

NATCHITOCHES REGIONAL MEDICAL CENTER

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
JUNE 30, 2012, 2011 AND 2010



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis

Our discussion and analysis of Natchitoches Parish Hospital Service District's (Hospital's) financial performance provides an overview of the Hospital's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Hospital's financial statements, which begin on page 3.

Financial Highlights

- The Hospital's total assets increased by approximately \$790 thousand or roughly 1.1%. The Hospital's total liabilities decreased by approximately \$1.9 million, or roughly 10.5% due mainly from the pay down of our long-term debt.
- During the year, the Hospital's net patient service revenue fell 2.9% due to decreases in Uncompensated Care reimbursement. Expenses remained approximately the same. The Hospital had income from operations of \$3,085,827, which is approximately 6.5% of total operating revenue.
- The Hospital passed a 10-year Ambulance property tax in 2003 and received approximately \$1,268,693 in taxes for this year. These taxes have been able to provide funds for modernization of Ambulance equipment and expansion of service to rural areas of the Parish that do not have the optimum of services.

Using This Annual Report

The Hospital's financial statements consist of three statements – a balance sheet; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets

Our analysis of the Hospital finances begins on page 3. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net assets report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received and paid.

These two statements report the Hospital's net assets and changes in them. You can think of the Hospital's net assets – the difference between assets and liabilities – as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measure of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

The Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

The Hospital's Net Assets

The Hospital's net assets are the difference between its assets and liabilities reported in the balance sheet on page 3. The Hospital's net assets increased in each of the past three years, by \$2,689,158 (5.0 percent) in 2012, \$6,557,252 (13.8 percent) in 2011, and \$2,777,368 (6.2 percent) in 2010, as you can see from Table 1.

Table 1: Assets, Liabilities and Net Assets

	June 30			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total Current Assets	\$ 18,071,605	\$ 16,294,218	\$ 14,779,268	\$ 11,896,756
Capital Assets – Net	38,326,767	39,564,326	36,800,394	32,594,762
Other Assets, Including Board - Designated Investments	<u>16,546,661</u>	<u>16,296,112</u>	<u>15,153,941</u>	<u>11,067,379</u>
Total Assets	<u>\$ 72,945,033</u>	<u>\$ 72,154,656</u>	<u>\$ 66,733,603</u>	<u>\$ 55,558,897</u>
Current Liabilities	\$ 4,397,003	\$ 5,355,784	\$ 5,596,983	\$ 4,714,685
Long-term Debt/Liabilities	<u>11,810,000</u>	<u>12,750,000</u>	<u>13,645,000</u>	<u>7,638,489</u>
Total Liabilities	<u>16,207,003</u>	<u>18,105,784</u>	<u>19,241,983</u>	<u>12,353,174</u>
Noncontrolling Interest in Subsidiary	846,151	726,225	879,200	393,565
Controlling Net Assets	<u>55,891,879</u>	<u>53,322,647</u>	<u>46,612,420</u>	<u>42,812,158</u>
Total Liabilities and Net Assets	<u>\$ 72,945,033</u>	<u>\$ 72,154,656</u>	<u>\$ 66,733,603</u>	<u>\$ 55,558,897</u>

A significant component of the change in the Hospital's assets is the increase in patient accounts receivable.

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Operating Results and Changes in the Hospital's Net Assets

The following table presents a summary of the Hospital's historical revenues and expenses for the fiscal years ended June 30, 2012, 2011, 2010 and 2009.

Table 2: Operating Results and Changes in Net Assets

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenue:				
Net Patient Service Revenue	\$ 41,332,993	\$ 42,571,498	\$ 43,548,188	\$ 41,774,975
Other Revenue	<u>6,123,555</u>	<u>4,442,396</u>	<u>3,594,617</u>	<u>3,293,640</u>
Net Revenue	<u>47,456,548</u>	<u>47,013,894</u>	<u>47,142,805</u>	<u>45,068,615</u>
Expenses:				
Salaries & Benefits	20,282,268	21,016,431	21,651,601	21,764,012
Medical Supplies	3,887,724	3,853,951	3,849,590	3,753,414
Purchased Services	3,787,265	4,691,263	4,855,580	4,542,348
Other Operating Expense	12,857,482	10,610,123	9,948,784	10,073,477
Depreciation & Amortization	<u>3,555,982</u>	<u>3,762,327</u>	<u>4,260,531</u>	<u>3,547,671</u>
Total Operating Expense	<u>44,370,721</u>	<u>43,934,095</u>	<u>44,566,086</u>	<u>43,680,922</u>
Net Operating Income	<u>3,085,827</u>	<u>3,079,799</u>	<u>2,576,719</u>	<u>1,387,693</u>
Investment Income	135,112	122,851	201,047	399,139
Interest Expense	(549,913)	(607,891)	(581,794)	(467,393)
Non Operating Income	31,058	162,854	15,000	32,108
Net Contributions	<u>-0-</u>	<u>4,550,000</u>	<u>40,730</u>	<u>37,827</u>
Excess of Revenues over Expense	2,702,084	7,307,613	2,251,702	1,389,374
Unrealized Holding Gains (Losses)	71,184	(42,793)	87,699	153,524
Consolidated Net Income - Non Controlling Interest	<u>(204,036)</u>	<u>(225,095)</u>	<u>8,717</u>	<u>(90,754)</u>
Comprehensive Income (Loss)	2,569,232	7,039,725	2,348,118	1,452,144
Net Assets – Beginning of Year	53,322,647	46,612,420	44,264,302	42,812,158
Foundation Merger	<u>-0-</u>	<u>(329,498)</u>	<u>-0-</u>	<u>-0-</u>
Net Assets – End of Year	<u>\$ 55,891,879</u>	<u>\$ 53,322,647</u>	<u>\$ 46,612,420</u>	<u>\$ 44,264,302</u>

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Operating Income

The first component of the overall change in the Hospital's net assets is its operating income (loss) – generally, the difference between net patient service revenue and other revenue, and the expenses incurred to perform those services. In each of the past four years, the Hospital has reported an operating income. This is consistent with the Hospital's operating history. In each of the past three years, operating income has increased. Operating income increased by \$6,028 (0.2%) in 2012, \$503,080 in 2011 (19.5%) and \$1,189,026 (85.7%) in 2010. For 2009, income decreased by \$130,919 (8.6%) from 2008.

The primary components of the increasing operating income are:

- Increases in grant revenue of \$494,722 from the state in 2012
- Increases in 340B pharmaceutical program revenue of \$1,018,739 in 2012

Total salary and benefits expenses decreased \$734,163 or 3.5% in 2012, from \$21,016,431 in 2011, \$21,651,601 in 2010, and \$21,764,012 in 2009. This decrease is due to lower volumes across service lines and the across the board reduction the Hospital made in vacation and sick leave accruals for associates. As a percentage of net patient service revenue, salary and benefit expenses were approximately 49.1%, 49.4%, 49.7% and 52.1% for the fiscal years ended June 2012, 2011, 2010 and 2009, respectively.

The rate of health care inflation has a direct effect on the cost of services provided by the Hospital. A component of the Hospital's costs is expenses for medical and professional services. In 2012, medical and professional services cost total \$3.8 million. In 2011, they totaled \$4.7 million (10.7% of total expenses) and a decrease of 3.4% over 2010 costs of \$4.9 million. The major decreases were attributable to contract nursing and emergency room physician services.

Sources of Revenue

During fiscal year 2012, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes ambulance property tax, cafeteria sales, contract meals, rental income and other miscellaneous services.

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Sources of Revenue (continued)

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30, 2012, 2011, 2010 and 2009.

Table 3: Payor Mix by Percentage

	Year-end June 30			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Medicare	42.4%	42.4%	43.9%	40.6%
Medicaid	20.3%	20.3%	19.8%	20.8%
Commercial Insurance	14.8%	17.8%	17.1%	18.1%
Blue Cross	12.6%	12.3%	9.3%	11.1%
Self-Pay and Other	<u>9.9%</u>	<u>7.2%</u>	<u>9.9%</u>	<u>9.4%</u>
Total Patient Revenues	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Other Revenue

Other revenue includes Ambulance property tax, cafeteria sales, rental income, and other miscellaneous services. Other revenue increased by \$1,681,159 or 37.8% for 2012.

Table 4: Other Revenue

	Year-end June 30			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Other Revenue:				
Rental Income	\$ 1,519,557	\$ 1,462,964	\$ 1,406,428	\$ 1,641,187
Medical Records Revenue	3,919	974	3,929	10,321
Dietary Sale	230,618	223,733	239,336	260,124
Vending Revenue	34,215	35,204	39,615	39,923
Ambulance Tax and Subsidy	1,268,693	1,203,122	1,541,358	1,263,933
Grants	1,676,879	1,182,157	-0-	-0-
Gain on Sale of Equipment	27,667	75	230,834	-0-
340B pharmaceutical program	1,160,920	142,181	-0-	-0-
Other	<u>201,087</u>	<u>191,986</u>	<u>133,117</u>	<u>78,152</u>
Total Other Revenue	<u>\$ 6,123,555</u>	<u>\$ 4,442,396</u>	<u>\$ 3,594,617</u>	<u>\$ 3,293,640</u>

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of contributions. The Hospital recognized a contribution of \$4,550,000 in the form of a building and land in fiscal year 2011.

Operating and Financial Performance

The following summarizes the Hospital's statements of revenues, expenses, and changes in net assets between 2012, 2011, 2010 and 2009.

Overall, activity at the Hospital, as measured by admissions of adults, pediatrics, and geriatric psych patients, has decreased for each year reported. Inpatient admissions decreased by 9.1% in 2012 to 2,863 from 3,151, 3,339, and 3,836 in 2011, 2010, and 2009, respectively. Patient days decreased 10.0% in 2012 to 12,968 from 14,410, 15,460, and 15,556 in 2011, 2010, and 2009, respectively. As a result, the average length of stay for acute care patients (excluding newborns) decreased to 3.64 days from 3.75, 3.92, and 3.46 days in 2011, 2010, and 2009, respectively.

Outpatient registrations increased by 11.5% in 2012 to 48,443 from 43,429 in 2011. Previous years had outpatient registrations of 52,154 in 2010 and 54,187 in 2009.

Our Long Term Care Units activity decreased by 1.8% in 2012 to 37,192 from 37,879 in 2011 (an average of 2 patients per day), 36,049 in 2010, and 37,252 days in 2009, which represents 94% occupancy on the unit. With our acquisition of a 30 bed assisted living center in July of 2007, administration and the board has replaced our 50 year old Long Term Care Unit. Construction finished in September of 2009 at an estimated cost of \$8 million.

The Hospital operates the district ambulance service that traditionally has had operating losses. The ambulance operation is supported by a 5.53 mil property tax approved by the residents of Natchitoches parish. The amount of tax revenue received during 2012 was \$1,268,693, and increase from \$1,163,324 in 2011. That property tax is due for renewal in 2013 and is subject to the will of the voters.

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Operating and Financial Performance (continued)

Table 5: Patient and Hospital Statistical Data

	Year-end June 30			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Admissions:				
Adult and Pediatric	2,634	2,915	3,114	3,639
Newborn	532	555	544	665
Long Term Care Unit	316	197	290	253
Geriatric Psych Unit	229	236	225	197
Patient Days:				
Adult and Pediatric	9,582	10,922	12,216	12,582
Medicare (Included in Adult & Pediatric)	4,715	5,665	6,537	8,476
Medicaid (Included in Adult & Pediatric)	2,343	2,469	2,804	3,452
Newborn	1,150	1,249	1,197	1,504
Long Term Care Unit	37,192	37,879	36,049	37,252
Geriatric Psych Unit	3,386	3,488	3,244	2,974
Operating Room Patients	1,570	1,693	1,696	1,861
Outpatient Registrations	48,443	43,429	52,154	54,187
Emergency Room Visits	19,808	17,570	17,916	19,324
Ambulance Runs	4,081	4,256	4,360	4,626
Average Daily Census (Excluding Newborn):				
Adult and Pediatric	26.25	29.92	33.47	34.47
Long Term Care Unit	101.90	103.78	98.76	102.06
Geriatric Psych Unit	9.28	9.56	8.89	8.15
Average Length of Stay (Excluding Newborn):				
All Acute Care Patients	3.64	3.75	3.92	3.46
Medicare Patients	4.89	4.99	5.32	6.28
Medicaid Patients	1.75	1.81	1.81	2.79
Long Term Care Unit Patients	117.70	192.28	124.31	147.24
Geriatric Psych Unit Patients	14.79	14.78	14.42	15.10
Percentage of Acute-Care Patient Days:				
Medicare	49.21%	51.87%	53.51%	67.37%
Medicaid	24.45%	22.61%	22.95%	27.44%
Full-Time Equivalents (FTE's)	437	449	472	476

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Operating and Financial Performance (continued)

Allowances increased over prior year as described in the table below:

Table 6: Allowance Summary

		Year-end June 30		
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Allowances:				
Medicare Contractual Allowances	\$ 24,835,116	\$ 22,597,285	\$ 23,829,288	\$ 23,509,572
Medicaid Contractual Allowances	10,198,143	9,157,795	8,427,699	9,340,095
Blue Cross, Louisiana State Employees, and other Contractual Allowances	12,812,890	12,180,590	12,040,963	13,110,756
Provision for Bad Debt	6,146,742	6,494,048	6,946,095	5,284,857
Other Adjustments	636,800	632,253	503,216	702,821
Physician Fee Revenue	(773,260)	-0-	-0-	-0-
Uncompensated Care Reimbursement	<u>(1,390,358)</u>	<u>(1,432,683)</u>	<u>(2,782,139)</u>	<u>(1,866,744)</u>
 Total Allowances	 <u>\$ 52,466,073</u>	 <u>\$ 49,629,288</u>	 <u>\$ 48,965,122</u>	 <u>\$ 50,081,357</u>

Accounts receivable increased from 44.5 days in 2010 to 59.2 days in 2011 to 80.3 days in 2012. This increase is due to several factors generally related to aging computer systems. This is one focus of the ongoing computer upgrade project discussed in other sections of this report. Excluded from net patient service revenue are charges forgone for patient services falling under the Hospital's charity care policy. Based on established rates, gross charges of \$355,232 were foregone in 2012, compared to \$476,533 in 2011, \$341,173 in 2010, \$570,398 in 2009. The Hospital has instituted an automated charity care system to assure consistent application of Board policies. Hospital assumes compliance with our charity policy results in only patients meeting specific criteria being classified as a charity care.

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Capital Asset and Debt Administration

Capital Assets

At the end of 2012, the Hospital had \$38.3 million invested in capital assets, net of accumulated depreciation, as detailed in note 5 to the financial statements. In 2012, the Hospital purchased capital assets costing \$2,321,828, while depreciation of \$3,468,380 decreased net capital assets by \$1,237,559. Of this, \$662,165 (28.5%) was the acquisition of new equipment as can be seen in Table 8 below:

Table 7: Capital Assets

	Year-end June 30			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 1,118,948	\$ 1,130,948	\$ 555,948	\$ 555,948
Building & Equipment	<u>83,485,194</u>	<u>82,955,722</u>	<u>77,136,653</u>	<u>67,065,629</u>
Subtotal	84,604,142	84,086,670	77,692,601	67,621,577
Less Accumulated Depr.	48,417,536	45,091,781	41,417,058	37,404,761
Construction in Progress	<u>2,140,161</u>	<u>569,437</u>	<u>524,851</u>	<u>7,247,138</u>
Capital Assets, net	<u>\$ 38,326,767</u>	<u>\$ 39,564,326</u>	<u>\$ 36,800,394</u>	<u>\$ 37,463,954</u>

Table 8: Major Additions over \$100,000

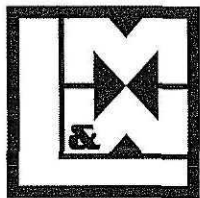
<u>Capital Investment</u>	<u>Department</u>	<u>2012 Cost</u>
X-Ray C-Arm	Radiology	\$ 229,108
Carestream Wireless System	Radiology	\$ 153,657
Wise Building Renovations	Rental Property	\$ 279,400

Debt

At year-end, the Hospital had \$12,750,000 in short-term and long-term debt. Long-term debt decreased by \$940,000 in fiscal year 2012. More detailed information about the Hospital's long-term liabilities is presented in the Note 8 to basic financial statements. Total debt outstanding represents approximately 17.5% of the Hospital's total assets at June 30, 2012 versus prior years of 19.0%, 21.7% and 23.2% for 2011, 2010, and 2009, respectively.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital administration.



LESTER, MILLER & WELLS

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Independent Auditors' Report

Board of Commissioners
Natchitoches Parish Hospital Service District
Natchitoches, Louisiana

We have audited the accompanying consolidated financial statements of the Natchitoches Parish Hospital Service District and its Affiliates (the "Hospital"), a component unit of the Natchitoches Parish Police Jury, Natchitoches, Louisiana, as of and for the years ended June 30, 2012, 2011 and 2010, as listed in the foregoing table of contents. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of June 30, 2012, 2011 and 2010, and the results of its operations and cash flows of such funds 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 November 20, 2012, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the Hospital's consolidated financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to auditing procedures applied by us in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Board of Commissioners
Natchitoches Parish Hospital Service District
Natchitoches, Louisiana
Page Two

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "ix" 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 response 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.

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

November 20, 2012



NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
JUNE 30,

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current			
Cash and cash equivalents	\$ 5,474,298	\$ 5,515,727	\$ 4,681,463
Limited use assets (Note 4)	477,811	454,934	778,618
Patient accounts receivable, net (Note 3)	9,065,521	6,901,830	5,308,127
Estimated third-party payor settlements	422,690	1,004,867	1,328,496
Other receivables	63,516	64,597	125,516
Inventory	1,332,550	1,304,756	1,325,712
Prepaid expenses	865,798	686,655	863,890
Notes receivable - current (Note 16)	369,421	360,852	367,446
Total Current Assets	<u>18,071,605</u>	<u>16,294,218</u>	<u>14,779,268</u>
Other			
Limited use assets (Note 4)	13,622,750	13,004,295	11,428,298
Land (Note 5)	1,118,948	1,130,948	555,948
Depreciable capital assets, net (Note 5)	37,207,819	38,433,378	36,244,446
Bond issue cost, net (Note 6)	67,475	73,765	80,054
Capitalized construction interest, net (Note 6)	1,962,218	2,019,662	2,077,106
Notes receivable (Note 16)	416,282	929,785	776,008
Investments	-0-	-0-	500,000
Other	477,936	268,605	292,475
Total Assets	\$ <u>72,945,033</u>	\$ <u>72,154,656</u>	\$ <u>66,733,603</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current			
Accounts payable	\$ 1,983,307	\$ 1,994,616	\$ 2,220,904
Accrued expenses	1,089,047	2,010,250	2,215,089
Unearned revenue	17,114	10,918	15,990
Estimated third-party payor settlements	367,535	445,000	300,000
Current portion of long-term debt (Note 8)	940,000	895,000	845,000
Total Current Liabilities	<u>4,397,003</u>	<u>5,355,784</u>	<u>5,596,983</u>
Long-term Liabilities			
Long-term debt (Note 8)	11,810,000	12,750,000	13,645,000
Total Liabilities	<u>16,207,003</u>	<u>18,105,784</u>	<u>19,241,983</u>
Net Assets			
Invested in capital assets, net of related debt	25,576,767	25,919,326	22,310,394
Restricted expendable net assets	477,811	454,934	778,618
Unrestricted net assets	29,837,301	26,948,387	23,523,408
Total Controlling Net Assets	<u>55,891,879</u>	<u>53,322,647</u>	<u>46,612,420</u>
Noncontrolling interest in subsidiary	846,151	726,225	879,200
Total Net Assets	<u>56,738,030</u>	<u>54,048,872</u>	<u>47,491,620</u>
Total Liabilities and Net Assets	\$ <u>72,945,033</u>	\$ <u>72,154,656</u>	\$ <u>66,733,603</u>

See accompanying notes to financial statements.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues			
Net patient service revenue	\$ 41,332,993	\$ 42,571,498	\$ 43,548,188
Other revenue	<u>6,123,555</u>	<u>4,442,396</u>	<u>3,594,617</u>
Total Revenues	<u>47,456,548</u>	<u>47,013,894</u>	<u>47,142,805</u>
Expenses			
Salaries and benefits	20,282,268	21,016,431	21,651,601
Medical supplies and drugs	3,887,724	3,853,951	3,849,590
Medical, professional and consulting	3,787,265	4,691,263	4,855,580
Other expenses	11,771,248	9,343,972	8,307,339
Retirement	98,852	242,136	310,074
Insurance	980,782	1,012,944	1,317,393
Leases	6,600	11,071	13,978
Depreciation and amortization	<u>3,555,982</u>	<u>3,762,327</u>	<u>4,260,531</u>
Total Expenses	<u>44,370,721</u>	<u>43,934,095</u>	<u>44,566,086</u>
Operating Income (Loss)	<u>3,085,827</u>	<u>3,079,799</u>	<u>2,576,719</u>
Nonoperating Revenues (Expenses)			
Noncapital grants	31,058	162,854	15,000
Interest income	3,289	3,928	15,375
Interest income from limited use assets	131,823	118,923	185,672
Interest expense	(549,913)	(607,891)	(581,794)
Net contributions (Note 14)	<u>-0-</u>	<u>4,550,000</u>	<u>40,730</u>
Total Nonoperating Revenues (Expenses)	<u>(383,743)</u>	<u>4,227,814</u>	<u>(325,017)</u>
Excess of Revenue Over Expenses	2,702,084	7,307,613	2,251,702
Less: Consolidated net income attributable to noncontrolling interest	(204,036)	(225,095)	8,717
Other Comprehensive Income			
Unrealized holding gains (losses)	<u>71,184</u>	<u>(42,793)</u>	<u>87,699</u>
Comprehensive Income (Loss)	2,569,232	7,039,725	2,348,118
Net assets at beginning of year	53,322,647	46,612,420	44,264,302
Foundation merger (Note 1)	<u>-0-</u>	<u>(329,498)</u>	<u>-0-</u>
Net assets at end of year	\$ <u>55,891,879</u>	\$ <u>53,322,647</u>	\$ <u>46,612,420</u>

See accompanying notes to financial statements.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 39,674,014	\$ 41,446,424	\$ 42,308,775
Other receipts from operations	6,103,165	4,498,168	3,369,459
Investment income received - nonrestricted	3,289	3,928	15,375
Cash payments to employees and for employee-related cost	(21,302,323)	(21,463,406)	(21,594,431)
Cash payments for other operating expenses	<u>(20,231,895)</u>	<u>(18,658,339)</u>	<u>(19,430,916)</u>
Net cash provided (used) by operating activities	<u>4,246,250</u>	<u>5,826,775</u>	<u>4,668,262</u>
Cash flows from investing activities:			
Cash invested in assets limited as to use - investment	(135,112)	(122,851)	(201,047)
Redemption of investments/principal return	(435,036)	(1,172,255)	932,832
Cash invested in certificates of deposit	-0-	500,000	(500,000)
Loans to physicians	(31,250)	(430,141)	(867,490)
Collection on physician loans	116,215	-0-	-0-
Cash invested in joint venture	(233,200)	-0-	(34,300)
Dividends paid to joint venture owners	(84,110)	(378,070)	-0-
Cash received for noncontrolling interest in subsidiary	-0-	(329,498)	437,968
Capitalized goodwill	-0-	-0-	(238,691)
Investment earnings	<u>131,823</u>	<u>118,923</u>	<u>185,672</u>
Net cash provided (used) by investing activities	<u>(670,670)</u>	<u>(1,813,892)</u>	<u>(285,056)</u>
Cash flows from financing activities:			
Proceeds from noncapital grants	<u>31,058</u>	<u>162,854</u>	<u>15,000</u>
Net cash provided (used) by financing activities	<u>31,058</u>	<u>162,854</u>	<u>15,000</u>
Cash flows from capital and related financing activities:			
Interest expense	(549,913)	(607,891)	(581,794)
Capitalized construction interest	-0-	-0-	(139,409)
Principal payments on long-term debt	(895,000)	(845,000)	(800,000)
Acquisition of capital assets	(2,203,154)	(1,888,582)	(3,129,234)
Contributions	<u>-0-</u>	<u>-0-</u>	<u>40,730</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(3,648,067)</u>	\$ <u>(3,341,473)</u>	\$ <u>(4,609,707)</u>

See accompanying notes to financial statements.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED JUNE 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net increase (decrease) in cash and cash equivalents	\$ (41,429)	\$ 834,264	\$ (211,501)
Beginning cash and cash equivalents	<u>5,515,727</u>	<u>4,681,463</u>	<u>4,892,964</u>
Ending cash and cash equivalents	\$ <u>5,474,298</u>	\$ <u>5,515,727</u>	\$ <u>4,681,463</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>567,749</u>	\$ <u>609,950</u>	\$ <u>757,376</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 3,085,827	\$ 3,079,799	\$ 2,576,719
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Provision for bad debts	6,146,742	6,494,048	6,946,095
Depreciation and amortization	3,549,693	3,756,039	4,255,568
Amortization of bond issue cost	6,290	6,289	4,963
Physician loan amortization	419,969	282,958	365,541
Interest income	3,289	3,928	15,375
Gain/loss on sale of assets	(27,667)	(75)	(230,834)
Changes in current assets (increase) decrease:			
Patient accounts receivable, net	(8,310,433)	(8,087,751)	(7,117,048)
Estimated third-party payor settlements	582,177	323,629	(992,798)
Other receivables	1,081	60,919	2,028
Inventory	(27,794)	20,956	12,595
Prepaid expenses	(179,143)	177,235	17,796
Changes in current liabilities (increase) decrease:			
Accounts payable	(11,309)	(226,288)	(1,482,968)
Accrued expenses	(921,203)	(204,839)	367,244
Unearned revenue	6,196	(5,072)	3,648
Estimated third-party payor settlements	<u>(77,465)</u>	<u>145,000</u>	<u>(75,662)</u>
Net cash provided by operating activities	\$ <u>4,246,250</u>	\$ <u>5,826,775</u>	\$ <u>4,668,262</u>

See accompanying notes to financial statements.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Legal Organizations

The Natchitoches Parish Hospital Service District (referred to as "the District" or "the Hospital") was created by an ordinance of the Natchitoches Parish Police Jury (the "Jury") on October 19, 1955. The governing board of the District consists of seven members appointed by the Jury. Because the Jury appoints all commissioners of the Natchitoches Parish Hospital Service District, the District is a component unit of the Natchitoches Parish Police Jury, which is the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Jury, or the other governmental units that comprise the financial reporting entity.

An affiliate, Natchitoches Hospital Foundation (referred to as "the Foundation"), was incorporated June 23, 1987, as a Louisiana nonprofit corporation. The Foundation has one class of members, consisting of one member, the District. On November 3, 2010, the Foundation merged with the NRMC Foundation. The NRMC Foundation, which is not controlled by the District, was the surviving entity and therefore the Foundation is no longer consolidated for the District's financials.

An affiliate, Natchitoches Outpatient Services, LLC (referred to as "NOP, LLC"), was organized January 22, 2004, as a Louisiana limited liability company. NOP, LLC is a perpetual limited liability company. The District has 50.9% ownership in NOP, LLC.

An affiliate, Natchitoches Assisted Living, LLC (referred to as "NAL, LLC"), was organized July 16, 2007, as a Louisiana limited liability company. NAL, LLC is a perpetual limited liability company. The District has 100% ownership in NAL, LLC.

An affiliate, Regional Cardiology Clinic, LLC (referred to as "RCC, LLC"), was organized March 2, 2009, as a Louisiana limited liability company. RCC, LLC is a perpetual limited liability company. The District has 50.1% ownership in RCC, LLC.

An affiliate, Natchitoches Regional Medical Center Foundation (referred to as "NRMC Foundation"), was incorporated November 3, 2005, as a Louisiana nonprofit corporation. NRMC Foundation has one class of members, consisting of two members, the District and Christus Health Central Louisiana. The District appoints six of the ten-member Board for NRMC Foundation, however two-thirds (2/3) vote is needed for certain major decisions. Therefore, the financials of NRMC Foundation are not consolidated in the District's financials.

Nature of Business

The District provides outpatient, ambulance, emergency and inpatient acute services through its hospital unit. The District also provides inpatient intermediate and skilled nursing services through its long-term care unit and hospital "swing-beds". In June 1995, the District opened a unit to provide geriatric psychiatric services and was recognized as a "distinct part" unit effective July 1, 1995.

The Foundation's purpose is to engage in the solicitation, receipt and administration of funds and property, and from time to time, to disburse such funds or property and the income therefrom, to or for the benefit of the District.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

NOP, LLC provides outpatient therapy and MRI services.

NAL, LLC provides housing and limited care for elderly residents as an assisted living center.

RCC, LLC provides outpatient cardiology diagnostic and testing services.

Enterprise Fund

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

Basis of Accounting

The District and its affiliates use enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:513 and to the guide set forth in the Louisiana Governmental Audit Guide, and the AICPA Audits of Providers of Health Care Services, published by the American Institute of Certified Public Accountants.

Cash and Cash Equivalents

Cash represents coin, currency, bank demand deposits and other negotiable instruments that are readily acceptable in lieu of currency. Cash equivalents are time deposits, certificates of deposit, treasury bills and mortgage backed securities purchased with a maturity of three months or less.

Inventory

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

Investments

The Hospital classifies their investments as available-for-sale in response to changes in interest rates, liquidity needs and for other purposes. Available-for-sale securities are reported at fair value. Unrealized holdings gains and losses are reported as other comprehensive income.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Capital Assets

Purchased fixed assets are recorded at cost and donated fixed assets, if received, at fair market value on the date of any donation. Depreciation is calculated over estimated useful lives, using the straight-line method. Land was initially donated for hospital use, and it is recorded at the fair market value at the time of donation. Additional land was purchased, and it is recorded at cost.

Net Assets

Net assets of the District are classified in four components. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. Restricted non expendable net assets equal the principal portion of permanent endowments. The District has no restricted non expendable net assets at this time. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted. When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use unrestricted resources first, then restricted resources as they are needed.

Revenue and Expenses

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

Income Taxes

The District is a political subdivision of the State of Louisiana and exempt from taxation. Additionally, the District has acquired exemption under Section 501(c)(3) of the United States Internal Revenue Code.

The Foundation is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

NOP, LLC, NAL, LLC, and RCC, LLC do not pay federal corporate income taxes on its taxable income or are not allowed a net operating loss carryover or carryback as a deduction. Instead, the members are liable for individual federal income taxes on their respective shares of these companies' taxable income or include their respective shares of these companies' net operating loss in their individual income tax returns.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Grants and Contributions

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

Credit Risk

The Hospital provides medical care primarily to Natchitoches Parish residents and grants credit to patients, substantially all of whom are local residents. The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 9. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenue

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

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

Risk Management

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

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Use of Estimates

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

Principles of Consolidation

The consolidated financial statements include the accounts of the District and its affiliates, after elimination of all significant intercompany balances and transactions. The District has recorded a minority interest for the portion of equity and income attributable to other investors in NOP, LLC and RCC, LLC.

Reclassifications

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the District 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 District be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at June 30, 2012, 2011, and 2010.

Concentration of Credit Risks - The District has 55.4% of its investments in the Louisiana Hospital Investment Pool (LHIP) Public Trust A, 21.9% in Federal National Mortgage Association, and 7.1% in Certificates of Deposit.

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

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The District's investments are reported at fair value. At June 30, 2012, 2011 and 2010, the District had the following investments and maturities, all of which were held in the District's name by a custodial bank that is an agent of the District. The table below is with the assumption that the bonds are held until maturity.

<u>June 30, 2012</u>		<u>Investment Maturities (In Years)</u>			
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
LHIP - Public Trust A	\$ 6,897,365	\$ 827,684	\$ 2,345,104	\$ 3,724,577	\$ -0-
Money Markets	599,605	599,605	-0-	-0-	-0-
Fed National Mortgage Assoc.	2,729,303	2,221,429	-0-	503,171	4,703
Certificates of Deposit	884,174	94,046	790,128	-0-	-0-
Exchange-Traded Products	<u>1,350,536</u>	<u>1,350,536</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>12,460,983</u>	\$ <u>5,093,300</u>	\$ <u>3,135,232</u>	\$ <u>4,227,748</u>	\$ <u>4,703</u>

<u>June 30, 2011</u>		<u>Investment Maturities (In Years)</u>			
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
LHIP - Public Trust A	\$ 6,813,838	\$ 817,661	\$ 2,316,705	\$ 3,679,472	\$ -0-
Money Markets	99,005	99,005	-0-	-0-	-0-
Fed National Mortgage Assoc.	2,272,659	-0-	2,272,659	-0-	-0-
Federal Home Loan Bank	602,550	-0-	-0-	602,550	-0-
Federal Home Loan Mortgage	329,802	-0-	-0-	329,802	-0-
Federal Farm Credit Banks	540,721	-0-	-0-	540,721	-0-
Certificates of Deposit	855,875	198,659	657,216	-0-	-0-
Exchange-Traded Products	<u>1,040,580</u>	<u>1,040,580</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>12,555,030</u>	\$ <u>2,155,905</u>	\$ <u>5,246,580</u>	\$ <u>5,152,545</u>	\$ <u>-0-</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

<u>June 30, 2010</u>		<u>Investment Maturities (In Years)</u>			
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
LHIP - Public Trust A	\$ 5,789,892	\$ 1,157,978	\$ 3,184,441	\$ 1,447,473	\$ -0-
Money Markets	1,087,035	1,087,035	-0-	-0-	-0-
Mutual Funds	229,824	229,824	-0-	-0-	-0-
Fed National Mortgage Assoc.	2,285,908	-0-	2,278,684	-0-	7,224
Federal Home Loan Bank	643,075	643,075	-0-	-0-	-0-
Financing Corp Fed	326,222	326,222	-0-	-0-	-0-
Certificates of Deposit	909,426	712,101	197,325	-0-	-0-
Exchange-Traded Products	8,016	8,016	-0-	-0-	-0-
Total	\$ <u>11,279,398</u>	\$ <u>4,164,251</u>	\$ <u>5,660,450</u>	\$ <u>1,447,473</u>	\$ <u>7,224</u>

Credit Risks - 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.

As of June 30, 2012, the District's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Moody's Investor's Service</u>
LHIP - Public Trust A	Not Rated	Not Rated
Mutual Funds	Not Rated	Not Rated
Fed National Mortgage Association	AAA	AAA

Account balances according to banks' records at June 30, 2012, for the District are as follows:

	<u>City Bank & Trust</u>	<u>People's State Bank</u>
Cash in banks	\$ <u>9,441</u>	\$ <u>6,518,378</u>
Insured by FDIC	\$ <u>9,441</u>	\$ <u>250,000</u>
Collateralization by fair market value	\$ <u>9,441</u>	\$ <u>6,268,378</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The carrying amounts of deposits and investments are included in the District's balance sheet as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Carrying amount			
Deposits	\$ 5,952,109	\$ 5,970,661	\$ 5,630,583
Investments	<u>13,192,453</u>	<u>12,573,998</u>	<u>10,998,001</u>
	<u>\$ 19,144,562</u>	<u>\$ 18,544,659</u>	<u>\$ 16,628,584</u>
Included in the following balance sheet captions			
Cash and cash equivalents	\$ 5,474,298	\$ 5,515,727	\$ 4,681,463
Current limited use assets	477,811	454,934	449,120
Other limited use assets	13,192,453	12,573,998	10,998,001
Investments	<u>-0-</u>	<u>-0-</u>	<u>500,000</u>
	<u>\$ 19,144,562</u>	<u>\$ 18,544,659</u>	<u>\$ 16,628,584</u>

NOTE 3 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Patient accounts receivable	\$ 13,200,963	\$ 12,422,464	\$ 9,048,685
Less provision for uncollectibles	<u>(4,135,442)</u>	<u>(5,520,634)</u>	<u>(3,740,558)</u>
Net accounts receivable	<u>\$ 9,065,521</u>	<u>\$ 6,901,830</u>	<u>\$ 5,308,127</u>

The following is a summary of the mix of receivables from patient and third-party payors at June 30:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Medicare	25%	19%	23%
Medicaid	16%	11%	10%
Blue Cross Blue Shield	8%	9%	6%
Commercial and other third-party payors	24%	16%	22%
Patients	<u>27%</u>	<u>45%</u>	<u>39%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 4 - LIMITED USE ASSETS

A summary of limited use assets is presented below:

<u>By Third Parties</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash with paying agent - interest and principal, due 10/01 (Series 2000 Bonds)	\$ 450,467	\$ 437,045	\$ 421,905
Donor contributions	-0-	-0-	329,498
Patient trust funds	27,344	17,889	27,215
 <u>By Board</u>			
Repair and replacement - cash and cash equivalents	2,418,550	2,198,754	2,156,005
Repair and replacement - investments	10,773,903	10,375,244	8,841,996
LHA trust deposits	430,297	430,297	430,297
Less limited use assets required for current liabilities	<u>(477,811)</u>	<u>(454,934)</u>	<u>(778,618)</u>
 Non-current limited use assets	\$ <u>13,622,750</u>	\$ <u>13,004,295</u>	\$ <u>11,428,298</u>

NOTE 5 - CAPITAL ASSETS

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

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
Land	\$ 1,130,948	\$ -0-	\$ 12,000	\$ 1,118,948
Land improvements	751,337	-0-	-0-	751,337
Buildings	55,058,969	-0-	-0-	55,058,969
Furniture, fixtures & equipment	27,145,416	751,104	221,632	27,674,888
Construction in progress	<u>569,437</u>	<u>1,570,724</u>	<u>-0-</u>	<u>2,140,161</u>
 Total	84,656,107	2,321,828	233,632	86,744,303
Accumulated depreciation	<u>45,091,781</u>	<u>3,468,380</u>	<u>142,625</u>	<u>48,417,536</u>
 Net	\$ <u>39,564,326</u>	\$ <u>(1,146,552)</u>	\$ <u>91,007</u>	\$ <u>38,326,767</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2011</u>
Land	\$ 555,948	\$ 575,000	\$ -0-	\$ 1,130,948
Land improvements	691,263	60,074	-0-	751,337
Buildings	50,453,433	4,605,536	-0-	55,058,969
Furniture, fixtures & equipment	25,991,957	1,153,459	-0-	27,145,416
Construction in progress	<u>524,851</u>	<u>203,135</u>	<u>158,549</u>	<u>569,437</u>
Total	78,217,452	6,597,204	158,549	84,656,107
Accumulated depreciation	<u>41,417,058</u>	<u>3,674,723</u>	<u>-0-</u>	<u>45,091,781</u>
Net	\$ <u>36,800,394</u>	\$ <u>2,922,481</u>	\$ <u>158,549</u>	\$ <u>39,564,326</u>
	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>
Land	\$ 555,948	\$ -0-	\$ -0-	\$ 555,948
Land improvements	678,612	12,651	-0-	691,263
Buildings	42,131,255	8,322,178	-0-	50,453,433
Furniture, fixtures & equipment	24,255,762	1,756,844	20,649	25,991,957
Construction in progress	<u>7,247,138</u>	<u>494,900</u>	<u>7,217,187</u>	<u>524,851</u>
Total	74,868,715	10,586,573	7,237,836	78,217,452
Accumulated depreciation	<u>37,404,761</u>	<u>4,023,628</u>	<u>11,331</u>	<u>41,417,058</u>
Net	\$ <u>37,463,954</u>	\$ <u>6,562,945</u>	\$ <u>7,226,505</u>	\$ <u>36,800,394</u>

Depreciation was calculated using the straight-line method. Useful lives for the purpose of calculating depreciation by class are:

Buildings	10 - 40 years
Furniture, fixtures and equipment	3 - 15 years

NOTE 6 - OTHER ASSETS

Bond issue costs of \$46,609 were incurred for the 2000 Revenue Bonds and is being amortized using the straight-line method over the remaining life of the bonds (20 years) beginning in the fiscal year 2006.

Capitalized interest of \$1,814,579 was accumulated as of June 30, 2006 for the 2000 Revenue Bonds and is being amortized using the straight-line method over the life of the building beginning in the fiscal year 2006.

Bond issue costs of \$47,730 were incurred for the 2008 Revenue Bonds and is being amortized over the remaining life of the bonds (20 years) beginning in 2010.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 6 - OTHER ASSETS (Continued)

Capitalized interest of \$428,142 was accumulated as of June 30, 2010 for the 2008 Revenue Bonds and is being amortized using the straight-line method over the life of the building beginning in the fiscal year 2010.

NOTE 7 - COMPENSATED ABSENCES

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$552,779, \$576,981, and \$629,594 of vacation pay at June 30, 2012, 2011, and 2010. It is impractical to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 8 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations follows:

	June 30, 2011	Additions	Payments	June 30, 2012	Due Within One Year
Series 2000 Bonds Payable	\$ 6,395,000	\$ -0-	\$ 490,000	\$ 5,905,000	\$ 515,000
Series 2008 Bonds Payable	<u>7,250,000</u>	<u>-0-</u>	<u>405,000</u>	<u>6,845,000</u>	<u>425,000</u>
Total	\$ <u>13,645,000</u>	\$ <u>-0-</u>	\$ <u>895,000</u>	\$ <u>12,750,000</u>	\$ <u>940,000</u>
	June 30, 2010	Additions	Payments	June 30, 2011	Due Within One Year
Series 2000 Bonds Payable	\$ 6,855,000	\$ -0-	\$ 460,000	\$ 6,395,000	\$ 490,000
Series 2008 Bonds Payable	<u>7,635,000</u>	<u>-0-</u>	<u>385,000</u>	<u>7,250,000</u>	<u>405,000</u>
Total	\$ <u>14,490,000</u>	\$ <u>-0-</u>	\$ <u>845,000</u>	\$ <u>13,645,000</u>	\$ <u>895,000</u>
	June 30, 2009	Additions	Payments	June 30, 2010	Due Within One Year
Series 2000 Bonds Payable	\$ 7,290,000	\$ -0-	\$ 435,000	\$ 6,855,000	\$ 460,000
Series 2008 Bonds Payable	<u>8,000,000</u>	<u>-0-</u>	<u>365,000</u>	<u>7,635,000</u>	<u>385,000</u>
Total	\$ <u>15,290,000</u>	\$ <u>-0-</u>	\$ <u>800,000</u>	\$ <u>14,490,000</u>	\$ <u>845,000</u>

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

- Series 2000 Hospital Revenue Bond at 6% collateralized by a pledge and dedication of hospital revenue. Effective April 27, 2010, the rate has been changed to 4.35%.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 8 - LONG-TERM DEBT (Continued)

- Series 2008 Hospital Revenue Bonds at 4.26% collateralized by a pledge and dedication of hospital revenue

On June 14, 2000, the Series 2000 Hospital Revenue Bonds were issued. The bonds are secured by the full faith and credit of the Hospital as well as a lien and privilege on its revenues.

On July 29, 2008, the Series 2008 Hospital Revenue Bonds were issued. The bonds are secured by the full faith and credit of the Hospital.

The Hospital has covenanted to set rates so that revenues are sufficient to pay all reasonable and necessary expenses of operating and maintaining the Hospital, certain multiples of the largest amount of principal and interest maturing on the Bonds in any future fiscal year and on any pari passu additional bonds hereafter issued. Those multiples range from 120% to 200%.

Other requirements under the terms of indebtedness are as follows:

- * Sale or disposition of Hospital property, plant and equipment is limited. Future debt agreements may not take priority over this series of debt.
- * Make monthly deposits equal to the pro-rata portion of the next principal and/or interest payment, which are to be maintained in fully backed or government securities investments, with market values greater than invested dollars.
- * Collect payment on all services rendered, except for an undisclosed, reasonable amount of charity care.
- * Maintain all assets in good working order.
- * Carry full insurance coverage with a responsible licensed Louisiana company.
- * Maintain complete and accurate records and have an annual audit.
- * Maintain cash on hand of not less than 60 days of operating expenses net of depreciation and amortization.
- * Provide quarterly statements to the purchaser.
- * Protect tax exempt status and refrain from activities that would require payment of arbitrage to the IRS.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 8 - LONG-TERM DEBT (Continued)

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

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 940,000	\$ 528,210	\$ 1,468,210
2014	995,000	486,519	1,481,519
2015	1,055,000	442,348	1,497,348
2016	1,115,000	395,588	1,510,588
2017	1,175,000	346,242	1,521,242
2018-2022	6,035,000	912,015	6,947,015
2023-2024	<u>1,435,000</u>	<u>61,876</u>	<u>1,496,876</u>
Totals	\$ <u>12,750,000</u>	\$ <u>3,172,798</u>	\$ <u>15,922,798</u>

NOTE 9 - NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital qualified for a Medicare low volume add-on for inpatient payments. These payments are effective for discharges occurring October 1, 2010 until September 30, 2012, if not extended by Congress. The additional payment received under the Medicare low volume add-on was \$387,781 and \$456,046 for the years ended June 30, 2012 and 2011, respectively. Outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis. Swing bed and skilled nursing facility routine services are reimbursed based on a prospectively determined rate per patient day. Geriatric psychiatry services are reimbursed based on a prospective method based on length of stay, diagnosis, and other factors.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. Geriatric psychiatry services are reimbursed on a prospectively determined per diem rate. In fiscal year 2012, a Medicaid supplemental physician payment of \$773,260 was received after payments of \$25,434 in administrative fees and inter-governmental transfer payments.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 9 - NET PATIENT SERVICE REVENUE (Continued)

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates. Blue Cross Blue Shield "BCBS" is the largest commercial provider. BCBS charges were 13%, 12%, and 9% of the total gross charges for the years ended June 30, 2012, 2011 and 2010, respectively.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Gross patient service charges	\$ 93,799,066	\$ 92,200,786	\$ 92,513,310
Contractual adjustments - Medicare and Medicaid	(35,033,259)	(31,755,080)	(32,256,987)
Contractual adjustments - other third parties	(12,812,890)	(12,180,590)	(12,040,963)
Provision for bad debts	(6,146,742)	(6,494,048)	(6,946,095)
Free care	(355,232)	(476,533)	(341,173)
Other deductions	(281,568)	(155,720)	(162,043)
Professional fee revenue	773,260	-0-	-0-
Uncompensated care reimbursement	<u>1,390,358</u>	<u>1,432,683</u>	<u>2,782,139</u>
Net patient service revenue	\$ <u>41,332,993</u>	\$ <u>42,571,498</u>	\$ <u>43,548,188</u>

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Medicare and Medicaid gross patient charges	\$ 58,845,007	\$ 57,788,886	\$ 59,059,330
Contractual adjustments with uncompensated care reimbursement	<u>(33,642,901)</u>	<u>(30,322,397)</u>	<u>(29,474,848)</u>
Program patient service revenue with Medicaid UCC reimbursement	\$ <u>25,202,106</u>	\$ <u>27,466,489</u>	\$ <u>29,584,482</u>
Percent of gross patient charges	63%	63%	64%
Percent of total net patient revenue	61%	65%	68%

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 9 - NET PATIENT SERVICE REVENUE (Continued)

The Hospital received interim amounts of \$1,390,358, \$1,432,683 and \$2,782,139 for Medicaid and self-pay uncompensated care services for the years ended June 30, 2012, 2011 and 2010, respectively, which represents 3%, 3%, and 6% of the net patient service revenues, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations limit uncompensated cost to actual cost incurred by the Hospital in each state fiscal year. Any overpayments will be recouped by Medicaid after audit by Medicaid. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise. Future uncompensated cost payments are dependent upon state appropriations, which require annual approval by the state legislature. Should the State not fund or substantially change this program, it would have a significant impact on the Hospital's revenue.

NOTE 10 - RETIREMENT PROGRAM

Employees may participate in a qualified defined contribution retirement plan. Each employee is eligible to join the plan immediately upon employment. Employees become vested in the employer's contribution 25% per year until 100% vested at 4 years of employment. The District must make contributions equal to 25% of the employee's required contribution and can elect to contribute up to 100% of the employee's required contribution.

Total payroll	\$	17,836,119
Total covered payroll	\$	11,337,150
Employee contributions	\$	453,486
Employer contributions	\$	103,999
Less forfeitures		<u>5,147</u>
Net employer contributions	\$	<u>98,852</u>

NOTE 11 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence. Legal action in an attempt to overturn this legislation on constitutional grounds is in process.

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

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 12 - WORKMEN'S COMPENSATION RISK

The District participates in the Louisiana Hospital Association Self Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations and equity amounts assigned to the District by the Trust Fund in its financial statements.

NOTE 13 - CHARITY CARE

The Hospital provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of the charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines based on a 150% scale. Accordingly, the Hospital does not report the amount it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies and other operating expenses. Amounts identified as charity care charges are \$355,232, \$476,533 and \$341,173 for the years ended June 30, 2012, 2011 and 2010, respectively. The related cost of care was approximately \$168,000, \$227,000 and \$164,000, for the fiscal years ended in 2012, 2011 and 2010, respectively. Funds received through UCC and grants, which pay part of the cost of charity and uninsured care, were approximately \$205,000, \$151,000 and \$249,000 for the years ended June 30, 2012, 2011 and 2010, respectively.

NOTE 14 - NET CONTRIBUTIONS

Contributions and related fundraising expenses are reflected in the following table.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contributions	\$ -0-	\$ 4,550,000	\$ 55,843
Interest earned on contributions	-0-	-0-	5,708
Less fundraising expenses	<u>-0-</u>	<u>-0-</u>	<u>(20,821)</u>
Net contributions	\$ <u>-0-</u>	\$ <u>4,550,000</u>	\$ <u>40,730</u>

During the year ended June 30, 2011, the District received a medical office building appraised at \$4,550,000 from Christus Health. The Foundation's contributions and expenses are no longer consolidated in the financial statements.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 15 - SELF-FUNDED BENEFITS PLAN

The District maintains a self-funded medical/dental benefits plan. The District entered into an agreement as of 2003, with Benefit Management Services, for supervision of the plan. The Hospital purchases "excess" insurance coverage that provides for payment of 100% of claims in excess of \$80,000 per year up to specific individual maximums of \$1,170,000.

NOTE 16 - NOTES RECEIVABLE AND PHYSICIAN CONTRACT GUARANTEES

The following is a summary of notes receivable and physician contract guarantees at June 30. Management asserts no allowances for uncollectible accounts are needed.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Physician notes	\$ 6,000	\$ 50,048	\$ -0-
Physician contract guarantees	<u>779,703</u>	<u>1,240,589</u>	<u>1,143,454</u>
	785,703	1,290,637	1,143,454
Less current maturities	<u>(369,421)</u>	<u>(360,852)</u>	<u>(367,446)</u>
Long-term notes receivable	\$ <u>416,282</u>	\$ <u>929,785</u>	\$ <u>776,008</u>

NOTE 17 - 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.

The principal contingencies are described below:

Third-Party Government-Based Revenues (Note 1) - 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.

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as privacy, 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

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 17 - CONTINGENCIES (Continued)

imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with 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.

Professional Liability Risk (Note 11) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk (Note 12) - The District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Hill-Burton Uncompensated Service and Community Service Obligations - As a result of the District receiving a Federal Hill-Burton program grant, the District is required to provide a reasonable volume of uncompensated services to patients who are unable to pay for their medical care. The District's obligation for uncompensated services was fulfilled on July 17, 1998. Additionally, the District is obligated to provide community service.

NOTE 18 - SUBSEQUENT EVENTS

Events have been evaluated through November 20, 2012, for subsequent event disclosure. This date is the date the financial statements were available to be issued.

NOTE 19 - AD VALOREM TAXES

The District levies a property tax on all property subject to taxation in the service district. A 5.53 mill tax is approved for a period of ten years, beginning with the year 2003 and ending with the year 2012, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15 each year, are due by December 31, and become delinquent on January 31.

NOTE 20 - COMMITMENTS

The District entered into a contract for hardware, software, and consulting to update its computer technology. These contracts total approximately \$2,877,000. The Hospital has paid \$1,256,010 as of June 30, 2012.

The District entered into a construction contract, which totaled \$293,102, including change orders as of June 30, 2012. The Hospital paid \$263,792 towards this commitment as of June 30, 2012.

The District entered into another construction contract, which totaled \$71,875, including change orders as of June 30, 2012. The Hospital paid \$64,688 towards this commitment as of June 30, 2012.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NOTE 21 - GRANTS

The District received a grant of \$945,747 and \$1,182,157 in 2012 and 2011, respectively, to be used solely to provide adequate and essential medically necessary healthcare services to the citizens in its community who are low income and/or indigent patients. As a condition of the grant agreement, the District, along with the other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement.

The District recognized operating grant income of approximately \$731,000 for Medicaid during the year ended June 30, 2012, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payment is "demonstrating meaningful use", which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in during the next few years in three stages, with each progressive stage incorporating more stringent measures. The District's policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the District meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

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

SUPPLEMENTARY INFORMATION

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING BALANCE SHEET
JUNE 30, 2012

		Natchitoches						
<u>ASSETS</u>		<u>Regional Medical Center</u>	<u>Natchitoches Outpatient Services, LLC</u>	<u>Natchitoches Assisted Living, LLC</u>	<u>Regional Cardiology Clinic, LLC</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>	
Current								
Cash and cash equivalents	\$	4,753,919	\$ 464,368	\$ 17,602	\$ 238,409	\$ -0-	\$ 5,474,298	
Limited use assets		477,811	-0-	-0-	-0-	-0-	477,811	
Patient accounts receivable, net		8,708,207	178,490	-0-	178,824	-0-	9,065,521	
Estimated third-party payor settlements		422,690	-0-	-0-	-0-	-0-	422,690	
Other receivables		70,590	(7,284)	210	-0-	-0-	63,516	
Inventory		1,322,328	1,373	2,351	6,498	-0-	1,332,550	
Prepaid expenses		848,995	4,455	5,827	6,521	-0-	865,798	
Notes receivable - current		369,421	-0-	-0-	-0-	-0-	369,421	
Total Current Assets		16,973,961	641,402	25,990	430,252	-0-	18,071,605	
Other								
Limited use assets		13,622,750	-0-	-0-	-0-	-0-	13,622,750	
Land		1,073,049	-0-	45,899	-0-	-0-	1,118,948	
Depreciable capital assets, net		35,075,633	1,057	1,889,367	241,762	-0-	37,207,819	
Bond issue cost, net		67,475	-0-	-0-	-0-	-0-	67,475	
Capitalized construction interest		1,962,218	-0-	-0-	-0-	-0-	1,962,218	
Notes receivable		416,282	-0-	-0-	-0-	-0-	416,282	
Investments		-0-	-0-	-0-	-0-	-0-	-0-	
Other		2,853,600	233,200	-0-	182,996	(2,791,860)	477,936	
Total Assets	\$	72,044,968	\$ 875,659	\$ 1,961,256	\$ 855,010	\$ (2,791,860)	\$ 72,945,033	

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING BALANCE SHEET (Continued)
JUNE 30, 2012

LIABILITIES AND NET ASSETS	Natchitoches					Eliminating Entries	Consolidated
	Current	Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC		
Accounts payable	\$ 1,937,579	\$	3,929	\$ 27,822	\$ 13,977	\$ -0-	\$ 1,983,307
Accrued expenses	1,080,861		-0-	5,090	3,096	-0-	1,089,047
Unearned revenue	17,114		-0-	-0-	-0-	-0-	17,114
Estimated third-party payor settlements	367,535		-0-	-0-	-0-	-0-	367,535
Current portion of long-term debt	940,000		-0-	-0-	-0-	-0-	940,000
Total Current Liabilities	4,343,089		3,929	32,912	17,073	-0-	4,397,003
Long-term Liabilities							
Long-term debt	11,810,000		-0-	-0-	-0-	-0-	11,810,000
Total Liabilities	16,153,089		3,929	32,912	17,073	-0-	16,207,003
Net Assets							
Invested in capital assets, net of related debt	23,398,682		-0-	-0-	-0-	2,178,085	25,576,767
Restricted net assets	477,811		-0-	-0-	-0-	-0-	477,811
Unrestricted net assets	32,015,386		-0-	-0-	-0-	(2,178,085)	29,837,301
Total Controlling Net Assets	55,891,879		-0-	-0-	-0-	-0-	55,891,879
Noncontrolling interest in subsidiary	-0-		-0-	-0-	-0-	846,151	846,151
Total Net Assets	55,891,879		-0-	-0-	-0-	846,151	56,738,030
Members' Equity	-0-		871,730	1,928,344	837,937	(3,638,011)	-0-
Total Liabilities and Net Assets	\$ 72,044,968	\$	875,659	\$ 1,961,256	\$ 855,010	\$ (2,791,860)	\$ 72,945,033

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
Revenues						
Net patient service revenue	\$ 39,975,158	\$ 995,902	\$ -0-	\$ 361,933	\$ -0-	\$ 41,332,993
Other revenue	5,875,235	13,827	490,236	440,878	(696,621)	6,123,555
Total Revenues	45,850,393	1,009,729	490,236	802,811	(696,621)	47,456,548
Expenses						
Salaries and benefits	19,584,806	121,927	200,865	374,670	-0-	20,282,268
Medical supplies and drugs	3,768,475	30,213	-0-	89,036	-0-	3,887,724
Medical, professional and consulting	3,547,630	239,635	-0-	-0-	-0-	3,787,265
Other expenses	11,716,899	202,521	150,899	195,165	(494,236)	11,771,248
Retirement	96,605	2,247	-0-	-0-	-0-	98,852
Insurance	934,234	16,134	22,890	7,524	-0-	980,782
Leases	6,600	-0-	-0-	-0-	-0-	6,600
Depreciation and amortization	3,313,303	8,292	124,311	110,076	-0-	3,555,982
Total Expenses	42,968,552	620,969	498,965	776,471	(494,236)	44,370,721
Operating Income (Loss)	2,881,841	388,760	(8,729)	26,340	(202,385)	3,085,827
Nonoperating Revenues (Expenses)						
Noncapital grants	31,058	-0-	-0-	-0-	-0-	31,058
Interest income	3,240	20	27	2	-0-	3,289
Interest income from limited use assets	131,823	-0-	-0-	-0-	-0-	131,823
Interest expense	(549,913)	-0-	-0-	-0-	-0-	(549,913)
Net contributions	-0-	-0-	-0-	-0-	-0-	-0-
Total Nonoperating Rev (Exp)	(383,792)	20	27	2	-0-	(383,743)
Excess of Revenue over Expenses	\$ 2,498,049	\$ 388,780	\$ (8,702)	\$ 26,342	\$ (202,385)	\$ 2,702,084

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (Continued)
YEAR ENDED JUNE 30, 2012

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
Less: Consolidated net income attributable to noncontrolling interest	\$ -0- \$	-0- \$	-0- \$	-0- \$	(204,035) \$	(204,035)
Other comprehensive income						
Unrealized holding gains (losses)	<u>71,183</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>71,183</u>
Comprehensive income (loss)	<u>2,569,232</u>	<u>388,780</u>	<u>(8,702)</u>	<u>26,342</u>	<u>(406,420)</u>	<u>2,569,232</u>
Net assets at beginning of year	53,322,647	572,950	2,122,046	891,595	(3,586,591)	53,322,647
Capital contribution	-0-	-0-	-0-	-0-	-0-	-0-
Distribution paid	<u>-0-</u>	<u>90,000</u>	<u>185,000</u>	<u>80,000</u>	<u>(355,000)</u>	<u>-0-</u>
Net assets at end of year	\$ <u>55,891,879</u> \$	<u>871,730</u> \$	<u>1,928,344</u> \$	<u>837,937</u> \$	<u>(3,638,011)</u> \$	<u>55,891,879</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING BALANCE SHEET
JUNE 30, 2011

	Natchitoches					Eliminating	Consolidated
ASSETS	Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Entries		
Current							
Cash and cash equivalents	\$ 4,963,498	\$ 271,588	\$ 100,724	\$ 179,917	\$ -0-	\$ -0-	\$ 5,515,727
Limited use assets	454,934	-0-	-0-	-0-	-0-	-0-	454,934
Patient accounts receivable, net	6,422,338	295,381	-0-	184,111	-0-	-0-	6,901,830
Estimated third-party payor settlements	1,004,867	-0-	-0-	-0-	-0-	-0-	1,004,867
Other receivables	66,122	(1,735)	210	-0-	-0-	-0-	64,597
Inventory	1,290,736	5,498	2,502	6,020	-0-	-0-	1,304,756
Prepaid expenses	665,837	6,173	6,047	8,598	-0-	-0-	686,655
Notes receivable - current	360,852	-0-	-0-	-0-	-0-	-0-	360,852
Total Current Assets	15,229,184	576,905	109,483	378,646	-0-	-0-	16,294,218
Other							
Limited use assets	13,004,295	-0-	-0-	-0-	-0-	-0-	13,004,295
Land	1,085,049	-0-	45,899	-0-	-0-	-0-	1,130,948
Depreciable capital assets, net	36,020,781	88,356	2,001,522	322,719	-0-	-0-	38,433,378
Bond issue cost, net	73,765	-0-	-0-	-0-	-0-	-0-	73,765
Capitalized construction interest	2,019,662	-0-	-0-	-0-	-0-	-0-	2,019,662
Notes receivable	929,785	-0-	-0-	-0-	-0-	-0-	929,785
Investments	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other	2,922,106	-0-	-0-	206,865	(2,860,366)	-0-	268,605
Total Assets	\$ 71,284,627	\$ 665,261	\$ 2,156,904	\$ 908,230	\$ (2,860,366)	\$ -0-	\$ 72,154,656

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING BALANCE SHEET (Continued)
JUNE 30, 2011

	Natchitoches						
	Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated	
<u>LIABILITIES AND NET ASSETS</u>							
Current							
Accounts payable	\$ 1,888,824	\$ 71,874	\$ 21,054	\$ 12,864	\$ -0-	\$ 1,994,616	
Accrued expenses	1,972,238	20,437	13,804	3,771	-0-	2,010,250	
Unearned revenue	10,918	-0-	-0-	-0-	-0-	10,918	
Estimated third-party payor settlements	445,000	-0-	-0-	-0-	-0-	445,000	
Current portion of long-term debt	895,000	-0-	-0-	-0-	-0-	895,000	
Total Current Liabilities	5,211,980	92,311	34,858	16,635	-0-	5,355,784	
Long-term Liabilities:							
Long-term debt	12,750,000	-0-	-0-	-0-	-0-	12,750,000	
Total Liabilities	17,961,980	92,311	34,858	16,635	-0-	18,105,784	
Net Assets							
Invested in capital assets, net of related debt	23,460,830	-0-	-0-	-0-	2,458,496	25,919,326	
Restricted net assets	454,934	-0-	-0-	-0-	-0-	454,934	
Unrestricted net assets	29,406,883	-0-	-0-	-0-	(2,458,496)	26,948,387	
Total Controlling Net Assets	53,322,647	-0-	-0-	-0-	-0-	53,322,647	
Noncontrolling interest in subsidiary	-0-	-0-	-0-	-0-	726,225	726,225	
Total Net Assets	53,322,647	-0-	-0-	-0-	726,225	54,048,872	
Members' Equity	-0-	572,950	2,122,046	891,595	(3,586,591)	-0-	
Total Liabilities and Net Assets	\$ 71,284,627	\$ 665,261	\$ 2,156,904	\$ 908,230	\$ (2,860,366)	\$ 72,154,656	

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011

	Natchitoches				Natchitoches	Natchitoches	Natchitoches	Natchitoches	Regional	Eliminating	Consolidated
	Regional	Medical	Center	Outpatient	Hospital	Assisted	Cardiology	Entries			
				Services, LLC	Foundation	Living, LLC	Clinic, LLC				
Revenues											
Net patient service revenue	\$ 40,353,864	\$	\$	1,560,874	-0-	-0-	\$ 656,760	\$	-0-	\$	42,571,498
Other revenue	4,239,034			3,237	-0-	471,214	124,725		(395,814)		4,442,396
Total Revenues	44,592,898			1,564,111	-0-	471,214	781,485		(395,814)		47,013,894
Expenses											
Salaries and benefits	20,171,761			292,951	-0-	206,509	345,210		-0-		21,016,431
Medical supplies and drugs	3,727,213			38,097	-0-	-0-	88,641		-0-		3,853,951
Medical, professional and consulting	4,343,637			347,626	-0-	-0-	-0-		-0-		4,691,263
Other expenses	8,808,373			358,773	-0-	163,710	203,411		(190,295)		9,343,972
Retirement	238,743			3,393	-0-	-0-	-0-		-0-		242,136
Insurance	966,701			17,260	-0-	21,472	7,511		-0-		1,012,944
Leases	11,071			-0-	-0-	-0-	-0-		-0-		11,071
Depreciation and amortization	3,470,681			82,072	-0-	106,863	102,711		-0-		3,762,327
Total expenses	41,738,180			1,140,172	-0-	498,554	747,484		(190,295)		43,934,095
Operating Income (Loss)	2,854,718			423,939	-0-	(27,340)	34,001		(205,519)		3,079,799
Nonoperating Revenues (Expenses)											
Noncapital grants	162,854			-0-	-0-	-0-	-0-		-0-		162,854
Interest income	3,914			(54)	-0-	66	2		-0-		3,928
Interest income from limited use assets	118,923			-0-	-0-	-0-	-0-		-0-		118,923
Interest expense	(607,891)			-0-	-0-	-0-	-0-		-0-		(607,891)
Net contributions	4,550,000			-0-	-0-	-0-	-0-		-0-		4,550,000
Total Nonoperating Rev (Exp)	4,227,800			(54)	-0-	66	2		-0-		4,227,814
Excess of Revenue over Expenses	\$ 7,082,518	\$	\$	423,885	-0-	(27,274)	34,003	\$	(205,519)	\$	7,307,613

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (Continued)
YEAR ENDED JUNE 30, 2011

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Hospital Foundation	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
Less: Consolidated net income attributable to noncontrolling interest	\$ -0- \$	-0- \$	-0- \$	-0- \$	-0- \$	(225,095) \$	(225,095)
Other comprehensive income							
Unrealized holding gains (losses)	(42,793)	-0-	-0-	-0-	-0-	-0-	(42,793)
Comprehensive income (loss)	7,039,725	423,885	-0-	(27,274)	34,003	(430,614)	7,039,725
Net assets at beginning of year	46,282,922	919,065	329,498	1,949,320	857,592	(3,725,977)	46,612,420
Foundation merger	-0-	-0-	(329,498)	-0-	-0-	-0-	(329,498)
Capital contribution	-0-	-0-	-0-	200,000	-0-	(200,000)	-0-
Distribution paid	-0-	770,000	-0-	-0-	-0-	(770,000)	-0-
Net assets at end of year	\$ 53,322,647 \$	572,950 \$	-0- \$	2,122,046 \$	891,595 \$	(3,586,591) \$	53,322,647

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING BALANCE SHEET
JUNE 30, 2010

ASSETS	Natchitoches						Eliminating Entries	Consolidated
	Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Hospital Foundation	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC			
Current								
Cash and cash equivalents	\$ 3,957,795	\$ 476,145	\$ -0-	\$ 126,244	\$ 121,279	\$ -0-	\$ -0-	4,681,463
Limited use assets	449,120	-0-	329,498	-0-	-0-	-0-	-0-	778,618
Patient accounts receivable, net	4,895,581	327,686	-0-	-0-	84,860	-0-	-0-	5,308,127
Estimated third-party payor settlements	1,328,496	-0-	-0-	-0-	-0-	-0-	-0-	1,328,496
Other receivables	130,733	(5,427)	-0-	210	-0-	-0-	-0-	125,516
Inventory	1,311,911	4,760	-0-	2,064	6,977	-0-	-0-	1,325,712
Prepaid expenses	835,354	3,915	-0-	3,631	20,990	-0-	-0-	863,890
Notes receivable - current	367,446	-0-	-0-	-0-	-0-	-0-	-0-	367,446
Total Current Assets	13,276,436	807,079	329,498	132,149	234,106	-0-	-0-	14,779,268
Other								
Limited use assets	11,428,298	-0-	-0-	-0-	-0-	-0-	-0-	11,428,298
Land	510,049	-0-	-0-	45,899	-0-	-0-	-0-	555,948
Depreciable capital assets, net	33,849,380	170,427	-0-	1,814,870	409,769	-0-	-0-	36,244,446
Bond issue cost, net	80,054	-0-	-0-	-0-	-0-	-0-	-0-	80,054
Capitalized construction interest	2,077,106	-0-	-0-	-0-	-0-	-0-	-0-	2,077,106
Notes receivable	776,008	-0-	-0-	-0-	-0-	-0-	-0-	776,008
Investments	500,000	-0-	-0-	-0-	-0-	-0-	-0-	500,000
Other	2,908,517	-0-	-0-	-0-	230,735	(2,846,777)	-0-	292,475
Total Assets	\$ 65,405,848	\$ 977,506	\$ 329,498	\$ 1,992,918	\$ 874,610	\$ (2,846,777)	\$ -0-	\$ 66,733,603

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING BALANCE SHEET (Continued)
JUNE 30, 2010

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Hospital Foundation	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
LIABILITIES AND NET ASSETS							
Current							
Accounts payable	\$ 2,139,400	\$ 32,921	\$ -0-	\$ 34,895	\$ 13,688	\$ -0-	\$ 2,220,904
Accrued expenses	2,177,536	25,520	-0-	8,703	3,330	-0-	2,215,089
Unearned revenue	15,990	-0-	-0-	-0-	-0-	-0-	15,990
Estimated third-party payor settlements	300,000	-0-	-0-	-0-	-0-	-0-	300,000
Current portion of long-term debt	845,000	-0-	-0-	-0-	-0-	-0-	845,000
Total Current Liabilities	5,477,926	58,441	-0-	43,598	17,018	-0-	5,596,983
Long-term Liabilities							
Long-term debt	13,645,000	-0-	-0-	-0-	-0-	-0-	13,645,000
Total Liabilities	19,122,926	58,441	-0-	43,598	17,018	-0-	19,241,983
Net Assets							
Invested in capital assets, net of related debt	19,869,429	-0-	-0-	-0-	-0-	2,440,965	22,310,394
Restricted net assets	449,120	-0-	329,498	-0-	-0-	-0-	778,618
Unrestricted net assets	25,964,373	-0-	-0-	-0-	-0-	(2,440,965)	23,523,408
Total Controlling Net Assets	46,282,922	-0-	329,498	-0-	-0-	-0-	46,612,420
Noncontrolling interest in subsidiary	-0-	-0-	-0-	-0-	-0-	879,200	879,200
Total Net Assets	46,282,922	-0-	329,498	-0-	-0-	879,200	47,491,620
Members' Equity	-0-	919,065	-0-	1,949,320	857,592	(3,725,977)	-0-
Total Liabilities and Net Assets	\$ 65,405,848	\$ 977,506	\$ 329,498	\$ 1,992,918	\$ 874,610	\$ (2,846,777)	\$ 66,733,603

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Hospital Foundation	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
Revenues							
Net patient service revenue	\$ 41,740,991	\$ 1,542,373	\$ -0-	\$ -0-	\$ 264,824	\$ -0-	\$ 43,548,188
Other revenue	3,448,133	15,460	-0-	531,771	58,085	(458,832)	3,594,617
Total Revenues	45,189,124	1,557,833	-0-	531,771	322,909	(458,832)	47,142,805
Expenses							
Salaries and benefits	20,880,731	394,003	-0-	233,958	142,909	-0-	21,651,601
Medical supplies and drugs	3,771,595	35,720	-0-	-0-	42,275	-0-	3,849,590
Medical, professional and consulting	4,628,691	226,889	-0-	-0-	-0-	-0-	4,855,580
Other expenses	7,764,412	427,737	8,000	138,995	104,083	(135,888)	8,307,339
Retirement	304,188	5,886	-0-	-0-	-0-	-0-	310,074
Insurance	1,279,280	16,028	-0-	17,669	4,416	-0-	1,317,393
Leases	13,978	-0-	-0-	-0-	-0-	-0-	13,978
Depreciation and amortization	3,675,957	450,422	-0-	84,827	49,325	-0-	4,260,531
Total Expenses	42,318,832	1,556,685	8,000	475,449	343,008	(135,888)	44,566,086
Operating Income (Loss)	2,870,292	1,148	(8,000)	56,322	(20,099)	(322,944)	2,576,719
Nonoperating Revenues (Expenses)							
Noncapital grants	15,000	-0-	-0-	-0-	-0-	-0-	15,000
Interest income	14,955	244	-0-	176	-0-	-0-	15,375
Interest income from limited use assets	185,672	-0-	-0-	-0-	-0-	-0-	185,672
Interest expense	(581,794)	-0-	-0-	-0-	-0-	-0-	(581,794)
Net contributions	-0-	-0-	40,730	-0-	-0-	-0-	40,730
Total Nonoperating Rev (Exp)	(366,167)	244	40,730	176	-0-	-0-	(325,017)
Excess of Revenue over Expenses	\$ 2,504,125	\$ 1,392	\$ 32,730	\$ 56,498	\$ (20,099)	\$ (322,944)	\$ 2,251,702

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (Continued)
YEAR ENDED JUNE 30, 2010

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Hospital Foundation	Natchitoches Assisted Living, LLC	Regional Cardiology Clinic, LLC	Eliminating Entries	Consolidated
Less: Consolidated net income attributable to noncontrolling interest	\$ -0- \$	-0- \$	-0- \$	-0- \$	-0- \$	8,717 \$	8,717
Other comprehensive income							
Unrealized holding gains (losses)	87,700	-0-	-0-	-0-	-0-	(1)	87,699
Comprehensive income (loss)	2,591,825	1,392	32,730	56,498	(20,099)	(314,228)	2,348,118
Net assets at beginning of year	43,691,097	917,673	296,768	1,892,822	-0-	(2,534,058)	44,264,302
Capital contribution	-0-	-0-	-0-	-0-	877,691	(877,691)	-0-
Distribution paid	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net assets at end of year	\$ 46,282,922 \$	919,065 \$	329,498 \$	1,949,320 \$	857,592 \$	(3,725,977) \$	46,612,420

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Daily patient services:			
Routine services	\$ 2,625,854	\$ 2,855,885	\$ 3,196,073
Intensive care	1,061,280	1,277,020	1,351,390
Nursery	222,515	239,132	230,222
Long-term care	5,603,558	5,369,092	4,819,176
Swing bed	4,030	2,470	1,300
Geriatric psych	<u>3,486,613</u>	<u>3,597,790</u>	<u>3,355,740</u>
Total daily patient services	<u>13,003,850</u>	<u>13,341,389</u>	<u>12,953,901</u>
Other professional services:			
Operating and recovery room			
Inpatient	5,496,577	5,846,463	6,001,669
Outpatient	<u>7,155,976</u>	<u>6,612,423</u>	<u>5,785,739</u>
Total	<u>12,652,553</u>	<u>12,458,886</u>	<u>11,787,408</u>
Labor and delivery			
Inpatient	751,111	613,808	599,673
Outpatient	<u>86,517</u>	<u>76,441</u>	<u>82,223</u>
Total	<u>837,628</u>	<u>690,249</u>	<u>681,896</u>
Anesthesia			
Inpatient	223,728	256,964	274,779
Outpatient	<u>466,911</u>	<u>470,483</u>	<u>467,363</u>
Total	<u>690,639</u>	<u>727,447</u>	<u>742,142</u>
Radiology, ultrasound, MRI & CT scan			
Inpatient	2,920,023	3,342,677	3,646,325
Outpatient	<u>13,646,848</u>	<u>12,641,756</u>	<u>14,274,218</u>
Total	<u>16,566,871</u>	<u>15,984,433</u>	<u>17,920,543</u>
Laboratory			
Inpatient	4,451,170	5,113,487	5,421,526
Outpatient	<u>6,720,813</u>	<u>6,282,278</u>	<u>7,012,243</u>
Total	<u>\$ 11,171,983</u>	<u>\$ 11,395,765</u>	<u>\$ 12,433,769</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Blood			
Inpatient	\$ 752,732	\$ 637,535	\$ 581,041
Outpatient	<u>343,884</u>	<u>264,107</u>	<u>202,695</u>
Total	<u>1,096,616</u>	<u>901,642</u>	<u>783,736</u>
Inhalation therapy			
Inpatient	3,219,115	3,962,491	4,303,020
Outpatient	<u>903,275</u>	<u>828,599</u>	<u>593,300</u>
Total	<u>4,122,390</u>	<u>4,791,090</u>	<u>4,896,320</u>
Physical therapy			
Inpatient	694,082	577,878	632,394
Outpatient	<u>1,111,189</u>	<u>2,077,302</u>	<u>1,536,249</u>
Total	<u>1,805,271</u>	<u>2,655,180</u>	<u>2,168,643</u>
Occupational therapy			
Inpatient	526,991	435,571	414,134
Outpatient	<u>198,250</u>	<u>286,461</u>	<u>115,372</u>
Total	<u>725,241</u>	<u>722,032</u>	<u>529,506</u>
Speech therapy			
Inpatient	30,728	37,431	38,794
Outpatient	<u>144,738</u>	<u>149,670</u>	<u>155,432</u>
Total	<u>175,466</u>	<u>187,101</u>	<u>194,226</u>
Electrocardiology			
Inpatient	555,084	587,834	930,303
Outpatient	<u>1,199,620</u>	<u>1,000,771</u>	<u>1,575,785</u>
Total	<u>1,754,704</u>	<u>1,588,605</u>	<u>2,506,088</u>
Central services			
Inpatient	1,157,812	1,303,892	1,390,653
Outpatient	<u>146,895</u>	<u>151,072</u>	<u>360,673</u>
Total	\$ <u>1,304,707</u>	\$ <u>1,454,964</u>	\$ <u>1,751,326</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Pharmacy			
Inpatient	\$ 6,407,230	\$ 7,461,757	\$ 7,674,542
Outpatient	<u>2,034,185</u>	<u>1,813,173</u>	<u>1,694,848</u>
Total	<u>8,441,415</u>	<u>9,274,930</u>	<u>9,369,390</u>
Emergency room			
Inpatient	1,219,368	1,340,201	1,041,819
Outpatient	<u>9,594,735</u>	<u>7,780,318</u>	<u>6,800,497</u>
Total	<u>10,814,103</u>	<u>9,120,519</u>	<u>7,842,316</u>
Observation			
Outpatient	<u>1,566,289</u>	<u>738,215</u>	<u>445,841</u>
Ambulance			
Outpatient	<u>3,286,421</u>	<u>3,137,590</u>	<u>3,656,863</u>
Physician clinic			
Outpatient	<u>2,248,075</u>	<u>1,466,401</u>	<u>502,347</u>
Campti clinic			
Outpatient	<u>273,765</u>	<u>316,565</u>	<u>338,561</u>
Intensive outpatient psychiatric services			
Outpatient	<u>1,261,079</u>	<u>1,247,783</u>	<u>1,008,488</u>
Total other professional services	<u>80,795,216</u>	<u>78,859,397</u>	<u>79,559,409</u>
Total patient service charges	\$ <u>93,799,066</u>	\$ <u>92,200,786</u>	\$ <u>92,513,310</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractual adjustments - Medicare and Medicaid	\$ 35,033,259	\$ 31,755,080	\$ 32,256,987
Contractual adjustments - other	12,812,890	12,180,590	12,040,963
Provision for bad debts	6,146,742	6,494,048	6,946,095
Free care	355,232	476,533	341,173
Other deductions	281,568	155,720	162,043
Professional fee revenue	(773,260)	-0-	-0-
Uncompensated care reimbursement	<u>(1,390,358)</u>	<u>(1,432,683)</u>	<u>(2,782,139)</u>
 Total allowances	 <u>52,466,073</u>	 <u>49,629,288</u>	 <u>48,965,122</u>
 Net patient service revenue	 \$ <u>41,332,993</u>	 \$ <u>42,571,498</u>	 \$ <u>43,548,188</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF OTHER REVENUE
YEARS ENDED JUNE 30,

	<u>2012</u>		<u>2011</u>		<u>2010</u>
Other revenue:					
Rental income	\$ 1,029,321	\$	991,750	\$	874,657
Assisted living housing & care income	490,236		471,214		531,771
Medical records	3,919		974		3,929
Dietary sales	230,618		223,733		239,336
Vending revenue	34,215		35,204		39,615
Ambulance tax	1,268,693		1,163,324		1,096,932
Grants	1,676,879		1,182,157		-0-
Gain on sale of equipment	27,667		75		230,834
Ambulance subsidy	-0-		39,798		444,426
340B pharmaceutical program	1,160,920		142,181		-0-
Other	<u>201,087</u>		<u>191,986</u>		<u>133,117</u>
 Total other operating revenue	 \$ <u>6,123,555</u>	 \$	 <u>4,442,396</u>	 \$	 <u>3,594,617</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – SALARIES AND BENEFITS
YEARS ENDED JUNE 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Salaries:			
Human resources	\$ 162,143	\$ 154,834	\$ 149,506
Administration	420,100	515,351	503,913
Information systems	214,701	178,329	142,211
Accounting	138,076	175,326	197,773
Admitting	324,247	349,000	356,186
Business office	324,622	332,079	340,316
Housekeeping	382,683	372,005	384,205
Dietary and cafeteria	328,134	307,532	354,240
Laundry	37,570	47,878	47,898
Plant operations and maintenance	276,666	280,515	283,987
Nursing administration	872,918	922,256	987,727
Medical records	258,396	248,897	255,827
Nursing services	1,868,577	1,959,403	1,984,249
ICU	784,772	870,946	862,686
Geriatric psych	610,249	592,161	588,297
Nursery	239,016	290,430	377,693
Long-term care	2,638,328	2,623,290	2,480,767
Operating room	882,765	901,315	960,325
Labor and delivery	434,445	389,442	321,662
Anesthesiology	1,826	3,151	82
Radiology	833,080	839,065	883,616
Laboratory	629,104	684,904	698,235
Respiratory therapy	486,530	497,993	506,889
Physical therapy	343,156	488,812	615,610
Occupational therapy	135,112	163,161	149,158
Speech therapy	63,708	63,814	59,093
Cardiovascular	-0-	-0-	81,894
Purchasing	175,298	166,301	166,313
Pharmacy	301,024	300,092	280,311
Intensive outpatient psychiatric services	120,771	129,751	66,206
Emergency room	1,703,671	2,018,081	2,009,105
Ambulance	1,056,443	1,053,402	1,441,875
Physician clinic	353,972	319,323	217,593
Campti clinic	191,494	185,101	111,221
Assisted living	185,012	190,110	215,119
Sports medicine	57,510	74,558	93,226
Total salaries	\$ 17,836,119	\$ 18,688,608	\$ 19,175,014

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – SALARIES AND BENEFITS (Continued)
YEARS ENDED JUNE 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Benefits:			
FICA and Medicare tax	\$ 1,302,406	\$ 1,349,759	\$ 1,387,277
Hospital insurance	1,101,636	943,367	1,055,119
Other	<u>42,107</u>	<u>34,697</u>	<u>34,191</u>
 Total benefits (excluding retirement)	 <u>2,446,149</u>	 <u>2,327,823</u>	 <u>2,476,587</u>
 Total salaries and benefits	 \$ <u>20,282,268</u>	 \$ <u>21,016,431</u>	 \$ <u>21,651,601</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – MEDICAL SUPPLIES AND DRUGS
YEARS ENDED JUNE 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Nursing service	\$ 64,820	\$ 52,322	\$ 56,904
ICU	27,771	30,906	35,352
Geriatric psych	4,712	5,064	4,953
Nursery	13,477	16,724	17,922
Long-term care	173,772	181,067	198,103
Operating room	1,694,605	1,659,792	1,649,302
Labor and delivery	112,941	119,440	102,323
Anesthesiology	36,444	41,228	36,790
Radiology, nuclear medicine, CT scan	172,389	172,787	191,962
Laboratory and blood	976,934	955,895	891,885
Respiratory therapy	130,837	128,204	183,322
Physical therapy	14,296	18,796	15,812
EKG	-0-	(1,311)	10,008
Central supply	173,387	176,968	201,809
Pharmacy	28,504	31,594	28,152
Emergency room	131,234	141,907	131,760
Ambulance	34,429	25,720	41,948
Physician clinic	89,036	88,533	43,859
Campiti clinic	7,518	7,856	7,040
Intensive outpatient psychiatric services	<u>618</u>	<u>459</u>	<u>384</u>
 Total medical supplies and drugs	 \$ <u>3,887,724</u>	 \$ <u>3,853,951</u>	 \$ <u>3,849,590</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – MEDICAL, PROFESSIONAL AND
CONSULTING SERVICES
YEARS ENDED JUNE 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Routine nursing	\$ 180,414	\$ 191,061	\$ 322,040
ICU	51,332	91,541	136,864
Geriatric psych	487,014	585,183	601,874
Nursery	739	5,495	5,457
LTCU	63,210	59,638	51,025
Operating room	-0-	7,600	124
Labor and delivery	24,276	12,527	14,194
Radiology, ultrasound, CT scan	212,725	244,652	207,872
Laboratory	172,199	198,284	227,250
Respiratory therapy	6,945	6,683	6,610
Physical therapy	140,121	222,004	122,044
Occupational therapy	39,480	75,335	14,771
Speech therapy	-0-	-0-	53
Pharmacy	1,584,498	1,876,920	1,948,674
Emergency room	368,148	743,085	862,407
Other	429	155	485
Sleep study	296,900	247,500	184,722
Intensive outpatient psychiatric services	123,600	123,600	123,600
School-based clinic	35,235	-0-	25,514
	<u>3,787,265</u>	<u>4,691,263</u>	<u>4,855,580</u>
Total medical, professional and consulting	\$ <u>3,787,265</u>	\$ <u>4,691,263</u>	\$ <u>4,855,580</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – OTHER
YEARS ENDED JUNE 30,

	<u>2012</u>		<u>2011</u>		<u>2010</u>
Service fees	\$ 2,777,118	\$	2,623,886	\$	2,179,617
Legal and accounting	225,721		185,491		170,643
Non-medical supplies	2,532,085		2,029,771		1,833,692
Repairs and maintenance	1,317,053		943,808		723,479
Utilities	1,898,640		1,787,321		1,446,917
Telephone	92,182		89,527		70,889
Travel and fuel - ambulance	96,683		87,518		92,655
Travel and fuel - other	82,796		81,343		42,307
Rental expense	174,286		258,306		315,200
Education expense	27,929		28,121		31,258
Scholarships	-0-		-0-		8,000
Licenses, dues and subscriptions	660,244		438,973		431,245
Patient days tax	304,006		309,103		294,459
Advertising	118,890		119,805		62,882
Recruitment	499,304		330,482		544,793
Inter-governmental transfer expense	912,674		-0-		-0-
Other	51,637		30,517		59,303
	<u>11,771,248</u>		<u>9,343,972</u>		<u>8,307,339</u>
Total other expenses	\$	\$	\$	\$	\$

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY

The Natchitoches Parish Hospital was built by the people of the Parish of Natchitoches, Louisiana, in cooperation with the United States Government, and is operated by the Natchitoches Parish Hospital Service District as created by the Police Jury of Natchitoches Parish, Louisiana.

In consideration of an agreement between the Police Jury of Natchitoches Parish, Louisiana, and the Natchitoches Parish Hospital Service District whereby the Police Jury agreed to construct, complete and equip a hospital in Natchitoches Parish, the Hospital Service District agrees to do and perform the following:

1. To operate the District for the duration of this twenty-year agreement as a non-profit institution in accordance with an agreement entered into by and between the Parish and the United States.
2. To maintain and operate the District and assume and pay the expenses of operations and maintenance to the extent of the income and revenues derived therefrom.
3. To have full and complete charge of the management and operation of the District and conduct and operate said District at all times in accordance with acceptable standards of hospital practice.

The Parish covenants to do and perform, as consideration for this agreement, the following:

1. To equip the hospital building for hospital purposes with modern equipment sufficient to meet the needs of present day hospital practice. If, however, the District desires to replace said equipment with new equipment, it may do so, and said new equipment shall be and remains the property of the Parish if paid for out of the income resulting from the operation of the District. It is understood and agreed, however, that the Parish shall not be responsible for the securing of additional equipment other than that already purchased or installed when the District takes possession of the premises.
2. To levy the special tax of one mill on the dollar of all property subject to state taxation in the Parish for a period of three years beginning with the year 1956, as authorized by the special election held in the Parish on November 15, 1955, and the Parish shall pay to the District the net proceeds of said tax, as when collected. Said net proceeds shall be used by the District solely to defray the costs of operating and maintaining the District described herein, and proceeds at such intervals as the Parish may require.

During the year ended September 30, 1965, the Natchitoches Parish Hospital was enlarged by the addition of a nursing home, an autopsy room, new patient rooms and additional administrative and storage space. The new construction was financed by: (1) a grant from the United States Government under the Hill-Burton Act in the amount of \$307,000; (2) proceeds of a \$400,000 bond issue; and, (3) revenues of the Natchitoches Parish Hospital. The \$400,000 of Natchitoches Parish, Louisiana, Hospital Improvement Revenue Bonds, 3 1/2%, Series 1963, were purchased by the United States of America, Housing and Home Finance Agency. These bonds were retired in 1979.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY (Continued)

On June 14, 1977, a seven million dollar (\$7,000,000) bond issue was passed by the people of Natchitoches Parish. The seven million dollars (\$7,000,000) consisted of four million five hundred thousand dollars (\$4,500,000) of Public Improvement Bonds to be paid by ad valorem taxes. Two million five hundred thousand dollars (\$2,500,000) were to be Revenue Bonds and were to be paid off out of the general operating revenue of the District. Pursuant to a public hearing held on March 6, 1979, the District was authorized to issue \$4,500,000 of Hospital Revenue Bonds in lieu of the \$2,500,000 of Hospital Revenue Bonds.

On May 22, 1978, the Public Improvement Bonds were sold. The Public Improvement Hospital Bonds are dated April 1, 1978, and are in denominations of five thousand dollars (\$5,000) each, and bear interest at a rate or rates not exceeding six and one-half percent (6 1/2%) per annum on any bond in any interest payment period. Said interest to be payable April 1, 1979, and semi-annually thereafter on April 1st and October 1st of each year. Bonds numbered 204 to 900, inclusive, are callable for redemption by the District in the inverse order of their maturities, and if less than a full maturity, then by lot within such maturity, on any interest payment date on or after April 1, 1988, at the principal amount thereof and accrued interest to the date fixed for redemption, provided that official notice be given of such call of any of the bonds for redemption date by means of publication of an appropriate notice one time in a financial newspaper or journal published in the City of New York, or in the City of New Orleans, Louisiana, and sent by registered mail to the place of payment of the bonds. Bonds of this issue numbered 1 to 203, inclusive, are not callable for redemption prior to their stated dates of maturity. The bonds are secured by a special tax to be imposed and collected annually in excess of all other taxes on all the property subject to taxation within the territorial limits of the District. On October 1, 1985, funds were deposited in an irrevocable trust and zero coupon United States of America Trust securities were purchased. The securities began maturing in February 1995, and will be used to pay payments on the bonds until payment in full. No collections of taxes were required after that time.

In May 1979, the Hospital Revenue Bonds were sold. These bonds are dated April 1, 1979, and are in denominations of five thousand dollars (\$5,000) each, and bear interest at a rate or rates not exceeding seven and seven-eighths percent (7 7/8%) per annum on any bond in any interest period. Said interest to be payable October 1, 1979, and semi-annually thereafter on April 1st and October 1st of each year.

The Series 1979 Revenue Bonds are also subject to redemption in whole, at any time, or in part, at any interest payment date, at the option of the District upon the occurrence of any of the following conditions or events: (1) if title to, or the permanent use of, or use for a limited period of, substantially all of the District is condemned; or (2) if the title to substantially all of the District is found to be deficient to the extent that the Hospital is untenable or the efficient utilization of the District by the District is substantially impaired; or (3) if substantially all of the District is damaged or destroyed by fire or other casualty; or (4) if as a result of any changes in the Constitution of the United States of America or of the State of Louisiana or of legislative or administrative action, or failure of administrative action, by the United States or the State of Louisiana, or any agency or political subdivision thereof, or by reason of any judicial decision, (i) the Resolution becomes void or unenforceable or impossible to perform without unreasonable delay or (ii) unreasonable burdens or excessive liabilities are imposed on the District, including without limitation Federal, state or other ad valorem property, income or other taxes being imposed on the property of the District. In the event of such redemption, the Bonds shall be subject to redemption at the principal amount thereof plus accrued interest to the date of redemption, but without premium.

The Series 1979 Bonds are issued pursuant to a Resolution, under which payment of the principal of, redemption premium, if any, and interest on the Series 1979 Bonds is secured by a pledge of the income, revenues, receipts and accounts receivable derived by, payable or accruing to the District by reason of its operation of the District, subject to payment of the operating expenses of the District.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY (Continued)

The Series 1979 Bonds are limited obligations of the District which are payable solely from revenues derived by the District from its operation of the Hospital. The Series 1979 Bonds are not an indebtedness or pledge of the general credit of the State of Louisiana, the Parish or City of Natchitoches or the District. Neither the District nor any of the assets of the District are pledged or mortgaged as security for the Series 1979 Revenue Bonds.

On February 26, 1980, the Louisiana State Bond Commission approved a notice of intention to issue not exceeding \$750,000 of Hospital Revenue Bonds to bear interest at rates not exceeding 9 1/4% per annum, the proceeds of which will be used for the purpose of constructing improvements to the existing facilities or to provide additional facilities, said bonds are to be secured by and payable solely from the District from operations, to mature at such time not exceeding 30 years from date of issuance, and subject further to the approval of the Natchitoches Parish Police Jury. In lieu of issuing these bonds the District made an application for the approval to the State Bond Commission to issue \$500,000 of Certificates of Indebtedness at an interest rate not to exceed eleven and one-half percent per annum. This application was approved on September 1, 1981. The \$500,000 in Certificates of Indebtedness were issued on April 6, 1982. Certificates totaling \$150,000 were issued to each of three banks in Natchitoches. These Certificates of Indebtedness were paid in full on September 28, 1984.

On November 20, 1985, the District's Commissioners resolved to donate a portion of land to the Natchitoches Parish Police Jury so they could construct a parish health clinic. The act of donation was made by resolution of the Board of Commissioners on October 23, 1987. The District's basis in the donated land was \$8,200.

An ambulance service tax is collected by the Natchitoches Parish Police Jury. The tax money is forwarded to the District upon submitting ambulance cost for the year. A ten-year renewal was passed in 1986. The voters of Natchitoches Parish voted not to renew this tax in July 1996.

Effective January 30, 1987, the Long-Term Care Unit qualified as a Medicare participating skilled nursing facility. As of September 25, 1987, a home health program was begun.

On December 1, 1988, the District began renting office space for four physicians in a newly constructed physician office building.

During the year ended June 30, 1990, the District purchased approximately ten acres of land on Keyser Avenue. The State of Louisiana expropriated one quarter acre for road right-of-way.

During the year ended June 30, 1991, the District began an \$845,000 renovation of the fourth and fifth floors of the Hospital which include two additional elevators and a rehabilitation fitness center. The Hospital began redecorating and refurnishing 84 patient rooms. These renovations were completed in fiscal year 1992.

During the year ended June 30, 1992, the District began replacing the chillers and completed replacement of the chillers in fiscal year 1993. The Hospital began and nearly completed a building to be rented as a dialysis center.

During the year ended June 30, 1994, the District completed construction of the dialysis center and began construction of rental facilities for a mental health unit and an obstetrics/gynecology doctors' office. The District also refinanced \$3,600,000 of Revenue bonds. As with the 1979 series, the \$3,560,000 of Series 1994 Bonds, dated May 19, 1994, are obligations of the District which are payable from revenues derived by the District from its operation of the Hospital. The interest rates vary from 3.95% to 5.5%.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY (Continued)

The District completed construction of the mental health unit, the obstetrics/gynecology doctors' office, senior care center and remodeling of the labor and delivery rooms during the fiscal year ended June 30, 1995. A cooperative endeavor with Northwest Psychiatry, Inc. resulted in the establishment of an adolescent psychiatric program in Natchitoches Parish. Additionally, the Hospital began its own geriatric psychiatric program on the hospital campus just prior to year end.

Effective July 1, 1995, the Hospital's geriatric psychiatric unit received "Distinct Part" status which provides for reasonable cost reimbursement of necessary services to Medicare patients. In February 1996 the cooperative endeavor with Northwest Psychiatry, Inc. ended as Medicaid, the primary payor source for the adolescent facility, tightened its admission and length of stay criteria. The result was an inadequate census and the unit was closed.

The District began leasing twenty-one beds and selling ancillary services to Satellite Rehab, Inc., a separately licensed hospital and unrelated party, on December 1, 1997. Satellite Rehab, Inc. offers inpatient rehabilitative services.

Also, on December 1, 1997, the District entered into a management agreement with Christus Health (the "Manager"). The Manager is responsible for providing an administrator for routine administrative services, making recommendations for the overall rate structure, preparing monthly reports to the Board, managing cash and investments, preparing annual budgets and reviewing the insurance program. The Board of Commissioners retained all authority and control over the District.

During the year ended June 30, 2000, the District financed \$10,000,000 of 6% Series 2000 Revenue Bonds. The \$10,000,000 of Series 2000 bonds, dated June 14, 2000, are obligations of the District which are payable from revenues derived by the District from its operation of the Hospital and must be used for expansion of hospital facilities.

The District received escrow funds in the amount of \$5,000,000 from Christus Health on March 3, 2000, as a part of an agreement with the District to be used for expansion of outpatient facilities. As certain conditions were met, the \$5,000,000 was earned during 1999, 2000, 2001 and 2002.

The District ceased operations of the home health and partial day psychiatric services in June 2000.

During the year ended June 30, 2002, the Hospital renovated the second and third floor of the tower as part of the beginning of a three-phase construction project, which will include a new outpatient service center. This project is being financed by the issuance of the Series 2000 Revenue Bonds of \$10,000,000 and from the \$5,000,000 contribution received by Christus Health.

The Hospital continued its three-phase construction project during 2004 with the completion of the renovation of the second and third floors and expected completion of the new outpatient service center by September of 2005. The final phase of the project, renovation of the first floor, will start after the completion of the outpatient service center.

The Hospital entered into a joint venture with local physicians and created Natchitoches Outpatient Services, LLC. NOP, LLC offers outpatient therapy services and MRI services. NOP, LLC began operations in June of 2005.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY (Continued)

The Hospital has changed its d/b/a name to Natchitoches Regional Medical Center to reflect its regional healthcare status.

The Hospital purchased a minority interest in Northwestern Louisiana Cancer Center, LLC, which provides outpatient cancer treatment, in March 2006.

Christus Health conveyed a medical office building to the Hospital in July 2006. The conveyance contains an act of re-conveyance which is subject to the term of the management agreement with Christus Health. At the end of the agreement, the Hospital will recognize the building as an asset and the income based at fair market value.

In September of 2006, the Hospital opened the new outpatient center and started renovation of the first and fourth floor. The fourth floor will be leased to a rehab hospital.

The Hospital completed the renovation of the first and fourth floors in January 2007. The fourth floor is leased to a physical rehabilitation hospital.

The Hospital created a new entity called Natchitoches Assisted Living, LLC. NAL, LLC purchased an assisted living facility for \$1,200,000 on July 12, 2007, through a cash investment by the Hospital. NAL, LLC offers housing and limited care for elderly residents.

During the year ended June 30, 2009, the District financed \$8,000,000 of 4.26% Series 2008 Revenue Bonds. The \$8,000,000 of Series 2008 bonds, dated August 26, 2008, are obligations of the District which are payable from revenues derived by the District from its operation of the Hospital and must be used for expansion of hospital facilities.

Construction of the new nursing home facility began in September of 2008. The facility was completed in November 2009 and the patients were transferred. During FY 2012, the old nursing home was demolished.

The Hospital created a new entity called Regional Cardiology Clinic, LLC on March 2, 2009. RCC, LLC provides cardiology diagnostics and testing services.

The Natchitoches Hospital Foundation merged on November 3, 2010, with the Natchitoches Regional Medical Center Foundation.

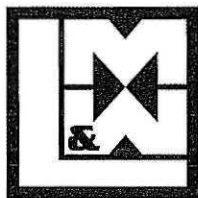
The Hospital acquired a medical office building valued at \$4,550,000 by act of donation from Christus Health on December 31, 2010.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
SCHEDULE OF PER DIEM
OR OTHER AMOUNTS PAID TO OR ON BEHALF OF COMMISSIONERS
YEAR ENDED JUNE 30, 2012

<u>Board Member</u>	<u>Paid on Behalf of Commissioners</u>
Roger Williams	\$ 440
Ronald Corkern	320
Dr. Chris Ingram	160
Samuel Jackson	160
John Luster	360
Mimi Stoker	-0-
Arthur Welch	<u>160</u>
	\$ <u>1,600</u>

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULE OF BONDS PAYABLE
YEARS ENDED JUNE 30, 2012, 2011 AND 2010

NATCHITOCHEs PARISH HOSPITAL	RATES	PAYMENT DATES	ISSUE DATES	FINAL MATURITY DATE	ANNUAL SERIAL PAYMENTS	BONDS			
						AUTHORIZED	ISSUED	RETIRED	OUTSTANDING
Revenue bonds - 2000	4.350%	4/1; 10/1	6/14/2000	10/1/2020	515,000 (2013)	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$ 4,095,000</u>	<u>\$ 5,905,000</u>
					545,000 (2014)				
					580,000 (2015)				
					615,000 (2016)				
					650,000 (2017)				
					685,000 (2018)				
					730,000 (2019)				
					770,000 (2020)				
					815,000 (2021)				
Revenue bonds - 2008	4.260%	4/1; 10/1	8/26/2008	10/1/2023	425,000 (2013)	<u>\$10,000,000</u>	<u>\$8,000,000</u>	<u>\$ 1,155,000</u>	<u>\$ 6,845,000</u>
					450,000 (2014)				
					475,000 (2015)				
					500,000 (2016)				
					525,000 (2017)				
					550,000 (2018)				
					575,000 (2019)				
					605,000 (2020)				
					635,000 (2021)				
					670,000 (2022)				
					700,000 (2023)				
					735,000 (2024)				



LESTER, MILLER & WELLS

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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
Natchitoches Parish Hospital Service District
Natchitoches, Louisiana

We have audited the consolidated financial statements of the Natchitoches Parish Hospital Service District and its Affiliates (the "District" or the "Hospital"), a component unit of the Natchitoches Parish Police Jury, Natchitoches, Louisiana, as of and for the years ended June 30, 2012, 2011, and 2010 and have issued our report thereon dated November 20, 2012. 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.

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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting: 2012-01, 2012-02 and 2012-03. 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.

Board of Commissioners
Natchitoches Parish Hospital Service District
Natchitoches, Louisiana
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's consolidated 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 audits, 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.

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

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

Lester, Miller & Wells

Certified Public Accountants
Alexandria, Louisiana

November 20, 2012



Natchitoches Parish Hospital Service District
Schedule of Findings
Year Ended June 30, 2012

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

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

Compliance

- Noncompliance issue noted - No

Management letter issued - No

Federal Awards - Not applicable

Section II. Financial Statement Findings

FINDING 2012-01 – Draft of Financial Statements

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

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

Response: The Hospital's accounting personnel will continue to attend education courses in order to further their knowledge of GAAP. Further, due to the size of our organization and the cost of implementation, we will continue to rely on our independent auditors to assist us in preparation of our external financial statements.

FINDING 2012-02 – Segregation of Duties

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



Natchitoches Parish Hospital Service District
Schedule of Findings
Year Ended June 30, 2012

Section II. Financial Statement Findings (Continued)

FINDING 2012-02 – Segregation of Duties (Continued)

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

Response: Management will continue to segregate duties as much as possible and will closely supervise and review duties to prevent errors.

FINDING 2012-03 – Demolition cost

Finding: Demolition costs related to the old nursing home were capitalized as construction in progress instead of expensed. This caused the assets and income to be overstated by approximately \$293,000.

Recommendation: On a monthly basis, the construction in progress accounts should be analyzed for types of items posted and completion of projects. Additionally, any unusual events should be researched for proper accounting treatment.

Response: This particular misclassification was due to accounting staff treating the demolition cost as a part of the acquisition cost of a replacement building. The replacement building project has not been approved therefore this expenditure is totally unrelated to any other project, and is simply demolition of an existing structure. Proper classification of demolition costs has now been clarified. Construction in Progress accounts will be analyzed and any future unusual events will be researched for proper accounting treatment.

Section III. Federal Awards Findings and Questioned Costs

Not applicable

Section IV. Management Letter

Not applicable



Natchitoches Parish Hospital Service District
Schedule of Prior Year Findings
Year Ended June 30, 2012

Section I. Financial Statement Findings

2011-01 – Medicare and Medicaid Contractuals

Fiscal Year Initially Reported: June 30, 2009

Finding: While the Medicare and Medicaid model for estimating allowances for contractual adjustments has provided good results in the past, the model underestimated the allowances for contractuals by approximately \$300,000. It was brought to our attention that the Nursing Home incurred some denials during the year which was extraordinary. Management believes the handling of the denials caused the allowances to be understated by mistake.

Recommendation: We recommend continuing the use of the model currently in place, but placing emphasis on the calculation from the balance sheet side of the allowances.

Response: Management will implement the recommendation.

Resolution: This matter has been resolved.

2011-02 – Draft of Financial Statements

Fiscal Year Initially Reported: June 30, 2011

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

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

Response: The Hospital's accounting personnel will continue to attend education courses in order to further their knowledge of GAAP. Further, due to the size of our organization and the cost of implementation, we will continue to rely on our independent auditors to assist us in preparation of our external financial statements.

Resolution: This matter has not been resolved. See Finding 2012-01.



Natchitoches Parish Hospital Service District
Schedule of Prior Year Findings
Year Ended June 30, 2012

Section I. Financial Statement Findings (Continued)

2011-03 – Segregation of Duties

Fiscal Year Initially Reported: June 30, 2011

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

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

Response: Management will continue to segregate duties as much as possible and will closely supervise and review duties to prevent errors.

Resolution: This matter has not been resolved. See Finding 2012-02.

Section II. Federal Award Findings and Questioned Costs

Not applicable

Section III. Management Letter

Not applicable

