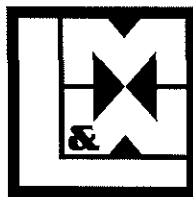


LASALLE H.S.D. NO. 2
D/B/A
LASALLE GENERAL HOSPITAL
AND
LASALLE NURSING HOME

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2014, 2013, AND 2012



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Financial Statements
And
Independent Auditors' Report
Years Ended September 30, 2014, 2013, and 2012

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Hospital Service District No. 2 of LaSalle Parish, State of Louisiana
(d/b/a LaSalle General Hospital and LaSalle Nursing Home)
Management's Discussion and Analysis
Of the Financial Statements
Years ended September 30, 2014, 2013 and 2012

This section of the Service District's annual financial report presents background information and management's analysis of the Service District's financial performance during the fiscal year that ended on September 30, 2014. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The Service District's total assets decreased by \$279,168, or 1.5%, during fiscal year 2014, compared to a decrease of \$2,479,619 and \$2,504,760 and increase of \$442,512 in fiscal years 2013, 2012, and 2011, respectively. An increase in net accounts receivable of \$485,095 with an increase in third-party payor settlements of \$96,942 offset decreases of \$1,112,735 in cash and investments.
- During the year, the Service District's total operating revenues increased \$198,816 compared to prior year decreases of \$1,378,624, and \$694,064 in fiscal years 2013 and 2012, respectively. Increases in the charge master contributed to this increase.
- Total expenses decreased \$1,429,504 or 5.7% compared to a decrease of \$645,661 or approximately 2.5% and an increase of \$1,895,729 in fiscal years 2013 and 2012, respectively. A decrease in fiscal year 2014's salaries and benefits of \$1,671,756 was achieved by the downsizing of the District's work force. This was the driving factor behind the decrease in total expenses.
- The Service District has a loss from operations of \$916,646 which is less than prior year losses of \$2,544,966 and \$1,812,003 in fiscal years 2013 and 2012, respectively.

Required Financial Statements

The Financial Statements of the Service District report information about the Service District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position includes all of the Service District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Service District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Service District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenue, Expenses, and Changes in Net Position. This statement measures improvements in the Service District's operations over the past two years and can be used to determine whether the Service District has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the Service District's cash from operations, investing and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?" and "What was the change in cash balance during the reporting period?"

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

Financial Analysis of the Service District

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

Net Position

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

TABLE 1
Condensed Statements of Net Position

	September 30,			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total current assets	\$ 5,039,081	\$ 5,566,442	\$ 9,933,192	\$ 11,912,788
Capital assets - net	10,876,080	10,635,040	10,875,685	11,396,185
Assets limited to use	2,144,307	2,132,490	-0-	-0-
Other assets	<u>9,292</u>	<u>13,956</u>	<u>18,670</u>	<u>23,334</u>
 Total Assets	 \$ <u>18,068,760</u>	 \$ <u>18,347,928</u>	 \$ <u>20,827,547</u>	 \$ <u>23,332,307</u>
 Current liabilities	 \$ 4,233,370	 \$ 3,866,501	 \$ 3,578,030	 \$ 3,983,761
Long-term debt	2,169,784	1,866,277	2,042,287	2,195,372
Invested in capital assets, net of related debt	8,483,172	8,594,535	8,722,354	6,702,060
Restricted: bond reserve fund	2,144,307	2,132,490	-0-	-0-
Unrestricted	<u>1,038,127</u>	<u>1,888,125</u>	<u>6,484,876</u>	<u>10,451,114</u>
 Total Liabilities and Net Position	 \$ <u>18,068,760</u>	 \$ <u>18,347,928</u>	 \$ <u>20,827,547</u>	 \$ <u>23,332,307</u>

Summary of Revenue, Expenses, and Changes in Net Position

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

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

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

	<u>2014</u>	<u>2013</u>	September 30, <u>2012</u>	<u>2011</u>
Revenues				
Net patient service revenue	\$ 19,820,560	\$ 19,082,606	\$ 23,350,068	\$ 21,523,334
Operating grants	2,304,915	2,750,341	54,142	2,409,892
Ad valorem taxes	248,318	342,723	206,486	203,854
Other revenue	<u>451,289</u>	<u>450,596</u>	<u>394,194</u>	<u>561,874</u>
Total Revenues	<u>22,825,082</u>	<u>22,626,266</u>	<u>24,004,890</u>	<u>24,698,954</u>
Expenses				
Salaries and benefits	13,709,648	15,381,404	15,716,787	14,636,049
Medical supplies and drugs	1,263,728	1,066,646	1,227,578	1,179,469
Insurance	539,303	510,201	590,482	456,127
Professional fees	2,655,323	2,574,230	2,519,388	2,103,263
Other expenses	4,727,022	4,530,150	4,571,808	4,347,974
Depreciation and amortization	<u>846,704</u>	<u>1,108,601</u>	<u>1,190,850</u>	<u>1,198,282</u>
Total Expenses	<u>23,741,728</u>	<u>25,171,232</u>	<u>25,816,893</u>	<u>23,921,164</u>
Operating Income (Loss)	<u>(916,646)</u>	<u>(2,544,966)</u>	<u>(1,812,003)</u>	<u>777,790</u>
Nonoperating Revenues (Expenses)				
Interest income	12,554	32,295	47,921	57,176
Interest expense	(27,898)	(85,776)	(152,722)	(162,069)
Gain on disposal of assets	<u>(30,028)</u>	<u>6,367</u>	<u>(29,140)</u>	<u>(5,403)</u>
Changes in Net Position				
before Capital Grants	(962,018)	(2,592,080)	(1,945,944)	667,494
Capital grants	<u>12,474</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Increase (Decrease) in Net Position	(949,544)	(2,592,080)	(1,945,944)	667,494
Net Position at Beginning of Year	<u>12,615,150</u>	<u>15,207,230</u>	<u>17,153,174</u>	<u>16,485,680</u>
Net Position at End of Year	\$ <u>11,665,606</u>	\$ <u>12,615,150</u>	\$ <u>15,207,230</u>	\$ <u>17,153,174</u>

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

Sources of Revenue

Operating Revenue

During fiscal year 2014, the Service District derived the majority of its total revenue from patient services. Patient service revenue includes revenue from the Medicare and Medicaid programs, commercial insurance, other various third-party payors, and patients who receive care in the Service District's facilities. Reimbursement for the Medicare and Medicaid programs, commercial insurance, and other third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance.

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

**TABLE 3
Payor Mix by Percentage**

	LaSalle General Hospital September 30,			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Medicare	41.04%	45.56%	46.37%	43.00%
Medicaid	16.65%	14.91%	17.91%	18.78%
Commercial Insurance	33.67%	32.79%	30.55%	27.56%
Self Pay	8.64%	6.74%	5.18%	10.66%
	LaSalle Nursing Home September 30,			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Medicare	10.34%	9.20%	11.66%	13.01%
Medicaid	82.14%	82.24%	77.02%	73.17%
Commercial Insurance	N/A	N/A	N/A	N/A
Self Pay	7.52%	8.56%	11.32%	13.82%

Non-operating Income

The Service District has funds invested primarily in Certificates of Deposit held during FY 2014 with Sabine State Bank which has a security interest in the CD's which is collateral for a loan of \$1,866,369. The difference is secured by pledged securities and FDIC insurance. These investments at year end were approximately \$2,144,307 and earned \$12,554 in interest income.

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

Operating and Financial Performance

The following summarizes the Service District's Statements of Revenue, Expenses, and Changes in Net Position between 2014, 2013, and 2012:

Overall activity at the Hospital, as measured by acute patient discharges, was 512, compared to 488 in 2013 and 903 in 2012. Acute patient days were 2,206 in 2014 compared to 2,264 in 2013, and 3,219 in 2012. A decrease in inpatient volume contributed to the overall operating loss for the District. Average length of stay was 4.31 for 2014, compared to 4.64 in 2013, and 3.56 in 2012.

For Swing Bed activity at the Hospital during 2014, discharges were 25 compared to 55 for 2013, and 53 for 2012. Swing Bed patient days were 234 compared to 381 in 2013, and 353 in 2012.

The Nursing Home census decreased slightly to 96 residents compared to the decrease of an average of 98 residents during the fiscal year 2013, compared to 101 residents in fiscal year 2012.

Net Patient Service Revenue for the District increased \$737,954 compared to fiscal year 2013 decrease of \$4,267,462, or approximately 18.3%. The District increased the charges on the charge master in fiscal year 2014 which helped in offsetting the decrease in inpatient volume.

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

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

Capital Assets

**TABLE 4
Capital Assets**

	September 30,			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 278,893	\$ 278,893	\$ 278,893	\$ 278,893
Land improvements	301,778	301,778	264,807	256,631
Buildings and fixed equipment	17,094,401	16,352,646	16,271,085	16,280,489
Moveable equipment	7,659,634	7,899,722	7,562,278	8,153,868
Construction in progress	<u>381,025</u>	<u>667,746</u>	<u>260,426</u>	<u>10,532</u>
 Total	 25,715,731	 25,500,785	 24,637,489	 24,980,413
Less: accumulated depreciation	<u>14,839,651</u>	<u>14,865,745</u>	<u>13,761,804</u>	<u>13,584,228</u>
 Net Capital Assets	 \$ <u>10,876,080</u>	 \$ <u>10,635,040</u>	 \$ <u>10,875,685</u>	 \$ <u>11,396,185</u>

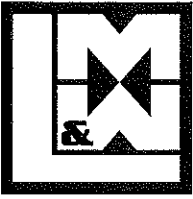
The District's net capital assets increased by \$241,040 during 2014 due to the completion of the Nursing Home's therapy building totaling \$741,755 and Hospital capital leases of \$554,022. The District removed assets from the depreciation schedule totaling \$898,166 with related accumulated depreciation of \$868,138 for a loss of \$30,028.

Long-term Debt

At year-end, the Service District had \$2,169,784 in long-term debt and \$223,124 in short-term debt. The District took out a \$2,500,000 loan in 2009 for construction of the Physician Office Building, which opened September 1, 2009. The District entered into three capital leases totaling \$554,022 in fiscal year 2014. More detailed information about the District's long-term debt is presented in Note 11 to the basic financial statements.

Contacting the Service District's Financial Manager

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



LESTER, MILLER & WELLS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net position of Hospital Service District No. 2, Parish of LaSalle, State of Louisiana (the "District"), a component unit of the LaSalle Parish Police Jury, Jena, Louisiana, as of and for the years ended September 30, 2014, 2013, and 2012, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 2, Parish of LaSalle as of September 30, 2014, 2013, and 2012, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "vi" be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Hospital Service District No. 2, Parish of LaSalle's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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



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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 24, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Lester Mullen, S. Wells

Certified Public Accountants
Alexandria, Louisiana

February 24, 2015



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

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current Assets			
Cash and cash equivalents (Note 3)	\$ 713,605	\$ 1,247,172	\$ 1,132,040
Limited use assets - required for current liabilities (Note 4)	27,893	25,717	1,272,559
Investments (Note 3)	311,241	902,409	3,319,216
Estimated third-party payor settlements	446,948	291,503	558,602
Accounts receivable, net (Note 5)	3,049,567	2,564,472	3,132,394
Other receivables	110,828	48,843	15,676
Inventory	283,926	346,801	383,649
Prepaid expenses	95,073	139,525	119,056
Total Current Assets	<u>5,039,081</u>	<u>5,566,442</u>	<u>9,933,192</u>
Capital assets, net (Note 6)	10,876,080	10,635,040	10,875,685
Limited use assets (Note 4)	2,144,307	2,132,490	-0-
Other assets (Note 7)	9,292	13,956	18,670
Total Assets	<u>\$ 18,068,760</u>	<u>\$ 18,347,928</u>	<u>\$ 20,827,547</u>
<u>LIABILITIES AND NET POSITION</u>			
Current Liabilities			
Accounts payable	\$ 889,763	\$ 771,993	\$ 544,214
Accrued expenses and withholdings (Note 8)	1,384,631	1,191,614	1,236,952
Estimated third-party payor settlements	200,000	141,497	-0-
Limited use assets	1,283,191	1,281,023	1,285,893
Retirement plan payable	252,661	306,146	357,886
Current portion of long-term debt (Note 11)	223,124	174,228	153,085
Total Current Liabilities	<u>4,233,370</u>	<u>3,866,501</u>	<u>3,578,030</u>
Long-term debt, net of current portion (Note 11)	<u>2,169,784</u>	<u>1,866,277</u>	<u>2,042,287</u>
Total Liabilities	<u>6,403,154</u>	<u>5,732,778</u>	<u>5,620,317</u>
Net Position			
Invested in capital assets, net of related debt	8,483,172	8,594,535	8,722,354
Restricted: bond reserve fund	2,144,307	2,132,490	-0-
Unrestricted	1,038,127	1,888,125	6,484,876
Total Net Position	<u>11,665,606</u>	<u>12,615,150</u>	<u>15,207,230</u>
Total Liabilities and Net Position	<u>\$ 18,068,760</u>	<u>\$ 18,347,928</u>	<u>\$ 20,827,547</u>

See accompanying notes to financial statements.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues			
Net patient service revenue (Note 12)	\$ 19,820,560	\$ 19,082,606	\$ 23,350,068
Operating grants	2,304,915	2,750,341	54,142
Ad valorem taxes	248,318	342,723	206,486
Other revenue	<u>451,289</u>	<u>450,596</u>	<u>394,194</u>
Total Revenues	<u>22,825,082</u>	<u>22,626,266</u>	<u>24,004,890</u>
Expenses			
Salaries and benefits	13,709,648	15,381,404	15,716,787
Medical supplies and drugs	1,263,728	1,066,646	1,227,578
Insurance	539,303	510,201	590,482
Professional fees	2,655,323	2,574,230	2,519,388
Other expenses	4,727,022	4,530,150	4,571,808
Depreciation and amortization	<u>846,704</u>	<u>1,108,601</u>	<u>1,190,850</u>
Total Expenses	<u>23,741,728</u>	<u>25,171,232</u>	<u>25,816,893</u>
Operating Income (Loss)	<u>(916,646)</u>	<u>(2,544,966)</u>	<u>(1,812,003)</u>
Nonoperating Revenues (Expenses)			
Interest income	12,554	32,295	47,921
Interest expense	(27,898)	(85,776)	(152,722)
Gain (loss) on disposal of assets	<u>(30,028)</u>	<u>6,367</u>	<u>(29,140)</u>
Changes in Net Position before Capital Grants	<u>(962,018)</u>	<u>(2,592,080)</u>	<u>(1,945,944)</u>
Capital grants	<u>12,474</u>	<u>-0-</u>	<u>-0-</u>
Increase (Decrease) in Net Position	<u>(949,544)</u>	<u>(2,592,080)</u>	<u>(1,945,944)</u>
Net Position at Beginning of Year	<u>12,615,150</u>	<u>15,207,230</u>	<u>17,153,174</u>
Net Position at End of Year	<u>\$ 11,665,606</u>	<u>\$ 12,615,150</u>	<u>\$ 15,207,230</u>

See accompanying notes to financial statements.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 19,238,523	\$ 20,059,124	\$ 23,300,091
Other receipts from operations	2,942,537	3,510,493	1,967,651
Cash payments to employees and for employee-related cost	(13,570,116)	(15,478,482)	(15,543,330)
Cash payments for other operating expenses	<u>(8,960,279)</u>	<u>(8,437,069)</u>	<u>(9,464,198)</u>
Net cash provided (used) by operating activities	<u>(349,335)</u>	<u>(345,934)</u>	<u>260,214</u>
Cash flows from investing activities:			
Purchase of investments	-0-	(3,034,899)	(3,319,216)
Proceeds from investing activities	579,351	3,319,216	4,313,932
Proceeds from limited use assets	(8)	1,241,972	(12,330)
Interest income	<u>12,554</u>	<u>32,295</u>	<u>47,921</u>
Net cash provided (used) by investing activities	<u>591,897</u>	<u>1,558,584</u>	<u>1,030,307</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,083,080)	(863,242)	(665,679)
Proceeds from long-term debt	554,022	2,126,589	-0-
Principal payments on long-term debt	(201,619)	(2,281,456)	(151,699)
Interest expense on long-term debt	(27,898)	(85,776)	(152,722)
Proceeds from capital grants	12,474	-0-	-0-
Proceeds from disposal of capital assets	<u>(30,028)</u>	<u>6,367</u>	<u>(29,140)</u>
Net cash provided (used) by capital and related financing activities	<u>(776,129)</u>	<u>(1,097,518)</u>	<u>(999,240)</u>
Net increase (decrease) in cash and cash equivalents	(533,567)	115,132	291,281
Beginning cash and cash equivalents	<u>1,247,172</u>	<u>1,132,040</u>	<u>840,759</u>
Ending cash and cash equivalents	\$ <u>713,605</u>	\$ <u>1,247,172</u>	\$ <u>1,132,040</u>

See accompanying notes to financial statements.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>27,898</u>	\$ <u>85,776</u>	\$ <u>152,722</u>
Equipment acquired under capital lease	\$ <u>554,022</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (916,646)	\$ (2,544,966)	\$ (1,812,003)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	846,704	1,108,601	1,190,850
Change in current assets (increase) decrease:			
Net patient accounts receivable	(485,095)	567,922	(165,233)
Other receivables	(61,985)	(33,167)	1,312,829
Estimated third-party payor settlements	(96,942)	408,596	115,256
Inventory	62,875	36,848	(641)
Prepaid expenses	44,452	(20,469)	28,761
Change in current liabilities (increase) decrease:			
Accounts payable	117,770	227,779	(583,062)
Accrued expenses and withholdings payable	193,017	(45,338)	141,127
Retirement plan payable	<u>(53,485)</u>	<u>(51,740)</u>	<u>32,330</u>
Net cash provided (used) by operating activities	\$ <u>(349,335)</u>	\$ <u>(345,934)</u>	\$ <u>260,214</u>

See accompanying notes to financial statements.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

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

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

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

Nature of Business

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

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

Basis of Accounting

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

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

Principles of Combination

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

Cash and Cash Equivalents

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

Credit Risk

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

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

Significant Concentration of Economic Dependence

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

Inventory

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue

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

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

Patient Accounts Receivable

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

Capital Assets

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

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

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

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

Revenues and Expenses

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

Grants and Contributions

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

Use of Estimates

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

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

Resident Deposits

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

Charity Care

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

Risk Management

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds. Louisiana law requires banks and savings and loan associates to secure a government's deposits (cash in banks) by pledging qualifying securities as collateral. For this purpose "cash in banks" is comprised of the account balances according to the bank's records.

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2014, 2013, and 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Account balances according to bank's records at September 30, 2014, for the District are as follows:

	<u>Bank of Jena</u>	<u>Sabine State Bank</u>
Cash in banks	\$ <u>1,270,607</u>	\$ <u>2,144,242</u>
Insured by FDIC	\$ <u>500,000</u>	\$ <u>250,000</u>
Collateralization at fair market value	\$ <u>770,607</u>	\$ <u>27,873</u>
Collateralized by note payable	\$ <u>-0-</u>	\$ <u>1,866,369</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the Hospital be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The Hospital's deposits were entirely insured, entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name, or collateralized by the note payable at September 30, 2014, 2013, and 2012.

Concentration of Credit Risks - The District has 33% of its cash and cash equivalents at Bank of Jena in checking accounts.

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Carrying amounts			
Deposits	\$ 713,605	\$ 1,247,172	\$ 1,132,040
Investments	<u>2,483,441</u>	<u>3,060,616</u>	<u>4,591,775</u>
Total	\$ <u>3,197,046</u>	\$ <u>4,307,788</u>	\$ <u>5,723,815</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 713,605	\$ 1,247,172	\$ 1,132,040
Limited use assets - required for current liabilities	27,893	25,717	1,272,559
Investments	311,241	902,409	3,319,216
Limited use assets	<u>2,144,307</u>	<u>2,132,490</u>	<u>-0-</u>
Total	\$ <u>3,197,046</u>	\$ <u>4,307,788</u>	\$ <u>5,723,815</u>

NOTE 4 - LIMITED USE ASSETS

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Hospital retirement investments	\$ -0-	\$ -0-	\$ 1,241,924
Bond reserve fund	2,144,307	2,132,490	-0-
Residents' deposits	27,893	25,717	30,635
Required for current liabilities	<u>(27,893)</u>	<u>(25,717)</u>	<u>(1,272,559)</u>
Limited use assets	\$ <u>2,144,307</u>	\$ <u>2,132,490</u>	\$ <u>-0-</u>

As a governmental entity, several years ago the Hospital chose to opt-out of Social Security and provide its full-time employees with a Social Security replacement retirement plan under section 401(a) of the Internal Revenue Service Code. This plan is funded at a rate at least equivalent to Social Security. When the Hospital entered into this arrangement, it received a refund of some prior years' Social Security taxes. These funds were set aside and invested in a Certificate of Deposit for the purpose of making the employees at the time of transition whole in retirement benefits. The Social Security program may offset

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 4 - LIMITED USE ASSETS (Continued)

the amount of benefits paid when one participates in a governmental retirement plan. Therefore, at the inception of the Social Security replacement plan the Hospital set aside these funds to insure those individual employees' retirement benefits were not reduced due to the Hospital selecting this option. The fund was invested in a Certificate of Deposit which was shown as a Board restricted asset, and is offset by a corresponding contingent liability for fiscal years 2012. The amount of the liability is dependent on several factors for each individual employee so that the amount of this contingent liability cannot be reasonably estimated at this time.

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

NOTE 5 - ACCOUNTS RECEIVABLE

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Patient accounts receivable	\$ 5,169,816	\$ 4,553,549	\$ 5,200,472
Other accounts receivable	<u>93,751</u>	<u>61,911</u>	<u>26,289</u>
	5,263,567	4,615,460	5,226,761
Estimated uncollectibles	<u>(2,214,000)</u>	<u>(2,050,988)</u>	<u>(2,094,367)</u>
Net accounts receivable	\$ <u>3,049,567</u>	\$ <u>2,564,472</u>	\$ <u>3,132,394</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Medicare	41%	43%	48%
Medicaid	17%	19%	18%
Commercial and other third-party payors	34%	30%	29%
Patients	<u>8%</u>	<u>8%</u>	<u>5%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2014, 2013, and 2012

NOTE 6 - CAPITAL ASSETS

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

	<u>2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>2014</u>
Land	\$ 278,893	\$ -0-	\$ -0-	\$ 278,893
Land improvements	301,778	-0-	-0-	301,778
Buildings and fixed equipment	16,352,646	741,755	-0-	17,094,401
Moveable equipment	7,899,722	660,400	900,488	7,659,634
Construction in progress	<u>667,746</u>	<u>455,034</u>	<u>741,755</u>	<u>381,025</u>
 Total	 25,500,785	 1,857,189	 1,642,243	 25,715,731
Accumulated depreciation	<u>14,865,745</u>	<u>842,044</u>	<u>868,138</u>	<u>14,839,651</u>
 Net	 \$ <u>10,635,040</u>	 \$ <u>1,015,145</u>	 \$ <u>774,105</u>	 \$ <u>10,876,080</u>
	 <u>2012</u>	 <u>Additions</u>	 <u>Deductions</u>	 <u>2013</u>
Land	\$ 278,893	\$ -0-	\$ -0-	\$ 278,893
Land improvements	264,807	36,971	-0-	301,778
Buildings and fixed equipment	16,271,085	81,561	-0-	16,352,646
Moveable equipment	7,562,278	337,444	-0-	7,899,722
Construction in progress	<u>260,426</u>	<u>487,057</u>	<u>79,737</u>	<u>667,746</u>
 Total	 24,637,489	 943,033	 79,737	 25,500,785
Accumulated depreciation	<u>13,761,804</u>	<u>1,103,941</u>	<u>-0-</u>	<u>14,865,745</u>
 Net	 \$ <u>10,875,685</u>	 \$ <u>(160,908)</u>	 \$ <u>79,737</u>	 \$ <u>10,635,040</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 6 - CAPITAL ASSETS (Continued)

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

	<u>2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>2012</u>
Land	\$ 278,893	\$ -0-	\$ -0-	\$ 278,893
Land improvements	256,631	12,674	4,498	264,807
Buildings and fixed equipment	16,280,489	-0-	9,404	16,271,085
Moveable equipment	8,153,868	441,338	1,032,928	7,562,278
Construction in progress	<u>10,532</u>	<u>249,894</u>	<u>-0-</u>	<u>260,426</u>
 Total	 24,980,413	 703,906	 1,046,830	 24,637,489
Accumulated depreciation	<u>13,584,228</u>	<u>1,186,186</u>	<u>1,008,610</u>	<u>13,761,804</u>
 Net	 \$ <u>11,396,185</u>	 \$ <u>(482,280)</u>	 \$ <u>38,220</u>	 \$ <u>10,875,685</u>

NOTE 7 - OTHER ASSETS

Other assets at September 30, consists of the following:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Physician practice acquisition, net of straight-line amortization over 60 months	\$ 9,267	\$ 13,931	\$ 18,595
Deposits	<u>25</u>	<u>25</u>	<u>75</u>
 Total	 \$ <u>9,292</u>	 \$ <u>13,956</u>	 \$ <u>18,670</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 8 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Accrued employee insurance payable (net of accrued stop loss receivable)	\$ 359,547	\$ 133,000	\$ 108,000
State unemployment taxes payable	-0-	1,081	34,259
Accrued interest payable	93,905	62,238	30,655
Accrued salaries and fees payable	338,191	444,849	462,322
Accrued compensated absences	482,597	491,377	513,332
Payroll withholdings	72,228	20,906	64,253
Provider tax payable	<u>38,163</u>	<u>38,163</u>	<u>24,131</u>
 Total	 \$ <u>1,384,631</u>	 \$ <u>1,191,614</u>	 \$ <u>1,236,952</u>

NOTE 9 - COMPENSATED ABSENCES

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

NOTE 10 - RETIREMENT PLAN

The Hospital has a qualified contributory defined contribution plan "LaSalle General Hospital Money Purchase Pension Plan" under Internal Revenue code of 1986, including any later amendments to the code providing retirement benefits for substantially all of its employees. The plan was restated August 15, 2013. The Plan administrator is the Hospital. The Hospital expects to continue the plan indefinitely but reserves the right to terminate the plan in whole or in part at any time upon giving written notice to all parties concerned. Annually, the Hospital contributes 5.1 percent of the aggregate compensation of eligible employees to the Plan. Mandatory contributions by the employee consist of 6.2 percent of their compensation. An employee must be age 18 or older to participate in the plan. An employee is 100 percent vested upon entry to the plan with normal retirement age being 65 years of age. The Principal is the plan trustee.

The Hospital also has a deferred compensation plan "LaSalle General Hospital Deferred Compensation Plan". The plan was intended to meet the requirements of Section 457 of the Internal Revenue Code of 1986, including any later amendments. The plan was restated, effective August 15, 2013. The plan administrator is

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2014, 2013, and 2012

NOTE 10 - RETIREMENT PLAN (Continued)

the Hospital. Employee voluntary salary contributions have a discretionary match of up to 2.5 percent by the employer. The employer discretionary match is determined by the employer and can be amended by the employer at their discretion. The Principal is the plan trustee.

Employee and employer contributions were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Employee	\$ <u>1,001,801</u>	\$ <u>835,869</u>	<u>763,678</u>
Employer	\$ <u>387,643</u>	\$ <u>451,808</u>	<u>512,671</u>

The Nursing Home sponsors a tax-deferred annuity arrangement "Security Benefits 457 Deferred Compensation Plan", exempt under Section 457 of the Internal Revenue Code that covers all employees who have completed at least 1,000 hours of service per year. The employees must be 21 years of age or older to participate. An employee is 100 percent vested upon entry to the plan with normal retirement age being 70 1/2 years of age. Employees may elect to make contributions of up to \$10,000 to the annuity through a salary reduction agreement. The Nursing Home pays participating employees 50% of their contributions currently. This percentage is at the Board's discretion and is reviewed each year. For the years ended September 30, 2014, 2013, and 2012, the amount of pension expense was \$11,344, \$16,346, and \$13,219, respectively. Security Benefits administers the above plan.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 11 - LONG-TERM DEBT

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

	<u>2013</u>	<u>Additions</u>	<u>Payments</u>	<u>2014</u>	<u>Due Within One Year</u>
Note Payable - SSB	\$ 2,040,505	\$ -0-	\$ 175,284	\$ 1,865,221	\$ 176,670
Capital Leases	<u>-0-</u>	<u>554,022</u>	<u>26,335</u>	<u>527,687</u>	<u>46,454</u>
Total	\$ <u>2,040,505</u>	\$ <u>554,022</u>	\$ <u>201,619</u>	\$ <u>2,392,908</u>	\$ <u>223,124</u>
	<u>2012</u>	<u>Additions</u>	<u>Payments</u>	<u>2013</u>	<u>Due Within One Year</u>
Note Payable - MOB	\$ 2,166,149	\$ -0-	\$ 2,166,149	\$ -0-	\$ -0-
Note Payable - SSB	-0-	2,126,589	86,084	2,040,505	174,228
Kansas State Bank	<u>29,223</u>	<u>-0-</u>	<u>29,223</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>2,195,372</u>	\$ <u>2,126,589</u>	\$ <u>2,281,456</u>	\$ <u>2,040,505</u>	\$ <u>174,228</u>
	<u>2011</u>	<u>Additions</u>	<u>Payments</u>	<u>2012</u>	<u>Due Within One Year</u>
Note Payable - MOB	\$ 2,281,788	\$ -0-	\$ 115,639	\$ 2,166,149	\$ 123,862
Kansas State Bank	<u>65,276</u>	<u>-0-</u>	<u>36,053</u>	<u>29,223</u>	<u>29,223</u>
Total	\$ <u>2,347,064</u>	\$ <u>-0-</u>	\$ <u>151,692</u>	\$ <u>2,195,372</u>	\$ <u>153,085</u>

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

- Capital lease with Martin Business Bank at 10.7%, due in monthly payments of \$720 until May 31, 2016, secured by information technology equipment.
- Capital lease with GE at 1.04% due in monthly payments of \$4,058 until September 15, 2019, secured with Mammography machine.
- Capital lease with GE at 1.04%, due in monthly payments of \$8,319 until July 25, 2017, secured by Cat Scan equipment.
- Secured Note Payable at Sabine State Bank (SSB) at 1.4%, secured by certificate of deposit of \$2,144,307, due in monthly payments of \$16,807 until March 2018, when a balloon payment of \$1,251,363 is due.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 11 - LONG-TERM DEBT (Continued)

- Secured Note Payable (MOB) at 7.5%, secured by mortgage on Medical Office Building, due in monthly payments of \$21,908 until August 28, 2014, when a balloon payment of \$1,943,074 is due. This note was refinanced with the Secured Note Payable at Sabine State Bank.
- Kansas State Bank loan at 9.34%, secured by various technology equipment, due in monthly payments of \$3,370 until June 26, 2013.

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

<u>Year Ending September 30,</u>	<u>Long-Term Debt</u>		<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 176,670	\$ 25,008	\$ 142,611	\$ 6,243
2016	179,099	22,580	152,959	4,485
2017	181,686	19,992	135,766	1,779
2018	1,327,766	9,112	47,926	774
2019 and thereafter	<u>-0-</u>	<u>-0-</u>	<u>48,425</u>	<u>273</u>
Totals	\$ <u>1,865,221</u>	\$ <u>76,692</u>	\$ <u>527,687</u>	\$ <u>13,554</u>

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$12,281 is included in the depreciation expense. Net book value of capital leases is \$531,741 in 2014.

NOTE 12 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until March 31, 2015, if not extended by Congress. The additional payments received under the Medicare low volume add-on were approximately \$338,000, \$342,000 and \$495,000 for the years ended September 30, 2014, 2013, and 2012. The MDH designation is set to expire on March 31, 2015 if not extended by Congress. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

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

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates. Blue Cross charges were 15 percent of the total charges for the year ended September 30, 2014.

The Hospital experienced differences between the amounts initially recorded on its cost settlements with Medicare and Medicaid and the finalized amounts. The adjustments resulted in a decrease of \$180,000 in fiscal year 2014 net patient service revenue.

Home health services are paid by Medicare under a per episode prospective payment system (PPS) and by Medicaid under a PPS per visit method. Commercial and uninsured visits are not significant.

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

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Gross patient service revenues	\$ 42,051,029	\$ 39,660,700	\$ 43,970,506
Contractual adjustments	(18,370,565)	(16,915,818)	(17,665,730)
Provision for bad debts	(3,440,638)	(3,058,271)	(2,581,201)
Discounts	(415,627)	(585,269)	(350,565)
Charity care	(3,639)	(18,736)	(55,988)
Physician fee revenue	<u>-0-</u>	<u>-0-</u>	<u>33,046</u>
Net patient service revenue	<u>\$ 19,820,560</u>	<u>\$ 19,082,606</u>	<u>\$ 23,350,068</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 12 - NET PATIENT SERVICE REVENUE (Continued)

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Medicare and Medicaid gross patient charges	\$ 26,502,076	\$ 25,893,122	\$ 28,898,381
Contractual adjustments	<u>(12,583,938)</u>	<u>(11,498,635)</u>	<u>(12,483,972)</u>
Program patient service revenues	\$ <u>13,918,138</u>	\$ <u>14,394,487</u>	\$ <u>16,414,409</u>
Percent of total gross patient charges	<u>63%</u>	<u>65%</u>	<u>66%</u>
Percent of total net patient revenue	<u>70%</u>	<u>75%</u>	<u>70%</u>

In 2012, the District began participation in a grant program with other hospitals which supplement payments previously paid under UCC (see Note 18).

NOTE 13 - PROFESSIONAL LIABILITY RISK

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

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

NOTE 14 - CONTINGENCIES

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 14 - CONTINGENCIES (Continued)

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 12) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

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

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

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

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 14 - CONTINGENCIES (Continued)

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

Worker's Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insurance Worker's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Self-Funded Health Insurance Risk - The Hospital has a self-funded health insurance plan administered by Insurance Management Services. Provision has been made for incurred but non-reported claims in the amount of \$360,000. Accordingly, the Hospital is contingently liable for claims that may be reported subsequent to the balance sheet date. The Hospital has acquired stop-loss insurance to cover individual claims exceeding \$75,000.

NOTE 15 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a per-diem based on the patient's level of income. Accordingly, the District does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the cost associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. The cost of caring for charity care patients was approximately \$87,000, \$179,000, and \$156,000 in 2014, 2013, and 2012, respectively. The amount of charges foregone for services and supplies furnished under the District's charity care policy aggregated approximately \$154,000, \$281,000, and \$266,000 in 2014, 2013, and 2012, respectively.

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Enterprise Funds
 Notes to Combined Financial Statements
 Years Ended September 30, 2014, 2013, and 2012

NOTE 16 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2014, that have initial or remaining lease terms in excess of one year.

Year Ending September 30,	<u>Amount</u>
2015	\$ 52,309
2016	18,000
2017	<u>15,000</u>
Total minimum future lease payments	<u>\$ 85,309</u>

NOTE 17 - AD VALOREM TAXES

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

NOTE 18 - GRANT INCOME

Grants received during fiscal year 2014 included HHS Hospital Preparedness grants totaling \$12,474. Grants received during fiscal year 2013 included a Live Lively LaSalle grant for \$12,621 and other grants totaling \$20,819. Grants received in fiscal year 2012 were a Department of Health & Human Services Health Resources and Services Administration (HRSA) grant and a Louisiana Department of Health and Hospitals grant, totaling \$54,142.

The District recognized operating grant income of \$745,111, \$1,052,250, and \$1,311,000 from Medicare, and \$122,672, \$368,016, and \$613,000 from Medicaid during the years ended September 30, 2014, 2013, and 2012, respectively, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use," which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in during the next few years in three stages, with each progressive stage incorporating more stringent measures. The District met Stage 1 criteria during fiscal year 2011, which included electronically capturing health information in a coded format and using certified EHR technology to meet

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Notes to Combined Financial Statements
Years Ended September 30, 2014, 2013, and 2012

NOTE 18 - GRANT INCOME (Continued)

certain required core objectives for a continuous ninety day period. The District met Stage 2 during fiscal year 2013. The District's policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the District meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

The District received grants of \$1,433,625 \$1,210,985 and \$460,270 in fiscal years 2014, 2013, and 2012, respectively, to be used solely to provide adequate and essential medically necessary health care services to the citizens in its community who are low income and/or indigent patients. As a condition of the grant agreement, the District, along with other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement. Various other grants were received during the year for other uses.

NOTE 19 - SUBSEQUENT EVENTS

After year end the District received a letter from the Department of Health and Hospitals requiring the District to perform a mandatory audit of ambulance claims relating to ambulance trips to other facilities. This mandatory audit encompassed three (3) years and resulted in a payable to Medicaid of \$200,000. Events have been evaluated through February 24, 2015, for subsequent event disclosure. This date is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedules of Net Patient Service Revenue
Years Ended September 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Routine services:			
Adult and pediatric	\$ 2,119,800	\$ 1,132,200	\$ 1,948,200
Swing bed	233,200	235,198	219,416
Nursing home services	<u>6,334,982</u>	<u>6,021,231</u>	<u>6,308,592</u>
 Total routine services	 <u>8,687,982</u>	 <u>7,388,629</u>	 <u>8,476,208</u>
Other professional services:			
Operating room	594,887	648,470	888,196
Recovery room	29,592	41,415	48,003
Anesthesiology	317,194	308,680	212,705
Radiology	5,756,297	5,246,899	5,365,602
Laboratory and blood	8,130,126	7,367,082	6,999,405
IV therapy	985,412	974,239	1,245,663
Respiratory therapy, EEG, & EKG	2,065,659	2,464,640	2,908,139
Physical therapy	686,281	792,045	1,179,086
Occupational therapy	126,418	215,892	216,784
Speech therapy	90,570	160,013	174,731
Medical supply	1,190,375	1,351,256	2,063,233
Pharmacy	1,210,987	588,776	708,102
Wellness center	44,286	41,890	42,754
Emergency service	4,756,665	5,307,288	6,784,347
Observation room	357,650	334,332	158,336
Ambulance service	2,481,711	1,967,170	1,885,644
Home health services	712,014	761,418	824,960
Jonesville Rural Health Clinic	1,061,160	1,068,461	1,003,167
Jena Rural Health Clinic	2,724,057	2,245,739	2,046,032
Physician private office	40,643	375,439	735,463
Lab Diagnostic Center	<u>1,063</u>	<u>10,927</u>	<u>3,946</u>
 Total other professional services	 <u>33,363,047</u>	 <u>32,272,071</u>	 <u>35,494,298</u>
 Total patient service charges	 \$ <u>42,051,029</u>	 \$ <u>39,660,700</u>	 \$ <u>43,970,506</u>

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Schedules of Net Patient Service Revenue (Continued)
 Years Ended September 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Deductions from charges:			
<i>Medicare and Medicaid contractual</i>			
adjustments	\$ 12,583,938	\$ 11,498,635	\$ 12,517,018
Provision for bad debts	3,440,638	3,058,271	2,581,201
Employee discounts	415,627	585,269	350,565
Charity care	3,639	18,736	55,988
Physician fee revenue	-0-	-0-	(33,046)
Other contractual adjustments	<u>5,786,627</u>	<u>5,417,183</u>	<u>5,148,712</u>
Total deductions from charges	<u>22,230,469</u>	<u>20,578,094</u>	<u>20,620,438</u>
Net patient service revenue	\$ <u>19,820,560</u>	\$ <u>19,082,606</u>	\$ <u>23,350,068</u>

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

	<u>2014</u>		<u>2013</u>		<u>2012</u>
Purchase discounts taken	\$ 107	\$	609	\$	739
Cafeteria	192,328		194,526		193,976
Cot rentals	294		360		462
Medical record abstracts	1,390		4,681		4,523
Vending	2,533		2,909		3,379
Ambulance reimbursement	203,977		209,328		85,851
Cooperative endeavor	-0-		-0-		15,590
Medical office rent	15,324		15,324		-0-
Miscellaneous revenue	<u>35,336</u>		<u>22,859</u>		<u>89,674</u>
 Total other revenue	 \$ <u>451,289</u>	\$	 <u>450,596</u>	\$	 <u>394,194</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Salaries:			
Administration	\$ 1,221,828	\$ 1,466,702	\$ 1,411,192
Plant operations and maintenance	278,524	304,026	300,287
Laundry	45,070	117,601	132,594
Housekeeping	367,711	383,398	386,998
Dietary and cafeteria	448,755	467,919	464,169
Nursing administration	402,162	426,163	379,353
Medical records	223,062	219,062	254,498
Social services	123,755	107,917	111,053
Nursing services - acute	1,019,441	1,503,570	1,677,438
Nursing services - long-term care	2,178,678	2,153,037	2,128,187
Wellness center	61,510	59,663	60,850
Operating room	67,445	100,506	104,577
Recovery room	4,805	9,440	15,501
Radiology	592,501	629,631	546,086
Laboratory	246,489	338,020	337,002
Respiratory therapy	219,857	285,646	297,367
Physical therapy	235,771	272,803	351,742
Occupational therapy	56,263	93,859	93,299
Speech therapy	51,683	92,449	94,802
Central supply	111,366	130,056	135,287
Pharmacy	241,920	249,420	258,185
Emergency room	885,436	844,143	941,635
Ambulance	415,176	419,955	409,043
Home health	335,303	366,423	389,296
Jonesville Rural Health Clinic	637,105	615,553	494,138
Jena Rural Health Clinic	<u>1,198,926</u>	<u>1,395,857</u>	<u>1,764,241</u>
Total salaries	<u>11,670,542</u>	<u>13,052,819</u>	<u>13,538,820</u>
Benefits:			
Payroll taxes	437,404	448,909	452,736
Health insurance	689,094	946,022	606,822
Other	<u>912,608</u>	<u>933,654</u>	<u>1,118,409</u>
Total benefits	<u>2,039,106</u>	<u>2,328,585</u>	<u>2,177,967</u>
Total salaries and benefits	<u>\$ 13,709,648</u>	<u>\$ 15,381,404</u>	<u>\$ 15,716,787</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Nursing services	\$ 7,259	\$ (7,572)	\$ (26,462)
Wellness center	2,059	774	3,273
Operating room	66,890	54,529	51,500
Anesthesiology	1,248	2,083	5,638
Radiology	121,451	121,122	118,402
Laboratory and blood	78,507	77,244	76,279
IV therapy	38,822	41,697	90,722
Respiratory therapy	29,579	33,278	78,095
Physical therapy	4,270	5,872	2,351
Occupational therapy	86	615	190
Telemetry	311	108	208
Central supply	53,610	56,517	62,622
Pharmacy	357,745	234,847	330,270
Emergency room	14,479	19,698	26,938
Ambulance	23,802	15,655	25,583
Home health	(1,366)	6,621	1,821
Jonesville Rural Health Clinic	17,683	13,873	8,612
Jena Rural Health Clinic	95,647	94,252	44,629
Nursing home supplies	<u>351,646</u>	<u>295,433</u>	<u>326,907</u>
 Total medical supplies and drugs	 \$ <u>1,263,728</u>	 \$ <u>1,066,646</u>	 \$ <u>1,227,578</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Swing bed	\$ 1,055	\$ 135	\$ 645
Anesthesiology	94,040	125,483	124,520
Radiology	177,180	115,399	119,277
Laboratory	227,446	198,304	160,367
Respiratory therapy	316,856	275,452	-0-
Physical therapy	660,899	485,937	639,971
EKG, EEG	1,750	24,500	23,655
Emergency room	838,760	1,062,123	1,287,698
Pharmacy	7,725	7,450	7,350
Jonesville Rural Health Clinic	10	705	47,198
Jena Rural Health Clinic	<u>329,602</u>	<u>278,742</u>	<u>108,707</u>
 Total professional fees	 \$ <u>2,655,323</u>	 \$ <u>2,574,230</u>	 \$ <u>2,519,388</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contract services	\$ 171,454	\$ 26,101	\$ 12,109
Consultants	372,897	315,093	390,193
Legal and accounting	175,125	140,372	138,002
Supplies	1,295,624	1,444,519	1,475,004
Laundry contract services	71,073	-0-	-0-
Repairs and maintenance	494,112	637,763	555,832
Utilities	662,553	444,875	442,752
Telephone	111,723	113,507	107,352
Travel	163,798	153,125	164,051
Rentals	479,362	559,135	596,100
Advertising	89,772	81,993	112,431
Recruitment	38,499	1,719	1,964
Dues and subscriptions	169,987	181,567	187,192
Miscellaneous	79,693	105,029	89,328
Provider tax	<u>351,350</u>	<u>325,352</u>	<u>299,498</u>
 Total other expenses	 \$ <u>4,727,022</u>	 \$ <u>4,530,150</u>	 \$ <u>4,571,808</u>

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

	<u>LaSalle General Hospital</u>	<u>LaSalle Nursing Home</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 225,313	\$ 488,292	\$ -0-	\$ 713,605
Assets whose use is limited - required for current liabilities	-0-	27,893	-0-	27,893
Investments	311,241	-0-	-0-	311,241
Estimated third-party payor settlements	300,608	146,340	-0-	446,948
Accounts receivable, net of estimated uncollectibles	2,050,214	1,031,020	(31,667)	3,049,567
Other receivables	173,797	4,580,345	(4,643,314)	110,828
Inventory	283,926	-0-	-0-	283,926
Prepaid expenses	88,407	6,666	-0-	95,073
Total Current Assets	<u>3,433,506</u>	<u>6,280,556</u>	<u>(4,674,981)</u>	<u>5,039,081</u>
Capital assets, net	9,178,606	1,697,474	-0-	10,876,080
Assets limited as to use	2,144,307	-0-	-0-	2,144,307
Other assets	<u>9,267</u>	<u>25</u>	<u>-0-</u>	<u>9,292</u>
Total Assets	<u>\$ 14,765,686</u>	<u>\$ 7,978,055</u>	<u>\$ (4,674,981)</u>	<u>\$ 18,068,760</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 733,325	\$ 219,407	\$ (62,969)	\$ 889,763
Accrued expenses and withholdings payable	1,254,500	161,798	(31,667)	1,384,631
Estimated third-party payable	200,000	-0-	-0-	200,000
Liabilities of limited use assets	1,255,298	27,893	-0-	1,283,191
Retirement plan payable	252,661	-0-	-0-	252,661
Current maturities of long-term debt	223,124	-0-	-0-	223,124
Total Current Liabilities	<u>3,918,908</u>	<u>409,098</u>	<u>(94,636)</u>	<u>4,233,370</u>
Long-term debt, net of current maturities	<u>6,750,129</u>	<u>-0-</u>	<u>(4,580,345)</u>	<u>2,169,784</u>
Total Liabilities	<u>10,669,037</u>	<u>409,098</u>	<u>(4,674,981)</u>	<u>6,403,154</u>
Net Position				
Invested in capital assets, net of related debt	2,205,353	1,697,474	4,580,345	8,483,172
Restricted: bond reserve fund	2,144,307	-0-	-0-	2,144,307
Unrestricted net position	<u>(253,011)</u>	<u>5,871,483</u>	<u>(4,580,345)</u>	<u>1,038,127</u>
Total Net Position	<u>4,096,649</u>	<u>7,568,957</u>	<u>-0-</u>	<u>11,665,606</u>
Total Liabilities and Net Position	<u>\$ 14,765,686</u>	<u>\$ 7,978,055</u>	<u>\$ (4,674,981)</u>	<u>\$ 18,068,760</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position
September 30, 2013

<u>ASSETS</u>	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	<u>Combined</u>
Current Assets				
Cash and cash equivalents	\$ 258,232	\$ 988,940	\$ -0-	\$ 1,247,172
Assets whose use is limited - required for current liabilities	-0-	25,717	-0-	25,717
Investments	902,409	-0-	-0-	902,409
Estimated third-party payor settlements	-0-	291,503	-0-	291,503
Accounts receivable, net of estimated uncollectibles	1,974,074	622,065	(31,667)	2,564,472
Other receivables	100,848	4,580,345	(4,632,350)	48,843
Inventory	340,988	5,813	-0-	346,801
Prepaid expenses	149,155	(9,630)	-0-	139,525
Total Current Assets	<u>3,725,706</u>	<u>6,504,753</u>	<u>(4,664,017)</u>	<u>5,566,442</u>
Capital assets, net	8,948,417	1,686,623	-0-	10,635,040
Assets limited as to use	2,132,490	-0-	-0-	2,132,490
Other assets	13,931	25	-0-	13,956
Total Assets	<u>\$ 14,820,544</u>	<u>\$ 8,191,401</u>	<u>\$ (4,664,017)</u>	<u>\$ 18,347,928</u>
<u>LIABILITIES AND NET POSITION</u>				
Current Liabilities				
Accounts payable	\$ 613,903	\$ 210,094	\$ (52,004)	\$ 771,993
Accrued expenses and withholdings payable	960,229	263,052	(31,667)	1,191,614
Estimated third-party payable	141,497	-0-	-0-	141,497
Liabilities of limited use assets	1,255,298	25,725	-0-	1,281,023
Retirement plan payable	306,146	-0-	-0-	306,146
Current maturities of long-term debt	174,228	-0-	-0-	174,228
Total Current Liabilities	<u>3,451,301</u>	<u>498,871</u>	<u>(83,671)</u>	<u>3,866,501</u>
Long-term debt, net of current maturities	6,446,623	-0-	(4,580,346)	1,866,277
Total Liabilities	<u>9,897,924</u>	<u>498,871</u>	<u>(4,664,017)</u>	<u>5,732,778</u>
Net Position				
Invested in capital assets, net of related debt	2,327,566	1,686,623	4,580,346	8,594,535
Restricted: bond reserve fund	2,132,490	-0-	-0-	2,132,490
Unrestricted	462,564	6,005,907	(4,580,346)	1,888,125
Total Net Position	<u>4,922,620</u>	<u>7,692,530</u>	<u>-0-</u>	<u>12,615,150</u>
Total Liabilities and Net Position	<u>\$ 14,820,544</u>	<u>\$ 8,191,401</u>	<u>\$ (4,664,017)</u>	<u>\$ 18,347,928</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Net Position
September 30, 2012

	<u>LaSalle General Hospital</u>	<u>LaSalle Nursing Home</u>	<u>Eliminating Entries</u>	<u>Combined</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 560,015	\$ 572,025	\$ -0-	\$ 1,132,040
Assets whose use is limited - required for current liabilities	1,241,924	30,635	-0-	1,272,559
Investments	212,698	3,106,518	-0-	3,319,216
Estimated third-party payor settlements	311,776	246,826	-0-	558,602
Accounts receivable, net of estimated uncollectibles	2,243,620	920,356	(31,582)	3,132,394
Other receivables	61,442	1,915,426	(1,961,192)	15,676
Inventory	380,254	3,395	-0-	383,649
Prepaid expenses	110,600	8,456	-0-	119,056
Total Current Assets	<u>5,122,329</u>	<u>6,803,637</u>	<u>(1,992,774)</u>	<u>9,933,192</u>
Capital assets, net	9,633,425	1,242,260	-0-	10,875,685
Other assets	<u>18,645</u>	<u>25</u>	<u>-0-</u>	<u>18,670</u>
 Total Assets	 <u>\$ 14,774,399</u>	 <u>\$ 8,045,922</u>	 <u>\$ (1,992,774)</u>	 <u>\$ 20,827,547</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts payable	\$ 406,640	\$ 183,340	\$ (45,766)	\$ 544,214
Accrued expenses and withholding payable	1,018,420	250,114	(31,582)	1,236,952
Estimated third-party payables	-0-	-0-	-0-	-0-
Liabilities of limited use assets	1,255,298	30,595	-0-	1,285,893
Retirement plan payable	357,886	-0-	-0-	357,886
Current maturities of long-term debt	153,085	-0-	-0-	153,085
Total Current Liabilities	<u>3,191,329</u>	<u>464,049</u>	<u>(77,348)</u>	<u>3,578,030</u>
Long-term debt, net of current maturities	<u>3,957,713</u>	<u>-0-</u>	<u>(1,915,426)</u>	<u>2,042,287</u>
Total Liabilities	<u>7,149,042</u>	<u>464,049</u>	<u>(1,992,774)</u>	<u>5,620,317</u>
Net Position				
Invested in capital assets, net of related debt	5,242,615	1,242,261	-0-	6,484,876
Restricted: bond reserve fund	-0-	-0-	-0-	-0-
Unrestricted	<u>2,382,742</u>	<u>6,339,612</u>	<u>-0-</u>	<u>8,722,354</u>
Total Net Position	<u>7,625,357</u>	<u>7,581,873</u>	<u>-0-</u>	<u>15,207,230</u>
 Total Liabilities and Net Assets	 <u>\$ 14,774,399</u>	 <u>\$ 8,045,922</u>	 <u>\$ (1,992,774)</u>	 <u>\$ 20,827,547</u>

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

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

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Combining Statement of Revenues, Expenses, and Changes in Net Position
 Year Ended September 30, 2013

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Revenues				
Net patient service revenue	\$ 12,891,431	\$ 6,191,175	\$ -0-	\$ 19,082,606
Operating grant	2,750,341	-0-	-0-	2,750,341
Ad valorem taxes	342,723	-0-	-0-	342,723
Other operating revenue	<u>1,177,302</u>	<u>1,517</u>	<u>(728,223)</u>	<u>450,596</u>
Total Revenues	<u>17,161,797</u>	<u>6,192,692</u>	<u>(728,223)</u>	<u>22,626,266</u>
Expenses				
Salaries and benefits	11,921,386	3,475,305	(15,287)	15,381,404
Medical supplies and drugs	771,213	295,433	-0-	1,066,646
Insurance	398,601	111,600	-0-	510,201
Professional fees	2,080,906	570,988	(77,664)	2,574,230
Other expenses	3,628,041	1,537,381	(635,272)	4,530,150
Depreciation and amortization	<u>967,217</u>	<u>141,384</u>	<u>-0-</u>	<u>1,108,601</u>
Total Expenses	<u>19,767,364</u>	<u>6,132,091</u>	<u>(728,223)</u>	<u>25,171,232</u>
Operating Income (Loss)	<u>(2,605,567)</u>	<u>60,601</u>	<u>-0-</u>	<u>(2,544,966)</u>
Nonoperating Revenues				
Interest income	14,272	49,690	(31,667)	32,295
Interest expense	(117,443)	-0-	31,667	(85,776)
Gain (loss) on disposal of assets	<u>6,000</u>	<u>367</u>	<u>-0-</u>	<u>6,367</u>
Changes in Net Position	<u>(2,702,738)</u>	<u>110,658</u>	<u>-0-</u>	<u>(2,592,080)</u>
Beginning Net Position	<u>7,625,358</u>	<u>7,581,872</u>	<u>-0-</u>	<u>15,207,230</u>
Ending Net Position	\$ <u>4,922,620</u>	\$ <u>7,692,530</u>	\$ <u>-0-</u>	\$ <u>12,615,150</u>

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2012

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Revenues				
Net patient service revenue	\$ 16,891,445	\$ 6,458,623	\$ -0-	\$ 23,350,068
Operating grant	54,142	-0-	-0-	54,142
Ad valorem taxes	206,486	-0-	-0-	206,486
Other operating revenue	<u>1,152,111</u>	<u>863</u>	<u>(758,780)</u>	<u>394,194</u>
 Total Revenues	 <u>18,304,184</u>	 <u>6,459,486</u>	 <u>(758,780)</u>	 <u>24,004,890</u>
 Expenses				
Salaries and benefits	12,248,240	3,483,469	(14,922)	15,716,787
Medical supplies and drugs	900,671	326,907	-0-	1,227,578
Insurance	517,507	72,975	-0-	590,482
Professional fees	1,969,273	641,080	(90,965)	2,519,388
Other expenses	3,696,000	1,528,701	(652,893)	4,571,808
Depreciation and amortization	<u>1,028,377</u>	<u>162,473</u>	<u>-0-</u>	<u>1,190,850</u>
 Total Expenses	 <u>20,360,068</u>	 <u>6,215,605</u>	 <u>(758,780)</u>	 <u>25,816,893</u>
 Operating Income (Loss)	 <u>(2,055,884)</u>	 <u>243,881</u>	 <u>-0-</u>	 <u>(1,812,003)</u>
 Nonoperating Revenues				
Interest income	16,269	63,234	(31,582)	47,921
Interest expense	(184,304)	-0-	31,582	(152,722)
Gain (loss) on disposal of assets	<u>(29,140)</u>	<u>-0-</u>	<u>-0-</u>	<u>(29,140)</u>
 Changes in Net Position	 (2,253,059)	 307,115	 -0-	 (1,945,944)
 Beginning Net Position	 <u>9,878,417</u>	 <u>7,274,757</u>	 <u>-0-</u>	 <u>17,153,174</u>
 Ending Net Position	 \$ <u>7,625,358</u>	 \$ <u>7,581,872</u>	 \$ <u>-0-</u>	 \$ <u>15,207,230</u>

Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Schedules of Per Diem and
 Other Compensation Paid to Board Members
 Years Ended September 30, 2014, 2013, and 2012

Board Members	<u>TERM</u> <u>EXPIRES</u>	<u>2014</u>	-Compensation- <u>2013</u>	<u>2012</u>
I.C. Turnley, Jr., M.D.	April 2018	NONE	NONE	NONE
Charles O. Williams, C.P.A.	April 2018	NONE	NONE	NONE
Janice Doshier	February 2017	NONE	NONE	NONE
Steve Crooks	July 2017	NONE	NONE	NONE
Sandra Webster	September 2019	NONE	NONE	NONE
Harlan Nobles	Resigned June 2013	NONE	NONE	NONE

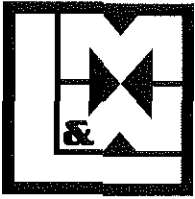
Hospital Service District No. 2
 Of the Parish of LaSalle, State of Louisiana
 Schedule of Compensation, Benefits, and Other Payments
 to Chief Executive Officer
 Year Ended September 30, 2014

Agency Head Name: Doug Newman
 Position: CEO
 Time Period: October 1, 2013 to September 30, 2014

<u>Purpose</u>	<u>Amount</u>
Salary	140,401
Health insurance	6,276
Retirement (FICA replacement plan)	2,701
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	694
Conference travel	2,297
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	318

Agency Head Name: Phyllis Bryan
 Position: Administrator
 Time Period: October 1, 2013 to September 30, 2014

<u>Purpose</u>	<u>Amount</u>
Salary	110,000
Health insurance	16,291
Retirement (FICA replacement plan)	1,300
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	-0-
Travel	1,101
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 2, Parish of LaSalle, the ("District"), a component unit of the LaSalle Parish Police Jury, as of and for the years ended September 30, 2014, 2013, and 2012, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. We consider the deficiencies described in the District's accompanying schedule of findings to

Internal Control Over Financial Reporting (Continued)

be significant deficiencies in internal control: 2014-01, 2014-02, 2014-03 and 2014-04. Each of these findings are repeat findings from prior years.

Compliance and Other Matters

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

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on it.

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

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

Leta, Mella & Wells

Certified Public Accountants
Alexandria, Louisiana

February 24, 2015



Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Findings and Responses
Year Ended September 30, 2014

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

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

Compliance

- Noncompliance issues noted - No

Management letter issued - No

Federal Awards - Not applicable

Section II. Financial Statement Findings

FINDING 2014-01 - Draft of Financial Statements

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

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

Response: Not wanting to have any control deficiency, we will review and determine if current staff will obtain knowledge. After review, the possibility may remain that the cost may override the benefit.

FINDING 2014-02 - Segregation of Duties

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

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Findings and Responses
Year Ended September 30, 2014

Section II. Financial Statement Findings (Continued)

FINDING 2014-02 - Segregation of Duties (Continued)

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

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

FINDING 2014-03 - Contractual and Bad Debt Allowances

Finding: Medicare, Medicaid, and bad debt allowances were understated by \$677,000. Accordingly, net income was overstated by a similar amount.

Recommendation: We recommend that reimbursement rates and collection rates be timely updated in the monthly allowance calculations as rates change. Additionally, we recommend that Hospital, Swing Bed, and Clinic calculations be segregated to achieve more accurate results.

Response: Reimbursements and collection rates will be updated in the monthly allowance calculation. Hospital, Swing Bed, and Clinic calculations will be segregated when calculating this estimate by contract Chief Financial Officer.

FINDING 2014-04 - Expenses

Finding: Various expenses, accruals, and leases were found to be misclassified during fiscal year 2014.

Recommendation: We recommend management review accruals, expenses, and leases to determine the correct accounts to use in posting the above items.

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

Section III. Federal Awards Findings and Questioned Costs

Not applicable

Section IV. Management Letter

Not applicable

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Prior Year Findings and Responses
Year Ended September 30, 2014

Section I. Financial Statement Findings

FINDING 2013-01 - Draft of Financial Statements

Fiscal Year Initially Reported: September 30, 2007

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

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

Resolution: Not resolved – See Finding 2014-01

FINDING 2013-02 - Segregation of Duties

Fiscal Year Initially Reported: September 30, 2007

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

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

Resolution: Not resolved – See Finding 2014-02

FINDING 2013-03 - Contractual and Bad Debt Allowances

Fiscal Year Initially Reported: September 30, 2007

Finding: Medicare, Medicaid, and bad debt allowances were understated by \$544,000. Accordingly, net income was overstated by a similar amount.

Recommendation: We recommend that reimbursement rates and collection rates be timely updated in the monthly allowance calculations as rates change. Additionally, we recommend that Hospital, Swing Bed, and Clinic calculations be segregated to achieve more accurate results.

Hospital Service District No. 2
Of the Parish of LaSalle, State of Louisiana
Schedule of Prior Year Findings and Responses
Year Ended September 30, 2014

Section I. Financial Statement Findings (Continued)

FINDING 2013-03 - Contractual and Bad Debt Allowances (Continued)

Resolution: Not resolved – See Finding 2014-03.

