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East Jefferson General Hospital

Financial Report
December 31, 2012

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business–type activities, and the discretely presented fiduciary fund of Jefferson Parish Hospital Service District No 2, d/b/a East Jefferson General Hospital (Organization), a component unit of Jefferson Parish Louisiana, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits We did not audit East Jefferson Ambulatory Surgery Center, LLC for the years ended December 31, 2012 and 2011, which represents 0 5% and 0 6% of the assets, 0 3% and 0 3% of the net position and 1 6% and 1 6% of the revenue, respectively, of the Organization's financial statements We did not audit East Jefferson General Hospital Retirement and Savings Plan (which represents the discretely presented fiduciary fund) for the years ended December 31, 2012 and 2011 which represents 100% of the assets, net position and additions of the pension trust fund Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for East Jefferson Ambulatory Surgery Center, LLC and East Jefferson General Hospital Retirement and Savings Plan statements, is based solely on the reports of the other auditors 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Organization, a component unit of Jefferson Parish, Louisiana, as of December 31, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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, the Retirement Plan schedule of funding progress and the Other Postemployment Benefit Plan schedule of funding progress on pages 3–10, 54 and 55, respectively, be presented to supplement the basic financial statements Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements The combining financial statements and other schedules, listed in the table of contents as Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 combining financial statements and hospital statistics information are fairly stated, in all material respects, in relation to the basic financial statements as a whole

The accompanying hospital statistics, listed in the table of contents as other supplementary information, are presented for the purpose of additional analysis and have 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 them

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2013 and April 30, 2012 on our consideration of the Organization'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 East Jefferson General Hospital's internal control over financial reporting and compliance

McGladrey LLP

Davenport, Iowa
May 2, 2013

LaPorte

A Professional Accounting Corporation

Metairie, Louisiana
May 2, 2013

East Jefferson General Hospital

Management's Discussion and Analysis
Years Ended December 31, 2012 and 2011

Management's Discussion and Analysis of East Jefferson General Hospital's (EJGH), Jefferson Parish Hospital Service District No 2, a component of Jefferson Parish, Louisiana (the Organization) financial performance provides an overall review of the Organization's activities for the years ended December 31, 2012 and 2011 The intent of this discussion is to provide an overview of the Organization's performance for the years and should be read in conjunction with the Organization's basic financial statements and notes thereto

EJGH operates a 420-bed general acute care hospital and physician practices located in Metairie, Louisiana EJGH serves the citizens of the greater New Orleans area and particularly residents of the East Bank of Jefferson Parish

The basic financial statements also include the following component units PET Scan Center of East Jefferson, LLC, which operates a PET Scan facility, East Jefferson Physician Network, LLC which was used to acquire several physician practices, East Jefferson Ambulatory Surgery Center, LLC, which operates an ambulatory surgery center, East Jefferson Radiation Oncology, LLC, which operates a radiation oncology center, East Jefferson Physicians Group, LLC, which operates various clinic practices, and East Jefferson General Surgery Co-Management Company, LLC, East Jefferson Orthopedic Co-Management Company, LLC and Gulf South Quality Network, LLC

Financial Highlights

The assets of the Organization exceeded its liabilities by $284,802,968 and $295,265,469 (net position) as of December 31, 2012 and 2011, respectively

The Organization's total assets decreased by $12,236,238 or 2 3% from December 31, 2011 and increased by $40,818,427 or 8 4% from December 31, 2010

The Organization's total liabilities decreased by $1,713,737 or 0 8% from December 31, 2011 and increased $38,359,590 or 19 9% from December 31, 2010

Overview of Financial Statements

The audited financial statements include the basic financial statements Statements of Net Position, Statements of Activities and Statements of Cash Flows plus the Notes to the Basic Financial Statements

Our financial position is measured in terms of resources (assets) we own and obligations (liabilities) we owe at a given date This information is reported in the Statements of Net Position, which reflects the Organization's assets in relation to its debts to bondholders, suppliers, employees and other creditors The excess of our assets over our liabilities is reported as Net Position

Information regarding the results from operations during the year is reported in the Statement of Activities This statement shows how much our net position increased or decreased during the year as a result of our operations, nonoperating activities and other changes

The Statement of Cash Flows discloses the flow of cash resources into and out of the Organization during the year It identifies all cash received during the year from operating activities, contributions and other sources, and how we applied those funds (for example, payment of expenses, repayment of debt, purchases of new property and equipment, additions and deletions to the investment accounts and transfers to related entities)

The Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Basic Financial Statements

Condensed Statements of Activities

A summary version of the Statements of Activities for the years ended December 31, 2012, 2011 and 2010 follows

	Year Ended December 31,		
	2012	2011	2010
	(Dollars in Thousands)		
Net patient revenue	$ 345,531	$ 341,978	$ 364,259
Other operating revenue	17,645	14,784	5,933
Rental income from leases	3,225	3,184	4,057
Total operating revenue	366,401	359,946	374,249
Nonoperating revenue	6,626	10,894	74,507
Total revenue	373,027	370,840	448,756
Expenses			
Salaries, wages and benefits	175,960	172,306	173,333
Purchased services and other	118,729	110,005	118,547
Supplies	50,287	50,813	56,261
Depreciation and amortization	25,671	23,829	24,311
Interest	9,887	7,605	7,874
Total operating expenses	380,534	364,558	380,326
Nonoperating expenses	197	1,057	179
Total expenses	380,731	365,615	380,505
Excess of revenue over (under) expenses before transfers and minority interest	(7,704)	5,225	68,251
Transfers to Jefferson Parish	(1,636)	(1,548)	(1,631)
Minority interest in net (income) of equity interests	(1,123)	(1,218)	(1,556)
Change in net position	(10,463)	2,459	65,064
Net position			
Beginning	295,266	292,807	227,743
Ending	$ 284,803	$ 295,266	$ 292,807

Operations

Year Ended December 31, 2012 The Organization's operations were significantly impacted by Hurricane Isaac Hurricane Isaac hit New Orleans in the last week of August resulting in lost gross revenue of approximately $8,000,000 and increased costs of approximately $400,000 The total impact from this storm is estimated at $6,000,000

Net patient service revenue increased $3,553,000 from 2011, which was primarily due to the growth in EJGH outpatient ancillary services Specifically, during 2012 the Organization experienced significant outpatient revenue growth in the Cardiology, Endoscopy, Pharmacy, Nuclear Medicine and Pet Fusion services Hospital outpatient charges increased 3 3% from 2011 In addition, net patient service revenue for EJPG increased $2,882,000 with the addition of a Urologist, an Oncology Group, a Cardiology Group and an Obstetrician/Gynecologist

Other operating revenue increased $2,861,000 due mainly to the receipt of financial incentives from CMS for "meaningful use" of certified EHR technology to improve patient care

Total operating expenses increased by $15,976,000 Salaries, wages and benefits increased $3,654,000 due, primarily, to an increase in the number of physicians employed by EJPG Purchased services and other expenses increased $8,724,000 which is the result of a full-year of outsourced laboratory services, increased contract expenses for outsourced IT services and increased pharmaceutical expenses

Year Ended December 31, 2011 Net patient revenue decreased $22,281,000 due, in part, to a decrease in admissions of 6 0% The majority of the decrease in admissions was seen in the Neurosurgical and Orthopedic service lines and is directly attributed to the opening of a competing hospital in the first half of 2011 The decrease in inpatient volume was mitigated by an increase in outpatient volumes Hospital outpatient charges increased 4 7% from 2010

Other operating revenue increased $8,851,000 due, in part, to the Organization's participation in the State's Upper Payment Limit (UPL) programs

Total operating expenses decreased by $15,768,000 Salaries, wages and benefits decreased $1,027,000 This decrease is the result of staffing adjustments with lower inpatient volume coupled with the Hospital's reorganization implemented in September 2010 The decrease in salaries, wages and benefits was partially offset by an increase in the number of physicians employed by EJPG Purchased services and other expenses were reduced in connection with the Hospital's participation in the state's Low Income and Needy Care Collaboration Agreement (LINCCA) program Supplies expense decreased $5,448,000 with lower inpatient volumes

Condensed Statements of Net Position

Condensed versions of the Statements of Net Position as of December 31, 2012, 2011 and 2010 follow

	December 31,		
	2012	2011	2010
	(Dollars in Thousands)		
Assets:			
Current assets	$ 167,194	$ 187,388	$ 128,803
Assets limited as to use, noncurrent	118,872	116,748	141,622
Capital assets, net	209,893	211,190	204,597
Other assets	17,916	10,786	10,271
Total assets	$ 513,875	$ 526,112	$ 485,293
Liabilities:			
Current liabilities	$ 52,924	$ 49,294	$ 51,655
Long-term debt	166,367	172,335	128,779
Retirement benefits, noncurrent	1,376	1,195	1,062
Other liabilities, noncurrent	8,405	8,022	10,990
Total liabilities	$ 229,072	$ 230,846	$ 192,486
Net Position:			
Invested in capital assets, net of related debt	$ 37,316	$ 30,834	$ 66,851
Restricted under bond indenture	88,731	87,032	30,090
Unrestricted	158,756	177,400	195,866
Total net position	$ 284,803	$ 295,266	$ 292,807

Long-term debt consists of revenue bonds issued in 2011 (series 1998 and 1993 were refunded in year ended December 31, 2011), a Capital lease (EJRO), and notes payable to the bank (EJGH and EJASC) The Organization continues to make all annual and semi-annual debt service payments in compliance with these bond indentures There are no current plans to issue additional debt or defease any existing debt, other than already in place as of December 31, 2012 Please see the Notes to Basic Financial Statements for additional information

<u>December 31, 2012</u> Current assets decreased by $20,194,000 due to the purchase of a physician practice and debt related payments, which reduced short-term investments

<u>December 31, 2011</u> Current assets increased by $58,585,000 and long-term debt increased by $43,556,000 due the issuance of the Revenue and Refunding Bonds, Series 2011

Condensed Statements of Cash Flows

	Year Ended December 31,		
	2012	2011	2010
	(Dollars in Thousands)		
Cash provided by operating activities	$ 16,971	$ 29,264	$ 23,435
Cash provided by (used in) capital and related financing activities	(46,020)	1,462	(28,944)
Cash (used in) noncapital financing activities	(1,725)	(1,505)	(4,157)
Cash provided by (used in) investing activities	30,118	(30,768)	10,949
Net increase (decrease) in cash	(656)	(1,547)	1,283
Cash and cash equivalents			
Beginning	10,041	11,588	10,305
Ending	$ 9,385	$ 10,041	$ 11,588

Year Ended December 31, 2012 Cash provided by operating activities decreased by $12,293,000 over the prior year, primarily because of the increase in the loss from operations Cash and cash equivalents decreased by $686,000 over the prior year

Year Ended December 31, 2011 Cash provided by operating activities increased by $5,829,000 over the prior year Cash and cash equivalents decreased by $1,547,000 over the prior year

Capital Assets

December 31, 2012 As of December 31, 2012, the Organization had $209,893,000 invested in capital assets Capital expenditures in 2012 were approximately $1,297,000 less than depreciation expense resulting in a decrease in capital assets from 2011 to 2012

December 31, 2011 As of December 31, 2011, the Organization had $211,190,000 invested in capital assets Capital expenditures in 2011 were approximately $6,593,000 more than depreciation expense resulting in an increase in capital assets from 2010 to 2011

	December 31,		
	2012	2011	2010
	(Dollars in Thousands)		
Capital assets not being depreciated			
Land	$ 16,810	$ 17,554	$ 17,674
Construction in progress	6,061	7,284	4,351
Capital assets net of depreciation			
Land improvements	1,140	1,273	1,444
Buildings	112,669	117,705	120,961
Fixed equipment	25,280	30,094	25,613
Major movable equipment	47,922	37,279	34,553
Minor equipment	11	1	1
Total capital assets, net	$ 209,893	$ 211,190	$ 204,597

Additional information on the Organization's capital assets can be found in Note 6 of this report

Long-Term Debt

Long-term debt consists of one revenue bond issue, described in more detail in the Notes to Basic Financial Statements The principal balance on the outstanding bonds was $164,325,000, $170,000,000 and $125,990,000 as of December 31, 2012, 2011 and 2010, respectively The increase in 2011 is attributable to the issuance of the Revenue and Refunding Bonds, Series 2011

Long-term debt also consists of notes payable to the bank of $3,092,000 and capital lease obligations of $6,729,000

Additional information on the Organization's long-term debt can be found in Note 7 of this report

Economic Factors

Year Ended December 31, 2012 The Louisiana Workforce Commission projects that jobs in Southeast Louisiana will grow 1 3% annually through 2020 Based on information from The Louisiana, Economic Outlook 2013 and 2014, by Loren C Scott, James A Richardson and Judy S Collins, the New Orleans Metropolitan Service Area is projected to have a loss of 1,400 jobs in 2013 before rebounding with 4,000 new jobs in 2014 In addition to large construction projects, several firms have announced they are either coming to or expanding in the New Orleans area, including GE Capital Technology Center, Associated Wholesale Grocers and the USDA Finance Center

During 2012, the Organization initiated several strategic initiatives to increase volume and improve the quality and mix of healthcare services offered to the residents of Jefferson Parish and the surrounding areas These strategic initiatives included

- Contracted with the Medical Center of Louisiana at New Orleans to place an Orthopedic Surgeon on its campus,
- Recruited a second Electrophysiologist to facilitate growth in the Cardiology Service Line including treatment of Atrial Fibrilation,
- Acquired a mature Medical Oncology practice with two physicians to facilitate growth in the Oncology Service Line,
- Increased the number of employed Hospitalists from seven in December 2011 to fourteen in December 2012,
- Contracted with RehabCare effective November 2012 to manage and grow the Inpatient Rehabilitation Service Line,

In addition, during 2012 the Organization was recognized by the following organizations for its quality improvement efforts

- Joint Commission – reaccredited in December 2012 (three years),
- Gold Seal for Stroke Care – certified by Joint Commission as an advanced primary stroke center,
- Radiation Oncology Accreditation – first in region to achieve accreditation sponsored by the National Cancer Institute and administered by the American College of Radiology,
- Nurse Magnet Hospital – third consecutive designation Only hospital in Louisiana designated three times,
- Meaningful Use – implemented CPOE Attested for meaningful use in May 2012,
- HIMSS 6 – indicates level of adoption of Electronic Medical Records - December 2012

Year Ended December 31, 2011 The New Orleans Metropolitan Service Area is projected to have flat job growth in 2012 and a loss of 600 (-0 1%) jobs in 2013 Over the next two years, economic growth will be offset by the loss of 4,500 jobs at Avondale Shipyards, the loss of $1 3 billion of British Petroleum oil spill clean-up funds and a $2 5 billion reduction in construction spending

The Organization continues to focus on improvement with following strategic initiatives developed in the second half of 2009

- Hospital/Physician alignment,
- Growth in high-margin services,
- Net patient service revenue growth through revenue cycle improvements,
- Improved quality,
- Improved constituent satisfaction,
- Improved productivity, and
- Reduced cost

Significant progress has been made over the past two years within each of these initiatives The organization has made a significant investment in the Gulf South Quality Network to enhance the hospitals quality initiatives and drive clinical integration between the Hospital and Physicians In addition, the Organization has experienced improved productivity and cost reductions through its Performance Improvement Program (PIP) initiatives

During 2011 East Jefferson General Hospital, West Jefferson Medical Center and Jefferson Parish Health and Hospital Service District applied for and where granted a Certificate of Public Advantage (COPA) The COPA was issued by the Louisiana Department of Justice, Office of the Attorney General and allows for sharing the following functions

- Limited finance functions,
- Information technology,
- Human resources,
- Materials management, and
- Managed care contracting

During 2011, the Organization cooperated in negotiating contracts for biomedical, transcription and collections services

Financial Information Contact

The Organization's basic financial statements are designed to provide a general overview of the Organization's finances for all those with an interest in the Organization's finances Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to East Jefferson General Hospital

East Jefferson General Hospital

Statements of Net Position
December 31, 2012 and 2011

Assets	**2012**	2011
Current Assets		
Cash and cash equivalents	$ 9,385,460	$ 10,041,128
Short-term investments	85,757,357	112,437,464
Receivables		
Patients, net	45,755,502	42,022,328
Other	4,386,660	1,842,420
Assets limited as to use, current portion	7,475,923	8,173,788
Inventories	7,169,891	7,657,079
Prepaid expenses	7,262,957	5,214,084
Total current assets	167,193,750	187,388,291
Noncurrent Assets		
Assets limited as to use		
Under bond indenture	88,731,220	87,031,403
Board-designated for strategic initiatives	37,616,837	37,889,691
	126,348,057	124,921,094
Less portion required for current liabilities	7,475,923	8,173,788
	118,872,134	116,747,306
Capital assets		
Nondepreciable	22,871,070	24,837,674
Depreciable, net	187,021,755	186,352,495
	209,892,825	211,190,169
Debt issuance costs, net of accumulated amortization	4,204,807	4,407,896
Other assets	12,696,564	4,727,389
Deferred compensation and life insurance	1,015,384	1,650,651
	17,916,755	10,785,936
Total noncurrent assets	346,681,714	338,723,411
	$ 513,875,464	$ 526,111,702

See Notes to Basic Financial Statements

Liabilities and Net Position	2012	2011
Current Liabilities		
Current maturities of long-term debt	$ 6,209,933	$ 8,021,188
Accounts payable	18,055,199	15,942,408
Accrued expenses		
Salaries and wages	4,673,752	3,740,707
Paid leave	4,058,183	3,938,217
Health insurance claims	1,196,633	1,643,626
Interest	4,770,923	1,746,498
Estimated third-party payor settlements	1,829,197	2,410,775
Other	12,130,608	11,850,872
Total current liabilities	52,924,428	49,294,291
Noncurrent Liabilities		
Deferred compensation and executive benefits	1,654,566	1,436,200
Retirement benefits	1,375,765	1,195,517
Estimated self-insurance reserves	5,018,782	4,129,955
Long-term debt, less current maturities	166,366,695	172,334,840
Other accrued expenses	1,287,330	1,900,008
Minority interest in equity interests	444,930	555,422
Total noncurrent liabilities	176,148,068	181,551,942
Total liabilities	229,072,496	230,846,233
Commitments and Contingencies (Notes 9 and 10)		
Net Position		
Invested in capital assets, net of related debt	37,316,197	30,834,141
Restricted under bond indenture	88,731,220	87,031,403
Unrestricted	158,755,551	177,399,925
Total net position	284,802,968	295,265,469
	$ 513,875,464	$ 526,111,702

East Jefferson General Hospital

Statements of Activities
Years Ended December 31, 2012 and 2011

	2012	2011
Operating revenue		
Net patient service revenue	$ 345,530,625	$ 341,978,230
Other operating revenue	17,645,352	14,783,847
Rental income from leases	3,224,675	3,183,734
Total operating revenue	366,400,652	359,945,811
Operating expenses		
Salaries, wages and benefits	175,959,957	172,305,609
Purchased services and other	118,729,280	110,005,781
Supplies	50,286,987	50,812,986
Depreciation and amortization	25,671,124	23,829,371
Interest	9,886,604	7,604,658
Total operating expenses	380,533,952	364,558,405
Loss from operations	(14,133,300)	(4,612,594)
Nonoperating revenue (expenses)		
Investment earnings	4,229,664	6,278,436
(Loss) on disposal of capital assets	(53,945)	(14,518)
Grant revenue	1,253,091	2,525,400
Contributions	1,143,907	1,420,638
Equity in net income (loss) of associated company	(143,397)	(1,005,054)
Change in fair value of interest rate swap agreements	-	669,939
Other	-	(37,609)
	6,429,320	9,837,232
Excess of revenue over (under) expenses before transfers and minority interest	(7,703,980)	5,224,638
Transfers to Jefferson Parish	(1,635,965)	(1,547,404)
Minority interest in net income of equity interests	(1,122,556)	(1,218,397)
Change in net position	(10,462,501)	2,458,837
Net position		
Beginning	295,265,469	292,806,632
Ending	$ 284,802,968	$ 295,265,469

See Notes to Basic Financial Statements

East Jefferson General Hospital

Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Receipts from patients and third-party payors	**$ 341,507,104**	$ 342,730,895
Payments to suppliers	**(170,419,645)**	(157,320,378)
Payments to employees	**(174,508,332)**	(173,664,649)
Other receipts	**18,328,017**	17,518,486
Net cash provided by operating activities	**14,907,144**	29,264,354
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	**(22,278,993)**	(30,201,620)
Proceeds from disposals of capital assets	**822,846**	437,004
Grant revenues	**1,253,091**	2,525,400
Payment for termination of interest rate swaps	**-**	(2,422,979)
Payment of debt issuance costs	**(13,000)**	(4,446,096)
Purchase of physician group	**(8,831,688)**	-
Proceeds from note payable	**-**	2,245,589
Proceeds from issuance of long-term debt	**-**	170,000,000
Principal payments on long-term debt	**(8,045,858)**	(127,799,411)
Interest payments on long-term debt	**(6,862,179)**	(8,876,302)
Net cash provided by (used in) capital and related financing activities	**(43,955,781)**	1,461,585
Cash Flows from Noncapital Financing Activities		
Contributions received	**1,143,907**	1,080,638
Transfers to Jefferson Parish	**(1,635,965)**	(1,547,404)
(Distributions to) minority interest, net	**(1,233,048)**	(1,038,282)
Net cash (used in) noncapital financing activities	**(1,725,106)**	(1,505,048)
Cash Flows from Investing Activities		
Investment earnings	**3,090,437**	3,805,737
Purchase of investments	**(248,267,436)**	(709,665,039)
Proceeds from sales and maturities of investments	**274,659,807**	674,097,072
Net decrease in deferred compensation, life insurance and other	**635,267**	1,032,188
Other (expense)	**-**	(37,609)
Net cash provided by (used in) investing activities	**30,118,075**	(30,767,651)
(Decrease) in cash and cash equivalents	**(655,668)**	(1,546,760)
Cash and cash equivalents		
Beginning	**10,041,128**	11,587,888
Ending	**$ 9,385,460**	$ 10,041,128

(Continued)

East Jefferson General Hospital

Statements of Cash Flows (Continued)
Years Ended December 31, 2012 and 2011

	2012	2011
Reconciliation of operating loss to net cash provided by operating activities		
Loss from operations	**$ (14,133,300)**	$ (4,612,594)
Adjustments to reconcile loss from operations to net cash provided by operating activities		
Depreciation and amortization	**25,671,124**	23,829,371
Interest expense	**9,886,604**	7,604,658
(Increase) decrease in		
Patient receivables	**(3,437,483)**	1,043,326
Other receivables	**(2,544,240)**	(449,095)
Inventories	**487,188**	(87,523)
Prepaid expenses	**(2,048,873)**	2,276,614
Increase (decrease) in		
Accounts payable	**47,185**	1,621,987
Third-party payor settlements	**(581,578)**	(290,661)
Accrued expenses	**885,754**	(1,748,890)
Deferred compensation and executive benefits, retirement benefits and self-insurance reserves	**674,763**	77,161
Net cash provided by operating activities	**$ 14,907,144**	$ 29,264,354
Noncash Investing Activities		
Increase in fair value of investments	**$ 1,139,227**	$ 2,472,699
Losses in associated company	**(143,397)**	(1,005,054)
Noncash Capital and Related Financing Activities		
Increase in accounts payable related to construction in progress	**$ 2,063,376**	$ 274,236
Reclassification of unamortized deferred loss on refunding from debt issuance costs to long-term debt	**-**	1,888,042
Noncash Investing and Financing Activities, purchase of physician group		
Patient receivables acquired	**$ 295,691**	
Property and equipment acquired	**111,300**	
Accounts payable assumed	**(2,230)**	
Goodwill	**8,426,927**	
Cash payment	**$ 8,831,688**	
Noncash Noncapital Financing Activities, contribution of other asset	**$ -**	$ 340,000

See Notes to Basic Financial Statements

East Jefferson General Hospital

Retirement and Savings Plan
Statements of Plan Net Position - Pension Trust Fund
December 31, 2012 and 2011

	2012	2011
Assets		
Cash and investments at fair value		
Cash equivalents	**$ 1,171,968**	$ 1,123,777
Mutual funds	**134,441,290**	119,283,720
Debt securities	**6,370,361**	6,465,961
Equities	**25,885,504**	21,248,349
Investment in partnership	**68,194**	189,750
Total cash and investments	**167,937,317**	148,311,557
Receivables and prepaids		
Accrued interest and dividends	**50,229**	65,234
Contributions receivable		
Employee	**700,362**	303,572
Employer	**4,745,512**	4,054,024
Total receivables and prepaids	**5,496,103**	4,422,830
Liabilities, accounts payable	**72,604**	63,789
Net Position Held in Trust for Pension Benefits	**$ 173,360,816**	$ 152,670,598

See Notes to Basic Financial Statements

East Jefferson General Hospital

Retirement and Savings Plan
Statements of Activities - Pension Trust Fund
Years Ended December 31, 2012 and 2011

	2012	2011
Additions		
Contributions		
Members	$ 8,246,475	$ 8,818,830
Employer	8,210,522	8,150,989
Total contributions	16,456,997	16,969,819
Investment income (loss)		
Interest	1,020,724	1,691,202
Dividends	3,708,810	2,222,372
Net appreciation (depreciation) in fair value of investments	13,906,114	(5,166,297)
	18,635,648	(1,252,723)
Less		
Investment advisory services	325,386	292,747
Custodial fees	65,940	58,185
Net investment income (loss)	18,244,322	(1,603,655)
Total additions	34,701,319	15,366,164
Deductions		
Retirement benefits paid and savings plan withdrawals	13,586,090	16,056,141
Forfeitures of nonvested contributions	425,011	763,763
Total deductions	14,011,101	16,819,904
Net increase (decrease)	20,690,218	(1,453,740)
Net position held in trust for pension benefits		
Beginning	152,670,598	154,124,338
Ending	$ 173,360,816	$ 152,670,598

See Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

East Jefferson General Hospital (Hospital) is organized as Jefferson Parish Hospital Service District No 2 by the Parish Council of Jefferson Parish, Louisiana (Parish) under provisions of the Jefferson Parish Charter and of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950 and is exempt from federal and state income taxes The Hospital operates an acute care hospital and physician practices and owns certain medical office buildings The Hospital is a component unit of Jefferson Parish, Louisiana for financial reporting purposes and is included in the basic financial statements of Jefferson Parish together with its component units, which are described below

East Jefferson Radiation Oncology, LLC (EJRO) was formed in 2006 and shall continue perpetually EJRO provides radiation oncology services The Hospital has a 100% ownership interest in EJRO

East Jefferson Physicians Group, LLC (EJPG) was formed in 2006 and shall continue perpetually EJPG owns and operates a wide range of clinical practices The Hospital has a 100% ownership interest in EJPG

PET Scan Center of East Jefferson, LLC (PET Scan) was formed in 2002 and shall continue perpetually PET Scan operates a PET Scan facility During 2011, the Hospital dissolved this LLC and as a result, has presented PET Scan as a department of the Hospital

Gulf South Quality Network, LLC (GULF) was formed in 2010 and shall continue perpetually GULF was formed to develop a physician network engaged in the process of clinical integration The Hospital has a 100% ownership interest in GULF During 2012, four new organizations became Members of GULF, however, the Hospital was responsible for 100% of the losses for the year ended December 31, 2012

East Jefferson Physician Network, LLC (EJPN) was formed in 1996 and shall continue perpetually EJPN is used to acquire several physician practices The Hospital has a 95% ownership interest in EJPN as of December 31, 2012 and 2011

East Jefferson Ambulatory Surgery Center, LLC (EJASC) was formed in 2004 and shall continue perpetually EJASC operates a surgery center on the Organization's campus The Hospital has a 51% ownership interest in EJASC as of December 31, 2012 and 2011

East Jefferson General Surgery Co-Management Company, LLC (SURG) was formed in 2009 and shall continue perpetually SURG entered into a management agreement with the Hospital to manage, enhance and improve general surgery services The Hospital had a 51% ownership in SURG as of December 31, 2011 During 2012, SURG was dissolved and all assets were liquidated to the Members

East Jefferson Orthopedic Co-Management Company, LLC (ORTHO) was formed in 2009 and shall continue perpetually ORTHO entered into a management agreement with the Hospital to manage, enhance and improve orthopedic services The Hospital had a 51% ownership in ORTHO as of December 31, 2011 During 2012, ORTHO was dissolved and all assets were liquidated to the Members

The Hospital, EJRO, EJPG, PET Scan, GULF, EJPN, EJASC, SURG and ORTHO are collectively referred to as the Organization

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Significant accounting policies:

Reporting entity For financial reporting purposes EJRO, EJPG, PET Scan, GULF, EJPN, EJASC, SURG and ORTHO are included in the Hospital's financial statements as blended component units The balances and transactions of these entities are blended with those of the Hospital in the accompanying basic financial statements, and referred to as "East Jefferson General Hospital" due to their insignificance Intercompany balances and transactions are eliminated in the process The Organization has included all funds, organizations, agencies, boards, commissions and authorities The Organization has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's basic financial statements to be misleading or incomplete The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the organization Based on these criteria, EJRO, EJPG, PET Scan, GULF, EJPN, EJASC, SURG and ORTHO are included within the reporting entity

Fiduciary fund type The Organization also includes a pension trust fund, fiduciary fund type The Pension Trust Fund is accounted for in essentially the same manner as the Organization, using the same measurement focus and accrual basis of accounting Employee and employer contributions are recognized in the period in which the employee is compensated for services performed Benefits and refunds are recognized when due and payable in accordance with the terms of the plan The Pension Trust Fund accounts for the assets of the East Jefferson General Hospital Retirement and Savings Plan This plan is included in the reporting entity due to the Organization's significant administrative involvement

Accrual basis of accounting The accrual basis of accounting is used by the Organization Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred Under this basis of accounting, all assets and liabilities associated with the operation of the Organization are included in the statements of net position

Accounting standards The Organization has elected to apply all applicable Governmental Accounting Standards Board (GASB) Pronouncements as well as the following pronouncements issued before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) The Organization has elected not to follow FASB guidance which was issued subsequent to November 30, 1989

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

Cash and cash equivalents Cash and cash equivalents include temporary cash investments whose use is not limited The temporary cash investments have original maturities of three months or less at date of issuance Certain temporary investments internally designated as long-term investments are excluded from cash and cash equivalents

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Patient receivables Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors

Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the original charge for the service provided less an estimated allowance for doubtful accounts Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts The Organization does not charge interest on patient receivables Patient receivables are written off as bad debt expense when deemed uncollectible Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received Provision for bad debts was $18,265,332 and $20,323,195 for the years ended December 31, 2012 and 2011, respectively, and is recorded as a reduction of net patient service revenue

Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as estimated third-party payor receivables or payables

Inventories Inventories, which consist primarily of drugs and supplies, are valued at the lower of cost (first-in, first-out method) or market

Assets limited as to use and investments Assets limited as to use include assets set aside by the Board of Directors for retirement of long-term debt and future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes and assets held by trustees under bond indenture agreements

Investments, including assets limited as to use, are recorded at fair value in accordance with GASB Statement No 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are measured at fair value in the statements of net position Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates Investment earnings, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in nonoperating income

Funds that were established in connection with the issuance of the revenue bonds are maintained by a trustee in special trust accounts for the benefit and security of the holders and owners of the debt and are reported as assets limited as to use under bond indentures Interest earned on the investments held in trust is retained in the funds and used for the purposes described in the respective bond ordinances

The Organization has an investment in an associated company that operates a laundry service, which is accounted for by the equity method of accounting under which the Organization's share of the net income of the associated company is recognized as income in the Organization's statements of activities and is added to the investment account Dividends and distributions received from the associated company are treated as a reduction of the investment account The Organization's equity in the net loss of the associated company is $143,397 and $1,005,004 for the years ended December 31, 2012 and 2011, respectively

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Capital assets Capital assets are carried at cost or, if donated, at fair value at date of donation Depreciation is computed by the straight-line method over the assets' estimated useful lives ranging from three to forty years Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets and is depreciated over the estimated useful lives of the constructed assets

Interest capitalized on construction was approximately $494,000 and $420,000 during the years ended December 31, 2012 and 2011, respectively

Debt issuance costs Debt issuance costs are being amortized over the term the related debt is outstanding by a method which approximates the interest method

Goodwill Goodwill is being tested for impairment annually Management performed assessments for impairment as of December 31, 2012 and 2011 and determined no goodwill impairment exists

Net patient service revenue Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors Retroactive adjustments with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined Net patient service revenue is reported net of provision for bad debts

Operating income The Organization distinguishes operating revenue and expenses from nonoperating items Operating revenue and expenses generally result from the primary purpose of the Organization, which is to provide medical services to the region Operating revenue consists of net patient services, cafeteria and special meals, Wellness Center membership, Upper Payment Limit (UPL) revenue, electronic health records (EHR) technology incentives, rental income from leases and other miscellaneous services Operating expenses consist of salaries and benefits, purchased services, supplies, depreciation and amortization, interest and payments related to the UPL programs and the low income and needy care collaboration All revenue and expenses not meeting these criteria are considered nonoperating

Electronic health records incentive program The electronic health records incentive program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for incentive payments under both the Medicare and Medicaid programs to eligible health systems that demonstrate meaningful use of certified electronic health records (EHR) technology Payments under both the Medicare and Medicaid programs are for five and six years, respectively, based on a statutory formula The Medicaid programs are determined on a state-by-state basis, which are approved by the Centers for Medicare and Medicaid Services Payment under both programs are contingent on the Organization initially attesting to being a meaningful user of EHR technology and then continuing to meet escalating criteria, including other specific requirements that are applicable, for consecutive reporting periods The final amount for any payment year is determined based upon an audit by the fiscal intermediary Events could occur that would cause the final amounts to differ from the initial payments under the program, although management does not anticipate material adjustments, as input data for the EHR incentive amounts has remained relatively consistent over time The Organization accounts for the incentive payments under the gain contingency model, which means it has met the meaningful use criteria and receipt of the incentive payments was certain Income from incentive payments is recognized as revenue after the Organization has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period For the year ended December 31, 2012, the Organization has recognized approximately $2,921,000 of other operating revenue as the meaningful use objectives have been met

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Net position Net position classifications are defined as follows

Invested in capital assets, net of related debt – This component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt Rather, that portion of the debt is included in the same net position component as the unspent proceeds

Restricted – This component of net position consists of constraints placed on net position through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation There was no amount restricted by enabling legislation as of year-end

Unrestricted net position – This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" above

Charity care The Organization provides care to patients who meet certain criteria under its charity care policy at amounts less than its established rates

Gifts, grants and bequests Gifts, grants and bequests not designated by donors for specific purposes are reported as nonoperating revenue regardless of the use for which they might be designated by the Board of Directors Grants are recognized as revenue when earned Expense-driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met

Board of Directors Members of the Hospital's Board of Directors receive no compensation or per diem

Note 2. Net Patient Service Revenue

Approximately 97% of the Hospital's net patient service revenue for the years ended December 31, 2012 and 2011 is earned under agreements with third-party payors These agreements with third-party payors provide for payments to the Hospital at amounts different from its established rates These third-party payors include the Medicare and Medicaid programs, health maintenance organizations, and various commercial insurance and preferred provider organizations A summary of the payment arrangements with major third-party payors follows

Medicare The Hospital is paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors The prospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization which is under contract with the Hospital to perform such reviews

Note 2. Net Patient Service Revenue (Continued)

Outpatient services are paid via the outpatient prospective payment system Any former cost reimbursed outpatient services were paid at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary Outpatient services subject to the outpatient prospective payment system are not subject to cost report settlement with several exceptions, and without regard to the transitional corridor

The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through December 31, 2006

Medicaid Inpatient services rendered to Medicaid program beneficiaries are reimbursed based upon prospectively determined rates The prospectively determined rates are not subject to retroactive adjustment Outpatient services are reimbursed based on cost reimbursement and fee schedule limitations The cost based rates are subject to retroactive adjustment

The Hospital's Medicaid cost reports have been finalized through December 31, 2007

Other agreements The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined daily rates and capitated per member per month rates

A summary of the Organization's net patient revenue for the years ended December 31, 2012 and 2011 is as follows

	2012	2011
Gross patient service revenue	$ 1,141,532,641	$ 1,145,015,234
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	777,736,684	782,713,809
Less provision for bad debts	18,265,332	20,323,195
	$ 345,530,625	$ 341,978,230

Contractual adjustment expenses for the years ended December 31, 2012 and 2011 include the effects of changes in the estimate of liabilities due to Medicare The effect of this change in estimate for the Medicare liability was a reduction in contractual adjustment expense of approximately $782,000 and $576,000 for the years ended December 31, 2012 and 2011, respectively, and is primarily related to the recognition of disproportionate share reimbursement

Note 3. Charity Care and Community Service

The Organization maintains records to identify and monitor the level of charity care it provides These records include the amount of charges foregone for services and supplies furnished under its charity care policy and the estimated cost of those services and supplies The amount of charges foregone, based on established rates during the years ended December 31, 2012 and 2011 was approximately $2,031,000 and $1,358,000, respectively

Although not accounted for as charity care, the Organization considers the contractual adjustment expense related to the Medicaid services as charity care Contractual adjustment expense related to the Medicaid services performed was approximately $47,225,000 and $54,986,000 for the years ended December 31, 2012 and 2011, respectively

Community benefit services represent the cost of providing services such as ambulance services, public speeches on health care issues to Parish organizations and funding of a community health center

The Organization transferred $1,000,000 in 2012 and 2011 to the Parish to fund a medical facility at the Parish prison Additional transfers of $635,965 and $547,404 for the years ended December 31, 2012 and 2011, respectively, were made to fund other Parish programs These amounts have been recorded in the accompanying basic financial statements as transfers

Note 4. Cash and Investments

The Organization's cash, cash equivalents and investments as of December 31, 2012 and 2011 are classified in the accompanying statements of net position as follows

	2012	2011
Current assets		
Cash and cash equivalents	$ 9,385,460	$ 10,041,128
Short-term investments		
Certificates of deposit	250,000	250,000
Investments	85,507,357	112,187,464
Assets limited as to use		
Investments	126,048,057	124,621,094
Other	300,000	300,000
	$ 221,490,874	$ 247,399,686

Authorized investments:

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

Note 4 Cash and Investments (Continued)

Interest rate risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates

Information about the sensitivity of the fair values of the Organization's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Organization's investments by maturity as of December 31, 2012

		Investment Maturities (in Years)			
	Fair Value	Less than 1	1 - 5	6 -10	More than 10
Money market mutual funds	$ 23,066,121	$ 23,066,121	$ -	$ -	$ -
Municipal bonds	188,489,293	68,645,737	91,336,376	28,507,180	-
	$ 211,555,414	$ 91,711,858	$ 91,336,376	$ 28,507,180	$ -

Credit risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment This is measured by the assignment of a rating by a nationally recognized statistical rating organization The Organization's investment policy limits any investments in Louisiana Municipal Bonds to have long-term ratings at Baa3 or higher by Moody's Investor Service or BBB– or higher by Standard & Poor's Corporation or Fitch Inc or short-term ratings at MIG1 or higher by Moody's Investor Service or VM1G1 or higher by Standard & Poor's Corporation or Fitch Inc The policy also limits the total portfolio to a duration that is within a range between 50% and 150% of the duration of the Barclays Capital U S 1-3 Year Government Bond index and the Barclays Capital Municipal Managed Money Short/Intermediate 1-10 Year index as weighted by the portfolio holdings

Note 4. Cash and Investments (Continued)

As of December 31, 2012, the Organization's investments were rated as follows

Investment Type	Moody's Investor's Service	Standard & Poor's	Fair Value
Money market mutual funds	Aaa	AAA	$ 23,066,121
Municipals bonds (rated as listed here)	Aaa	AAA	1,429,788
	Aaa	AA+	73,344,359
	Aaa	n/a	3,640,069
	Aa1	AAA	2,389,452
	Aa1	AA+	8,769,998
	Aa1	AA	512,380
	Aa1	AA-	360,952
	Aa1	n/a	4,489,018
	Aa2	AA+	4,461,131
	Aa2	AA	18,093,111
	Aa2	AA-	7,187,054
	Aa2	n/a	6,564,571
	Aa3	AAA	104,126
	Aa3	AA+	213,246
	Aa3	AA	3,805,650
	Aa3	AA-	7,113,139
	Aa3	A+	1,093,175
	Aa3	A	521,011
	Aa3	n/a	9,022,623
	A1	AA	267,763
	A1	AA-	2,544,862
	A1	A+	251,956
	A1	A	527,622
	A1	n/a	1,045,189
	A2	AA+	104,339
	A2	n/a	1,331,161
	A3	A	500,520
	n/a	AAA	85,331
	n/a	AA+	8,389,727
	n/a	AA	5,420,619
	n/a	AA-	9,562,875
	n/a	A+	3,477,873
	n/a	A	850,293
	MIG1	SP-1+	1,014,310
			$ 211,555,414

Concentration of credit risk.

The Organization's investment policy is to apply the standard of prudence Investments shall be made with judgment and care, under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived The Organization places no limits on the amount that may be invested with one issuer

Note 4. Cash and Investments (Continued)

Custodial credit risk:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e g broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party The Hospital's investment policy requires all certificates of deposit and repurchase agreements be collateralized by government securities for an amount in excess of FDIC and SAIF insurance limits Certificates of deposit or repurchase agreement with terms longer than four days must be held by an independent third party

As of December 31, 2012, all of the Organization's bank balances in deposits with financial institutions were covered by insurance or collateral held by financial institutions in the Organization's name The investments were also entirely covered by insurance or held by financial institutions in the Organization's name

East Jefferson General Hospital Retirement and Savings Plan:

Following are the components of the East Jefferson General Hospital Retirement and Savings Plan's (Plan) cash equivalents and investments as of December 31, 2012 and 2011

	Defined Benefit Retirement Plan	Savings Plan	Total
		2012	
Cash equivalents	$ 1,171,968	$ -	$ 1,171,968
Investments	37,626,932	129,138,417	166,765,349
	$ 38,798,900	$ 129,138,417	$ 167,937,317
		2011	
Cash equivalents	$ 1,123,777	$ -	$ 1,123,777
Investments	33,398,089	113,789,691	147,187,780
	$ 34,521,866	$ 113,789,691	$ 148,311,557

Note 4. Cash and Investments (Continued)

Cash equivalents The Plan's cash equivalents totaling $1,171,968 and $1,123,777 as of December 31, 2012 and 2011, respectively, consist of government backed pooled funds The funds are held by a sub-custodian and are managed by a separate money manager and are in the name of the Plan's custodian's trust department

Investments Hospital service districts are authorized under Louisiana R S 46 1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and Trust Agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system As of December 31, 2012 and 2011, the Retirement Plan's investments were held by Comerica The Savings Plan's investments are held by VALIC

Concentration of credit risk Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Plan's investment in a single issuer The Plan's investment policy states that no more than 5% (of cost) of the assets assigned to an investment manager may be invested in the securities of one issuer As of December 31, 2012 and 2011, there were no investment holdings that exceeded the Plan's concentration of credit risk policy

Credit risk Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations The Plan has no formal investment policy regarding credit risk Credit ratings of the Plan's investments in long-term debt securities as of December 31, 2012 and 2011 are as follows

Investment Type	Moody's Investor's Service - Aaa	Not Rated	Total
		2012	
U S government and government agency	$ 4,350,661	$ -	$ 4,350,661
Mortgage backed securities	-	2,019,700	2,019,700
	$ 4,350,661	$ 2,019,700	$ 6,370,361
		2011	
U S government and government agency	$ 4,374,274	$ -	$ 4,374,274
Mortgage backed securities	-	2,091,687	2,091,687
	$ 4,374,274	$ 2,091,687	$ 6,465,961

Custodial credit risk Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party The Plan holds its cash equivalents in a nominee name in the amount of $1,171,968 and $1,123,777 as of December 31, 2012 and 2011, respectively The Plan has assets in the amount of $166,765,349 and $147,187,780 as of December 31, 2012 and 2011, respectively, which are not held in a nominee name or in the name of the Plan and, therefore, exposed to custodial credit risk These assets are held in Comerica and VALIC custodial accounts

Note 4. Cash and Investments (Continued)

Interest rate risk Interest rate risk is defined as the risk that changes in the interest rates will adversely affect the fair value of an investment As of December 31, 2012 and 2011, the Plan had the following investments in long-term debt securities and maturities

		Investment Maturities (in Years)			
	Fair Value	Less than 1	1 - 5	6 -10	More than 10
			2012		
U S government and government agency	$ 4,350,661	$ -	$ 1,619,349	$ 2,091,832	$ 639,480
Mortgage backed securities	2,019,700	-	-	-	2,019,700
	$ 6,370,361	$ -	$ 1,619,349	$ 2,091,832	$ 2,659,180
			2011		
U S government and government agency	$ 4,374,274	$ 925,662	$ 1,211,080	$ 1,310,697	$ 926,835
Mortgage backed securities	2,091,687	-	-	-	2,091,687
	$ 6,465,961	$ 925,662	$ 1,211,080	$ 1,310,697	$ 3,018,522

The Plan invests in collateralized mortgage obligations These securities are based on cash flows from interest payments on underlying mortgages Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates

Note 5. Composition of Patient Receivables

Patient receivables as of December 31, 2012 and 2011 consist of the following

	2012	2011
Patients	$ 153,632,228	$ 141,904,526
Less estimated third-party contractual adjustments	95,528,323	88,682,207
Less allowance for doubtful accounts	12,348,403	11,199,991
	$ 45,755,502	$ 42,022,328

Note 6 Capital Assets

Capital assets activity as of and for the years ended December 31, 2012 and 2011 is as follows

	December 31, 2011	Additions	Disposals	Transfers	December 31, 2012
Capital assets not being depreciated					
Land	$ 17,553,695	$ -	$ (743,250)	$ -	$ 16,810,445
Construction in progress	7,283,979	8,950,363	-	(10,173,717)	6,060,625
Total capital assets not being depreciated	24,837,674	8,950,363	(743,250)	(10,173,717)	22,871,070
Capital assets being depreciated					
Land improvements	6,708,724	41,110	(3,880)	-	6,745,954
Buildings	261,014,909	1,127,189	(119,332)	1,314,858	263,337,624
Fixed equipment	92,690,139	545,232	(180,809)	-	93,054,562
Major movable equipment	182,988,462	13,779,441	(997,406)	8,858,859	204,629,356
Minor equipment	887,428	10,334	-	-	897,762
Total capital assets being depreciated	544,289,662	15,503,306	(1,301,427)	10,173,717	568,665,258
Less accumulated depreciation for					
Land improvements	5,435,463	173,710	(3,407)	-	5,605,766
Buildings	143,310,165	7,422,601	(63,311)	-	150,669,455
Fixed equipment	62,595,690	5,359,198	(180,809)	-	67,774,079
Major movable equipment	145,709,691	11,918,023	(920,359)	-	156,707,355
Minor equipment	886,158	690	-	-	886,848
Total accumulated depreciation	357,937,167	24,874,222	(1,167,886)	-	381,643,503
Total capital assets being depreciated, net	186,352,495	(9,370,916)	(133,541)	10,173,717	187,021,755
Organization capital assets, net	$ 211,190,169	$ (420,553)	$ (876,791)	$ -	$ 209,892,825

Note 6. Capital Assets (Continued)

	December 31, 2010	Additions	Disposals	Transfers	December 31, 2011
Capital assets not being depreciated					
Land	$ 17,673,695	$ -	$ (120,000)	$ -	$ 17,553,695
Construction in progress	4,351,384	17,161,728	-	(14,229,133)	7,283,979
Total capital assets not being depreciated	22,025,079	17,161,728	(120,000)	(14,229,133)	24,837,674
Capital assets being depreciated					
Land improvements	6,793,148	4,622	(89,046)	-	6,708,724
Buildings	256,675,422	511,220	(107,739)	3,936,006	261,014,909
Fixed equipment	87,081,018	527,854	(8,315)	5,089,582	92,690,139
Major movable equipment	169,731,289	12,270,432	(4,216,804)	5,203,545	182,988,462
Minor equipment	887,587	-	(159)	-	887,428
Total capital assets being depreciated	521,168,464	13,314,128	(4,422,063)	14,229,133	544,289,662
Less accumulated depreciation for					
Land improvements	5,349,685	174,824	(89,046)	-	5,435,463
Buildings	135,714,616	7,613,506	(17,957)	-	143,310,165
Fixed equipment	58,151,658	4,451,585	(7,553)	-	62,595,690
Major movable equipment	138,494,553	11,190,964	(3,975,826)	-	145,709,691
Minor equipment	886,317	-	(159)	-	886,158
Total accumulated depreciation	338,596,829	23,430,879	(4,090,541)	-	357,937,167
Total capital assets being depreciated, net	182,571,635	(10,116,751)	(331,522)	14,229,133	186,352,495
Organization capital assets, net	$ 204,596,714	$ 7,044,977	$ (451,522)	$ -	$ 211,190,169

Note 7. Long-Term Debt and Interest Rate Swap Agreements

Long-term debt as of December 31, 2012 and 2011 consists of

	2012	2011
Hospital Revenue and Refunding Bonds, Series 2011, *net of unamortized deferred loss on refunding* (A)	$ 162,755,484	$ 168,164,026
Note payable (B)	1,904,948	2,245,589
Capital lease obligation, MRI (C)	2,185,052	2,563,338
Capital lease obligation, parking garage (D)	2,450,993	3,202,565
EJRO capital lease obligation (E)	2,093,143	2,754,719
EJASC notes payable, bank (F)	1,187,008	1,425,791
	172,576,628	180,356,028
Less current maturities	6,209,933	8,021,188
	$ 166,366,695	$ 172,334,840

(A) **Hospital Revenue and Refunding Bonds, Series 2011 - $170,000,000** On October 26, 2011, the Hospital issued $170,000,000 in Revenue and Refunding Bonds, the proceeds of which, together with other amounts made available by the Hospital, are to be used to (i) refund and defease the outstanding Hospital Revenue Bonds, Series 1998 and Hospital and Revenue Refunding, Series 1993 Bonds, (ii) finance costs of future capital projects, (iii) fund a deposit to the debt service reserve fund securing the Series 2011 Bonds and (iv) pay the costs of issuance of the Series 2011 Bonds

The refunding of the Series 1998 and 1993 Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $1,388,000 and $181,000, respectively The difference, reported in the accompanying financial statements as a deduction from long-term debt, is being amortized through 2028 and 2016, respectively

The Series 2011 bonds bear interest at rates ranging from 2 5% to 6 375%, payable semi-annually Annual principal payments are due in varying amounts ranging from $2,705,000 to $11,515,000 through July 2041

The Series 2011 Bonds grant a security interest in all revenue either accrued or received in connection with operations of the Hospital The terms of the trust indentures require the Hospital to comply with certain covenants The covenants provide for timely financial reporting and require the Hospital to maintain certain financial ratios, the most restrictive of which is the maintenance of a specified debt service coverage ratio and the days cash on hand ratio

(B) The Hospital has entered into a note payable agreement for the acquisition of a PET Scanner The note bears interest at 3 39%, due in monthly installments of approximately $35,000, with a maturity date of January 2018 This note is secured by equipment

(C) The Hospital has entered into a capital lease agreement with a medical partnership for the purpose of constructing a medical building used to house magnetic resonance imaging unit and radiation therapy equipment The medical building and equipment revert to the Hospital upon termination of the lease The lease requires monthly base rental payments of approximately $47,000 and minimum monthly operating expense payments of approximately $22,000 through March 2017 The base rental payments are subject to a 1% annual cumulative escalation clause The lease is collateralized by the building and equipment with an amortized cost of approximately $878,000 as of December 31, 2012

(D) The Hospital has entered into a capital lease agreement with East Jefferson General Hospital Foundation for the purpose of constructing a parking garage The parking garage reverts to the Hospital upon termination of the lease The lease requires monthly base rental payments of approximately $65,000 and minimum monthly operating expense payments of approximately $15,000 through May 2017 The lease is collateralized by the parking garage with an amortized cost of approximately $1,196,000 as of December 31, 2012

Note 7. Long-Term Debt and Interest Rate Swap Agreements (Continued)

(E) EJRO has entered into a capital lease agreement for a Novalis TX linear accelerator and related hardware The lease requires monthly payments of approximately $69,000 through October 2015 The lease is collateralized by leasehold improvements and equipment with an amortized cost of approximately $1,274,000 as of December 31, 2012

(F) EJASC has entered into two notes payable The first note bears interest at 6 75%, due in monthly installments of approximately $15,000, with a maturity date of September 2013 This note is secured by furniture, equipment and accounts receivable of EJASC The second note bears interest at 6 75%, due in monthly installments of approximately $15,000, which are based on a fifteen-year amortization and seven-year balloon payment with a maturity date of August 2013 This note is secured by equipment and accounts receivable of EJASC These notes payable contain certain financial covenants for EJASC, including requirements to maintain defined levels of net worth and financial statement reporting requirements As of December 31, 2012, EJASC was not in compliance with a certain covenant, for which EJASC obtained a waiver of the covenant

Long-term debt activity as of and for the years ended December 31, 2012 and 2011 is as follows

	December 31, 2011	Additions	Deductions	December 31, 2012	Due Within One Year
Hospital Revenue and Refunding Bonds, Series 2011	$ 170,000,000	$ -	$ (5,675,000)	$ 164,325,000	$ 2,705,000
Note payable	2,245,589	-	(340,641)	1,904,948	325,542
Capital lease obligation, MRI	2,563,338	-	(378,286)	2,185,052	424,365
Capital lease obligation, parking garage	3,202,565	-	(751,572)	2,450,993	861,277
EJRO capital lease obligation	2,754,719	-	(661,576)	2,093,143	706,741
EJASC notes payable, bank	1,425,791	-	(238,783)	1,187,008	1,187,008
	182,192,002	-	(8,045,858)	174,146,144	6,209,933
Less unamortized deferred loss on refunding	1,835,974	-	(266,458)	1,569,516	-
	$ 180,356,028	$ -	$ (7,779,400)	$ 172,576,628	$ 6,209,933

	December 31, 2010	Additions	Deductions	December 31, 2011	Due Within One Year
Hospital Revenue and Refunding Bonds, Series 2011	$ -	$ 170,000,000	$ -	$ 170,000,000	$ 5,675,000
Hospital Revenue Bonds, Series 1998	99,675,000	-	(99,675,000)	-	-
Hospital Revenue Refunding Bonds, Series 1993	26,315,000	-	(26 315,000)	-	-
Note payable	-	2,245,589	-	2,245,589	311,544
Capital lease obligation, MRI	2,899,975	-	(336,637)	2,563,338	378,286
Capital lease obligation, parking garage	3,830,431	-	(627,866)	3,202,565	755,462
EJRO capital lease obligation	3,374,019	-	(619,300)	2,754,719	661,576
EJASC notes payable, bank	1,651,399	-	(225,608)	1,425,791	239,320
	137,745,824	172,245,589	(127,799,411)	182,192,002	8,021,188
Less unamortized deferred loss on refunding	-	1,888,042	(52,068)	1,835,974	-
	$ 137,745,824	$ 170,357,547	$ (127,747,343)	$ 180,356,028	$ 8,021,188

Note 7. Long-Term Debt and Interest Rate Swap Agreements (Continued)

The aggregate principal and interest maturities, including capital leases, of long-term debt as of December 31, 2012 are as follows

	Principal	Interest
Year ending December 31		
2013	$ 6,209,933	$ 10,161,012
2014	5,364,091	9,852,155
2015	5,005,395	9,585,799
2016	3,921,591	9,384,793
2017	3,590,671	9,235,800
2018 to 2022	16,934,463	44,338,464
2023 to 2027	21,815,000	39,425,375
2028 to 2032	29,350,000	31,889,406
2033 to 2037	39,875,000	21,352,744
2038 to 2041	42,080,000	6,913,688
	174,146,144	$ 192,139,236
Less unamortized deferred loss on refunding	1,569,516	
	$ 172,576,628	

The Organization has pledged revenue to repay $170,000,000 hospital revenue and refunding bonds issued October 2011 These bonds are payable solely from the hospital revenue and are payable through 2041 Annual principal and interest payments on the bonds are expected to require less than 10% of revenue As of December 31, 2012, the total principal and interest remaining to be paid on the Series 2011 bonds is $355,176,648 Principal and interest paid for the current year on the Series 2011 bonds was $5,675,000 and $6,571,000, respectively Total hospital revenue for the current year is $373,027,314

The future minimum rental commitments payable as of December 31, 2012 on capital lease obligations are as follows

Year ending December 31	
2013	$ 2,925,561
2014	2,994,625
2015	2,369,208
2016	1,081,482
2017	301,978
Total minimum lease payments	9,672,854
Less amount representing executory costs (i e , operating expenses) included in total minimum lease payments	1,894,951
Net minimum lease payments	7,777,903
Less amount representing interest	1,048,715
Present value of net minimum lease payments	$ 6,729,188

Note 7. Long-Term Debt and Interest Rate Swap Agreements (Continued)

Interest rate swap agreements:

The Hospital had two interest rate swap agreements that were entered into in 2004 The first was a fixed payer swap in order to hedge its variable rate exposure relative to the portion of its Series 1993 Bonds subject to the total return swap and its Series 2004 Bonds The second was a fixed-to-floating swap (total return swap) which resulted in the Hospital converting a portion of its Series 1993 Bonds from a fixed rate to a variable rate Under the interest rate swap agreements, only the net difference in the interest payments is actually exchanged with the counterparty Settlement payments, representing the net difference in the amounts to be received and paid under each swap agreement are netted, and the net settlement amount is exchanged semi-annually The notional amounts are not exchanged, they are only the basis on which the interest payments are calculated

In October 2011, as part of the bond refunding, both of the swaps were terminated Under the provisions of GASB Statement No 53, the swaps are not considered as effective hedging derivative instruments, and therefore, the changes in fair value of $670,000 for the year ended December 31, 2011, have been recorded as a component of nonoperating revenue (expense) in the accompanying statements of activities similar to investment earnings The interest settlements received by the Hospital, or paid to the counterparty, are included as a component of interest expense The net settlements decreased interest expense by approximately $712,000 for the year ended December 31, 2011

Note 8. Retirement and Benefit Plans

Defined benefit retirement plan:

The Hospital contributes to the Retirement Plan for Employees of East Jefferson General Hospital (Plan) which is a single-employer, noncontributory defined benefit public employee retirement system (PERS) The Plan is sponsored by the Hospital to provide retirement benefits as well as death benefits All full-time employees at least 21 years of age with at least one year of credited service are eligible to participate in the Plan Plan benefits vest after five years of credited service Employees who retire at or after age 62 with 5 years of credited service are entitled to an annual retirement benefit payable monthly for life, unless the present value amount is under $8,500 In this instance, the employer has the option to distribute in a lump-sum payment The Plan also provides early retirement benefits at reduced amounts at age 55 with 10 years of service For the years ended December 31, 2012 and 2011, the Hospital's total payroll for all employees was approximately $118,166,000 and $120,332,000, respectively, and the Hospital's total covered payroll (for pension plan participants) was approximately $44,842,000 and $46,621,000, respectively Covered payroll refers to all compensation paid by the Hospital to active employees covered by the Plan on which contributions to the Plan are based

In November 2004, the Board of Directors of the Hospital adopted a resolution to revise the Plan participation eligibility requirements to exclude employees hired or rehired subsequent to January 1, 2005 In January 2005, the Board of Directors adopted a resolution to freeze the Plan effective April 1, 2005 This resolution had the immediate effect of reducing the actuarially determine recommended contribution to the Plan for 2005 The Board of Directors also resolved to increase base contributions to the Employee Savings Plan on a graduated scale based on length of service

Note 8. Retirement and Benefit Plans (Continued)

The benefit provisions of the Plan consist of current and prior accrued benefits The current benefit provided is equal to 75% of the participant's annual earnings for each Plan year commencing before December 31, 1988, plus 5% of the participant's annual earnings in excess of covered compensation, as defined by the Plan, for each Plan year commencing after December 31, 1988, for up to 35 years of benefit service The prior accrued benefit provided was equal to 30% of the participant's final average monthly earnings in excess of the Social Security Maximum Wage Average Certain Plan participants are also entitled to supplemental benefits as specifically defined in the Plan The Plan issues a publicly available financial report that includes financial statements and required supplementary information for PERS That report may be obtained by writing to East Jefferson General Hospital, Administration Department or by calling (504) 454-4000

Basis of accounting The Plan's assets are held in various investments, including U S government and agency issues, equity securities, mutual funds, corporate bonds, foreign obligation bonds, partnership and guaranteed investment contracts with a life insurance company The Plan's asset value is the fund value as reported by the life insurance company, which is a book value with part of the fund subject to a market value adjustment should the contract be terminated

Funding status and progress The amount shown as the net pension obligation in the following table is a standardized disclosure measure of the present value of pension benefits, adjusted beginning January 1, 2001 for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date The measure, which is independent of the actuarial funding method used to determine contributions to the Plan, is the actuarial present value of credited projected benefits The measure is intended to help users assess the Plan's funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due

Plan members are not required to contribute a portion of their annual salary The Hospital is required per the Plan's funding policy to contribute at an actuarially determined rate which was 6 2% and 6 5% for the years ended December 31, 2012 and 2011, respectively

Significant actuarial assumptions used in 2012 and 2011 include a rate of return on the investment of present and future assets of 7 5% per year compounded annually There has been no cost of living adjustment In 2012 and 2011 the actuarial value of assets was determined using market value The unfunded actuarial accrued liability is being amortized as an open level dollar of payroll The remaining amortization period at a January 1, 2013 actuarial valuation date was 30 years

Note 8. Retirement and Benefit Plans (Continued)

Annual pension costs, net pension obligation and the accrual for retirement benefits for 2012 and 2011 are as follows

	2012	2011
Annual required contribution for current year	$ 3,046,895	$ 2,581,804
Interest on net pension obligation	2,837	2,865
Adjustment to annual required contribution	(3,203)	(42,519)
Annual pension costs	3,046,529	2,542,150
Contribution made	3,046,529	2,581,804
Decrease in net pension obligation	-	(39,654)
Net pension obligation, beginning of year	38,201	77,855
Net pension obligation, end of year	$ 38,201	$ 38,201

Contributions required and contributions made The funding policy of the Plan provides for actuarially determined periodic employer contributions at rates that, for individual employees, remain fairly constant over time so that sufficient assets will be available to pay benefits when due The contribution rate for normal cost is determined using the Traditional Unit Credit actuarial cost method The Plan is being funded based on its normal cost, as actuarially determined, reduced by amounts sufficient to amortize an overfunded amount from prior years over a 30-year period The Hospital made contributions of approximately $3,047,000 and $2,582,000 for the years ended December 31, 2012 and 2011, respectively, and is fully funded according to Internal Revenue Service funding limitations Significant actuarial assumptions used to compute the contribution required are the same as those used to compute the standardized measure of the pension benefit obligation

Trend information Trend information related to the Plan is as follows

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/10	$ 2,554,536	100%	$ 77,855
12/31/11	2,542,150	100	38,201
12/31/12	3,046,529	100	38,201

Note 8. Retirement and Benefit Plans (Continued)

Funded status and funding progress, pension plan:

The funded status of the Plan as of December 31, 2012 and 2011 is based on the most recent actuarial valuation dated January 1, 2013 and 2012, respectively, as follows

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Valuation date January 1						
2013	$ 38,780,935	$ 71 765,206	$ 32 984 271	54 0	$ 44,841,780	73 6%
2012	34 587,098	70,572,102	35,985,004	49 0	46 621,480	77 2%

The supplementary information presented in the Required Retirement Plan Information was determined as part of the actuarial valuations at the dates indicated Additional information as of the latest actuarial valuation follows

Plan Year	2012	2011
Valuation Date	January 1, 2013	January 1, 2012
Actuarial Cost Method	Traditional Unit Credit	Traditional Unit Credit
Asset Valuation Method	Market value	Market value
Actuarial Assumptions		
Investment rate of return	7 5% per annum	7 5% per annum
Amortization method	Level dollar	Level dollar
Amortization period	30 years remaining (open basis)	30 years remaining (open basis)
Salary increase rate	None	None

Employee savings plan:

Effective September 15, 1989, the Hospital adopted the East Jefferson General Hospital Savings Plan (Savings Plan) for the benefit of eligible employees Benefits under the Plan are payable upon the retirement/disability of the participant or termination of the participant's employment The Hospital believes the Savings Plan qualifies under Sections 401(a), 403(b) and 457(b) of the Internal Revenue Code of 1986, as applicable to governmental plans

Note 8. Retirement and Benefit Plans (Continued)

Employees who have attained the age of 21 and completed one year of service are eligible to become participants in the Savings Plan Savings Plan participants may elect to make pre-tax contributions up to a maximum of the limits allowed by the IRS, as defined in the Savings Plan agreement Effective January 1, 2011, the Board approved a resolution to convert the 403(b) Retirement Savings Plan matching contribution to a discretionary contribution A discretionary contribution would provide the Hospital's Board the option of whether or not to fund the matching contribution, in whole or in part The option of whether or not to fund, in whole or in part, will be decided by the Board on a year to year basis

In December 2012 and 2011, the Board of Directors approved funding the 2012 and 2011 Hospital matching contribution to the Employee 403(b) Retirement Savings Plan during the first quarter of 2013 and 2012 The employer contributions to the Savings Plan for 2012 and 2011 were $4,745,512 and $4,087,700, respectively, which are net of forfeitures of $425,012 and $1,044,603, respectively

Savings Plan assets are invested in an equity fund (consisting primarily of common stocks) or a guaranteed investment contract fund with a commercial insurance company, as elected by plan participants A separate account is established for each Savings Plan participant Participants have a nonforfeitable right to the value of their after-tax deposits at any time and become 100% vested in Hospital basic deposits and Hospital matching deposits upon the completion of five years of service Loans are not permitted under the terms of the Savings Plan

Employer expenses, net forfeitures applied, for the Savings Plan totaled $4,607,595 and $4,147,403 for the years ended December 31, 2012 and 2011, respectively

Note 8 Retirement and Benefit Plans (Continued)

The following is a summary of the financial statements of the pension plan and employee savings plan as of and for the years ended December 31, 2012 and 2011

	Defined Benefit Retirement Plan	Savings Plan 401(a)	Savings Plan 403(b)	Savings Plan 457(b)	(Total Memorandum Only)
	December 31 2012				
Assets					
Receivables and prepaids					
Accrued interest and dividends	$ 50 229	$ -	$ -	$ -	$ 50 229
Contributions receivable					
Employee	-	-	535,546	164,816	700,362
Employer	-	2 943 295	1,802 217	-	4,745,512
Total receivables	50,229	2,943,295	2,337,763	164,816	5 496 103
Investments at fair value					
Cash equivalents	1 171 968	-	-	-	1,171,968
Debt securities	6,370,361	-	-	-	6,370,361
Equities	25,885,504	-	-	-	25 885,504
Mutual funds	5,302 873	49 594 497	65,891,400	13,652,520	134,441,290
Investment in partnership	68,194	-	-	-	68 194
Total investments	38,798,900	49,594,497	65,891,400	13,652 520	167 937,317
Liabilities, accounts payable	72 604	-	-	-	72,604
Net Position Held in Trust for Pension Benefits	$ 38,776,525	$ 52,537,792	$ 68,229,163	$ 13,817,336	$ 173,360,816
	December 31, 2011				
Assets					
Receivables and prepaids					
Accrued interest and dividends	$ 65,234	$ -	$ -	$ -	$ 65 234
Contributions receivable					
Employee	-	-	230 035	73 537	303,572
Employer	-	2 680 425	1 373 599	-	4,054,024
Total receivables	65,234	2,680,425	1,603,634	73,537	4,422,830
Investments at fair value					
Cash equivalents	1 123 777	-	-	-	1 123 777
Debt securities	6,465 961	-	-	-	6 465 961
Equities	21,248,349	-	-	-	21 248 349
Mutual funds	5 494 029	46 361 892	56 271,531	11 156 268	119,283,720
Investment in partnership	189 750	-	-	-	189 750
Total investments	34 521 866	46 361 892	56 271 531	11 156,268	148,311 557
Liabilities, accounts payable	63,789	-	-	-	63 789
Net Position Held in Trust for Pension Benefits	$ 34,523,311	$ 49,042,317	$ 57,875,165	$ 11,229,805	$ 152,670,598

Note 8. Retirement and Benefit Plans (Continued)

	Defined Benefit Retirement Plan	Savings Plan 401(a)	Savings Plan 403(b)	Savings Plan 457(b)	(Total Memorandum Only)
	Year Ended December 31, 2012				
Additions					
Contributions					
Members	$ -	$ -	$ 6 346 820	$ 1,899 655	$ 8 246 475
Employer	3,046,895	3,240,368	1,923,259	-	8 210,522
Total contributions	3 046 895	3 240 368	8,270,079	1,899,655	16,456,997
Investment income					
Interest	160,374	398,878	400 075	61,397	1 020 724
Dividends	893,136	1,033 578	1 443 579	338,517	3 708 810
Net appreciation in fair value of investments	3,813,333	3,725,335	5 247 499	1,119 947	13 906 114
	4,866,843	5 157 791	7 091 153	1 519,861	18,635 648
Less					
Investment advisory services	325,386	-	-	-	325 386
Custodial fees	16 725	17 380	27,620	4,215	65,940
Net investment income	4 524,732	5,140,411	7,063,533	1,515,646	18,244,322
Total additions	7 571 627	8 380 779	15,333 612	3,415,301	34,701 319
Deductions					
Retirement benefits paid and savings plan withdrawals	3,318,413	4,581 334	4 858 573	827 770	13 586 090
Forfeitures of nonvested contributions	-	303,970	121 041	-	425 011
Total deductions	3 318 413	4 885 304	4,979 614	827,770	14,011,101
Net increase	4,253,214	3,495,475	10 353 998	2 587 531	20 690 218
Net position held in trust for pension benefits					
Beginning	34,523,311	49,042 317	57 875 165	11 229 805	152 670 598
Ending	$ 38,776,525	$ 52,537,792	$ 68,229,163	$ 13,817,336	$ 173,360,816

Note 8. Retirement and Benefit Plans (Continued)

	Defined Benefit Retirement Plan	Savings Plan 401(a)	403(b) Special	403(b)	457(b)	(Total Memorandum Only)
	Year Ended December 31 2011					
Additions						
Contributions						
Members	$ -	$ -	$ -	$ 6,926,618	$ 1,892,212	$ 8,818,830
Employer	2,581,804	3 659 037	-	1 910,148	-	8 150,989
Total contributions	2 581 804	3,659,037	-	8 836,766	1 892,212	16,969,819
Investment income						
Interest	656 871	491,687	1 157	471 260	70 227	1,691,202
Dividends	384 335	711,410	-	918 518	208 109	2,222 372
Net appreciation in fair value of investments	(1,200,228)	(1 263 637)	1 061	(2 226,712)	(476 781)	(5,166 297)
	(159 022)	(60 540)	2 218	(836,934)	(198,445)	(1,252 723)
Less						
Investment advisory services	292 747	-	-	-	-	292 747
Custodial fees	54,939	-	-	-	3,246	58,185
Net investment income	(506 708)	(60,540)	2,218	(836,934)	(201 691)	(1,603,655)
Total additions	2 075 096	3 598,497	2 218	7,999 832	1,690 521	15 366 164
Deductions						
Retirement benefits paid and savings plan withdrawals	3,491,265	5,115,801	162 388	5,958,499	1,328,188	16,056,141
Forfeitures of nonvested contributions	-	502 361	-	261,402	-	763 763
Total deductions	3,491,265	5,618,162	162,388	6,219,901	1 328,188	16,819,904
Net increase (decrease)	(1,416,169)	(2 019 665)	(160 170)	1,779 931	362,333	(1 453 740)
Net position held in trust for pension benefits						
Beginning	35,939,480	51 061,982	160,170	56,095,234	10,867,472	154,124,338
Ending	$ 34,523,311	$ 49,042,317	$ -	$ 57,875,165	$ 11,229,805	$ 152,670,598

Deferred compensation and executive benefits:

The Hospital previously provided a supplemental executive retirement plan (SERP) as well as a deferred compensation plan to certain key employees The SERP plan was terminated during 2005 As of December 31, 2012, assets and liabilities associated with the deferred compensation plan were $4,923 and $1,654,566, respectively, the unfunded status of the plan will be paid from operations As of December 31, 2011, assets and liabilities associated with the deferred compensation plan were $692,372 and $1,436,200, respectively, the unfunded status of the plan will be paid from operations These amounts are included in noncurrent assets and liabilities in the accompanying basic financial statements

Note 9 Other Postemployment Benefits (OPEB)

Plan description and funding policy:

The Hospital sponsors a postretirement medical plan that provides post-termination medical insurance coverage for the participant and the participant's spouse of health insurance through age 65, then lifetime Medicare supplement insurance The employees eligible under this policy are key employees as designated by the Hospital's Board of Directors who terminate employment at or after age 62 with at least 10 years of service Prior to the participants' age 65, the coverage shall be insured coverage providing a level of benefits reasonably comparable to the standard medical coverage the Hospital provides to all full-time employees Commencing at the participant's age 65, the coverage shall be provided in the form of an insured Medicare Supplement Policy providing the level of coverage determined by the Hospital in its sole discretion

The Hospital shall pay 50% or 100% of the premiums for the coverage under this plan for the participant and the participant's spouse depending on the ages of both of the covered individuals with a gross premium cap of $1,000 per month per individual The required contribution is based on projected pay-as-you-go financing requirements For fiscal years 2012 and 2011, the Hospital contributed $30,036 and $27,305, respectively, to the plan

Annual OPEB cost and net OPEB obligation:

The Hospital's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No 45 The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years The following table shows the components of the Hospital's annual OPEB cost for the years ended December 31, 2012 and 2011, the amount actuarially contributed to the plan, and changes in the Hospital's annual OPEB obligation

	2012	2011
Annual required contribution	$ 163,991	$ 160,515
Interest on net OPEB obligation	46,293	39,389
Annual OPEB cost	210,284	199,904
Contributions made	(30,036)	(27,305)
Increase in net OPEB obligation	180,248	172,599
Net OPEB obligation, beginning of year	1,157,316	984,717
Net OPEB obligation, end of year	$ 1,337,564	$ 1,157,316

The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for fiscal years 2012, 2011 and 2010 is as follows

	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal year ended December 31			
2012	$ 210,284	14 3%	$ 1,337,564
2011	199,904	13 7	1,157,316
2010	190,117	13 9	984,717

Note 9 Other Postemployment Benefits (OPEB) (Continued)

Funded status and funding progress:

Postemployment benefit obligations under GASB Statement No 45 as of December 31, 2010, the most recent actuarial valuation date, is as follows

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
December 31, 2010	$ -	$ 2,351,426	$ 2,351,426	$ -

Actuarial methods and assumptions:

The actuarial calculations are performed in accordance with the Projected Unit Credit Actuarial Cost Method as allowed under GASB Statement No 45 The excess of the AAL over the actuarial value of plan assets is the unfunded actuarial accrued liability The unfunded actuarial accrued liability is amortized over a maximum of 30 years in level dollar amounts on an open period amortization basis The sum of the normal cost and the amortization of the unfunded actuarial accrued liability is the annual required contribution, which with interest at the valuation date, determines the annual OPEB cost

Economic cost assumptions:

The rate at which projected cash flows are to be discounted is 4% based on estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits

Actuarial calculations reflect a long-term perspective that involves estimates of reported amounts and assumptions about the probability of events far into the future Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future

Note 10. Self-Insurance, Commitments and Contingent Liabilities

Self-insurance for health insurance:

The Hospital is self-insured for its employee health insurance plan The self-insured claims are processed through a Plan Administrator In 2012 and 2011, the Hospital had stop-loss insurance coverage for claims in excess of $300,000 per individual per plan year and a lifetime maximum coverage of $700,000 per individual The following is a summary of estimated claims liability for the years ended December 31, 2012 and 2011 The Hospital has recorded a current liability for open claims and claims incurred but not reported

	2012	2011
Balance, beginning	$ 1,643,626	$ 2,069,947
Claims expense	9,500,000	9,138,301
Claims payment	(9,946,993)	(9,564,622)
Balance, ending	$ 1,196,633	$ 1,643,626

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Self-insurance for worker's compensation insurance:

The Hospital is self-insured for worker's compensation The self-insured claims are processed through a Plan Administrator The Hospital has purchased stop-loss insurance coverage for claims in excess of $150,000 per occurrence Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated Liabilities include an amount for claims that have been incurred but not reported (IBNR) Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors The following is a summary of estimated claims liability for the years ended December 31, 2012 and 2011 The Hospital has recorded a current liability for open claims and claims incurred but not reported which is included in other accrued expenses

	2012	2011
Balance, beginning	$ 4,213,500	$ 4,168,180
Claims expense	179,500	1,416,925
Claims payment	(1,116,972)	(1,371,605)
Balance, ending	$ 3,276,028	$ 4,213,500

Professional liability insurance.

During 1976, the State of Louisiana enacted legislation that created a statutory limit of $500,000 plus interest, costs and future medical expenses for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers The constitutionality of the statutory limit has been tested and sustained to date although additional challenges may be made in the future The Hospital participates in the State Insurance Fund, which provides up to $400,000 coverage for settlement amounts in excess of $100,000 per claim The Hospital is self-insured with respect to the first $100,000 of each claim and has purchased additional coverage through a claims-made policy with a commercial insurance carrier for losses on claims in excess of $500,000 for claims made on or prior to December 31, 2003 and $1,000,000 for claims made subsequent to December 31, 2003 The following is a summary of estimated claims liability for the years ended December 31, 2012 and 2011 The Hospital has recorded the liability in noncurrent liabilities

	2012	2011
Balance, beginning	$ 2,972,642	$ 2,786,142
Claims expense and change in accrual	817,727	481,500
Claims payment	(215,000)	(295,000)
Balance, ending	$ 3,575,369	$ 2,972,642

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Other self-insurance programs:

The Hospital is self-insured for general liability and vehicle liability The self-insured claims are processed through a Plan Administrator The following is a summary of estimated claims liability for the years ended December 31, 2012 and 2011 The Hospital has recorded the liability in noncurrent liabilities

	2012	2011
Balance, beginning	$ 857,313	$ 1,166,628
Claims expense and change in accrual	315,560	(306,037)
Claims payment	(29,460)	(3,278)
Balance, ending	$ 1,143,413	$ 857,313

Laws and regulations:

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

The Organization has been named as a defendant in various legal actions arising from normal business activities in which damages in various amounts are claimed The amount of ultimate liability, if any, with respect to such matters cannot be determined, but management believes that any such liability would not have a material effect on the Organization's financial position

CMS RAC Program:

Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of the Medicare Recovery Audit Contractor (RAC) program The RAC's identified and corrected a significant amount of improper overpayments and/or underpayments to providers In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states The Organization has been subject to such audits and will continue to be subject to additional audits in the future The Organization has accrued an estimated liability, which is included in the allowance for contractual adjustments, which is a reduction of patient receivables, as of December 31, 2012 The allowance is based on the number of RAC audit requests, the Organization's historical defense rate and the analysis and reviews of management It is reasonably possible that the recorded estimates will change materially in the near term

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Health care reform:

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law PPACA will result in sweeping changes across the health care industry, including how care is provided and paid for A primary goal of this comprehensive reform legislation is to extend health coverage to approximately 32 million uninsured legal U S residents through a combination of public program expansion and private sector health insurance reforms Given that final regulations and interpretive guidelines have yet to be published, the Organization is unable to fully predict the impact of PPACA on its operations and financial results If the law is implemented as adopted, the Organization's management expects that in the coming years, patients who were previously uninsured and unable to pay for care will have basic insurance coverage, and amounts for reimbursement for services from both public and private payors will be reduced and made conditional on various quality measures Management of the Organization is studying and evaluating the anticipated effects and developing strategies needed to prepare for implementation, and is preparing to work cooperatively with other constituents to optimize available reimbursement

Lease commitments:

The Organization leases property and various equipment under leases that expire at various dates through 2034

As of December 31, 2012, the total minimum rental commitment under operating lease agreements is approximately $16,742,000 and is due as follows

Year ending December 31	
2013	$ 2,516,000
2014	2,410,000
2015	2,224,000
2016	2,153,000
2017	1,959,000
Thereafter	5,480,000
	$ 16,742,000

Total rent expense for the above leases for the years ended December 31, 2012 and 2011 was approximately $2,587,000 and $2,595,000, respectively

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Professional services commitments:

The Organization has agreements for the outsourcing of its information technology department, for laboratory services, for food services and other miscellaneous items These agreements expire at various times through 2020

As of December 31, 2012, the total minimum commitment under these agreements is approximately due as follows

Year ending December 31	
2013	$ 24,855,000
2014	25,322,000
2015	22,674,000
2016	18,721,000
2017	14,652,000
2018 to 2020	41,259,000
	$ 147,483,000

Total expense for the above agreements for the years ended December 31, 2012 and 2011 was approximately $24,344,000 and $25,812,000, respectively

Note 11. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements The mix of receivables from patients and third-party payors as of December 31, 2012 and 2011 was as follows

	2012	2011
Medicare	55 5%	53 9%
Medicaid	6 9	5 9
Managed care	14 1	14 2
Other third-party payors	17 4	19 7
Patients	6 1	6 3
	100 0%	100 0%

Note 12. Other Assets

Other assets as of December 31, 2012 and 2011 consist of an investment in Associated Hospital Services, goodwill associated with the 2012 acquisition of a physician group and 2010 acquisition of the minority interest in PET Scan and other assets These are summarized as follows

	2012	2011
Associated Hospital Services (laundry service)	$ 2,994,849	$ 3,138,246
Goodwill	9,361,715	1,249,143
Other	340,000	340,000
	$ 12,696,564	$ 4,727,389

Note 13. Functional Expenses

The Organization provides general health care services to residents within its geographic location Expenses related to providing these services for the years ended December 31, 2012 and 2011 are as follows

	2012	2011
Program	$ 243,482,649	$ 236,280,729
General and administrative	137,051,303	128,277,676
	$ 380,533,952	$ 364,558,405

Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

During the year ended December 31, 2012, the Organization adopted the following GASB Statements

GASB Statement No 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans GASB 57 amends GASB Statement No 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* The adoption of this Statement had no effect on the financial statements

GASB Statement No 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989 FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports The adoption of this Statement had no effect on the financial statements

Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements) The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities This Statement also amends certain provisions of Statement No 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets The adoption of this Statement had an effect on the disclosures in the financial statements

GASB Statement No 64, *Derivative Instruments Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No 53) This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated Those conditions are (*a*) the collectibility of swap payments is considered to be probable, (*b*) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (*c*) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied The adoption of this Statement had no effect on the financial statements

As of December 31, 2012, the GASB has also issued several statements not yet implemented by the Organization The Statements which may impact the Organization are as follows

GASB Statement No 61, *The Financial Reporting Entity Omnibus an amendment of GASB Statements No 14 and No 34*, issued November 2010, will be effective for the Organization beginning with its year ending December 31, 2013 This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic

Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No 65, *Items Previously Reported as Assets and Liabilities,* issued April 2012, will be effective for the Organization beginning with its year ending December 31, 2013 This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting GASB Concepts Statement (CON) No 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4 Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources

GASB Statement No 66, *Technical Corrections - 2012*, issued April 2012, will be effective for the Organization beginning with its year ending December 31, 2013 This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting This Statement amends GASB Statement No 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions* This Statement also amends GASB Statement No 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (*a*) operating lease payments that vary from a straight-line basis, (*b*) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (*c*) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate These changes would eliminate any uncertainty regarding the application of GASB Statement No 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in GASB Statement No 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively

GASB Statement No 67, *Financial Reporting for Pension Plans*, issued June 2012, will be effective for the Organization beginning with its year ending December 31, 2014 This Statement replaces the requirements of GASB Statement No 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position This Statement enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans This Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules

Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the Organization beginning with its year ending December 31, 2015 This Statement replaces the requirements of GASB Statement No 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information

GASB Statement No 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for the Organization beginning with its year ending December 31, 2014 This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations This Statement provides guidance for

- Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations,
- Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations,
- Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition, and
- Reporting the disposal of government operations that have been transferred or sold

The Organization's management has not yet determined the effect these Statements will have on the Organization's financial statements

Note 15. Upper Payment Limit Programs and Low Income and Needy Care Collaboration

The Hospital received supplemental Medicaid payments, also known as Upper Payment Limit (UPL) payments, for inpatient and outpatient services through intergovernmental transfers in accordance with specific state statues subject to federal regulations and approval Under one of the UPL agreements the hospital received supplemental payments for services provided by physicians in recognition for providing services to Medicaid patients Under a separate UPL agreement the Hospital entered into a cooperative endeavor agreement with other health care providers for the purpose of ensuring adequate healthcare services are available for underserved, non-rural populations During the year ended December 31, 2012, total revenues and expenses recognized by the Hospital and EJPG related to these UPL agreements was approximately $4,371,000 and $360,000, respectively During the year ended December 31, 2011, total revenues and expenses recognized by the Hospital and EJPG related to these UPL agreements was approximately $5,132,000 and $775,000, respectively These receipts and payments are recorded as other operating revenues and expenses in the statements of activities

In April 2011, the Hospital and other health care providers formed a one-year collaboration to help fund a program to ensure the availability of quality healthcare services for the low income and needy population to reduce the costs of health care This collaboration was extended in 2012 For the years ended December 31, 2012 and 2011, the Hospital made payments into the program of $3,910,000 and $2,500,000 and incurred $2,675,000 and $1,875,000 of other operating expenses, respectively

Supplementary Information

East Jefferson General Hospital

Required Supplementary Information
Retirement Plan
December 31, 2012

Schedule of Funding Progress	**2012**	2011	2010
Actuarial valuation date	**1/1/13**	1/1/12	1/1/11
Actuarial value of assets (AVA)	**$ 38,780,935**	$ 34,587,098	$ 35,969,789
Actuarial accrued liability (AAL)	**$ 71,765,206**	$ 70,572,102	$ 65,035,180
Unfunded AAL (UAAL)	**$ 32,984,271**	$ 35,985,004	$ 29,065,391
Funded ratio	**54.0%**	49 0%	55 3%
Annual covered payroll	**$ 44,841,780**	$ 46,621,480	$ 52,622,311
UAAL as % of payroll	**73.6%**	77 2%	55 2%

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated Additional information as of the latest actuarial valuation follows

1 The valuation date is January 1, 2013
2 The actuarial method used is traditional unit credit
3 The amortization method is a level dollar open method The remaining amortization period is 30 years
4 The assets are shown at fair value
5 Economic assumptions are as follows investment rate of return of 7 5% and no projected salary increases

East Jefferson General Hospital

Required Supplementary Information
Other Postemployment Benefit Plan

Schedule of Funding Progress

Fiscal Year-End	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over-funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2012	**12/31/2010**	**$ -**	**$ 2,351,426**	**$ 2,351,426**	**- %**	**$ 6,695,229**	**33%**
2011	12/31/2010	-	2,198,381	2,198,381	-	6,695,229	33
2010	12/31/2010	-	2,054,548	2,054,548	-	7,325,554	28

Note Fiscal year 2007 was the transition year for GASB Statement No 45

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of December 31, 2010 Additional information follows

1 The cost method used to determine the ARC is the Projected Unit Credit Actuarial Cost method
2 There are no plan assets
3 Economic assumptions are discount rate of 4 0%
4 The amortization method is open period, level dollar

East Jefferson General Hospital

Combining Statements of Net Position
December 31, 2012

Assets	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC
Current Assets				
Cash and cash equivalents	$ 7,013,725	$ 1,221,136	$ 340,072	$ 83,695
Short-term investments	85,757,357	-	-	-
Receivables				
Patients, net	40,083,829	750,785	4,418,989	-
Other	44,942,271	-	384,658	117,077
Assets limited as to use, current portion	7,475,923	-	-	-
Inventories	7,169,891	-	-	-
Prepaid expenses	5,687,794	172,455	1,317,551	-
Total current assets	198,130,790	2,144,376	6,461,270	200,772
Noncurrent Assets				
Assets limited as to use				
Under bond indenture	88,731,220	-	-	-
Board-designated for strategic initiatives	37,616,837	-		-
	126,348,057	-	-	-
Less portion required for current liabilities	7,475,923	-	-	-
	118,872,134	-	-	-
Capital assets	207,085,782	2,552,656	194,358	-
Debt issuance costs, net of accumulated amortization	4,204,807	-	-	-
Investment in equity interests and associated companies and other *	(20,977,374)	-	8,251,366	-
Deferred compensation and life insurance	1,015,384	-	-	-
Total noncurrent assets	310,200,733	2,552,656	8,445,724	-
	$ 508,331,523	$ 4,697,032	$ 14,906,994	$ 200,772

* EJGH carries its investment in EJPN, LLC at none as of December 31, 2012 This investment should be carried at $190,733 The effects of this investment have been properly eliminated in the statement of net position as of December 31, 2012

EJASC, LLC	GULF, LLC	Eliminations	Combined
$ 726,832	$ -	$ -	$ 9,385,460
-	-	-	85,757,357
501,899	-	-	45,755,502
-	-	(41,057,346)	4,386,660
-	-	-	7,475,923
-	-	-	7,169,891
38,208	46,949	-	7,262,957
1,266,939	46,949	(41,057,346)	167,193,750
-	-	-	88,731,220
-	-	-	37,616,837
-	-	-	126,348,057
-	-	-	7,475,923
-	-	-	118,872,134
1,525,408	-	(1,465,379)	209,892,825
-	-	-	4,204,807
-	-	25,422,572	12,696,564
-	-	-	1,015,384
1,525,408	-	23,957,193	346,681,714
$ 2,792,347	$ 46,949	$ (17,100,153)	$ 513,875,464

East Jefferson General Hospital

Combining Statements of Net Position
December 31, 2012

Liabilities and Net Position	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC
Current Liabilities				
Current maturities of long-term debt	$ 4,316,184	$ 706,741	$ -	$ -
Accounts payable	15,458,430	651,790	38,818,119	-
Accrued expenses				
Salaries and wages	4,469,243	-	179,756	-
Paid leave	4,058,183	-	-	-
Health insurance claims	1,196,633	-	-	-
Interest	4,770,923	-	-	-
Estimated third-party payor settlements	1,829,197	-	-	-
Other	11,830,608	-	-	-
Total current liabilities	47,929,401	1,358,531	38,997,875	-
Noncurrent Liabilities				
Deferred compensation and executive benefits	1,654,566	-	-	-
Retirement benefits	1,375,765	-	-	-
Estimated self-insurance reserves	5,018,782	-	-	-
Long-term debt, less current maturities	164,980,293	1,386,402	-	-
Other accrued expenses	1,287,330	-	-	-
Minority interest in equity interests	-	-	-	-
Total noncurrent liabilities	174,316,736	1,386,402	-	-
Total liabilities	222,246,137	2,744,933	38,997,875	-
Net Position				
Invested in capital assets, net of related debt	37,789,305	459,513	194,358	-
Restricted under bond indenture	88,731,220	-	-	-
Unrestricted *	159,564,861	1,492,586	(24,285,239)	200,772
Total net position	286,085,386	1,952,099	(24,090,881)	200,772
	$ 508,331,523	$ 4,697,032	$ 14,906,994	$ 200,772

* EJGH carries its investment in EJPN, LLC at none as of December 31, 2012 This investment should be carried at $190,733 The effects of this investment have been properly eliminated in the statement of net position as of December 31, 2012

EJASC, LLC	GULF, LLC	Eliminations	Combined
$ 1,187,008	$ -	$ -	$ 6,209,933
133,766	3,887,131	(40,894,037)	18,055,199
24,753	-	-	4,673,752
-	-	-	4,058,183
-	-	-	1,196,633
-	-	-	4,770,923
-	-	-	1,829,197
163,309	300,000	(163,309)	12,130,608
1,508,836	4,187,131	(41,057,346)	52,924,428
-	-	-	1,654,566
-	-	-	1,375,765
-	-	-	5,018,782
-	-	-	166,366,695
395,978	-	(395,978)	1,287,330
-	-	444,930	444,930
395,978	-	48,952	176,148,068
1,904,814	4,187,131	(41,008,394)	229,072,496
338,400	-	(1,465,379)	37,316,197
-	-	-	88,731,220
549,133	(4,140,182)	25,373,620	158,755,551
887,533	(4,140,182)	23,908,241	284,802,968
$ 2,792,347	$ 46,949	$ (17,100,153)	$ 513,875,464

East Jefferson General Hospital

Combining Statements of Net Position
December 31, 2011

Assets		EJGH		EJRO, LLC		EJPG, LLC		EJPN, LLC
Current Assets								
Cash and cash equivalents	$	1,631,174	$	1,859,464	$	5,338,150	$	83,615
Short-term investments		112,437,464		-		-		-
Receivables								
Patients, net		38,066,245		814,982		2,498,389		-
Other		21,686,569		-		-		104,369
Assets limited as to use, current portion		8,173,788		-		-		-
Inventories		7,657,079		-		-		-
Prepaid expenses		3,958,535		205,195		1,014,644		-
Total current assets		193,610,854		2,879,641		8,851,183		187,984
Noncurrent Assets								
Assets limited as to use								
Under bond indenture		87,031,403		-		-		-
Board-designated for strategic initiatives		37,889,691		-		-		-
		124,921,094		-		-		-
Less portion required for current liabilities		8,173,788		-		-		-
		116,747,306		-		-		-
Capital assets		207,856,541		3,186,141		73,690		-
Debt issuance costs, net of accumulated amortization		4,407,896		-		-		-
Investment in equity interests and associated companies and other *		(4,222,053)		-		-		-
Deferred compensation and life insurance		1,650,651		-		-		-
Total noncurrent assets		326,440,341		3,186,141		73,690		-
	$	520,051,195	$	6,065,782	$	8,924,873	$	187,984

* EJGH carries its investment in EJPN, LLC at none as of December 31, 2011 This investment should be carried at $178,585 The effects of this investment have been properly eliminated in the statement of net position as of December 31, 2011

EJASC, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Eliminations	Combined
$ 979,588	$ 47,253	$ 101,884	$ -	$ -	$ 10,041,128
-	-	-	-	-	112,437,464
642,712	-	-	-	-	42,022,328
-	-	-	-	(19,948,518)	1,842,420
-	-	-	-	-	8,173,788
-	-	-	-	-	7,657,079
35,710	-	-	-	-	5,214,084
1,658,010	47,253	101,884	-	(19,948,518)	187,388,291
-	-	-	-	-	87,031,403
-	-	-	-	-	37,889,691
-	-	-	-	-	124,921,094
-	-	-	-	-	8,173,788
-	-	-	-	-	116,747,306
1,618,744	-	-	-	(1,544,947)	211,190,169
-	-	-	-	-	4,407,896
-	-	-	-	8,949,442	4,727,389
-	-	-	-	-	1,650,651
1,618,744	-	-	-	7,404,495	338,723,411
$ 3,276,754	$ 47,253	$ 101,884	$ -	$ (12,544,023)	$ 526,111,702

East Jefferson General Hospital

Combining Statements of Net Position
December 31, 2011

Liabilities and Net Position	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC
Current Liabilities				
Current maturities of long-term debt	$ 7,120,292	$ 661,576	$ -	$ -
Accounts payable	13,274,892	600,683	19,616,623	-
Accrued expenses				
Salaries and wages	3,740,707	-	-	-
Paid leave	3,938,217	-	-	-
Health insurance claims	1,643,626	-	-	-
Interest	1,746,498	-	-	-
Estimated third-party payor settlements	2,410,775	-	-	-
Other	11,827,450	-	-	-
Total current liabilities	45,702,457	1,262,259	19,616,623	-
Noncurrent Liabilities				
Deferred compensation and executive benefits	1,436,200	-	-	-
Retirement benefits	1,195,517	-	-	-
Estimated self-insurance reserves	4,129,955	-	-	-
Long-term debt, less current maturities	169,055,226	2,093,143	-	-
Other accrued expenses	1,900,008	-	-	-
Minority interest in equity interests	-	-	-	-
Total noncurrent liabilities	177,716,906	2,093,143	-	-
Total liabilities	223,419,363	3,355,402	19,616,623	-
Net Position				
Invested in capital assets, net of related debt	31,681,023	431,422	73,690	-
Restricted under bond indenture	87,031,403	-	-	-
Unrestricted *	177,919,406	2,278,958	(10,765,440)	187,984
Total net position	296,631,832	2,710,380	(10,691,750)	187,984
	$ 520,051,195	$ 6,065,782	$ 8,924,873	$ 187,984

* EJGH carries its investment in EJPN, LLC at none as of December 31, 2011 This investment should be carried at $178,585 The effects of this investment have been properly eliminated in the statement of net position as of December 31, 2011

EJASC, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Eliminations	Combined
$ 239,320	$ -	$ -	$ -	$ -	$ 8,021,188
84,156	-	-	2,094,355	(19,728,301)	15,942,408
-	-	-	-	-	3,740,707
-	-	-	-	-	3,938,217
-	-	-	-	-	1,643,626
-	-	-	-	-	1,746,498
-	-	-	-	-	2,410,775
243,639	-	-	-	(220,217)	11,850,872
567,115	-	-	2,094,355	(19,948,518)	49,294,291
-	-	-	-	-	1,436,200
-	-	-	-	-	1,195,517
-	-	-	-	-	4,129,955
1,186,471	-	-	-	-	172,334,840
557,973	-	-	-	(557,973)	1,900,008
-	-	-	-	555,422	555,422
1,744,444	-	-	-	(2,551)	181,551,942
2,311,559	-	-	2,094,355	(19,951,069)	230,846,233
192,953	-	-	-	(1,544,947)	30,834,141
-	-	-	-	-	87,031,403
772,242	47,253	101,884	(2,094,355)	8,951,993	177,399,925
965,195	47,253	101,884	(2,094,355)	7,407,046	295,265,469
$ 3,276,754	$ 47,253	$ 101,884	$ -	$ (12,544,023)	$ 526,111,702

East Jefferson General Hospital

Combining Statement of Activities
Year Ended December 31, 2012

	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC
Operating revenue				
Net patient service revenue	$ 305,733,650	$ 11,321,501	$ 22,546,590	$ -
Other operating revenue	17,191,280	7,148	1,364,451	-
Rental income from leases	5,519,559	71,776	-	26,208
Total operating revenue	328,444,489	11,400,425	23,911,041	26,208
Operating expenses				
Salaries, wages and benefits	144,453,146	1,519,670	28,361,237	-
Purchased services and other	104,935,755	5,988,749	8,276,264	13,500
Supplies	48,662,203	173,865	454,852	-
Depreciation and amortization	24,710,168	663,942	217,819	-
Interest	9,644,206	162,480	-	-
Total operating expenses	332,405,478	8,508,706	37,310,172	13,500
Income (loss) from operations	(3,960,989)	2,891,719	(13,399,131)	12,708
Nonoperating revenue (expenses)				
Investment earnings	4,227,296	-	-	80
(Loss) on disposal of capital assets	(53,945)	-	-	-
Grant revenue	1,253,091	-	-	-
Contributions	1,143,907	-	-	-
Equity in net income (loss) of component units and associated companies	(11,519,841)	-	-	-
	(4,949,492)	-	-	80
Excess of revenue over (under) expenses before capital contribution (distribution), transfers and minority interest	(8,910,481)	2,891,719	(13,399,131)	12,788
Capital contribution (distribution)	-	(3,650,000)	-	-
Transfers to Jefferson Parish	(1,635,965)	-	-	-
Minority interest in net income of component units	-	-	-	-
Change in net position	(10,546,446)	(758,281)	(13,399,131)	12,788
Net position				
Beginning	296,631,832	2,710,380	(10,691,750)	187,984
Ending	$ 286,085,386	$ 1,952,099	$ (24,090,881)	$ 200,772

EJASC, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Eliminations	Combined
$ 5,928,884	$ -	$ -	$ -	$ -	$ 345,530,625
10,744	-	58,667	-	(986,938)	17,645,352
-	-	-	-	(2,392,868)	3,224,675
5,939,628	-	58,667	-	(3,379,806)	366,400,652
1,105,939	-	-	519,965	-	175,959,957
1,343,794	2,600	29,525	1,518,226	(3,379,133)	118,729,280
990,418	-	-	7,636	(1,987)	50,286,987
158,763	-	-	-	(79,568)	25,671,124
79,918	-	-	-	-	9,886,604
3,678,832	2,600	29,525	2,045,827	(3,460,688)	380,533,952
2,260,796	(2,600)	29,142	(2,045,827)	80,882	(14,133,300)
2,288	-	-	-	-	4,229,664
-	-	-	-	-	(53,945)
-	-	-	-	-	1,253,091
-	-	-	-	-	1,143,907
-	-	-	-	11,376,444	(143,397)
2,288	-	-	-	11,376,444	6,429,320
2,263,084	(2,600)	29,142	(2,045,827)	11,457,326	(7,703,980)
(2,340,746)	(44,653)	(131,026)	-	6,166,425	-
-	-	-	-	-	(1,635,965)
-	-	-	-	(1,122,556)	(1,122,556)
(77,662)	(47,253)	(101,884)	(2,045,827)	16,501,195	(10,462,501)
965,195	47,253	101,884	(2,094,355)	7,407,046	295,265,469
$ 887,533	$ -	$ -	$ (4,140,182)	$ 23,908,241	$ 284,802,968

East Jefferson General Hospital

Combining Statement of Activities
Year Ended December 31, 2011

	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC
Operating revenue				
Net patient service revenue	$ 303,737,048	$ 12,258,206	$ 19,664,742	$ -
Other operating revenue	12,599,354	4,095	2,303,329	-
Rental income from leases	5,462,819	71,776	-	26,208
Total operating revenue	321,799,221	12,334,077	21,968,071	26,208
Operating expenses				
Salaries, wages and benefits	144,820,482	1,499,260	24,563,223	-
Purchased services and other	97,036,763	6,424,075	6,788,254	39,083
Supplies	49,440,663	149,337	337,465	-
Depreciation and amortization	22,962,268	663,942	47,202	-
Interest	7,314,742	204,755	-	-
Total operating expenses	321,574,918	8,941,369	31,736,144	39,083
Income (loss) from operations	224,303	3,392,708	(9,768,073)	(12,875)
Nonoperating revenue (expenses)				
Investment earnings	6,275,711	-	-	80
(Loss) on disposal of capital assets	(14,518)	-	-	-
Grant revenue	2,525,400	-	-	-
Contributions	1,420,638	-	-	-
Equity in net income (loss) of component units and associated companies	(7,271,778)	-	-	-
Change in fair value of interest rate swap agreements	669,939	-	-	-
Other	-	-	-	-
	3,605,392	-	-	80
Excess of revenue over (under) expenses before capital contribution (distribution), transfers and minority interest	3,829,695	3,392,708	(9,768,073)	(12,795)
Capital contribution (distribution)	-	(3,700,000)	-	-
Transfers to Jefferson Parish	(1,547,404)	-	-	-
Minority interest in net income of component units	-	-	-	-
Change in net position	2,282,291	(307,292)	(9,768,073)	(12,795)
Net position				
Beginning	294,349,541	3,017,672	(923,677)	200,779
Ending	$ 296,631,832	$ 2,710,380	$ (10,691,750)	$ 187,984

PET Scan	EJASC, LLC	SURG, LLC	ORTHO, LLC	GULF, LLC	Eliminations	Combined
$ 600,386	$ 5,755,363	$ -	$ -	$ -	$ (37,515)	$ 341,978,230
-	-	134,812	223,705	-	(481,448)	14,783,847
-	-	-	-	-	(2,377,069)	3,183,734
600,386	5,755,363	134,812	223,705	-	(2,896,032)	359,945,811
61,473	1,096,231	-	-	276,377	(11,437)	172,305,609
142,249	1,160,162	43,360	135,323	1,124,742	(2,888,230)	110,005,781
46,722	837,511	-	-	3,331	(2,043)	50,812,986
2,925	232,662	-	-	-	(79,628)	23,829,371
-	85,161	-	-	-	-	7,604,658
253,369	3,411,727	43,360	135,323	1,404,450	(2,981,338)	364,558,405
347,017	2,343,636	91,452	88,382	(1,404,450)	85,306	(4,612,594)
675	1,970	-	-	-	-	6,278,436
-	-	-	-	-	-	(14,518)
-	-	-	-	-	-	2,525,400
-	-	-	-	-	-	1,420,638
-	-	-	-	-	6,266,724	(1,005,054)
-	-	-	-	-	-	669,939
-	(37,609)	-	-	-	-	(37,609)
675	(35,639)	-	-	-	6,266,724	9,837,232
347,692	2,307,997	91,452	88,382	(1,404,450)	6,352,030	5,224,638
(1,207,740)	(1,938,792)	(91,650)	(88,502)	-	7,026,684	-
-	-	-	-	-	-	(1,547,404)
-	-	-	-	-	(1,218,397)	(1,218,397)
(860,048)	369,205	(198)	(120)	(1,404,450)	12,160,317	2,458,837
860,048	595,990	47,451	102,004	(689,905)	(4,753,271)	292,806,632
$ -	$ 965,195	$ 47,253	$ 101,884	$ (2,094,355)	$ 7,407,046	$ 295,265,469

East Jefferson General Hospital

Statements of Activities Information
(Hospital Only)
Years Ended December 31, 2012 and 2011

Gross Patient Service Revenue, Summary by Department	2012 Inpatient	2012 Outpatient	2012 Total
Routine care services			
Medical and surgical	$ 57,064,171	$ 12,357,282	$ 69,421,453
Intensive care	18,304,415	6,420	18,310,835
Coronary care	6,537,600	-	6,537,600
Psychiatric care	4,987,126	1,800	4,988,926
Nursery	9,858,909	-	9,858,909
Rehabilitation	2,920,116	-	2,920,116
Skilled nursing facility	6,488,135	-	6,488,135
	106,160,472	12,365,502	118,525,974
Ancillary services			
Ambulance	4,297,547	15,282,709	19,580,256
Anesthesiology	15,733,290	13,219,133	28,952,423
Blood bank	8,092,729	2,679,318	10,772,047
Cardiology	40,434,069	66,277,306	106,711,375
Central supply	484,053	356,933	840,986
Dialysis	3,612,874	281,060	3,893,934
Electroencephalography	283,255	182,741	465,996
Emergency services	15,481,694	31,746,734	47,228,428
Endoscopy	2,491,395	8,405,405	10,896,800
Labor and delivery	7,957,425	801,855	8,759,280
Laboratory	40,019,203	41,039,261	81,058,464
Magnetic resonance imaging	3,194,576	8,790,814	11,985,390
Operating and recovery	96,499,558	72,929,433	169,428,991
Pharmacy and IV solution	99,892,638	90,598,825	190,491,463
Physical therapy	18,775,630	6,591,482	25,367,112
Physician network revenue	-	4,196,705	4,196,705
Radiation therapy	1,379,349	111,630	1,490,979
Radiology	39,336,316	86,526,462	125,862,778
Respiratory care	32,137,129	6,872,518	39,009,647
Wound care center	31,242	6,399,485	6,430,727
	430,133,972	463,289,809	893,423,781
	$ 536,294,444	$ 475,655,311	1,011,949,755
Less charity care			2,030,875
Gross patient service revenue			1,009,918,880
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs			686,062,611
Less provision for bad debts			18,122,619
Net patient service revenue			$ 305,733,650

2011		
Inpatient	Outpatient	Total
$ 59,749,521	$ 13,109,959	$ 72,859,480
18,282,750	10,247	18,292,997
6,664,782	844	6,665,626
5,203,108	64	5,203,172
11,524,755	-	11,524,755
3,243,666	-	3,243,666
6,279,820	-	6,279,820
110,948,402	13,121,114	124,069,516
4,274,203	14,652,532	18,926,735
15,924,227	12,410,303	28,334,530
8,644,071	2,786,509	11,430,580
39,878,081	62,302,626	102,180,707
524,590	402,089	926,679
3,556,804	294,688	3,851,492
324,511	257,286	581,797
15,838,382	30,847,295	46,685,677
2,602,776	4,642,153	7,244,929
8,132,582	818,785	8,951,367
41,827,509	42,598,752	84,426,261
3,790,794	9,208,464	12,999,258
98,459,986	73,696,557	172,156,543
115,923,246	85,199,218	201,122,464
18,298,769	6,933,955	25,232,724
-	4,424,250	4,424,250
1,203,802	175,681	1,379,483
40,907,848	83,143,678	124,051,526
30,138,061	6,665,807	36,803,868
72,944	7,072,476	7,145,420
450,323,186	448,533,104	898,856,290
$ 561,271,588	$ 461,654,218	1,022,925,806
		1,358,046
		1,021,567,760
		697,671,627
		20,159,085
		$ 303,737,048

East Jefferson General Hospital

Statements of Activities Information
(Hospital Only)
Years Ended December 31, 2012 and 2011

Other Operating Revenue	2012	2011
Cafeteria	$ 1,889,431	$ 1,911,125
Educational fees	18,311	21,608
Special meals	986,667	1,014,594
Vending machines	320,234	389,213
LTAC services	732,609	679,687
Wellness center membership fees	2,958,249	3,156,802
Elder advantage fees	14,693	27,993
EMS dispatch fees	280,984	287,562
TM pharmacy	925,870	107,540
Upper Payment Limit (UPL) programs	4,371,155	3,645,287
EHR incentive programs	2,920,961	-
Miscellaneous	1,772,116	1,357,943
	$ 17,191,280	$ 12,599,354

Provision for Discounts, Allowances and Estimated Contractual Adjustments under Third-Party Reimbursement Programs		
Medicare contractual adjustments	$ 448,297,755	$ 447,916,655
Medicaid contractual adjustments	46,945,211	54,504,512
Managed care discounts	190,819,645	195,250,460
	$ 686,062,611	$ 697,671,627

East Jefferson General Hospital

Statements of Activities Information
(Hospital Only)
Years Ended December 31, 2012 and 2011

	2012			
Departmental Expenses	**Salaries, Wages and Benefits**	**Purchased Services and Other**	**Supplies**	**Total**
Routine services				
Medical and surgical	$ 24,050,897	$ 553,218	$ 1,422,890	$ 26,027,005
Intensive care	4,292,422	207,456	310,568	4,810,446
Coronary care	1,720,095	48,422	113,655	1,882,172
Psychiatric care	1,693,920	161,484	21,170	1,876,574
Nursery	2,926,887	83,680	100,957	3,111,524
Nursing administration	619,959	9,730	54,436	684,125
Rehabilitation	1,187,662	206,613	56,904	1,451,179
Skilled nursing facility	3,106,284	29,668	114,873	3,250,825
	39,598,126	1,300,271	2,195,453	43,093,850
Ancillary services				
Ambulance	4,267,095	474,919	540,171	5,282,185
Anesthesiology	86,459	249	957,281	1,043,989
Blood bank	-	5,278	1,978,139	1,983,417
Cardiology	3,016,846	301,431	8,211,191	11,529,468
Central supply	429,439	549,710	217,135	1,196,284
Dialysis	-	823,174	5,354	828,528
Electroencephalography	44,003	-	4,368	48,371
Emergency services	5,347,954	219,626	597,512	6,165,092
Endoscopy	734,745	340,645	446,133	1,521,523
Labor and delivery	1,476,942	42,100	221,097	1,740,139
Laboratory	1,482	10,165,620	263,713	10,430,815
Magnetic resonance imaging	358,768	11,971	91,580	462,319
Operating and recovery	8,832,365	2,324,669	24,049,968	35,207,002
Occupational Medicine & Wellness Center	1,633,361	740,723	106,694	2,480,778
Pharmacy and IV solution	4,078,167	28,981,142	321,822	33,381,131
Physical therapy	4,787,994	432,495	73,038	5,293,527
Radiation therapy	268,752	808,362	6,229	1,083,343
Radiology	5,378,219	2,738,664	3,171,264	11,288,147
Respiratory care	4,435,354	50,813	641,828	5,127,995
Wound care center	135,758	1,845,915	3,792	1,985,465
	$ 45,313,703	$ 50,857,506	$ 41,908,309	$ 138,079,518

2011				
	Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
	$ 24,746,421	$ 671,107	$ 1,484,438	$ 26,901,966
	4,174,077	186,092	303,124	4,663,293
	1,706,318	112,786	122,926	1,942,030
	1,783,796	329,716	21,964	2,135,476
	3,233,352	71,832	127,681	3,432,865
	545,153	15,565	81,480	642,198
	1,349,896	150,314	60,740	1,560,950
	3,028,553	98,788	116,460	3,243,801
	40,567,566	1,636,200	2,318,813	44,522,579
	3,870,653	257,087	513,797	4,641,537
	94,077	1,040,298	982,487	2,116,862
	376,268	187,219	2,196,333	2,759,820
	2,850,288	203,398	7,892,886	10,946,572
	421,434	566,480	(81,367)	906,547
	-	767,199	7,680	774,879
	49,650	824	4,475	54,949
	5,222,450	230,403	543,749	5,996,602
	624,227	15,824	340,221	980,272
	1,361,456	102,312	240,199	1,703,967
	2,595,157	4,666,824	1,871,675	9,133,656
	352,059	6,231	167,462	525,752
	8,788,797	2,694,474	23,414,972	34,898,243
	1,727,687	874,413	139,156	2,741,256
	4,045,065	27,713,543	248,694	32,007,302
	4,586,768	317,704	89,515	4,993,987
	256,398	739,257	11,514	1,007,169
	5,259,944	3,395,311	3,235,597	11,890,852
	4,410,313	(35,236)	699,684	5,074,761
	134,393	1,792,533	111,458	2,038,384
	$ 47,027,084	$ 45,536,098	$ 42,630,187	$ 135,193,369

(Continued)

East Jefferson General Hospital

Statements of Activities Information
(Hospital Only) (Continued)
Years Ended December 31, 2012 and 2011

	2012			
Departmental Expenses	Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
General services				
Dietary and cafeteria	$ 2,234,971	$ 65,713	$ 2,145,404	$ 4,446,088
Housekeeping	2,405,581	1,176,745	609,324	4,191,650
Laundry	-	856,883	495,114	1,351,997
Plant engineering and security	2,997,361	4,715,538	563,547	8,276,446
Utilities	-	4,729,420	-	4,729,420
	7,637,913	11,544,299	3,813,389	22,995,601
Fiscal and administrative services				
Accounting	486,381	12,111	7,720	506,212
Administration	13,283,739	10,257,699	214,610	23,756,048
Information systems	431,510	14,108,619	73,154	14,613,283
Education	175,596	22,520	2,653	200,769
Employee benefits	26,083,655	6,777	2,756	26,093,188
Insurance	-	4,488,462	-	4,488,462
Medical records	1,690,600	1,410,372	19,493	3,120,465
Miscellaneous	-	3,958,206	-	3,958,206
Patient accounts	2,004,403	1,657,594	7,386	3,669,383
Personnel	2,460,441	74,414	9,350	2,544,205
Physician's network	3,283,664	905,417	49,488	4,238,569
Printing and duplication	45,367	795,861	277,457	1,118,685
Professional fees	-	1,325,681	-	1,325,681
Public relations	1,242,750	2,180,076	11,361	3,434,187
Purchasing	310,456	1,318	57,318	369,092
Telephone service	248,421	229	196	248,846
Volunteer services	156,421	28,323	12,110	196,854
	51,903,404	41,233,679	745,052	93,882,135
Total	$ 144,453,146	$ 104,935,755	$ 48,662,203	$ 298,051,104

2011			
Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
$ 2,198,577	$ 164,576	$ 2,121,965	$ 4,485,118
2,440,727	1,153,541	648,250	4,242,518
-	840,581	479,173	1,319,754
3,323,638	4,241,855	630,597	8,196,090
-	3,839,615	-	3,839,615
7,962,942	10,240,168	3,879,985	22,083,095
721,657	(3,612)	3,579	721,624
12,174,905	10,220,299	110,784	22,505,988
581,413	11,906,397	82,669	12,570,479
164,107	78,349	19,197	261,653
24,391,825	11,689	-	24,403,514
-	4,495,464	-	4,495,464
1,663,138	1,545,231	12,676	3,221,045
-	3,336,722	-	3,336,722
2,298,958	1,956,046	8,103	4,263,107
2,343,942	89,401	4,618	2,437,961
3,085,942	966,040	47,051	4,099,033
66,527	799,867	257,738	1,124,132
-	1,469,498	-	1,469,498
1,070,926	2,748,100	13,857	3,832,883
297,851	2,241	36,287	336,379
248,364	7,252	279	255,895
153,335	(4,687)	14,840	163,488
49,262,890	39,624,297	611,678	89,498,865
$ 144,820,482	$ 97,036,763	$ 49,440,663	$ 291,297,908

East Jefferson General Hospital

Hospital Statistics
Years Ended December 31, 2012 and 2011

	(Unaudited)	
	2012	2011
Total admissions	**19,910**	20,418
Inpatient admissions, excluding nursery and specialty units	**18,425**	18,831
Nursery, newborn and neonatal	**1,485**	1,587
Total patient days of service	**107,009**	111,362
Inpatients, excluding nursery and specialty units	**103,433**	104,175
Nursery, newborn	**3,576**	3,463
Special care units days of service, included in inpatient days of service above		
Psychiatric unit	**10,935**	11,195
Rehabilitation unit	**4,883**	5,535
Skilled nursing facility unit	**14,837**	14,335
Average daily census	**292.4**	305 1
Inpatients, excluding nursery and specialty units	**282.6**	285 4
Nursery, newborn	**9.8**	9 5
Percentage of occupancy, inpatients, excluding nursery	**68.3%**	66 9%
Medicare percentage of total patient days	**68.3%**	65 9%
Average length of stay (days)		
Inpatients, excluding nursery	**4.7**	4 6
Nursery, newborn and neonatal	**2.5**	2 5
Psychiatric unit	**7.7**	8 1
Rehabilitation unit	**14 5**	14 4
Skilled nursing facility unit	**11.0**	10 6

East Jefferson General Hospital

Hospital Statistics
Years Ended December 31, 2012 and 2011

	(Unaudited) 2012	2011
Ambulance runs	**30,300**	29,019
Anesthesiology cases	**15,064**	14,444
Blood bank units of service	**105,209**	108,615
Cardiology		
Cath lab procedures	**5,403**	5,692
Noninvasive procedures	**69,676**	63,806
Deliveries, newborn	**1,554**	1,554
EEG tests	**933**	1,212
Emergency room visits	**52,524**	50,406
Endoscopy procedures	**13,541**	8,816
Laboratory units of service	**1,374,911**	1,411,312
Surgical hours	**20,870**	22,226
Open heart operations	**284**	235
Physical therapy relative value units	**129,996**	124,024
Recovery room visits	**7,950**	8,640
Respiratory care units of service	**617,531**	567,421
Radiology		
Diagnostic exams	**78,486**	79,782
CT scans	**29,028**	30,549
Nuclear medicine exams	**6,985**	6,373
Ultrasonic procedures	**16,860**	17,494
Special procedures	**4,347**	4,546
MRI procedures	**7,170**	7,406
Full-time equivalent employees	**2,226**	2,120

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Independent Auditor's Report
on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards

Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Jefferson General Hospital (Organization), as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our reports thereon dated May 2, 2013 and April 30, 2012, respectively Our report includes a reference to other auditors who audited the financial statements of East Jefferson Ambulatory Surgery Center, LLC and the pension trust fund statements of East Jefferson General Hospital, as described in our report on East Jefferson General Hospital's financial statements This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors

The financial statements of East Jefferson Ambulatory Surgery Center, LLC, PET Scan Center of East Jefferson, LLC, East Jefferson Radiation Oncology, LLC, East Jefferson Physicians Group, LLC, East Jefferson Physician Network, LLC, Gulf South Quality Network, LLC, East Jefferson General Surgery Co-Management Company, LLC, and East Jefferson Orthopedic Co-Management Company, LLC were not audited in accordance with *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses However, material weaknesses may exist that have not been identified

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 or other matters that are required to be reported under *Government Auditing Standards*

Purpose of this Report

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

McGladrey LLP

Davenport, Iowa
May 2, 2013

LaPorte

A Professional Accounting Corporation

Metairie, Louisiana
May 2, 2013

McGladrey

LAPORTE

CPAs & BUSINESS ADVISORS

McGladrey LLP

Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

In planning and performing our audit of the financial statements of East Jefferson General Hospital (Organization) as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when *(a)* a control necessary to meet the control objective is missing, or *(b)* an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Certain deficiencies in internal control that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following is a description of an identified deficiency in internal control that we determined did not constitute a significant deficiency or material weakness:

CURRENT YEAR CONTROL DEFICIENCY

During the audit of the financial statements for the year ended December 31, 2012, 22 assets were identified to have depreciation calculated incorrectly, which resulted in an adjustment of approximately $163,000 to decrease depreciation expense. We recommend the Organization implement a control whereas an independent review is completed on capital asset additions periodically to ensure that assets purchased are properly capitalized, classified and depreciation is being calculated correctly.

Management's response: Management has identified that this is the result of depreciation calculations within the capital asset accounting system. The Accounting Department will establish controls to test depreciation calculations made by the system on a monthly basis to ensure that depreciation is calculated accurately.

Following are descriptions of other deficiencies identified in the prior year

PRIOR YEAR SIGNIFICANT DEFICIENCY

Capital Assets

During testing of additions to capital assets in the audit of the financial statement for the year ended December 31, 2011, we identified differences in 6 of the 58 additions tested, which resulted in both recorded adjustments and uncorrected misstatements One of the errors was related to invoices that were capitalized but should have been expensed, which resulted in a recorded audit adjustment of approximately $91,000 Other errors included invoices that were capitalized at the incorrect amounts, which resulted in an unrecorded projected understatement of approximately $243,000 It was also noted that there were invoices related to construction in progress and accounts payable that were not recorded on the balance sheet, which resulted in a recorded audit adjustment of approximately $455,000 and an uncorrected misstatement of approximately $341,000 Also, the capitalized interest calculation did not include the appropriate ending balance of construction in progress, which resulted in a recorded adjustment of approximately $71,000

We recommended the following

1 Adhere to the current control of preparing a capital asset reconciliation of the subledger to and general ledger on a monthly basis and ensure an independent review is completed

2 Implement a control whereas an independent review is completed on capital assets additions periodically to ensure that assets purchases are properly capitalized and classified

3 Adhere to the control that capitalized interest related to construction in progress is calculated and independently reviewed on a regular basis to ensure proper recording

4 Implement a period-end control whereas all invoices for goods and services received are entered timely, or accrued for as necessary, to ensure appropriate cut-off is achieved

Management's response, resolved – The accounting department worked diligently to identify and reconcile differences related to capital assets and an independent review is being performed each month to ensure the subledger agrees to the general ledger and that capital asset purchases are properly capitalized This resulted in a decrease in the number and amount of entries in the current year related to capital assets

PRIOR YEAR CONTROL DEFICIENCY

Pharmacy Inventory

We understand that the Hospital conducts physical counts of its pharmacy inventory once a year (at the end of the fiscal year) The physical count amount is then compared to what is on the general ledger and the variance between the physical count and what is on the general ledger is then adjusted In 2007 and 2006, the Hospital made an adjustment of approximately $1,200,000 and $1,100,000, respectively, in order to reconcile the physical count of the pharmacy inventory to the general ledger We recommended either conducting physical inventory cycle counts periodically throughout the year (perhaps quarterly) or implementing a perpetual inventory system for pharmacy, particularly because pharmacy has such large volumes and high dollar amounts of items involved

Management's response, resolved – On a weekly basis a physical inventory over high risk drugs is being performed and an inventory of all drugs is being performed annually by an outside third party In May of 2013, management plans to have the pharmacy carousel system fully operational

Other Industry Matters

Governmental Industry Accounting Standards

There are some recently issued and proposed accounting standards pertaining to health care providers that will affect financial reporting practices of the Organization Management of the Organization should continue to monitor the industry guidance in these areas The governmental accounting standards expected to have a significant impact on the Organization is as follows

- Governmental Accounting Standards Board (GASB) Statement No 61, *The Financial Reporting Entity – Omnibus,* will be effective for the Organization with its year ending December 31, 2013 The objective of this Statement is to improve financial reporting for a governmental financial reporting entity This Statement modifies certain requirements for inclusion of component units in the financial reporting entity This Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination

  The significance of this Statement to the Organization has to do with its evaluation and reporting of potential component units There are two potential component units, East Jefferson General Hospital Foundation and East Jefferson General Hospital Auxiliary, that need to be evaluated for inclusion in the Organization's financial statements Also, the presentation of the current component units as blended needs to be re-evaluated and some of them may be presented as discrete The application of this Statement could have a significant impact on what is included in the Organization's statements and how those statements are presented, and as such, we recommend that the Organization consider performing its analysis of the impact of GASB Statement No 61 prior to its effective date

- GASB No 65, *Items Previously Reported as Assets and Liabilities,* will be effective for the Organization with its year ending December 31, 2013 This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting GASB Concepts Statement (CON) No 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4 Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources

  The significance of this Statement to the Organization has to do with previously recorded assets which are considered current period outflows and would need to be applied retroactively in the financial statements, for example, bond issuance costs The application of this Statement could have a significant impact on what is included in the Organization's statements and how those statements are presented, and as such, we recommend that the Organization consider performing its analysis of the impact of GASB Statement No 65 prior to its effective date

- GASB No 67, *Financial Reporting for Pension Plans,* will be effective for the Organization with its year ending December 31, 2014 The objective of this Statement is to improve financial reporting for governmental pension plans This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position This Statement enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans This Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules

  The significance of this Statement to the Organization has to do with its pension trust fund and the financial report of the pension trust fund The application of this Statement could have a significant impact on what is included in the Organization's statements and how those statements are presented, and as such, we recommend that the Organization consider performing its analysis of the impact of GASB Statement No 67 prior to its effective date

- GASB Statement No 68, *Accounting and Financial Reporting for Pensions,* will be effective for the Organization with its year ending December 31, 2015 The objective of this Statement is to improve financial reporting for a governmental financial reporting entity This Statement requires *governments providing defined benefit pensions to recognize their long-term obligation for* pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information

  The significance of this Statement to the Organization has to do with its evaluation and reporting of its pension trust fund The application of this Statement could have a significant impact on what is included in the Organization's statements and how those statements are presented, and as such, we recommend that the Organization consider performing its analysis of the impact of GASB Statement No 68 prior to its effective date

<u>ICD-10 Readiness</u>

The US Government will require all health care providers and payers to convert from using ICD-9 diagnosis and procedure codes to using ICD-10 codes starting October 1, 2014 This required conversion likely will be quite complex and will involve constituents from many functional areas Throughout the Hospital, there are scores of systems (vendor-supported and home grown), data bases, interfaces, reports and processes that utilize ICD-9 codes that must be remediated by October 1, 2014 To some degree, the hospital will be dependent on external vendors to remediate the vendor-supported systems and data bases Beyond this external dependency, the Hospital will be required to remediate internal systems and test interfaces between all systems once they have been converted to be able to process ICD-10 codes

Because ICD-9 (and, soon, ICD-10) codes are the foundation for payment - particularly with payers that pay the hospital based on DRGs, it will be important to retrain the workforce on how to work with ICD-10 codes The retraining requirement applies throughout the hospital, but it is particularly important in the medical records coding function, for all people (clinical and administrative) who are involved in the medical record documentation cycle It will be important to identify medical record documentation deficiencies that will need to be corrected to support the capture of the correct ICD-10 code It also will be important to model the financial impact of this conversion to minimize the potential negative financial shortfalls that could occur as a result of the conversion from ICD-9 to ICD-10

While the October 2014 effective date might seem to be far off, the conversion will require significant lead time and testing To help minimize the risk of disruption to the Hospital's operations resulting from the ICD-10 conversion, we recommend the following summary actions

- Assemble a steering committee around this important project as soon as possible
- Inventory all systems, data bases, interfaces and reports that presently utilize ICD-9 codes
- Inventory all processes that presently are dependent on ICD-9 codes

- Identify a plan for system remediation and build work around processes as necessary
- Determine what additional hardware and/or software might be required to support the conversion
- Identify a plan for retraining the personnel who will need to know and understand ICD-10 codes in their daily work
- Determine the extent to which supplemental staffing will need to be hired to support the potential for managing the overlap between ICD-9 and ICD-10 coding systems
- Accumulate the data and model the potential financial impact of migrating from ICD-9 to ICD-10 for the top five to seven payers

This communication is intended solely for the information and use of management, Audit Committee, Board of Directors and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties

McGladrey LLP

Davenport, Iowa
May 2, 2013

LaPorte

A Professional Accounting Corporation

Metairie, Louisiana
May 2, 2013

McGladrey

Independent Accountant's Report

To the Board of Directors
Jefferson Parish Hospital District No. 2
East Jefferson General Hospital
Jefferson Parish, Louisiana

We have compiled the accompanying Calculation of Maximum Annual Debt Service Coverage Ratio of Jefferson Parish Hospital District No. 2 for the year ended December 31, 2012. This calculation is defined in the Official Statement, dated October 19, 2011, for the Hospital Revenue and Refunding Bonds, Series 2011.

A compilation is limited to presenting in an appropriate form information that is the representation of management. We have not audited or reviewed the accompanying Calculation of Maximum Annual Debt Service Coverage Ratio, and accordingly, do not express an opinion or any other form of assurance on it.

This report is intended solely for the information and use of the Board of Directors and management of Jefferson Parish Hospital District No. 2 and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey LLP

Davenport, Iowa
May 2, 2013

Jefferson Parish Hospital District No. 2
East Jefferson General Hospital

Calculation of Maximum Annual Debt Service Coverage Ratio
Year Ended December 31, 2012
See Accountant's Report

Net income available for debt service	
Excess of revenue (under) expenses	$ (8,910,481)
Depreciation and amortization expense	24,710,168
Interest expense	9,644,206
Change in unrealized gains and losses on investments	(1,139,227)
Net income available for debt service	$ 24,304,666
Maximum annual debt service requirements (2014)	
Principal payments	$ 4,609,097
Interest payments	9,783,092
Maximum annual debt service requirements	$ 14,392,189
Maximum annual debt service coverage ratio	1 69
Required maximum annual debt service coverage ratio	1 20

The above amounts are for East Jefferson General Hospital, and exclude the financial results of the Hospital's component units as the component units are not members of the Obligated Group for the Hospital's bond indebtedness