

**Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
A Component Unit of the LaSalle Parish Police Jury  
Olla, Louisiana**

**Annual Financial Report  
As of and For the Year Ended  
September 30, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

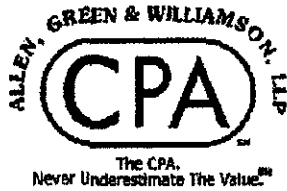
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**Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
A Component Unit of the LaSalle Parish Police Jury  
Olla, Louisiana**

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## Independent Auditors' Report

Board of Commissioners  
Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
A Component Unit of the LaSalle Parish Police Jury  
Olla, Louisiana

We have audited the accompanying financial statements of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District) a component unit of the LaSalle Parish Police Jury, as of and for the years ended September 30, 2007 and 2006, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2007 and 2006, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in accessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements. The accompanying information identified in the table of contents as other supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
March 11, 2008

**Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
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Olla, Louisiana**

**REQUIRED SUPPLEMENTAL INFORMATION  
MANAGEMENT'S DISCUSSION  
AND ANALYSIS (MD&A)**

**Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
A Component Unit of the LaSalle Parish Police Jury  
Olla, Louisiana**

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**Management's Discussion and Analysis (MD&A)  
September 30, 2007**

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As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2007. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

**FINANCIAL HIGHLIGHT**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,413,438 (*net assets*).

**OVERVIEW OF THE FINANCIAL STATEMENTS** This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The District is a special-purpose government engaged only in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements.

**FUND FINANCIAL STATEMENTS** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the District is reported as proprietary fund type.

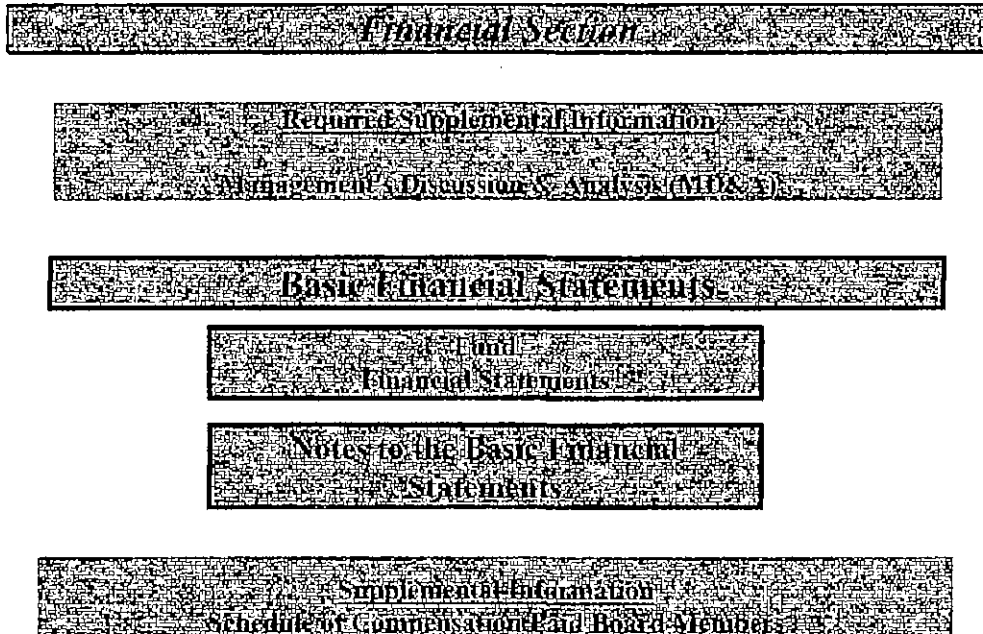
**Hospital Service District Number One  
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Olla, Louisiana**

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**Management's Discussion and Analysis (MD&A)  
September 30, 2007**

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**USING THIS ANNUAL REPORT** The District's annual report consists of financial statements that show information about the District's enterprise fund.



Our auditor has provided assurance in the independent auditors' report, located immediately preceding this Management's Discussion and Analysis, that the basic financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

**Reporting the District's Fund** The District's financial statements provide detailed information about the enterprise fund. The District's enterprise fund uses the following accounting approach:

Proprietary funds – all of the District's services are reported in enterprise funds. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of proprietary funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

**FINANCIAL ANALYSIS** The District's net assets were \$3,413,438 at September 30, 2007. Our analysis below focuses on the net assets and the change in net assets of the District as a whole.

**Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
A Component Unit of the LaSalle Parish Police Jury  
Olla, Louisiana**

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**Management's Discussion and Analysis (MD&A)  
September 30, 2007**

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**Table 1  
Net Assets  
(in thousands)**

	<u>2007</u>	<u>2006</u>
Current assets	\$4,620	\$3,741
Restricted current assets	105	241
Capital assets, net	<u>2,961</u>	<u>2,895</u>
Total assets	<u>7,686</u>	<u>6,877</u>
Current liabilities	1,819	1,580
Current liabilities payable from current restricted assets	179	148
Long-term liabilities	<u>2,275</u>	<u>2,199</u>
Total liabilities	<u>4,273</u>	<u>3,927</u>
Net assets		
Invested in capital assets, net of related debt	407	539
Restricted	(73)	93
Unrestricted	<u>3,079</u>	<u>2,318</u>
Total net assets	<u>\$3,413</u>	<u>\$2,950</u>



**Hospital Service District Number One  
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**Management's Discussion and Analysis (MD&A)  
September 30, 2007**

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**Table 2  
Changes in Net Assets  
(in thousands)**

	<u>2007</u>	<u>2006</u>
Revenues:		
Operating revenues		
Net patient service revenues	\$7,893	\$7,305
Contributions from Ambulance Service District	77	73
State of Louisiana, Disproportionate Share Pool Payments	1,056	1,229
Vending machine commissions	4	4
Rental Income	6	6
Cafeteria sales	27	21
Property taxes	130	121
Other	<u>699</u>	<u>612</u>
Total operating revenues	<u>9,892</u>	<u>9,371</u>
Expenses:		
Operating expenses		
Daily patient services	851	750
Nursing services	2,384	2,281
Other professional services	2,294	2,216
General services	855	820
Administrative and fiscal services	807	1,330
Employee benefits	917	720
Depreciation	415	247
Provision for bad debts	758	1,337
Interest Expense	<u>208</u>	<u>101</u>
Total operating expenses	<u>9,489</u>	<u>9,802</u>
Operating Income (Loss)	<u>403</u>	<u>(431)</u>
Nonoperating Revenues (Expenses)		
Grant Revenue	56	113
Interest Revenue:		
Assets whose use is limited	7	9
Loss on major movable	<u>(2)</u>	<u>0</u>
Total nonoperating revenues (expenses)	<u>61</u>	<u>122</u>
Change in Net Assets	464	(309)
Net assets, beginning of year	<u>2,949</u>	<u>3,258</u>
Net assets, end of year	<u>\$3,413</u>	<u>\$2,949</u>

**Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
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Olla, Louisiana**

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**Management's Discussion and Analysis (MD&A)  
September 30, 2007**

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Total operating revenues increased by \$522 due mainly to an increase in patient billings.

Total operating expenses decreased \$313 due mainly to a decrease in administrative costs and a decrease in bad debt expense.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

At September 30, 2007, the District had \$2,960,937 invested in capital assets, including land, buildings, site improvements, furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$66,333, or 2.3% from last year due mainly to completion of construction in progress. See Note 7 for further details on capital assets.

	<u>2007</u>	<u>2006</u>
Land	\$ 9,115	\$ 9,115
Construction in Progress	10,000	0
Land improvements	127,569	121,789
Building	3,436,260	3,436,260
Equipment, furniture and fixtures	2,609,623	2,778,202
Less accumulated depreciation	<u>(3,231,630)</u>	<u>(3,450,762)</u>
Totals	<u>\$ 2,960,937</u>	<u>\$ 2,894,604</u>

*Debt*

At September 30, 2007, the District has \$2,587,364 in outstanding long-term debt, which includes revenue bonds, certificate of indebtedness and capital leases. See Note 8 and Note 9 for further details on debt.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT** Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Mr. Paul Mathews, 1102 North Pine Road, Olla, Louisiana 71465, telephone number (318) 495-3131.

**Hospital Service District Number One  
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**BASIC FINANCIAL STATEMENTS**

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE  
PARISH OF LaSALLE, STATE OF LOUISIANA  
A Component Unit of the LaSalle Parish Police Jury  
Olla, Louisiana**

**ENTERPRISE FUND  
BALANCE SHEET  
September 30, 2007 and 2006**

<b>ASSETS</b>	<b>General Fund</b>	
	<b>2007</b>	<b>2006</b>
<b>CURRENT ASSETS</b>		
<b>Cash and cash equivalents</b>		
Cash, checking	\$ 0	\$ 243,413
Certificates of deposit	0	0
	0	243,413
<b>Total cash and cash equivalents</b>	<b>0</b>	<b>243,413</b>
<b>Receivables</b>		
Patient services, net of allowances of \$500,314 and \$334,102	2,984,299	1,788,343
Estimated third-party payor settlements	305,505	412,242
Disproportionate Share Pool Payments	1,065,138	1,013,176
Interest	1,373	6,370
Supplies	236,997	264,969
Prepaid expenses	27,065	12,973
	4,620,377	3,498,073
<b>Assets whose use is limited</b>		
Under revenue bond agreement		
Revenue bond and interest sinking account	87,184	109,078
Revenue bond reserve account	17,014	108,864
Depreciation and contingency fund	987	23,088
	105,185	241,030
<b>Total assets whose use is limited</b>	<b>105,185</b>	<b>241,030</b>
<b>Total current assets</b>	<b>4,725,562</b>	<b>3,982,516</b>
<b>CAPITAL ASSETS</b>		
Land	9,115	9,115
Land improvements	127,569	121,789
Construction in progress	10,000	0
Buildings	3,436,260	3,436,260
Equipment, furniture and fixtures	2,609,623	2,778,202
Less accumulated depreciation	(3,231,630)	(3,450,762)
	2,960,937	2,894,604
<b>Total capital assets</b>	<b>2,960,937</b>	<b>2,894,604</b>
<b>TOTAL ASSETS</b>	<b>\$ 7,686,499</b>	<b>\$ 6,877,120</b>

The notes to the financial statements are an integral part of this statement.

**Statement A**

**LIABILITIES AND NET ASSETS**

**General Fund**

**2007                      2006**

**LIABILITIES**

**CURRENT LIABILITIES**

Bank overdraft	\$ 142,712	\$ 0
Accounts payable	545,028	587,570
Salaries payable	154,967	165,738
Group insurance payable	60,988	26,507
Cost report payable	51,901	64,197
Current portion of capital leases	167,259	82,034
Bank note and revenue certificates payable	534,000	533,000
Accrued vacation payable	162,497	131,526
	<u>1,819,352</u>	<u>1,580,572</u>

Total current liabilities payable from unrestricted assets

**Payable from assets whose use is limited**

Revenue bonds payable	111,000	75,000
Accrued bond interest payable	67,604	73,097
	<u>178,604</u>	<u>148,097</u>

Total current liabilities payable from restricted assets

Total current liabilities 1,997,956      1,728,669

**NONCURRENT LIABILITIES**

Revenue bonds and revenue certificates payable	1,881,000	2,026,000
Capital leases	394,105	172,806
	<u>2,275,105</u>	<u>2,198,806</u>

Total noncurrent liabilities 2,275,105      2,198,806

Total liabilities 4,273,061      3,927,475

**NET ASSETS**

Invested in capital assets, net of related debt	407,573	538,764
Restricted - expendable	(73,419)	92,933
Unrestricted	3,079,284	2,317,948
	<u>3,413,438</u>	<u>2,949,645</u>

**NET ASSETS** 3,413,438      2,949,645

**TOTAL LIABILITIES AND NET ASSETS** \$ 7,686,499      \$ 6,877,120

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE  
PARISH OF LaSALLE, STATE OF LOUISIANA  
A Component Unit of the LaSalle Parish Police Jury  
Olla, Louisiana**

**ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
For the Years Ended September 30, 2007 and 2006**

	<b>Statement B</b>	
	<b>General Fund</b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>OPERATING REVENUES</b>		
Net patient service revenues	\$ 7,892,929	\$ 7,304,696
Contributions from Ambulance Service District	77,200	72,952
State of Louisiana, Disproportionate Share Pool Payments	1,056,510	1,229,034
Vending machine commissions	3,921	4,460
Rental income	6,300	6,300
Cafeteria sales	26,755	20,890
Property taxes	130,024	120,814
Other	698,787	611,641
Total operating revenues	<u>9,892,426</u>	<u>9,370,787</u>
<b>OPERATING EXPENSES</b>		
Daily patient services	851,336	749,793
Nursing services	2,384,259	2,280,591
Other professional services	2,293,782	2,216,274
General services	855,397	820,040
Administrative and fiscal services	807,105	1,329,836
Employee benefits	917,201	720,249
Depreciation	414,654	246,758
Provision for bad debts	757,658	1,336,622
Interest expense	208,069	101,495
Total operating expenses	<u>9,489,461</u>	<u>9,801,658</u>
<b>OPERATING INCOME (LOSS)</b>	<u>402,965</u>	<u>(430,871)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grant revenue	56,376	112,946
Interest revenue:		
Unrestricted assets	146	98
Assets whose use is limited	6,522	9,320
Loss on major moveable	(2,216)	(648)
Total nonoperating revenues (expenses)	<u>60,828</u>	<u>121,716</u>
<b>CHANGE IN NET ASSETS</b>	463,793	(309,155)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,949,645</u>	<u>3,258,800</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,413,438</u>	<u>\$ 2,949,645</u>

The notes to the financial statements are an integral part of this statement.

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE  
PARISH OF LaSALLE, STATE OF LOUISIANA  
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**ENTERPRISE FUND  
Statement of Cash Flows  
For the Years Ended September 30, 2007 and 2006**

Statement C

	General Fund	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net receipts from patient services	\$ 6,046,052	\$ 5,866,127
State of Louisiana, Disproportionate Share Pool payments	1,004,548	1,418,331
Other receipts	942,987	837,057
Payments to vendors	(4,220,452)	(3,659,489)
Payments to employees	<u>(3,930,262)</u>	<u>(4,414,325)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(157,127)</u>	<u>47,701</u>
<b>CASH FLOWS (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of property, plant and equipment	(483,203)	(1,935,340)
Other revenues	56,376	112,946
Bank note proceeds	500,000	2,160,000
Bank note payments	(500,000)	(299,000)
Capital lease obligations:		
Proceeds	436,392	0
Principal	(135,361)	(70,750)
Hospital revenue bonds:		
Principal	<u>(108,000)</u>	<u>(70,000)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>\$ (233,796)</u>	<u>\$ (102,144)</u>

(Continued)

The notes to the financial statements are an integral part of this statement.

**HOSPITAL SERVICE DISTRICT NUMBER ONE OF THE  
PARISH OF LaSALLE, STATE OF LOUISIANA  
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**ENTERPRISE FUND  
Statement of Cash Flows  
For the Years Ended September 30, 2007 and 2006**

Statement C

	General Fund	
	2007	2006
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest received	11,665	5,175
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	11,665	5,175
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(379,258)	(49,268)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	484,443	533,711
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	105,185	484,443
<b>Reconciliation to Balance Sheet</b>		
Cash and cash equivalents	0	243,413
Restricted cash	105,185	241,030
<b>CASH AND CASH EQUIVALENTS PER BALANCE SHEET</b>	105,185	484,443
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	402,965	(430,871)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	414,654	246,758
(Increase) decrease in:		
Accounts receivable, patient services	(1,089,219)	(101,947)
Accounts receivable, Disproportionate Share Pool Payments	(51,962)	189,297
Supplies	27,972	(714)
Prepaid expenses	(14,092)	37,806
Other	0	0
Increase (decrease) in:		
Accounts payable, trade	87,874	51,320
Group insurance payable	34,481	26,507
Bond interest payable	0	0
Salaries payable	(771)	14,752
Compensated absences	30,971	14,793
<b>Total adjustments</b>	(560,092)	478,572
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ (157,127)	\$ 47,701

(Concluded)



**Hospital Service District Number One  
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**Hospital Service District Number One  
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**Notes to Basic Financial Statements  
As for and For the Year Ended September 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), was created by the LaSalle Parish Police Jury, and operates Hardtner Medical Center through its Board of Commissioners. Hardtner Medical Center is a 35-bed hospital located in Olla, Louisiana, providing health care services to residents of Olla and the surrounding communities. In addition, the District provides office space on a rental basis to several physicians who serve patients of the hospital.

The District is governed by a Board of Commissioners composed of five members. Mr. Paul Mathews, Administrator of the Hospital, serves as secretary and treasurer of the Board.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. The more significant of the Hospital Service District's accounting policies are described below.

**A. REPORTING ENTITY** The District is a component unit of the LaSalle Parish Police Jury, the reporting entity. The LaSalle Parish Police Jury is the governing authority of the parish of LaSalle, Louisiana, and is governed by a board of police jurors elected by the public. Under the provisions granted by the Louisiana statutes, the police jury created the District and appoints the members of its Board of Commissioners. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the LaSalle Parish Police Jury, or other governmental units that comprise the financial reporting entities.

**B. FUND ACCOUNTING** The accounts of the District are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The funds presented in the financial statements are described as follows:

**Enterprise Funds** The following enterprise funds are proprietary fund types that account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration.

**General Fund** This fund accounts for the operations of the Medical Center. Its purpose is to provide needed health care services to persons within the district. This fund also accounts for buildings provided for Doctor's use and concessions.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Enterprise Funds** The enterprise funds are reported on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The District has elected pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds principal ongoing operations. The principal operating revenue of the District is

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patient related revenue. Operating expenses include the costs of providing this service. All revenues and expenses not meeting this definition are reported as non-operating.

**Net Patient Service Revenue** Net patient service revenue is patient revenue reported at Hardtner Medical Center's established rates less contractual adjustments and policy discounts. Retroactive adjustments arising under reimbursement agreements with third-party payers are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The District has agreements with third-party payers that provide for reimbursement to the District at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the District's established rates for services and amounts reimbursed by third-party payers. A summary of the basis of reimbursement with major third-party payers follows:

**Medicare** On October 1, 2004, the District converted to a Critical Access Hospital (CAH) with a Distinct Part Psychiatric Unit. Inpatient acute care services and swing bed services rendered to Medicare program beneficiaries are reimbursed at cost plus 1%. Outpatient services are reimbursed at cost plus 1% (subject to limits and rules), while other outpatient laboratory services are reimbursed on a fee schedule. Inpatient Psychiatric services are reimbursed on a cost reimbursement methodology subject to certain limitation.

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost reports have been settled by the Medicare fiscal intermediary through September 30, 2004.

**Medicaid** Inpatient services rendered to Medicaid program beneficiaries are reimbursed on prospectively determined rates. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodology. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2004.

The state Medicaid Program made partial interim payments based on cost report figures without considering per-discharge limitations and incentive payments pending approval of this payment plan by the Health Care Financing Administration. The state of Louisiana recently settled cost reports for prior years after reaching agreement with the federal government regarding reimbursement methodology and upon appropriations of funds by the state legislature.

**Blue Cross** Inpatient services rendered to Blue Cross subscribers are reimbursed at an all-inclusive daily per diem rate. The prospectively determined per diem rates are not subject to retroactive adjustments.

**Civilian Health and Medical Program of the Uniformed Services (Champus)** Inpatient and outpatient services rendered are reimbursed on the same basis used by Medicare.

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**Charity** Title VI (Hill-Burton) of the Public Health Act Regulations required hospitals to provide free care to patients who were unable to pay for the years ended September 30.

Hardtner Medical Center completed its twenty-year obligation of providing free care under Hill-Burton. A policy for providing continuing charity care for future years has been established by the District.

**Net patient service revenue** Following is a summary of contractual and other adjustments to arrive at net patient service revenues for the years ended September 30:

	<u>2007</u>	<u>2006</u>
Gross patient service revenue	\$10,750,909	\$10,723,474
Less contractual adjustments:		
Medicare	(1,249,442)	(2,151,623)
Medicaid	(803,988)	(641,162)
Other third parties	<u>(804,550)</u>	<u>(625,993)</u>
Total contractual adjustments	<u>(2,857,980)</u>	<u>(3,418,778)</u>
Net patient service revenue	<u>\$ 7,892,929</u>	<u>\$ 7,304,696</u>

Approximately fifty-five to sixty percent of the net patient service revenue comes from Medicare and Medicaid billings.

**Ad Valorem Taxes** are susceptible to accrual.

**Contributions** Contributions from the LaSalle Parish Ambulance Service District for operation of the ambulances are treated as operating revenues. Unrestricted donations are treated as nonoperating revenues when received.

**D. BUDGET PRACTICES** The District maintains only enterprise funds in its accounting system and is not subject to the Louisiana Local Government Budget Act or the requirements of accounting principles generally accepted in the United States of America that require budget to actual comparisons. Therefore, budget to actual comparisons, usually found in the financial statements of governmental entities, are not included in these statements.

**E. ENCUMBRANCES** The District does not use a formal system of encumbrance accounting.

**F. CASH AND CASH EQUIVALENTS** Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. The District deposits its funds in fiscal agent banks organized under the laws of the state of Louisiana, or the laws of the United States of America.

**G. INVESTMENTS** Investments are bank certificates of deposit that are valued at cost which approximates market. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

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**H. SUPPLIES AND INVENTORY** Inventories of supplies and minor equipment are valued at lower of cost (first-in, first-out) or latest invoice price.

**I. ASSETS WHOSE USE IS LIMITED** Assets whose use is limited include funds set aside in accordance with agreements with third-party payers and funds held in accordance with the provisions of a revenue bond agreement.

**J. PROPERTY, PLANT AND EQUIPMENT** Property and equipment acquisitions are recorded at cost. Property and equipment donated for the District's operations are valued at their fair market value on the date received. The threshold for capitalization is \$1,500 for individual items and \$5,000 for aggregate.

All exhaustible property and equipment are shown in the accompanying balance sheet at their original costs, less accumulated depreciation. Depreciation is recorded on the straight-line method over the estimated useful lives, as follows:

Land improvements	12-29 years
Buildings	16-40 years
Fixed equipment	5-20 years
Major moveable equipment	3-20 years

**K. LONG-TERM DEBT** Long-term liabilities expected to be financed from proprietary fund operations, Hardtner Medical Center, are accounted for in the enterprise fund.

**L. RESTRICTED NET ASSETS** Net assets are reported as restricted when constraints placed on net assets use are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. It is the Districts policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

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

**NOTE 2 - DEPOSITS** At September 30, 2007, the District has cash and cash equivalents of a deficit in the amount of (\$37,527) as follows:

**Interest Rate Risk:** The District's policy does not address interest rate risk.

**Credit Risk:** The District invests in certificates of deposit which do not have credit ratings.

**Custodial credit risk:** At year end, the District's carrying amount of deposits was a deficit of (\$37,527) (Statement A - Bank overdraft of (\$142,712) - unrestricted and \$105,185 restricted) and the bank balance was \$179,848. Of the

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bank balance, \$169,053 was covered by federal depository insurance or by collateral held by the District's agent in the District's name (GASB Category 1). The remaining bank balance of \$10,795 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name (GASB Category 3). Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

**NOTE 3 - ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS** Accounts receivable - patients, include unpaid amounts billed to discharged patients and third-party payers such as insurance companies and the fiscal intermediaries of the Social Security Administration on behalf of patients eligible for benefits under Title XVIII and XIX of the Social Security Act. Also included, are unbilled charges for those patients not discharged at September 30, 2007.

**NOTE 4 - ASSETS WHOSE USE IS LIMITED** The District is required to make monthly deposits into the following funds under the Farmers Home Administration loan agreement:

	<u>Monthly</u>	<u>September 30,</u>	
		<u>2007</u>	<u>2006</u>
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
Revenue bond and interest sinking account	\$7,542	\$ 87,184	\$109,078
Revenue bond reserve account	0	17,014	108,864
Depreciation and contingency fund	<u>770</u>	<u>987</u>	<u>23,088</u>
Total assets whose use is limited	<u>\$8,312</u>	<u>\$105,185</u>	<u>\$241,030</u>

These monies are in interest-bearing accounts and are included in the balance sheet as assets whose use is limited. There is a required amount of \$99,000 maintained in the revenue bond reserve account. Payments into the depreciation and contingency fund shall continue and are to be used only for replacement and repairs. The revenue bond and interest sinking account is used to make annual principal and interest payments. As of September 30, 2007 the revenue bond reserve account was short of the required \$99,000 by \$81,986.

**NOTE 5 - CONTINGENCIES** The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

**Third-Party Government-Based Revenues** Cost reimbursements are subject to examination by agencies administering the programs. Effective October 1, 1983, the Medicare program discontinued its cost-based reimbursement system for inpatient services. Under the program, the District receives a fixed fee for each patient, which is determined by the government. The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

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Federal and state budget restraints are increasing the time period taken to pay Medicare and Medicaid claims and the Medicaid program is delaying payment of year-end statements.

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

**Self-Insurance** The District became partially self-insured for employees' group and health insurance coverage on June 1, 2002. Claims are funded through employee contributions and operating funds of the District. The District maintains stop-loss coverage with an insurance company for claims in excess of \$25,000 per claim for each employee. All known claims filed and an estimate of incurred but not reported claims based on experience of the District are made and accrued as necessary in the financial statements. The estimate of incurred but not reported claims at September 30, 2007 was \$60,988 which is shown on Statement A.

The following is a summary of the self-insurance transactions for the year ended September 30, 2007:

<u>Fiscal Year</u>	<u>Balance Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Ending</u>
2007	\$26,507	\$552,747	\$518,266	\$60,988
2006	0	396,207	369,700	26,507

**Litigation** At September 30, 2007, the District was not involved in any litigation.

**NOTE 6 - PENSION PLAN** The District implemented a retirement plan for employees during 2007 consisting of a 401(a) plan and 457 plan. The District contributes 1% to the 401(a) plan and a 50% matching contribution (up to 4%) is made to the 457 plan. The District's contributions to the plans for 2007 were \$29,217 matching for the 457 plan and \$4,981 1% contribution to the 401(a) plan.

	<u>401 A Plan</u>	<u>457 Plan</u>
Employer	\$4,981	\$29,217
Employee	0	58,435
	<u>\$4,981</u>	<u>\$87,652</u>

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**NOTE 7 - PROPERTY PLANT AND EQUIPMENT** The balances and changes in property, plant and equipment as of and for the year ended September 30, 2007 are as follows:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Ending</u>
<b>Nondepreciable assets:</b>				
Land	\$ 9,115	\$ -	\$ -	\$ 9,115
Construction in progress	-	10,000	-	10,000
	<u>9,115</u>	<u>10,000</u>	<u>-</u>	<u>19,115</u>
<b>Depreciable assets:</b>				
Land improvements	121,789	5,780	-	127,569
Buildings	3,436,260	-	-	3,436,260
Equipment, furniture and fixtures	2,778,202	467,423	636,002	2,609,623
Total depreciable assets	<u>6,336,251</u>	<u>473,203</u>	<u>636,002</u>	<u>6,173,452</u>
Total assets	<u>6,345,366</u>	<u>483,203</u>	<u>636,002</u>	<u>6,192,567</u>
<b>Less accumulated depreciation:</b>				
Land improvements	47,370	7,995	-	55,365
Buildings	1,514,380	168,948	-	1,683,328
Equipment, furniture and fixtures	1,889,012	237,711	633,786	1,492,937
Total accumulated depreciation	<u>3,450,762</u>	<u>414,654</u>	<u>633,786</u>	<u>3,231,630</u>
Property, plant and equipment, net	<u>\$ 2,894,604</u>	<u>\$ 68,549</u>	<u>\$ 2,216</u>	<u>\$ 2,960,937</u>



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The balances and changes in property, plant and equipment as of and for the year ended September 30, 2006 are as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
<b>Nondepreciable assets:</b>				
Land	\$ 9,115	\$ -	\$ -	\$ 9,115
Construction in progress	41,151	1,658,728	1,699,879	-
	<u>50,266</u>	<u>1,658,728</u>	<u>1,699,879</u>	<u>9,115</u>
<b>Depreciable assets:</b>				
Land improvements	121,789	-	-	121,789
Buildings	1,730,924	1,705,336	-	3,436,260
Equipment, furniture and fixtures	3,381,490	274,388	877,676	2,778,202
Total depreciable assets	<u>5,234,203</u>	<u>1,979,724</u>	<u>877,676</u>	<u>6,336,251</u>
Total	<u>5,284,469</u>	<u>3,638,452</u>	<u>2,577,555</u>	<u>6,345,366</u>
<b>Less accumulated depreciation:</b>				
Land improvements	43,411	112	-	43,523
Buildings	1,453,429	64,948	-	1,518,377
Equipment, furniture and fixtures	2,584,193	181,698	877,029	1,888,862
Total accumulated depreciation	<u>4,081,033</u>	<u>246,758</u>	<u>877,029</u>	<u>3,450,762</u>
Property, plant and equipment, net	<u>\$ 1,203,436</u>	<u>\$ 3,391,694</u>	<u>\$ 1,700,526</u>	<u>\$ 2,894,604</u>

**NOTE 8 - LONG-TERM DEBT** Funding for a 1981 expansion program was provided by the issuance of \$1,376,000 revenue bonds and \$348,000 from earnings accumulated by the District. The bonds bear interest at five percent per annum and are payable over a period of 40 years. They were acquired by the Farmers Home Administration and are secured by a pledge of income, revenues and receipts derived by the District.

The following is a summary of long-term debt principal transactions for the years ended September 30:

	Revenue Bonds	
	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 335,000	\$ 405,000
Redeemed	75,000	70,000
Balance, end of year	<u>\$ 260,000</u>	<u>\$ 335,000</u>

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Scheduled annual debt service requirements are as follows:

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 80,000	\$ 13,000	\$ 93,000
2009	90,000	9,000	99,000
2010	90,000	4,500	94,500
Total	<u>\$260,000</u>	<u>\$ 26,500</u>	<u>\$ 378,250</u>

The District received \$171,000 from Excess Revenue Certificate of Indebtedness, Series 2004A issued December 30, 2004 with a stated interest rate of 4.00%. The annual debt service requirements are as follows:

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 34,000	\$ 2,980	\$ 36,980
2009	35,000	1,820	36,820
2010	37,000	620	37,620
Total	<u>\$ 106,000</u>	<u>\$ 5,420</u>	<u>\$ 111,420</u>

The District issued Certificate of Indebtedness, Series 2006A in August, 2006 with a total issue amount of \$1,000,000 and stated interest rate of 5.60%, with principal and interest due March 1, 2007. The District received \$500,000 of the proceeds from the Certificate of Indebtedness during 2006. During 2007, the \$500,000 was repaid and Certificate of Indebtedness, Series 2007 was issued in the amount of \$500,000 with a stated interest rate of 6% to be repaid on March 1, 2008.

The District also issued Certificate of Indebtedness, Series 2006 in the amount of \$1,660,000 with a stated interest rate of 5.75% in which the proceeds are to be used for capital improvement costs. The annual debt service requirements are as follows:

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 31,000	\$ 94,559	\$ 125,559
2009	36,000	92,633	128,633
2010	41,000	90,419	131,419
2011	47,000	87,889	134,889
2012	52,000	85,043	137,043
2013-2017	368,000	369,150	737,150
2018-2022	589,000	233,191	822,191
2023-2024	496,000	44,331	540,331
Total	<u>\$1,660,000</u>	<u>\$ 1,097,215</u>	<u>\$ 2,757,215</u>

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**NOTE 9 - CAPITAL LEASE OBLIGATIONS** The District records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of equipment under capital leases:

<u>Type</u>	<u>September 30, 2007</u>
Ultrasound equipment	\$134,473
CT scanner	268,460
Computer software	<u>436,392</u>
Total	<u>\$839,325</u>

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of September 30, 2007:

<u>Years ending September 30.</u>	<u>Ultrasound Equipment</u>	<u>CT Scanner</u>	<u>Computer Software</u>	<u>Total</u>
2008	\$ 39,900	\$ 60,781	\$ 103,058	\$ 203,739
2009	19,884	60,781	103,058	183,723
2010	0	5,065	103,058	108,123
2011	0	0	103,058	103,058
2012	0	0	42,942	42,942
Total minimum lease payments	<u>59,784</u>	<u>126,627</u>	<u>455,174</u>	<u>641,585</u>
Less amounts representing interest	<u>(6,971)</u>	<u>(6,634)</u>	<u>(66,616)</u>	<u>(80,221)</u>
Present value of net minimum lease payments	<u>\$ 52,813</u>	<u>\$ 119,993</u>	<u>\$ 388,558</u>	<u>\$ 561,364</u>

**NOTE 10 - INCOME TAXES** The District is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

**NOTE 11 - BEHAVIORAL HEALTH UNIT** The District established a Behavioral Health Unit (BHU) in 1996. The BHU provides programs for the treatment of emotional problems and psychiatric disorders and operates out of a ten-bed wing in the Hospital.

**NOTE 12 - AD VALOREM TAX** The District levies taxes on real and business personal property located within LaSalle Parish's boundaries. Property taxes are levied by the District on property values assessed by the LaSalle Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

The LaSalle Parish Sheriff's Office bills and collects property taxes for the District. Collections are remitted to the District monthly.

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Property Tax Calendar

Millage rates adopted	April 25, 2006
Levy date	January 1, 2006
Tax bills mailed	On or about November 1, 2006
Total taxes are due	December 31, 2006
Lien date	January 1, 2007
Penalties and interest are added	January 1, 2007
Tax sale - 2006 delinquent property	May 31, 2007

Assessed values are established by the LaSalle Parish Tax Assessor each year on a uniform basis at the following ratios of assessed value to fair market value.

10% land	15% machinery
10% residential improvements	15% commercial improvements
15% industrial improvements	25% public service properties, excluding land

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2004. Total gross assessed value was \$17,030,761 in calendar year 2006. Louisiana state law exempts the first \$7,500 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was \$4,119,028 of the assessed value in calendar year 2006.

State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the sheriff is required by the *Constitution of the State of Louisiana* to sell the least quantity of property necessary to settle the taxes and interest owed.

All property taxes are recorded in the enterprise fund on the basis explained in Note 1. Revenues in this fund are recognized in the accounting period in which they become measurable and when there exists an enforceable legal claim. The District considers January 1 the lien date, as the date that an enforceable legal claim exists. Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll.

Historically, virtually all ad valorem taxes receivable were collected since they are secured by property. Therefore, there is no allowance for uncollectible taxes.

The following is a summary of authorized and levied (tax rate per \$1,000 assessed value) ad valorem tax:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Parish-wide tax:			
Operations and maintenance	10.13	10.13	2014

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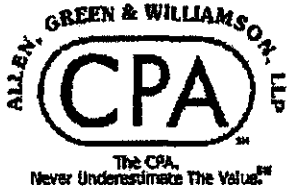
**SUPPLEMENTAL INFORMATION**

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**Schedule of Compensation Paid Board Members  
For the Year Ended September 30, 2007**

Board members who served during the fiscal year and the amount of compensation received by each are presented below in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

Lee Richardel, Chairman	\$ 480
Irma Terral, Vice Chairman	480
Rick Smotherman	480
Joe Wilson	480
Mike Duke	<u>480</u>
Total	<u>\$2,400</u>



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**Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

Board of Commissioners  
Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
A Component Unit of the LaSalle Parish Police Jury  
Olla, Louisiana

We have audited the financial statements of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, a component unit of the LaSalle Parish Police Jury, as of and for the years ended September 30, 2007 and 2006 and have issued our report thereon dated March 11, 2008. We conducted our audit 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.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 07-F1, 07-F2, 07-F3, and 07-F4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

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

The District's responses to the findings identified in our audit are described in the accompanying corrective action plan for current-year findings. We did not audit the District's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
March 11, 2008



**Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
Schedule of Findings and Questioned Costs  
As of and For the Year Ended September 30, 2007**

**Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Reference # and title:**            **07-F1**            **Payroll Records/Personnel Files**

**Entity-wide or program/department specific:** This finding is specific to payroll.

**Criteria or specific requirement:** Time sheets/time cards should be signed by the employee and approved by the signature of employee's supervisor.

**Condition:** During the testing of 25 payroll expenditures, the following were noted:

- 1) 11 exceptions were noted in which the supervisor did not sign time card.
- 2) 14 exceptions were noted in which the employee did not sign time card.

**Possible asserted effect (cause and effect):**

**Cause:** Unknown

**Effect:** Internal control over payroll expenditures is weakened by failure to observe procedures.

**Recommendations to prevent future occurrences:** Employees and supervisors should sign time cards as evidence of correctness. Current rate of pay should be included in personnel file. Any extra pay to employees should be approved by appropriate personnel.

**Reference # and title:**            **07-F2**            **Bank Reconciliations**

**Entity-wide or program/department specific:** This finding is entity wide.

**Criteria or specific requirement:** Good internal controls over cash require that bank reconciliations be performed on a timely basis and that items which appear as reconciling items with a date which precedes the reconciliation date should be researched to ascertain if these reconciling items are truly outstanding items or should be corrected in the general ledger so as to reflect the true balance in cash accounts per records.

**Condition:** Review of the General Fund reconciliation for the month of August, 2007 included reconciling items from November and December, 2006 totaling \$169,000 plus which had not been examined and cleared. Bank reconciliations at year end had numerous reconciling items for cash transfers which were never actually made. Other reconciling items were present which should have been recorded to reflect the true balance in the cash accounts.

**Possible asserted effect (cause and effect):**

**Cause:** The reconcilers are not following up on researching reconciling items from prior months.

**Effect:** Cash balances may not be correctly stated in accounting records.

**Recommendations to prevent future occurrences:** Reconciling items should be researched, documented and

**Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
Schedule of Findings and Questioned Costs  
As of and For the Year Ended September 30, 2007**

**Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

corrected each month as needed.

**Reference # and title:            07-F3            Cash Transfers Not Being Recorded Properly**

**Entity-wide or program/department specific:** This finding is entity wide.

**Criteria or specific requirement:** Good internal controls over cash require that cash transfers between bank accounts should be recorded timely in the proper accounting period.

**Condition:** Examination of bank reconciliations at year end revealed transfers being shown as deposits in transit which were not actually made until the following month. Also, transfers from prior months were still shown as reconciling items per the bank reconciliation.

**Possible asserted effect (cause and effect):**

**Cause:** Transfers of cash between bank accounts are not being recorded timely in the correct accounting period.

**Effect:** Cash balances may not be correctly stated in accounting records.

**Recommendations to prevent future occurrences:** Cash transfers should be recorded in the accounting records as the transfers are made.

**Reference # and title:            07-F4            Credit Cards**

**Entity-wide or program/department specific:** This finding is entity wide.

**Criteria or specific requirement:** Good internal controls require actual receipts be retained for all charges made to credit cards.

**Condition:** Upon examination of three credit card statements it was noted that not all receipts are kept for charges reflected per the statement. The credit card statement of August, 2007 was missing 15 receipts, the statement of May, 2007 was missing 7 receipts, and the statement of April, 2007 was missing 10 receipts. The unsupported charges were for hotel reservations, airline tickets, and other miscellaneous items.

**Possible asserted effect (cause and effect):**

**Cause:** Actual receipts are not always retained for charges made to credit cards.

**Effect:** Good internal control is not being exercised over credit card usage.

**Recommendations to prevent future occurrences:** All actual receipts for credit card purchases should be retained and compared with credit card statement before payment.

**Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
Summary Schedule of Prior Years Audit Findings  
As of and For the Year Ended September 30, 2007**

**Reference # and title:**        **06-F1**        **Payroll Records/Personnel Files**

**Year of Origination:** Fiscal year ended 2006.

**Condition:** During the testing of 40 payroll expenditures, the following were noted:

- 1) 19 exceptions were noted in which the supervisor did not sign time card.
- 2) 11 exceptions were noted in which the employee did not sign time card.
- 3) 13 exceptions were noted in which salary did not re-compute with rate of pay.
- 4) 1 exception was noted in which documentation of extra pay was not approved by the appropriate personnel.

**Corrective action taken:** See current-year finding 07-F1.

**Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
Corrective Action Plan for Auditor's Current Year Findings  
As of and For the Year Ended September 30, 2007**

**Reference # and title:**            **07-F1**            **Payroll Records/Personnel Files**

**Condition:** During the testing of 25 payroll expenditures, the following were noted:

- 1) 11 exceptions were noted in which the supervisor did not sign time card.
- 2) 14 exceptions were noted in which the employee did not sign time card.

**Corrective action planned:** Due to the use of part-time employees and PRN employees occasions arise when an employee is not scheduled to return to the hospital until after the current payroll period has ended. This would create time-entry cards to go unsigned by the employee. A reminder will be placed at the time clock reminding employees to sign their timecards at the end of their last worked shift of a pay period verifying their time card entries. An in-service will also be held with all supervisors to review the time keeping process to assure that all supervisors have signed off on all employees for whom they're responsible. NOTE: The hospital is currently undergoing a massive computer conversion allowing for the implementation of electronic medical records. The final stage of the conversion includes a transition from a manual time-keeping system to an automated time and attendance solution, e.g. Kronos. Once this is accomplished the internal control of time-keeping and calculation will be greatly enhanced.

**Person responsible for the above corrective actions:**

Mr. Paul Mathews, Administrator      Phone: (318) 495-3131  
Hardtner Medical Center              Fax: (318) 495-3229  
1102 North Pine Road  
Olla, LA 71465

**Anticipated completion date:** March 31, 2008.

**Reference # and title:**            **07-F2**            **Bank Reconciliations**

**Condition:** Review of the General Fund reconciliation for the month of August, 2007 included reconciling items from November and December, 2006 totaling \$169,000 plus which had not been examined and cleared. Bank reconciliations at year end had numerous reconciling items for cash transfers which were never actually made. Other reconciling items were present which should have been recorded to reflect the true balance in the cash accounts.

**Corrective action planned:** Bank reconciliations will be performed immediately after the closing of the general ledger for the month. Any adjusting entries will be posted the next month.

**Person responsible for the above corrective actions:**

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Olla, LA 71465

**Anticipated completion date:** March 31, 2008.

**Hospital Service District Number One  
of the Parish of LaSalle, State of Louisiana  
Corrective Action Plan for Auditor's Current Year Findings  
As of and For the Year Ended September 30, 2007**

**Reference # and title:            07-F3            Cash Transfers Not Being Recorded Properly**

**Condition:** Examination of bank reconciliations at year end revealed transfers being shown as deposits in transit which were not actually made until the following month. Also, transfers from prior months were still shown as reconciling items per the bank reconciliation.

**Corrective action planned:** Any entries to cash for the purposes of transferring from one cash account to another will be reversed within the current month if the actual checks were not printed during that month. Automatic recording of invoice processing can create this event if there is a timing difference between the entry of the invoice, posting on general ledger and the check preparation.

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**Anticipated completion date:** March 31, 2008.

**Reference # and title:            07-F4            Credit Cards**

**Condition:** Upon examination of three credit card statements it was noted that not all receipts are kept for charges reflected per the statement. The credit card statement of August, 2007 was missing 15 receipts, the statement of May, 2007 was missing 7 receipts, and the statement of April, 2007 was missing 10 receipts. The unsupported charges were for hotel reservations, airline tickets, and other miscellaneous items.

**Corrective action planned:** Due care will be exercised in procuring all receipts to support usage of the hospital's credit card. There are instances when multiple personnel travel together and the hospital card is utilized for several hotel rooms and meals. The personnel may check out and fail to give to the accounts payable supervisor the supporting documentation although it is known by the hospital management that the charges did indeed incur and were witnessed. The accounts payable department has been advised to monitor unsupported documentation and to report it to a supervisor.

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**Anticipated completion date:** March 31, 2008.