrual was 4.0%. Claims have been filed alleging damages in excess of the amount accrued for estimated malpractice costs. It is the opinion of management that estimated malpractice costs accrued are adequate to provide for probable losses resulting from pending or threatened litigation. Additional claims may be asserted against the Service District arising from services provided to patients through September 30, 2015. The Service District is unable to determine the ultimate cost of the resolution of such potential claims; however, an accrual has been made based on estimates for these claims.

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

At September 30, 2015, claims liabilities are included in accrued expenses and other long-term liabilities in the amounts of \$2,553,083 and \$3,908,096, respectively, on the Statements of Net Position. At December 31, 2014, claims liabilities are included in accrued expenses and other long-term liabilities in the amounts of \$3,175,586 and \$3,601,372, respectively, on the Statements of Net Position. The following table summarizes the changes in the Service District's aggregate claims liability for medical malpractice, workers' compensation, and health insurance.

<u>Period Ended</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Payments</u>	<u>Balance at Fiscal Year End</u>
September 30, 2015	\$6,776,958	\$8,974,417	\$9,290,196	\$6,461,179
December 31, 2014	\$8,224,619	\$12,992,531	\$14,440,192	\$6,776,958

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

6. Long-Term Debt

Long-term debt consisted of the following as of December 31, 2014:

Hospital Revenue Bonds (Series 1998B); fixed interest rate of 5.25% due in installments beginning in 2022 through 2028	\$ 25,000,000
Hospital Revenue Bonds (Series 2009A-2); fixed interest rate of 6.15% due in installments beginning in 2010 through 2019; partially defeased in 2011	7,500,000
Hospital Revenue Refunding Bonds (Series 2011A); fixed interest rates ranging from 1.95% to 6.0% due in installments beginning in 2012 through 2039	<u>111,235,000</u>
Bonds subtotal	143,735,000
Premium on bonds payable	<u>358,588</u>
Total	144,093,588
Less current maturities	<u>(3,125,000)</u>
Long-term debt, less current maturities	<u><u>\$ 140,968,588</u></u>

The changes in long-term debt were as follows for the nine months ended September 30, 2015 and the year ended December 31, 2014:

	2015	2014
Balance, beginning of year	\$ 143,735,000	\$ 146,730,000
Defeased	(140,610,000)	-
Payments	<u>(3,125,000)</u>	<u>(2,995,000)</u>
Balance, end of period	<u><u>\$ -</u></u>	<u><u>\$ 143,735,000</u></u>

Series 1998B Bonds

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

6. Long-Term Debt (continued)

Series 2009A-2 Bonds

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

Series 2011A Bonds

In October 2011, the Medical Center completed the issuance of \$119,155,000 of Hospital Revenue Refunding Bonds (Series 2011A) to refund the 1998A issue and defease the 2008B-1 and 2008B-2 issues. The 2011A bonds have fixed rates of interest ranging from 1.95% to 6.00% with installments due from 2012 to 2039. The remaining bond proceeds were used to finance the acquisitions, construction improvements, renovations, and expansions of the Medical Center and furniture, fixtures, and equipment. As part of the debt restructuring in October 2011, part of the proceeds from the 2011A bond issue were used to defease the entire amount outstanding of \$16,795,000 and \$35,000,000 on the 2008B-1 and 2008B-2, respectively, resulting in a deferred loss of \$1,703,537 and \$2,657,883, respectively. The unamortized balance of the deferred charge as of December 31, 2014 was \$3,534,026. On September 30, 2015, the entire outstanding balance of the Series 2011A Bonds of \$110,310,000 was defeased using cash from the Service District.

Defeased Bonds

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

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

6. Long-Term Debt (continued)

Debt Covenants

The net operating revenues of the Service District calculated in accordance with the bond agreements did not meet the required debt service coverage ratio of 120% and the debt service coverage ratio on parity debt of 120% for the year ended December 31, 2014. The noncompliance did not impact the contractual maturity terms of the bonds. The Service District had no debt covenant requirements at September 30, 2015.

7. Community Benefits (Unaudited)

Services provided to the indigent and benefits provided to the broader community by the Medical Center are summarized below for the nine months ended September 30, 2015 and the year ended December 31, 2014:

	2015	2014
Benefits for the indigent and uninsured:		
Traditional charity care and uninsured	\$ 22,264,901	\$ 35,895,810
Benefits for the broader community:		
Unpaid costs of Medicare and Medicaid programs	39,467,329	53,081,018
Other community benefits	975,229	1,312,143
Total quantifiable benefits for the broader community	\$ 62,707,459	\$ 90,288,971

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

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

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

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

7. Community Benefits (Unaudited) (continued)

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

8. Governmental Regulations

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

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

9. Employee Benefits

The Retirement Plan for Employees of West Jefferson Medical Center

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

The Retirement Plan for Employees of West Jefferson Medical Center (the "Plan") is a single-employer, non-contributory, defined public employee retirement system (PERS). The Plan covers certain employees of West Jefferson Medical Center (the Employer) who met certain length of service requirements through December 31, 2005 and is funded through employer contributions and investment earnings. The Plan issues a publicly available report that includes financial statements and supplementary information for the Plan. The report may be obtained by contacting the Plan's administration at (504) 364-2626.

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

Plan Description

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

The Medical Center's total payroll for all employees and the total covered payroll for the nine months ended September 30, 2015, amounted to \$61,209,186 and \$21,722,658, respectively and \$95,969,434 and \$26,812,234, respectively, for the year ended December 31, 2014. Covered payroll refers to all compensation paid by the Medical Center to active employees covered by the Plan on which contributions to the Plan are based.

At September 30, 2015 and December 31, 2014, the Plan's membership consisted of:

	September 30, 2015	December 31, 2014
Active Employees	417	455
Retirees and beneficiaries currently receiving benefits	705	680
Terminated employees entitled to but not yet receiving benefits	867	858
Total plan membership	<u>1,989</u>	<u>1,993</u>

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

9. Employee Benefits (Continued)

Eligibility Requirements

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

Benefits Retirement

The Plan provides retirement benefits as well as death and disability benefits. Prior to July 1, 2002, all benefits were fully vested after 10 years of credited service. Effective July 1, 2002, all employees become fully vested after 5 years of credited service. The basic annual retirement benefit at age 65 is a benefit payable for life in an amount equal to the number of years of credited service up to 30 years, multiplied by the sum of (1) 1.2 percent of final average monthly compensation and (2) .65 percent of final average monthly compensation in excess of "covered" compensation, which is defined as the average of the Social Security Taxable Wage Base for the 35-year period ending in the year in which social security normal retirement age is attained. Final average monthly compensation is defined as the monthly compensation of a participant averaged over the 5 consecutive calendar years which produces the highest monthly average within the last 10 calendar years preceding the earlier of retirement or termination of employment. Employees with 10 years of credited service may elect to receive a reduced benefit beginning at age 55. Terminated employees may receive regular benefits beginning at age 62.

Deferred and Disability Benefits

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

Survivor Benefits

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

Contributions

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

Plan Termination

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

9. Employee Benefits (continued)

Funding Policy

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

The actuarially determined contribution requirement for 2015 is \$4,265,707. The actual contribution paid by the employer during 2015 relating to the 2014 contribution requirement was \$3,601,769. The actuarially determined contribution requirement for 2014 was \$3,601,769. The actual contribution paid by the employer during 2014 relating to the 2013 contribution requirement was \$3,457,582.

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

The components of the net pension liability of the Service District as of September 30, 2015 and December 31, 2014 were as follows:

	September 30, 2015	December 31, 2014
Total pension liability	\$ 115,026,748	\$ 112,206,090
Plan fiduciary net position	57,604,837	60,837,664
Net pension liability	<u>\$ 57,421,911</u>	<u>\$ 51,368,426</u>
Plan fiduciary net position as a percentage of the total pension liability	50.1%	54.2%

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

Pension expense for the nine months ended September 30, 2015 was \$5,541,216.

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

Net difference between projected and actual earnings on pension plan investments	<u>Deferred Outflows of Resources</u>
	<u>\$ 4,106,298</u>

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

9. Employee Benefits (continued)

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

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2016	\$ 1,026,574
2017	1,026,574
2018	1,026,575
2019	1,026,575
	<u>\$ 4,106,298</u>

Actuarial Assumptions

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

The total pension liability was determined by an actuarial valuation as of September 30, 2015 and December 31, 2014, using the following actuarial assumptions:

	<u>2015</u>	<u>2014</u>
Investment rate of return	7.00%	7.00%
Inflation	2.30%	2.30%
Salary increases including inflation	N/A *	2.50%

* As described in Note 15, effective October 1, 2015, the Service District has no employees, and as a result, future salary increases are not applicable.

Effective with the 2014 actuarial valuation, the actuarial value of assets has been set to the market value of assets. Effective with the 2014 actuarial valuation, the discount rate has been lowered from 8.0% to 7.0% to better reflect anticipated future investment markets and performance.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's current and expected asset allocation as of September 30, 2015 and December 31, 2014 are summarized in the following table:

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

9. Employee Benefits (continued)

Actuarial Assumptions (continued)

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>	
	<u>2015</u>	<u>2014</u>
U.S. Cash	3.51%	2.87%
U.S. Core Bonds	4.86%	3.89%
U.S. Equity Market	8.37%	8.02%
Non-U.S. Equities	N/A	9.07%
Emerging Markets Equities	N/A	10.82%
U.S REITs	N/A	7.77%

Discount Rate

The discount rate used to measure the total pension liability was 7% for the nine months ended September 30, 2015 and the year ended December 31, 2014. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the current contribution rate and that the Plan's contributions will be made at rates equal to the difference between actuarially determined contribution rate and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease 6.0%</u>	<u>Current Discount Rate 7.0%</u>	<u>1% Increase 8.0%</u>
Total pension liability	\$ 128,016,087	\$ 115,026,748	\$ 104,113,753
Fiduciary net position	57,604,837	57,604,837	57,604,837
Net pension liability	70,411,250	57,421,911	46,508,916

Tax Qualification

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

9. Employee Benefits (continued)

Plan Amendments

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

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

Other Benefits

The Medical Center provides a supplemental executive retirement plan (SERP) as well as a contributory flexible benefit plan to certain key employees. The Medical Center's contribution to these plans in the nine months ended September 30, 2015 was \$313,742 and for 2014 was \$301,000. Net assets and liabilities associated with the plans were \$1,605,501 and \$1,473,967 at September 30, 2015 and December 31, 2014, respectively, and are included in noncurrent assets and noncurrent liabilities in the accompanying combined financial statements.

Defined Contribution 403(b) Plan

All new employees after December 31, 2005 and any employees who elected out of the Plan (see above) are eligible to join the Medical Center's Defined Contribution 403(b) Plan. Employer contributions to the 403(b) plan totaled \$1,058,784 and \$1,763,018 for the nine months ended September 30, 2015 and the year ended December 31, 2014, respectively. New employees are immediately eligible to make pre-tax contributions to the plan and receive employer matching contributions. To receive the employer annual non-discretionary contribution based on years of service, employees must complete at least 12 months of service and 1,000 hours by December 31st of the current plan year and must have contributed at least 2% of their compensation unless grandfathered in. The Plan issues a publicly available report that includes financial statements and supplementary information for the Plan. The report may be obtained by contacting the Plan's administration at (504) 349-1100.

10. Commitment

In 2010, a contract was executed between the Medical Center in the amount of \$16,975,000 for the purchase, design, implementation, and maintenance of an Electronic Health Record. The final contract payment was made in 2015. There were no outstanding commitments at September 30, 2015.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

11. Concentrations of Credit Risk

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

	September 30,		December 31,	
	2015		2014	
Medicare	51	%	51	%
Medicaid	9	%	9	%
Managed care	33	%	32	%
Other	6	%	7	%
Self-pay	1	%	1	%
	100	%	100	%

12. Operating Leases

The Service District entered into several long-term operating leases. The Service District has no future commitments resulting from these leases as they were transferred to LCMC in accordance with the Master Lease Agreement, effective October 1, 2015, as described in Note 15.

The Service District leases space at its facilities under long-term operating lease agreements. The Service District will not receive future rental income on these leases as they were transferred to LCMC in accordance with the Master Lease Agreement, effective October 1, 2015, as described in Note 15.

13. Related Parties

The Service District paid no amounts to members of its board of directors for compensation or per diem in 2015 and 2014. Board members are provided health insurance benefits under the Medical Center's health insurance plan.

The Service District owns 50% of Associated Hospital Services (AHS), a laundry service. In the nine months ended September 30, 2015 and the year ended December 31, 2014, the Service District purchased services of \$826,730 and \$984,821, respectively, from AHS. As of September 30, 2015 and December 31, 2014, the Service District had accounts payable to AHS of approximately \$92,601 and \$171,558, respectively.

At September 30, 2015 and December 31, 2014, \$0 and \$4,198, respectively was owed from West Jefferson Industrial Medicine, LLC (WJIM), a joint venture investment of the Service District, for a loan made to WJIM during 2009.

At September 30, 2015 and December 31, 2014, \$12,227 and \$11,656, respectively were owed from West Jefferson CT Scan, LLC and \$5,183 and \$4,830 were owed from West Jefferson MRI, LLC, respectively. At September 30, 2015 and December 31, 2014, \$64,354 and \$43,689, respectively were owed from Crescent City Research Consortium, LLC (CCRC), a joint venture investment of the Service District.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

14. Restatement of Net Patient Accounts Receivable

The Service District identified an error in the calculation of the contractual allowance and allowance for doubtful accounts for patient accounts receivable previously recorded. This error resulted in a restatement which reduced net patient accounts receivable by \$6.4 million at January 1, 2014 and reduced net patient service revenue and the related net patient accounts receivable by \$2.5 million for 2014, resulting in a total reduction of net patient accounts receivable of \$8.9 million at December 31, 2014.

15. Cooperative Endeavor Agreement

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

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

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

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

15. Cooperative Endeavor Agreement (continued)

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

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

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

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

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

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

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

15. Cooperative Endeavor Agreement (continued)

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

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

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

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

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

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

SCHEDULE OF EMPLOYER'S NET PENSION LIABILITY

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

* For comparability, covered payroll for the nine months ended September 30, 2015 of \$21,722,658 has been annualized.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

** Contribution made after year-end

*** The contribution for 2015 has not been funded as of the date of this report.

Note to schedule: Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2015. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	7-year weighted market average
Inflation	2.3% per annum, compounded annually
Salary increases	2.5% per annum, including inflation for 2014 and N/A for 2015. The Service District has no employees effective October 1, 2015. As a result, no salary increases are projected.
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Mortality	UP-94 Mortality separately for males and females (set forward 3 years for females), with projection to valuation date using Scale AA factors

SCHEDULE OF INVESTMENT RETURNS

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

(Continued)

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	Year ended December 31, 2014	Nine months ended September 30, 2015
Total Pension Liability		
Service cost	\$ 323,166	\$ 391,500
Interest on total pension liability	7,580,434	5,788,949
Effect of plan changes	-	-
Effect of economic/demographic gains or (losses)	1,737,592	1,303,989
Effect of assumption changes or inputs	11,028,337	-
Benefit payments	(5,791,407)	(4,663,780)
Net change in total pension liability	14,878,122	2,820,658
Total pension liability, beginning	97,327,968	112,206,090
Total pension liability, ending (a)	\$ 112,206,090	\$ 115,026,748
Plan Fiduciary Net Position		
Employer contributions	\$ 3,457,582	\$ 3,601,769
Member contributions	-	-
Investment income net of investment expenses	4,471,241	(1,944,107)
Benefit payments	(5,769,313)	(4,663,780)
Administrative expenses	(221,892)	(226,709)
Net change in plan fiduciary net position	\$ 1,937,618	\$ (3,232,827)
Plan fiduciary net position, beginning	58,900,046	60,837,664
Plan fiduciary net position, ending (b)	\$ 60,837,664	\$ 57,604,837
Service District's net pension liability, ending = (a) - (b)	\$ 51,368,426	\$ 57,421,911
Plan fiduciary net position as a % of total pension liability	54.22%	50.08%
Covered payroll	\$ 26,812,234	\$ 28,963,544 *
Service District's net pension liability as a % of covered payroll	191.59%	198.26%

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

* For comparability, covered payroll for the nine months ended September 30, 2015 of \$21,722,658 has been annualized.

See independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO THE CHIEF EXECUTIVE OFFICER
NINE MONTHS ENDED SEPTEMBER 30, 2015

Nancy Cassagne, Chief Executive Officer

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 576,277
Supplemental	44,678
Benefits-insurance	14,210
Benefits-retirement	10,500
Benefits (LTD, AD&D, life)	386
Professional memberships	665
Travel	14

See accompanying independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
SPECIFIED WORKING CAPITAL
AS OF SEPTEMBER 30, 2015

Current Assets included in specified working capital	
Patient accounts receivable, net	\$ 32,310,193 ¹
Other current receivables	5,716,748 ²
Due from government health care program	559,049
Inventory	7,284,774
Prepaid expenses and deposits	18,985,670 ³
Total current assets included in specified working capital	<u>64,856,434</u>
Current Liabilities included in specified working capital	
Accounts payable	8,416,751
Accrued expenses	3,764,835 ⁴
Patient deposits and credit balances	1,094,152
Due to government health care program	749,453
Total current liabilities included in specified working capital	<u>14,025,191</u>
Final Working Capital	50,831,243
Targeted Working Capital	<u>26,573,000</u>
Excess of Final Working Capital over Targeted Working Capital	<u>\$ 24,258,243</u>

Notes to Schedule:

This working calculation was prepared in accordance with Section 4.4 of the Cooperative Endeavor Agreement ("CEA") between Louisiana Children's Medical Center, West Jefferson Holdings, LLC, Children's Hospital of New Orleans, and Jefferson Parish Hospital District No.1, Parish of Jefferson, State of Louisiana, d/b/a West Jefferson Medical Center, dated February 26, 2015.

¹ Excludes receivables from transition patients at September 30, 2015. Transition patients are defined those persons who have an episode "Start of Care" date, on or prior to the Closing Date (September 30, 2015), but continue to receive services as part of that episode of care after the Closing Date as per Section 3.10 of the CEA.

² Excludes amounts due from other governments and for certificate of deposit.

³ Excludes prepaid property insurance.

⁴ Excludes accrued salaries other payroll related-costs for the pay period ending September 30, 2015, accrual workers' compensation, accrual for health insurance, accrued bond and district counsel fees and amount due to other governments.

See accompanying independent auditors' report.

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

Members of the Parish Council
Jefferson Parish, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Jefferson Parish Hospital Service District No. 1 (the Service District), a component unit of Jefferson Parish, as of and for the nine months ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the Service District's basic financial statements, and have issued our report thereon dated June 21, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2015-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Service District's Response to Finding

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

Purpose of this Report

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

Postlethwaite & Metterville

Metairie, Louisiana
June 21, 2016

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

SCHEDULE OF FINDINGS AND RESPONSES

NINE MONTHS ENDED SEPTEMBER 30, 2015

2015-001 Contractual Allowance and Allowance for Doubtful Accounts

- Criteria:** Subsequent to September 30, 2015, West Jefferson Medical Center (the Medical Center) identified an error in the calculation of the contractual allowance and allowance for doubtful accounts for patient accounts receivable previously recorded.
- Condition:** As required by U.S. generally accepted accounting principles, receivables should be presented at net realizable value.
- Cause:** When patient accounts are billed, contractual adjustments (discounts) are taken to reduce the balances to the amounts the hospital expects to be paid in the patient accounting system. Management relied on a separate reporting tool to verify that the payments received by the hospital agreed to the expected amounts. Reporting tools were also used to establish uncollectable amounts. It was determined that the expected payment in the reporting tool was not calculated properly resulting in an understatement of the uncollectable amount. In addition, the calculation of expected payment did not take into account changing trends in collection rates.
- Effect:** The revaluation of the allowances on patient accounts receivable resulted in a prior period adjustment.
- Recommendation:** The Medical Center should implement procedures to ensure that all contractual adjustments are recorded timely. In addition, the Medical Center should review activity for individual patient accounts in the reporting tool to ensure that the expected payment is properly calculated.
- Management's Response:** The Medical Center has implemented procedures and new tools to ensure estimated contractual adjustments and expected payments are calculated more accurately and recorded in the general ledger on a timely basis. As part of the enhanced processes and the use of the new tools, the Medical Center will be able to review activity for individual patient accounts to ensure that the expected payment is properly calculated.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NINE MONTHS ENDED SEPTEMBER 30, 2015

2014-001 Debt Compliance

Criteria: The Service District's bond agreements have bond debt service coverage covenants that requires the Service District to produce revenues over and above the amount required for the operation and maintenance of the Service District which shall not be less than 120% of the maximum debt service due in any calendar year on all outstanding bonds.

Condition: The bonded debt service coverage for the Service District was 92%, and the debt service coverage on parity debt was 52%.

Status: Not applicable. The Service District defeased all outstanding bonds on September 30, 2015, and as a result, the bond debt service coverage covenants are no longer applicable.