# FINANCIAL STATEMENTS

## JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
## JACKSON PARISH HOSPITAL

## SEPTEMBER 30, 2016 AND 2015

**FINANCIAL STATEMENTS**

**JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1**

**JACKSON PARISH HOSPITAL**

**SEPTEMBER 30, 2016 AND 2015**

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# INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Jackson Parish Hospital
Jonesboro, Louisiana

We have audited the accompanying financial statements of the governmental and business-type activities of Jackson Parish Hospital Service District No. 1, dba Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana, ("the Hospital"), as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

## OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana as of September 30, 2016 and 2015, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**OTHER MATTERS**

*Other Matter*

In our report dated February 22, 2017, we expressed an opinion that the financial statements for the year ended September 30, 2015, presented fairly, in all material respects, the financial position of Jackson Parish Hospital, except for the current liability for patient credit balances and related effects to contractual adjustments and net patient revenues. As described in Note 21, credit balances and contractual adjustments for the year ended September 30, 2015 were restated through a prior period adjustment. Accordingly, our present opinion on the restated September 30, 2015 financial statements, as presented herein, is different from that expressed in our previous report.

*Required Supplementary Information*

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

*Other Supplemental Information*

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

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

Langlinais Broussard & Kohlenberg

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

August 23, 2017

**JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1**
**JACKSON PARISH HOSPITAL**
**Jonesboro, Louisiana**

**STATEMENT OF NET POSITION** **SEPTEMBER 30,**

## ASSETS

| | 2016 | 2015 |
|---|---|---|
| **CURRENT ASSETS:** | | |
| Cash and Cash Equivalents | $ 1,101,318 | $ 2,563,810 |
| Accounts Receivables, Less Allowance for Doubtful Accounts of $3,867,120 in 2016 and $3,665,671 in 2015 | 2,062,182 | 2,006,548 |
| Due from Third Party Payors | 1,301,014 | 1,006,002 |
| Other Receivables | 8,776 | 36,019 |
| Inventories | 393,763 | 462,364 |
| Prepaid Expenses | 52,073 | 109,655 |
| Total Current Assets | 4,919,126 | 6,184,398 |
| **ASSETS WHOSE USE IS LIMITED:** | | |
| Internally Designated for Capital Acquisitions | 5,319 | 5,302 |
| By Bond Indenture | 500 | 500 |
| Total Assets Whose Use is Limited | 5,819 | 5,802 |
| **PROPERTY, PLANT AND EQUIPMENT:** | | |
| Property, Plant and Equipment Cost | 11,462,093 | 10,351,370 |
| Less: Accumulated Depreciation | (7,780,372) | (6,994,622) |
| Total Property, Plant and Equipment | 3,681,721 | 3,356,748 |
| **TOTAL ASSETS** | $ 8,606,666 | $ 9,546,948 |

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

**JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1**
**JACKSON PARISH HOSPITAL**
**Jonesboro, Louisiana**

**STATEMENT OF NET POSITION** **SEPTEMBER 30,**

## LIABILITIES AND NET POSITION

| | 2016 | 2015 |
|---|---|---|
| **CURRENT LIABILITIES:** | | |
| Current Portion of Long-Term Debt | $ 516,096 | $ 301,000 |
| Accounts Payable | 795,149 | 510,896 |
| Accrued Salaries and Related Withholdings | 721,120 | 661,364 |
| Credit Balances | 334,930 | 249,404 |
| Due to Third Party Payors | 118,067 | 53,656 |
| Due to Employees for Employee Benefits | 90,241 | 90,241 |
| Interest Payable | 3,544 | 5,200 |
| Total Current Liabilities | 2,579,147 | 1,871,761 |
| **LONG-TERM LIABILITIES:** | | |
| Long-Term Debt: | | |
| General Obligation Issue 2008 | 329,000 | 644,000 |
| Obligations under Capital Leases | 502,482 | - |
| Total Long-Term Liabilities | 831,482 | 644,000 |
| **TOTAL LIABILITIES** | 3,410,629 | 2,515,761 |
| **NET POSITION:** | | |
| Invested in Capital, Net of Related Debt | 2,334,143 | 2,411,748 |
| Restricted: Debt Service (Expendable) | 5,819 | 5,802 |
| Unrestricted | 2,856,075 | 4,613,637 |
| **TOTAL NET POSITION** | 5,196,037 | 7,031,187 |
| **TOTAL LIABILITIES AND NET POSITION** | $ 8,606,666 | $ 9,546,948 |

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

**JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1**
**JACKSON PARISH HOSPITAL**
**Jonesboro, Louisiana**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION** **YEAR ENDED SEPTEMBER 30,**

| | 2016 | 2015 |
|---|---|---|
| **OPERATING REVENUES:** | | |
| Net Patient Service Revenues before Provision for Doubtful Accounts | $ 16,237,347 | $ 14,544,999 |
| Provision for Doubtful Accounts | (4,781,478) | (4,215,413) |
| Net Patient Service Revenues after Provision for Doubtful Accounts | 11,455,869 | 10,329,586 |
| Intergovernmental Transfers - Operating | 2,472,274 | 2,850,485 |
| Other Operating Revenue | 188,974 | 143,781 |
| TOTAL OPERATING REVENUE | 14,117,117 | 13,323,852 |
| **OPERATING EXPENSES:** | | |
| Professional Services | 11,026,737 | 10,125,630 |
| General and Administrative | 6,569,286 | 5,688,625 |
| Depreciation and Amortization | 785,750 | 551,417 |
| TOTAL OPERATING EXPENSES | 18,381,773 | 16,365,672 |
| **INCOME (LOSS) FROM OPERATIONS** | (4,264,656) | (3,041,820) |
| **NON-OPERATING REVENUES (EXPENSES)** | | |
| Ad Valorem Taxes | 2,415,473 | 2,496,443 |
| Grant Income | 112,225 | 529,237 |
| Interest Income | 8,285 | 6,172 |
| Interest Expense | (44,902) | (35,018) |
| Gain (Loss) on Disposal of Asset | 925 | (81,301) |
| Loss on Legal Settlement | (62,500) | - |
| TOTAL NON-OPERATING REVENUES | 2,429,506 | 2,915,533 |
| **CHANGE IN NET POSITION** | (1,835,150) | (126,287) |
| **TOTAL NET POSITION, BEGINNING** | 7,031,187 | 7,157,474 |
| **TOTAL NET POSITION, ENDING** | $ 5,196,037 | $ 7,031,187 |

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

**STATEMENT OF CASH FLOWS** — **YEAR ENDED SEPTEMBER 30,**

| | 2016 | 2015 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Cash Received from Patients | $ 11,326,425 | $ 11,378,831 |
| Cash Received from Other Revenues | 188,974 | 143,781 |
| Cash Received from Intergovernmental Transfers | 2,472,274 | 2,850,485 |
| Cash Payments to Suppliers for Goods and Services | (6,913,690) | (6,339,904) |
| Cash Payments to Employees for Services | (10,398,080) | (9,551,949) |
| Net Cash Flow Used in Operating Activities | (3,324,097) | (1,518,756) |
| **CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:** | | |
| Ad Valorem Taxes | 2,415,473 | 2,496,443 |
| Grant Income | 139,468 | 507,098 |
| (Gain) Loss on Disposal of Asset | (925) | 81,301 |
| Loss on Legal Settlement | 62,500 | - |
| Net Cash Provided By Non-Capital Financing Activities | 2,616,516 | 3,084,842 |
| **CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | |
| Purchase of Fixed Assets | (1,119,198) | (709,321) |
| Principal Payments on Long-Term Debt | (470,724) | (288,000) |
| Interest Payments on Long-Term Debt | (46,559) | (36,753) |
| Proceeds from Capital Lease Obligations | 873,302 | - |
| Net Cash Used in Capital and Related Financing Activities | (763,179) | (1,034,074) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Interest Income | 8,285 | 6,172 |
| Net Cash Provided by Financing Activities | 8,285 | 6,172 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (1,462,475) | 538,184 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR INCLUDING $5,802 AND $5,784 LIMITED AS TO USE FOR 2016 AND 2015, RESPECTIVELY** | 2,569,612 | 2,031,428 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR INCLUDING $5,819 AND $5,802 LIMITED AS TO USE FOR 2016 AND 2015, RESPECTIVELY** | $ 1,107,137 | $ 2,569,612 |

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

**JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1**
**JACKSON PARISH HOSPITAL**
**Jonesboro, Louisiana**

| **STATEMENT OF CASH FLOWS** | **YEAR ENDED SEPTEMBER 30,** | |
|---|---|---|
| | **2016** | **2015** |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Operating Loss | $ (4,264,656) | $ (3,041,820) |
| Adjustments to Reconcile Operating Income to Net Cash | | |
| Provided by (Used in) Operating Activities: | | |
| Depreciation and Amortization | 785,750 | 551,417 |
| Provision for Doubtful Accounts | 4,781,478 | 4,215,413 |
| Increase in Receivables and Due from Third Parties | (5,096,861) | (3,591,553) |
| Decrease in Inventories and Prepaid Expenses | 126,183 | 108,092 |
| Increase in Accounts Payable and Accrued Expenses | 344,009 | 239,695 |
| **NET CASH USED IN OPERATING ACTIVITIES** | $ (3,324,097) | $ (1,518,756) |

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

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

***Reporting Entity.*** Jackson Parish Hospital Service District No. 1 (the Hospital) was created in 1950, by the Parish Government of Jackson Parish, Louisiana to operate, control, and manage matters concerning the parish's health care functions. The Jackson Parish Police Jury appoints the Board of Commissioners of the Hospital, and the Hospital may not issue debt without the Parish's approval. For this reason, the Hospital is considered to be a component unit of the Jackson Parish Government, Jackson Parish, Louisiana.

***Basis of accounting.*** The accompanying basic financial statements of the Hospital have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* GASB 34 established standards for external financial reporting for all state and local governmental entities, which included a balance sheet or statement of net position, a statement of revenues, expenditures and changes in net position, and a statement of cash flows utilizing the direct method of presentation. GASB 34 is found throughout the recently issued GASB Codification. The Hospital follows standards issued by GASB found in the GASB Codification.

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

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

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

***Property, Plant and Equipment.*** Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Grants and donations.*** Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and donations may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expense.

***Operating revenues and expenses.*** The Hospital's Statements of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

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

***Advertising.*** The Hospital expenses advertising cost as incurred.

***Costs of borrowing.*** Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in either fiscal year ended September 30, 2016 or 2015.

***Cash and cash equivalents.*** Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of ninety days or less. Under state law, the Hospital may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

***Trade receivables and allowance for uncollectible accounts.*** Trade receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experiences applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

***Ad valorem Taxes.*** The Hospital's property tax is levied by the parish on the taxable real property in the district in late October of each year. Bills are sent out in November of each year, and becomes a lien the following March. The collection period for the Hospital's property taxes is from December (at which time they become delinquent) to the succeeding May.

The Hospital received approximately 14.5 percent in 2016, and 15.6 percent in 2015, of its financial support from ad valorem taxes.

***Risk Management.*** The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

***Restricted resources.*** When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

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

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

***Reclassifications.*** To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets. Such reclassifications include the reclassification of revenue groupings and/or expense groupings in the supplemental schedules.

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

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

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

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

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

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

***Net patient service revenue.*** The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Inpatient acute care services, swing bed services and outpatient services rendered to Medicare program beneficiaries are reimbursed at cost plus 1% (subject to limits and rules), while other outpatient laboratory services are reimbursed on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through September 30, 2013.

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services to Medicaid program beneficiaries are reimbursed at cost plus 10%, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through September 30, 2011.

**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. These adjustments will be recorded in the year they are realized.

The Hospital has entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and per diem rates. To the extent management's estimate differs from actual results, the differences will be used to adjust income in the period when such differences arise.

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided.

**NOTE 2: NET PATIENT SERVICE REVENUE**

The following schedule represents total Net Patient Service Revenue:

| | 2016 | 2015 |
|---|---|---|
| Gross Patient Service Revenue | $ 25,935,162 | $ 23,345,370 |
| Less: Contractual Adjustments | (9,697,815) | (8,800,371) |
| Net Patient Service Revenue Before Provision for Doubtful Accounts | 16,237,347 | 14,544,999 |
| Less: Provision for Doubtful Accounts | (4,781,478) | (4,215,413) |
| Net Patient Service Revenue after Provision For Doubtful Accounts | $ 11,455,869 | $ 10,329,586 |

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

| | 2016 | 2015 |
|---|---|---|
| Medicare | $ 3,871,154 | $ 3,420,622 |
| Medicaid | 2,777,801 | 2,509,157 |
| All other payors | 9,588,392 | 8,615,220 |
| Total Net Patient Service Revenue Before Provision for Doubtful Accounts | $ 16,237,347 | $ 14,544,999 |

**NOTE 3: ACCOUNTS RECEIVABLE – PATIENTS**

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

Patients Accounts Receivable consists of the following:

| | 2016 | 2015 |
|---|---|---|
| Total Patient Accounts Receivable | $ 7,225,749 | $ 7,497,838 |
| Less: Allowance for Doubtful Accounts And Contractual Allowances | (5,163,567) | (5,491,290) |
| Net Patient Accounts Receivable | $ 2,062,182 | $ 2,006,548 |

**NOTE 4: MAJOR SOURCE OF REVENUE**

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 47% and 48% of its gross patient service revenue in 2016 and 2015, respectively, from patients covered by the Medicare and Medicaid programs.

**NOTE 5: PROPERTY, PLANT AND EQUIPMENT**

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

September 30, 2016

| | Asset Life In Years | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|---|
| Land | | $ 28,900 | $ 140,000 | $ - | $ 168,900 |
| Construction in Progress | | 8,475 | - | (8,475) | - |
| Total assets not being depreciated | | 37,375 | 140,000 | (8,475) | 168,900 |
| Other Capital Assets: | | | | | |
| Land Improvements | 5 - 25 | 204,698 | 40,494 | - | 245,192 |
| Building | 10 - 40 | 3,280,992 | 13,776 | - | 3,294,768 |
| Capital Leased Property | 5 - 25 | - | 873,302 | - | 873,302 |
| Fixed Equipment | 5 - 25 | 3,100,539 | 3,333 | - | 3,103,872 |
| Movable Equipment | 5 - 25 | 3,708,425 | 48,293 | - | 3,756,718 |
| Automobile | 5 | 19,341 | - | - | 19,341 |
| Total other assets | | 10,313,995 | 979,198 | - | 11,293,193 |
| Less: Accumulated Depreciation | | (6,994,622) | (785,750) | - | (7,780,372) |
| Net Property, Plant and Equipment | | $ 3,356,748 | $ 333,448 | $ (8,475) | $ 3,681,721 |

**NOTE 5: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

September 30, 2015

| | Asset Life In Years | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|---|
| Land | | $ 28,900 | $ - | $ - | $ 28,900 |
| Construction in Progress | | - | 8,475 | - | 8,475 |
| Total assets not being depreciated | | 28,900 | 8,475 | - | 37,375 |
| Other Capital Assets: | | | | | |
| Land Improvements | 5 - 25 | 204,698 | - | - | 204,698 |
| Building | 10 - 40 | 3,280,992 | - | - | 3,280,992 |
| Fixed Equipment | 5 - 25 | 3,100,539 | - | - | 3,100,539 |
| Movable Equipment | 5 - 25 | 3,143,580 | 700,845 | (136,000) | 3,708,425 |
| Automobile | 5 | 19,341 | - | - | 19,341 |
| Total other assets | | 9,749,150 | 700,845 | (136,000) | 10,313,995 |
| Less: Accumulated Depreciation | | (6,497,613) | (551,415) | 54,406 | (6,994,622) |
| Net Property, Plant and Equipment | | $ 3,280,437 | $ 157,905 | $ (81,594) | $ 3,356,748 |

Depreciation expense for the years ended September 30, 2016 and 2015 amounted to $785,750 and $551,417, respectively.

**NOTE 6: LONG-TERM DEBT**

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

| | 2016 | 2015 |
|---|---|---|
| Certificates of indebtedness, dated December 4, 2008, in the amount of $2,500,000 with an interest rate of 4.375% maturing serially on February 1 of each year beginning in 2010, with interest payable on February 1 and August 1 of each year, with the final maturity February 1, 2018, collateralized by Ad Valorem tax receipts; After February 1, 2013, interest rate is 3.375% | $ 644,000 | $ 945,000 |
| Capital Lease Obligation, for the acquisition of two GE Ultrasound machines, collateralized by the equipment, payable in 60 monthly installments at a 3.25% interest rate, with the final maturity in 2020 | 190,744 | - |
| Capital Lease Obligation, for the acquisition of a GE CT machine, collateralized by the equipment, payable in 48 monthly installments at a 3.25% interest rate, with the final maturity in 2019 | 354,734 | - |
| Capital Lease Obligation, for the acquisition of Olympus Scope Equipment, collateralized by the equipment, payable in 48 monthly installments at a 3.25% interest rate, maturity in 2020 | 158,100 | - |
| Total Long-Term Debt | 1,347,578 | 945,000 |
| Less: Current Portion | (516,096) | (301,000) |
| Long-Term Portion | $ 831,482 | $ 644,000 |

NOTE 6: LONG-TERM DEBT (CONTINUED)

During the fiscal year ended September 30, 2013, the bondholder, Jonesboro State Bank, agreed to a change in terms to reduce the interest rate from 4.375% to 3.375% to be effective after the February 1, 2013 interest payment.

Under the terms of the Note Indentures, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the financial statements.

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

September 30, 2016

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| General Obligation Issue 2008 | $ 945,000 | $ - | $ 301,000 | $ 644,000 |
| Capital Lease Obligations | - | 873,302 | 169,724 | 703,578 |
| Total | $ 945,000 | $ 873,302 | $ 470,724 | $ 1,347,578 |

September 30, 2015

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| General Obligation Issue 2008 | $1,233,000 | $ - | $ 288,000 | $ 945,000 |
| Total | $1,233,000 | $ - | $ 288,000 | $ 945,000 |

Balance due within one year:

| | 2016 | 2015 |
|---|---|---|
| General obligation issue 2008 | $ 315,000 | $ 301,000 |
| Capital Lease Obligations | 201,096 | - |
| Total | $ 516,096 | $ 301,000 |

Scheduled repayments on long-term debt are as follows:

September 30, 2016

| | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 516,096 | $ 36,307 | $ 552,403 |
| 2018 | 536,730 | 18,807 | 555,537 |
| 2019 | 214,582 | 6,402 | 220,984 |
| 2020 | 75,950 | 1,294 | 77,244 |
| 2021 | 4,220 | 11 | 4,231 |
| Total | $ 1,347,578 | $ 62,821 | $ 1,410,399 |

**NOTE 6:** LONG-TERM DEBT (CONTINUED)

September 30, 2015

| | Principal | Interest | Total |
|---|---|---|---|
| 2016 | $ 301,000 | $ 26,814 | $ 327,814 |
| 2017 | 315,000 | 16,419 | 331,419 |
| 2018 | 329,000 | 5,552 | 334,552 |
| Total | $ 945,000 | $ 48,785 | $ 993,785 |

**NOTE 7:** ASSETS LIMITED AS TO USE AND RESTRICTED NET POSITION

In relation to the revenue bonds issued on December 4, 2008 with a face value of $2,500,000, the hospital entered into an agreement to reserve cash funds as follows:

"All of the avails or proceeds of the Tax for each tax roll year shall be set aside in the Debt Service fund until such time as there is on deposit sufficient proceeds of the Tax to pay all principal and interest falling due on the Certificates in the ensuing year."

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

| | 2016 | 2015 |
|---|---|---|
| Cash: | | |
| By board for capital improvements | $ 5,319 | $ 5,302 |
| By Bond indenture | 500 | 500 |
| | $ 5,819 | $ 5,802 |

**NOTE 8:** CASH FLOWS SUPPLEMENTAL INFORMATION

Total interest paid by the Hospital was $46,559 and $36,753, for 2016 and 2015, respectively.

**NOTE 9:** CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2016 and 2015, are as follows:

| | 2016 | 2015 |
|---|---|---|
| Medicare | 11% | 12% |
| Medicaid | 11 | 10 |
| Commercial and other third-party payors | 78 | 78 |
| | 100% | 100% |

## NOTE 10: PENSION PLAN

The Hospital sponsors a defined contribution plan. The Plan Administrator is the Human Resources Director. Eligibility requirements are one year of employment and attaining the age of 21. Vesting is 50% at 3 years of service, 75% at 4 years and 100% at 5 years. The Plan's coverage includes death, disability and retirement benefits. The Hospital may amend the Plan at any time at its' sole discretion. However, no amendment may result in any participant's vested interest or any portion of the Plan's assets reverting back to the Hospital. The Hospital contributes 1% for all eligible employees. It will match up to 4% of employee salaries, if the employee also contributes 4%. The Hospital contributed $121,911 and $132,452 for the years ended September 30, 2016 and 2015, respectively.

## NOTE 11: GRANT REVENUE

The Hospital entered into a cooperative endeavor agreement (CEA) with a regional public rural hospital (Grantor) whereby the Grantor awards as an intergovernmental transfer (IGT) to be used solely to provide adequate and essential medically necessary and available healthcare services to the Hospital's service population subject to the availability of such grant funds. The aggregate IGT grant income is $2,472,274 and $2,850,485 for the years ended September 30, 2016 and 2015, respectively.

The Hospital recognized non-operating grant income of $ -0- and $387,907 from Medicare and/or Medicaid for the years ended September 30, 2016 and 2015, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use" which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in in three stages, with each progressive stage incorporating more stringent measures. The Hospital's policy is to record the incentive payments once various stages have been met and the funds received, rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the Hospital meets certain criteria in future implementation.

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

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

## NOTE 12: BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana.

**NOTE 12: BANK DEPOSITS AND INVESTMENTS (CONTINUED)**

At September 30, 2016 and 2015, the Hospital had bank balances as follows:

| | 2016 | 2015 |
|---|---|---|
| Insured (FDIC) | $ 250,000 | $ 250,000 |
| Collateralized by Securities Held by the Pledging Financial Institution's Trust Department in the Hospital's Name | 2,672,869 | 2,997,579 |
| Total | $ 2,922,869 | $ 3,247,579 |
| Carrying Value | $ 1,318,464 | $ 2,627,709 |

**NOTE 13: PROFESSIONAL LIABILITY RISK**

The Hospital participates in the Louisiana Patient's Compensation Fund (PCF) established by the State of Louisiana to provide medical professional liability coverage to health care providers. The PCF provides for $400,000 in coverage per occurrence above the first $100,000 per occurrence for which the Hospital is at risk. The PCF places no limitation on the number of occurrences covered. In connection with the establishment of the PCF's, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to $500,000 per occurrence.

The courts have not tested the constitutionality of this legislation, although the Louisiana Supreme Court has decided that this limit does not apply in cases of strict liability. The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital.

**NOTE 14: CRITICAL ACCESS STATUS**

Effective November 1, 2004, Jackson Parish Hospital was approved for "critical access" status under the Medicare Rural Hospital Flexibility Program. The program allows states to designate rural facilities as "critical access hospitals" if they are located a sufficient distance from other hospitals, make available 24-hour emergency care, maintain no more than 25 inpatient beds, and keep inpatients no longer than 96 hours (except where weather or emergency conditions dictate, or a Peer Review Organization waives the limit). Payment for inpatient and outpatient services under this program is on the basis of reasonable cost.

**NOTE 15: COMPENSATED ABSENCES/DUE TO EMPLOYEES FOR BENEFITS**

Full time employees earn accrued time off (ATO) based on years of service, part time employees accrue ATO on a pro-rated basis based on years of service. All ATO balances will be paid upon termination. Sick pay is not vested and therefore not accrued. The Hospital's policy is to recognize the cost of sick pay when actually paid to employees. Accrued time off, which is included in accrued salaries and related withholdings, at September 30, 2016 and 2015 totaled $358,742 and $395,886, respectively.

Due to employee benefits calculated and over-withheld from employees in previous years, the Hospital has reflected a payable to employees in the amount of $90,241 for the years ended September 30, 2016 and 2015.

## NOTE 16: OPERATING LEASES

The Hospital leases various equipment under operating leases expiring at various dates through 2020. Total rental expense for the years ended September 30, 2016 and 2015 for all operating leases was approximately $564,082 and $583,764, respectively.

The following is a schedule by year of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

September 30, 2016

| | |
|---|---|
| 2017 | $ 230,630 |
| 2018 | 33,023 |
| 2019 | 31,383 |
| 2020 | 28,127 |
| Total | $ 323,163 |

September 30, 2015

| | |
|---|---|
| 2016 | $ 331,046 |
| 2017 | 230,630 |
| 2018 | 33,023 |
| 2019 | 31,391 |
| Total | $ 626,090 |

## NOTE 17: CONTINGENCIES

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

***Third-Party Reimbursement Programs.***

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

To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Service (CMS) to implement a Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts, on payments that have occurred at least one year ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare reimbursement in an amount estimated to equal the overpayment. The Hospital will deduct from revenue, amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amount due can be reasonably estimated. RAC assessments are anticipated; however, the outcomes of such assessments are unknown and cannot be reasonably estimated.

Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government law and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

## NOTE 17: CONTINGENCIES (CONTINUED)

***Professional Liability Risk***

The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund.

***Workman's Compensation Risk***

The Hospital participated in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund in 2016. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any.

***Laws and Regulations***

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. 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. These laws and regulations include, but are not limited to, accreditation, licensure, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in exclusion from government healthcare program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Hospital is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Hospital's financial position.

## NOTE 18: GOVERNMENTAL REGULATIONS

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

## NOTE 19: CHARITY CARE

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Hospital maintains records to identify and monitor the level of charity care it provides. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone and supplies furnished, based on established rates, were $432,875 and $184,102 as of September 30, 2016 and 2015, respectively.

Management estimates that approximately $306,804 and $129,059 of costs were related to charity care for the years ended September 30, 2016 and 2015, respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

**NOTE 20: NET POSITION**

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

| | 2016 | 2015 |
|---|---|---|
| Invested in Capital Assets, net of related debt | $ 2,334,143 | $ 2,411,748 |
| Restricted for: | | |
| Debt Service (Expendable) | 5,819 | 5,802 |
| Unrestricted | 2,856,075 | 4,613,637 |
| Total Net Position | $ 5,196,037 | $ 7,031,187 |

**NOTE 21: PRIOR PERIOD ADJUSTMENTS**

Beginning net position for the year ended September 30, 2016 has been restated to reflect management's estimate of misstated credit balances due to incorrect postings to both hospital and clinic patient accounts. As a result of the restatement, credit balance liability decreased by $278,365, contractual adjustments decreased by $278,365 and net position increased by $278,365. The revised beginning net position for the year ended September 30, 2016 is $7,031,187.

The total amount of credit balances payable at September 30, 2016 and 2015 was $334,930 and $249,404, respectively, and is reflected as "Credit Balances" on the Statement of Net Position.

**September 30, 2015**

| | Net Position, previously reported | Effect of Credit Balance Restatement | Net Position, as restated |
|---|---|---|---|
| Restatement of Net Position | 6,752,822 | 278,365 | 7,031,187 |

**NOTE 22: SUBSEQUENT EVENTS**

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

Subsequent to year end, the Jackson Parish Police Jury, elected to re-appoint all members of the board of Jackson Parish Hospital.

**SCHEDULES OF PATIENT SERVICE REVENUES** — **YEAR ENDED SEPTEMBER 30,**

| | 2016 | 2015 |
|---|---|---|
| **INPATIENT SERVICE REVENUES** | | |
| **Daily Patient Services:** | | |
| Room and Board | $ 434,346 | $ 568,436 |
| Observation | 21,810 | 31,190 |
| Total | 456,156 | 599,626 |
| **Other Nursing Services:** | | |
| Central Supplies | 568,648 | 796,708 |
| Emergency Service | 136,649 | 130,094 |
| Total | 705,297 | 926,802 |
| **Other Professional Services:** | | |
| Anesthesiology | 229 | - |
| Blood | 27,931 | 21,558 |
| Laboratory | 383,199 | 557,534 |
| Pharmacy | 1,316,338 | 1,518,343 |
| Radiology | 418,697 | 568,628 |
| Respiratory | 953,403 | 1,223,304 |
| Therapy Services | 10,093 | 21,739 |
| Total | 3,109,890 | 3,911,106 |
| **TOTAL INPATIENT SERVICE REVENUE** | 4,271,343 | 5,437,534 |

**JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1**
**JACKSON PARISH HOSPITAL**
**Jonesboro, Louisiana**

| **SCHEDULE OF PATIENT SERVICE REVENUES** | **YEAR ENDED SEPTEMBER 30,** | |
|---|---|---|
| | **2016** | **2015** |
| **OUTPATIENT SERVICE REVENUES** | | |
| **Other Nursing Services:** | | |
| Central Supplies | 694,945 | 457,399 |
| Emergency Service | 2,887,130 | 2,604,599 |
| Observation | 341,327 | 319,021 |
| Operating Room | 77,492 | 56,654 |
| Total | 4,000,894 | 3,437,673 |
| **Other Professional Services:** | | |
| Anesthesiology | 243,009 | 55,378 |
| Blood | 57,885 | 48,294 |
| Clinics | 2,486,526 | 2,037,359 |
| Laboratory | 4,678,834 | 4,275,389 |
| Pharmacy | 1,848,963 | 1,461,097 |
| Emergency Room Professional Fees | 1,926,444 | 1,704,682 |
| Radiology | 5,433,895 | 4,346,924 |
| Respiratory | 987,369 | 541,040 |
| Total | 17,662,925 | 14,470,163 |
| **TOTAL OUPATIENT SERVICE REVENUE** | 21,663,819 | 17,907,836 |
| **GROSS PATIENT SERVICE REVENUE** | 25,935,162 | 23,345,370 |
| Less: Contractual Adjustments | 9,697,815 | 8,800,371 |
| **NET PATIENT SERVICE REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS** | $ 16,237,347 | $ 14,544,999 |

**SCHEDULES OF OTHER OPERATING REVENUES** **YEAR ENDED SEPTEMBER 30,**

| | 2016 | 2015 |
|---|---|---|
| Cafeteria and Vending Sales | $ 75,970 | $ 70,085 |
| Medical Records | 4,081 | 6,077 |
| Other | 108,923 | 67,619 |
| Total | $ 188,974 | $ 143,781 |

**JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1**
**JACKSON PARISH HOSPITAL**
**Jonesboro, Louisiana**

| **SCHEDULES OF PROFESSIONAL SERVICES** | **YEAR ENDED SEPTEMBER 30,** | |
|---|---|---|
| | **2016** | **2015** |
| **Salaries and Fees:** | | |
| Central Supply | $ 47,739 | $ 60,296 |
| Clinics | 2,260,738 | 1,742,514 |
| Emergency Room | 2,151,964 | 1,889,601 |
| Hospitalist | 441,665 | 310,650 |
| Laboratory | 1,072,415 | 902,569 |
| Nursing | 1,583,556 | 1,682,976 |
| Operating Room and Anesthesiology | 124,218 | 62,604 |
| Pharmacy | 267,103 | 282,323 |
| Radiology | 723,814 | 577,748 |
| Respiratory | 403,223 | 410,664 |
| Therapy | 95,089 | 95,025 |
| Total Salaries and Fees | 9,171,524 | 8,016,970 |
| **Supplies and Other Expenses:** | | |
| Blood | 45,827 | 50,680 |
| Clinics | 189,025 | 208,129 |
| Emergency Room | 91,628 | 162,530 |
| Laboratory | 394,920 | 350,255 |
| Nursing | 115,592 | 267,880 |
| Operating Room and Anesthesiology | 45,379 | 329 |
| Pharmacy | 448,695 | 433,234 |
| Radiology | 441,017 | 560,701 |
| Respiratory | 83,130 | 74,922 |
| Total Supplies and Other Expenses | 1,855,213 | 2,108,660 |
| Total Professional Services | $ 11,026,737 | $ 10,125,630 |

**SCHEDULES OF GENERAL AND ADMINISTRATIVE** — **YEAR ENDED SEPTEMBER 30,**

| | 2016 | 2015 |
|---|---|---|
| **Salaries and Fees:** | | |
| Administrative | $ 1,406,373 | $ 1,376,291 |
| Dietary | 170,549 | 163,040 |
| Housekeeping | 204,888 | 171,756 |
| Maintenance | 320,158 | 269,183 |
| Medical Records | 198,389 | 213,523 |
| Total Salaries and Fees | 2,300,357 | 2,193,793 |
| **Supplies and Other Expenses:** | | |
| Administrative | 1,395,880 | 803,263 |
| Dietary | 176,647 | 145,844 |
| Employee Benefits | 1,763,435 | 1,640,529 |
| Housekeeping | 68,325 | 84,400 |
| Information Technology | 264,905 | 178,191 |
| Insurance | 180,006 | 163,066 |
| Maintenance | 373,422 | 417,479 |
| Medical Records | 46,309 | 62,060 |
| Total Supplies and Other Expenses | 4,268,929 | 3,494,832 |
| Total General and Administrative Services | $ 6,569,286 | $ 5,688,625 |

## JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
## JACKSON PARISH HOSPITAL
## Jonesboro, Louisiana

**SCHEDULES OF GOVERNING BOARD EXPENSES** **YEAR ENDED SEPTEMBER 30,**

| | 2016 | 2015 |
|---|---|---|
| | COMPENSATION | COMPENSATION |
| Barbara Johns | $ 240 | $ 240 |
| David Chestnut | $ - | $ - |
| Debra Jackson | $ - | $ 200 |
| Fannie Williams | $ - | $ - |
| Lonnie Menzina | $ - | $ - |
| Sean Disotell | $ - | $ - |
| Freddy Tolar | $ - | $ - |
| Rebecca Crouch | $ - | $ - |
| Josh Smith | $ - | $ - |
| Railey Garrett | $ - | $ - |
| Herbert Simmons | $ - | $ - |
| Gussie McConnell | $ - | $ - |
| Jamie Slusher | $ - | $ - |

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER** **SEPTEMBER 30,**

| | 2016 | 2015 |
|---|---|---|
| ROBERT LLOYD MONGER | | |
| October 2014 - May 2015 | | |
| Salary | $ - | $ 79,947 |
| Health Insurance Stipend | - | 1,500 |
| Benefits-Insurance | - | - |
| Benefits-Retirement | - | 719 |
| Tuition Reimbursement | - | - |
| Reimbursements | - | 1,233 |
| Travel | - | - |
| Conference Expenses | - | - |
| Registration Fees | - | - |
| | $ - | $ 83,399 |

| | 2016 | 2015 |
|---|---|---|
| BOBBY JORDAN | | |
| Salary | $ 150,000 | $ 60,577 |
| Health Insurance Stipend | - | - |
| Benefits-Insurance | - | - |
| Benefits-Retirement | - | - |
| Tuition Reimbursement | - | - |
| Reimbursements | 381 | 88 |
| Travel | - | - |
| Conference Expenses | 2,519 | - |
| Registration Fees | - | - |
| | $ 152,900 | $ 60,665 |

LANGLINAIS BROUSSARD & KOHLENBERG
CERTIFIED PUBLIC ACCOUNTANTS

Chris A. Kohlenberg, CPA, MBA, MHA Retired

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

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

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

Board of Commissioners
Jackson Parish Hospital
Hospital Service District No. 1
Parish of Jackson
Jonesboro, 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 Jackson Parish Hospital Service District No.1, dba Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana (the Hospital), as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated August 23, 2017.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we identified findings which are described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan".

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. We consider Findings 2016-6 through 2016-11 to be material weaknesses. 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. We consider Finding 2016-5 to be a significant deficiency.

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## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests identified findings of noncompliance that are required to be reported under *Government Auditing Standards*. These findings are listed as 2016-1 through 2016-4.

## THE HOSPITAL'S RESPONSE TO FINDINGS

The Hospital's responses to the findings identified in our audit is described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## PURPOSE OF THIS REPORT

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

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

Sincerely,

Langlinais Broussard & Kohlenberg

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

August 23, 2017

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
JACKSON PARISH HOSPITAL
JONESBORO, LOUISIANA

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

We have audited the financial statements of Jackson Parish Hospital Service District No. 1, dba Jackson Parish Hospital (the Hospital), a component unit of the Jackson Parish Police Jury, State of Louisiana, as of and for the years ended September 30, 2016 and 2015, and have issued our report thereon dated August 23, 2017. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of September 30, 2016 and 2015 resulted in unmodified opinions (please reference the "Other Matter" paragraph in our audit report for September 30, 2016).

## Section I: Summary of Auditor's Reports

**A. Report on Internal Control and Compliance Material to the Financial Statements:**

Internal Control

| | |
|---|---|
| Material Weaknesses: | Yes |
| Significant Deficiencies: | Yes |

Compliance

| | |
|---|---|
| Compliance Material to Financial Statements | Yes |

## Section II: Financial Statement Findings

### A – Issues of Noncompliance

**Finding 2016-1 Audit Deadline**

**Criteria:** Louisiana law requires audits of governmental districts to be filed within six months of the entity's fiscal year end under RS 24:513.

**Condition:** The Hospital did not meet the six month deadline for filing the audit report with the Legislative Auditor of the State of Louisiana.

**Cause:** The Hospital has experienced significant turnover in key senior management positions, as well as other accounting positions including accounts payable and payroll in each of the last two fiscal years under audit.

**Effect:** The Hospital is not in compliance with Louisiana RS 24:513.

**Recommendation:** Audit reports should be filed with the Legislative Auditor's office within six months of the year end to be in compliance with Louisiana RS 24:513.

**Management Response:** Full management turnover in past years created difficulty with timely filing and fulfillment of duties. The hospital has replaced relevant staff and is working towards putting processes and additional staff in place to ensure timely filing is achieved in the future.

**Finding 2016-2 Nepotism**

**Criteria:** Louisiana Revised Statute 42:1112 requires that no public servant, except as provided by R.S. 42:1120, shall participate in a transaction involving the governmental entity in which, to his actual knowledge, a member of his immediate family has substantial economic interest.

**Condition:** The Hospital has had a recurring pest control contract for several years. The former Chief Financial Officer may have been an immediate family member of the owner of the pest control service.

**Cause:** At the time the former CFO elevated to the position of a senior officer, he may be considered to have participated in a transaction to which he was knowledgeable that a member of his immediate family had substantial economic interest in the transaction. During the fiscal year under audit, the pest control company was paid a total of $4,100.

**Effect:** The timing of these two events may cause the public servant to have been out of compliance with State Ethics Laws.

**Recommendation:** The Hospital should continue to monitor all contracts and authorized signers of contracts. The Hospital should provide continuing education on the Louisiana ethics code.

**Management Response:** The hospital is conducting a voluntary survey of employees to determine potential unknown relationships between employees and vendors. A relationship disclosure request is also being added to the hiring process for new employees. This is expected to be completed by Q4-2017.

**<u>Finding 2016-3 Contracts</u>**

**Criteria:** The Hospital sought legal review and advice on provider contracts in first quarter of the fiscal year ended September 30, 2016.

**Condition:** The Hospital's attorney provided a memorandum to Hospital administration advising that the contracts be revised due to current language that may constitute non-compliance with state and federal laws.

**Cause:** The provider contracts were not revised in accordance with the attorney's recommendations.

**Effect:** The Hospital's contracts may be non-compliant with state and federal laws.

**Recommendation:** The Hospital should revise and enact contracts as recommended by Hospital attorneys.

**Management Response:** Full management turnover has resulted in a delay of implementation. The Hospital is preparing to revise provider contracts per the attorney's recommendations in the Hospital 2018 fiscal year.

**<u>Finding 2016-4 1099 Filing</u>**

**Criteria:** The Hospital is required to distribute a Form 1099-Misc to vendors meeting certain criteria established by the Internal Revenue Service.

**Condition:** The Hospital filed 1099s for the calendar year ended 2016 that did not include significant payments to certain vendors.

**Effect:** The Hospital's 1099 filing may be incomplete.

**Recommendation:** The Hospital should review and evaluate payments to vendors, determine which payments meet the criteria, and correct the 1099 filing.

**Management Response:** The hospital will review 1099 filings and correct any deficiencies identified by October 31, 2017.

## B- Significant Deficiencies

### Finding 2016-5 Employee Benefits Policy

**Criteria and Condition:** The Hospital has updated their practices and procedures regarding Employee Discounts for patient services offered to employees. However, the Employee Benefits Policy regarding Employee Discounts has not been updated in order to clearly state the procedure in which the employee should obtain the discount. The policy should be updated to reflect current Hospital practices.

**Cause:** The Hospital did not update the written policy on Employee Discounts.

**Effect:** The policy may not be reflective of current practice and procedure.

**Recommendation:** A clear employee discount policy should be written to provide the procedure in which employees should apply for the discount. The policy should state what authorization should occur before an employees' account may be discounted.

**Management Response:** A policy is currently being developed with an expected approval and adoption by December 31, 2017.

## C – Material Weaknesses

### Finding 2016-6 Financial Statement Preparation

**Criteria:** The Hospital does not present full disclosure financial statements to its board in accordance with Generally Accepted Accounting Principles.

**Condition:** The Hospital relies on its outside auditors to assist in the preparation of full disclosure GAAP financial statements.

**Cause:** The Hospital has a small accounting staff.

**Effect:** The Hospital designates an employee with skilled knowledge and experience to review the draft of the prepared financial statements and footnotes prior to approving them and accepting responsibility for their contents and presentation.

**Recommendation:** The hospital's accounting personnel should attend education courses to further their knowledge in the application of Generally Accepted Accounting Principles.

**Management Response:** The Hospital has secured the services of a healthcare consulting firm to review Hospital billing and financial processes. Staffing changes and education are currently being reviewed and implemented in order to ensure appropriate reporting and disclosure in accordance with GAAP.

### Finding 2016-7 Lack of Segregation of Duties

**Criteria:** Best practices in internal controls would facilitate segregation of duties in all accounting functions and oversight in each area.

**Condition:** The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated in all accounting areas.

**Cause:** The hospital has a small accounting staff.

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

**Recommendation:** The authorization, recording, and reconciliation of transactions and decisions as well as the custody of assets related to those transactions and decisions should be segregated as much as possible. Management should consider the cost/benefit of segregation of duties and continue to monitor areas where lack of segregation exists.

**Management Response:** Policies and procedures are being reviewed, updated, and implemented as necessary to create a separation of duties to the fullest extent possible without significantly increasing Hospital staffing.

**Finding 2016-8 Proposed Audit Adjustments**

**Criteria and Condition:** The proposed audit adjustments for the fiscal years ended September 30, 2016 and 2015 had material effects on the financial statements.

**Cause:** The Hospital did not detect the misstatements.

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

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

**Management Response:** The Hospital has secured the services of a healthcare consulting firm to review Hospital billing and financial processes to ensure accuracy and avoid the need for further adjustments to future fiscal year closures.

**Finding 2016-9 Prior Period Adjustment**

**Criteria and Condition:** A prior period adjustment has been made to re-state patient credit balances to a reasonably estimated amount.

**Cause:** The Hospital's electronic payment posting system is not posting payments and contractual adjustments correctly, causing patient accounts to reflect erroneous credit balances.

**Effect:** A manual adjustment must be made to each erroneous account in order for it to reflect the correct patient balance.

**Recommendation:** The Hospital must evaluate erroneous patient accounts and manually adjust them to reflect the appropriate balance.

**Management Response:** Hospital billing staff are currently reviewing credit balances beginning with the most recent and working backwards. Additional staff have been re-assigned to prioritize this adjustment process.

**Finding 2016-10 Patient Accounts Receivable Maintenance and Collections**

**Criteria:** The Hospital should maintain patient account balances to ensure balances reflected are accurate. The Hospital should perform an evaluation on self-pay collections and implement an appropriate collection process in accordance with applicable laws and regulations.

**Condition:** The Hospital reflected a large amount of credit balances and aged accounts in the accounts receivable subsidiary ledger.

**Cause:** Patient balances are not being monitored timely in order to establish whether credit balances are accurate and/or whether aged accounts should be deemed uncollectible.

**Effect:** Individual patient balances reflected in the accounts receivable subsidiary ledger may not reflect accurate balances due to untimely review and adjusting of Hospital staff. Accounts receivable reserve and adjustments to credit balances must be estimated to reflect appropriate general ledger balances.

**Recommendation:** The Hospital should establish a procedure in order for accounts to be evaluated timely in order to reflect the adjustments needed. Collection procedures should be evaluated to establish an up-front collections procedure and to establish whether outside credit agencies should be used.

**Management Response:** The Hospital has secured the services of a healthcare consulting firm to review Hospital billing and financial processes to ensure accuracy and avoid the need for future credit balance and account adjustments. The Hospital has also changed billing companies effective 7/3/17 to improve account balance processing and is reviewing the need to establish a contract with an outside collections agency or if sufficient staffing resources exist to perform the process in-house. Hospital registration staff have been trained on up-front collections processes and in-house procedures are being reviewed and updated as necessary to ensure patient balances are maintained accurately.

**Finding 2016-11 Accrued Compensated Absences**

**Criteria:** The Hospital has experienced errors in employee accrued compensated absences in recent years.

**Condition:** The Hospital did not adjust each employee's balances in the payroll system subsidiary ledger to reflect adjustments recognized by the prior year's evaluation.

**Cause:** The accrued compensated balance was not updated in the payroll system subsidiary ledger.

**Effect:** The Hospital must manually estimate the liability for accrued compensated absences and adjust the general ledger accordingly.

**Recommendation:** The Hospital should update employee balances in the payroll system so that the accrued compensated absences balance may be properly presented and automatically calculated.

**Management Response:** Management is currently reviewing employee balances in the Evident Payroll system so that the accrued compensated absences balance are properly presented and automatically calculated.

## Section III: Management Letter Items

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

**JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1**
**JACKSON PARISH HOSPITAL**
**JONESBORO, LOUISIANA**

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

**Finding 2015-1 Audit Deadline:** The Hospital did not meet the six month deadline for filing the audit report with the Legislative Auditor of the State of Louisiana.

**Status:** Unresolved. See Finding 2016-1.

**Finding 2015-2 Physician Payment:** The Hospital issued a check for $7,665 in January of 2016 directly to a doctor who provides services under a separate Hospital agreement for emergency physician services.

**Status:** Resolved.

**Finding 2015-3 Ethics:** During 2016, the CFO resigned his hospital position and subsequently became employed with a company with whom the Hospital was contracted. The CFO was the hospital representative who had previously signed the Hospital contract with the aforementioned company.

**Status:** Resolved.

**Finding 2015-4 Employee Benefits Policy:** The Hospital has updated their practices and procedures regarding Employee Discounts for patient services offered to employees. However, the Employee Benefits Policy regarding Employee Discounts has not been updated in order to clearly state the procedure in which the employee should obtain the discount. The policy should be updated to reflect current Hospital practices.

**Status:** Unresolved. See Finding 2016-5.

**Finding 2015-5 Financial Assistance/ Charity Care Policy**: The Hospital does not have a written charity care policy.

**Status:** Resolved.

**Finding 2015-6 Financial Statement Preparation:** The Hospital relies on its outside auditors to assist in the preparation of full disclosure GAAP financial statements.

**Status:** Unresolved. See Finding 2016-6.

**Finding 2015-7 Lack of Segregation of Duties:** The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated in all accounting areas.

**Status:** Unresolved. See 2016-7.

**Finding 2015-8 Proposed Audit Adjustments:** The proposed audit adjustments for the fiscal years ended September 30, 2015 and 2014 had material effects on the financial statements.

**Status:** Unresolved. See 2016-8.

**Finding 2015-9 Prior Period Adjustment:** As a result of the Legislative Auditor's Investigation, employee benefits withheld from the years 2009 to 2014 were found to be misstated.

**Status:** Resolved.

**Finding 2015-10 Journal Entry Support:** Although journal entries were made throughout the year, the support for those journal entries were not always presented in a manner that was clear and concise.

**Status:** Resolved.

**Finding 2015-11 Patient Accounts Receivable Maintenance and Collections:** The Hospital reflected a large amount of credit balances and aged accounts in accounts receivable. The Hospital has not consistently applied an up-front collection procedure.

**Status:** Unresolved. See 2016-10.

**Finding 2015-12 Accrued Compensated Absences:** The Hospital did not adjust each employee's balances in the payroll system to reflect adjustments recognized by the prior year's evaluation. The accrued compensated absence liability did not reflect the adjustment for the current fiscal year.

**Status:** Unresolved. See 2016-11.

**Finding 2015-13 Patient Revenue Accounts Mapping:** Charge codes are not accurately mapped to the correct general ledger account.

**Status:** Resolved.