

FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 1
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

JUNE 30, 2010

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

Release Date 3/16/11

FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 1
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

JUNE 30, 2010

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BROUSSARD &
KOHLENBERG**

A Corporation of Certified Public Accountants



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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
Bunkie, Louisiana

We have audited the financial statements of Hospital Service District No. 1, Parish of Avoyelles, State of Louisiana, a component unit of the Avoyelles Parish Police Jury, State of Louisiana, as of June 30, 2010 and 2009, and the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Hospital District No. 1, Parish of Avoyelles, State of Louisiana, a component unit of the Avoyelles Parish Police Jury, State of Louisiana, at June 30, 2010 and 2009, and the changes in financial position and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010, 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 considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules one through five is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Hospital Service District No. 1 has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the financial statements.



LANGLINAIS BROUSSARD & KOHLENBERG
(A corporation of Certified Public Accountants)

November 29, 2010

HOSPITAL SERVICE DISTRICT NO.1

Parish of Avoyelles

Bunkie, Louisiana

STATEMENT OF NET ASSETS

STATEMENT A

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,694,600	\$ 722,231
Accounts receivables, less allowance for doubtful accounts of \$2,299,913 in 2010 and \$1,985,226 in 2009	1,480,496	976,933
Due from Third Party Payors	188,085	721,569
Other Receivables	192,050	298,119
Inventories	242,273	260,117
Prepaid Expenses	60,869	55,201
 Total Current Assets	 <u>3,858,373</u>	 <u>3,034,170</u>
 ASSETS WHOSE USE IS LIMITED:		
By Bond Indenture	97,090	105,280
By Board	23,604	23,604
 Total Assets Whose Use is Limited	 <u>120,694</u>	 <u>128,884</u>
 PROPERTY, PLANT AND EQUIPMENT:		
Property, Plant and Equipment, cost	7,528,391	7,215,098
Less: Accumulated Depreciation	4,189,767	3,961,461
 Total Property, Plant and Equipment	 <u>3,338,624</u>	 <u>3,253,637</u>
 TOTAL ASSETS	 <u>\$ 7,317,691</u>	 <u>\$ 6,416,691</u>

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

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avoyelles

Bunkie, Louisiana

STATEMENT A

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 83,653	\$ 142,495
Accounts payable	675,120	405,027
Due to third party payors	247,960	-
Credit balances	214,128	268,683
Interest payable	12,201	12,832
Accrued salaries and related withholdings	151,343	210,461
Accrued vacation and holiday expense	165,105	179,338
Total Current Liabilities	<u>1,549,510</u>	<u>1,218,836</u>
LONG-TERM LIABILITIES:		
Long-Term Debt:		
USDA HVAC	813,821	860,238
Rural health building	137,331	153,248
Note payable - Baytree	-	8,920
Note payable - Ultrasound	-	13,431
Total Long-Term Liabilities	<u>951,152</u>	<u>1,035,837</u>
TOTAL LIABILITIES	<u>2,500,662</u>	<u>2,254,673</u>
NET ASSETS		
Invested in capital assets, net of related debt	2,303,819	2,121,455
Restricted net assets	120,694	128,884
Unrestricted	2,392,516	1,911,679
TOTAL NET ASSETS	<u>4,817,029</u>	<u>4,162,018</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,317,691</u>	<u>\$ 6,416,691</u>

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

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENT B

STATEMENT OF REVENUES EXPENSES AND CHANGES IN FUND NET ASSETS YEAR ENDED JUNE

	2010	2009
OPERATING REVENUES:		
Net Patient Service Revenues	\$ 11,929,895	\$ 11,014,926
Advalorem Taxes	83,439	83,279
Other Operating Revenue	536,368	564,525
TOTAL OPERATING REVENUE	12,549,702	11,662,730
OPERATING EXPENSES:		
Professional Services	6,714,348	5,997,503
General and Administrative	3,865,718	3,852,989
Depreciation and Amortization	482,262	450,451
Provision for Doubtful Accounts	1,488,915	1,208,294
TOTAL OPERATING EXPENSES	12,551,243	11,509,237
INCOME (LOSS) FROM OPERATIONS	(1,541)	153,493
NON-OPERATING REVENUES (EXPENSES)		
Grant Revenue	647,847	149,677
Interest Income	5,658	7,390
Insurance Settlement	-	65,865
Gain (Loss) on Sale of Assets	3,047	(8,062)
TOTAL NON-OPERATING REVENUES	656,552	214,870
CHANGE IN NET ASSETS	655,011	368,363
TOTAL NET ASSETS, BEGINNING	4,162,018	3,793,655
TOTAL NET ASSETS, ENDING	\$ 4,817,029	\$ 4,162,018

The accompanying notes are an integral part of these financial statements

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENT C

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Patients	\$ 12,435,375	\$ 11,103,766
Ad Valorem Taxes	83,439	83,279
Cash Received from Other Sources	361,921	64,891
Cash Payments to Suppliers for Goods and Services	(7,441,494)	(6,382,726)
Cash Payments to Employees for Services	(4,423,885)	(4,986,981)
Net Cash Flow from Operating Activities	1,015,356	(117,771)
CASH FLOW FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:		
Acquisition of Property and Equipment	(587,050)	(82,375)
Proceeds from Grant Revenue	647,847	149,677
Proceeds from the Sale of Assets	25,895	2,600
Proceeds from Insurance Settlement	-	65,865
Principal payments on Long-term Debt	(143,527)	(259,080)
Net Cash Used in Capital and Related Financial Activities	(56,835)	(123,313)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	5,658	7,390
Net Cash Provided by Financing Activities	5,658	7,390
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	964,179	(233,694)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	851,115	1,084,809
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,815,294	\$ 851,115
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (1,541)	\$ 153,493
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and Amortization	482,262	450,451
Provision for Doubtful Accounts	1,488,915	1,208,294
Increase in Receivables and Due from Third Parties	(1,159,520)	(1,641,039)
(Gain) Loss on Sale of Assets	(3,047)	8,062
Decrease (Increase) in Inventories and Prepaid Expenses	12,176	(38,481)
Increase (Decrease) in Accounts Payable and Accrued Expenses	196,111	(258,551)
NET CASH USED IN OPERATING ACTIVITIES	\$ 1,015,356	\$ (117,771)

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

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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

Reporting Entity. The Avoyelles Parish Hospital Service District (the "Hospital") was created by an ordinance of the Avoyelles Parish Police Jury on February 14, 1968. The District is comprised of and embraces the territory contained within the Parish of Avoyelles, State of Louisiana, as constituted as of the date of the ordinance.

The Hospital is a political subdivision of the Avoyelles Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Avoyelles Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Avoyelles Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Avoyelles Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the governmental units that comprise that financial reporting entity.

Method of Accounting. The Hospital's financials are presented using the economic resources measurement focus and the accrual basis of accounting. Under Governmental Accounting Standards Board (GASB) Statement No. 20 (GASB Cod. Sec. P80), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the Hospital has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and to the AICPA, *Audit and Accounting Guide - Health Care Organizations*, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

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.

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

Assets Whose Use is Limited. Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements and future indenture agreements, over which the Board retains control and may at its discretion subsequently use for other purposes; assets set aside in accordance with agreements with third-party payors; and assets held by trustees under indenture agreements and self-insurance trust agreements.

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

Capital Assets. Capital assets are carried at cost, or if donated, at fair value at date of donation. Capital assets are defined by the Hospital as assets with an initial individual cost of more than \$5,000 and an initial useful life of three years or greater. Depreciation is computed using the straight-line method over the assets' estimated useful lives generally ranging from three to forty years. Equipment under capital lease is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avoyelles

Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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

Net Assets. Net assets represent the difference between assets and liabilities. Net assets classifications are defined as follows:

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

Restricted Net Assets are reported as restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

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

Costs of Borrowing. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

Investments. Investments, including assets limited as to use, are recorded at fair value in accordance with Governmental Accounting Standards Board Codification Section 150 "Investments". Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are measured at fair value in the balance sheet. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment income, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in non-operating income.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. See the disclosure regarding Net Patient Service Revenue below for further discussion of significant estimates involving the revenue recognition methods of the Hospital.

Net Patient Service Revenue and Related Receivables. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as settlements are determined. The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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

accounts and contracts, and by providing appropriate allowances. Patient receivables are carried at original charge amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a timely basis. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Patient receivables are written off when deemed uncollectible. Recoveries of patient receivables previously written off are recorded when received.

Compensated Absences. Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences included as a component of accrued salaries and benefits on the Hospital's Statement of Net Assets was \$165,105 and \$179,338 for 2010 and 2009, respectively.

Advalorem Taxes. Property taxes were levied on January 1, on property values assessed on that date. Notices of tax liability are mailed on or about November 1, of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1, of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered available in that period. Available includes those property tax receivables expected to be collected within sixty days after year end. However, the receivable for property taxes is recorded at January 1, the lien date.

Grants and Contributions. From time to time, the Hospital receives grants and contributions from individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all of the 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 non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Operating Revenues and Expenses. The Hospital's Statement of Activities distinguishes between operating and non-operating revenues and expenses. Revenues are considered available in the period earned as expenses are considered payable in the period incurred. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including grants, and contributions received for purposes other than capital asset acquisitions, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing cost.

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

Advertising. The Hospital expenses advertising costs as incurred.

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

Reclassifications. To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 2: MAJOR SOURCE OF REVENUE

The Hospital participated in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 66% and 68% of its gross patient service revenue from patients covered by the Medicare and Medicaid programs for the years ended June 30, 2010 and 2009, respectively. Included in net patient services is additional reimbursement for Medicaid Uncompensated Care Adjustments of \$644,054 and \$627,142 for 2010 and 2009, respectively. This amount is subject to audit by the State of Louisiana.

NOTE 3: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. Payment arrangements include prospectively determined rates-per-discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

A summary of the payment arrangements with major third-party payors follows:

Medicare - The Hospital is paid for inpatient and outpatient services rendered to Medicare program beneficiaries under cost based reimbursement methodology. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The retrospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization, which is under contract with the Hospital to perform such reviews. The Hospital files a year end cost report with Medicare to determine final settlement. This cost report is subject to audit by the Medical fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2007.

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2007.

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

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 3: NET PATIENT SERVICE REVENUE (cont)

The following schedule represents Net Patient Service Revenue:

	<u>2010</u>	<u>2009</u>
Gross Patient Service Revenue	\$20,611,998	\$17,278,816
Less: Contractual Adjustments	<u>(9,326,157)</u>	<u>(6,891,032)</u>
Net Patient Service Revenue Before Uncompensated Care	11,285,841	10,387,784
Uncompensated Care Income	<u>644,054</u>	<u>627,142</u>
Net Patient Service Revenue	<u>\$11,929,895</u>	<u>\$11,014,926</u>

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

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

	<u>06/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/10</u>
Land	\$ 121,857	\$ -	\$ -	\$ 121,857
Land improvements	290,454	-	-	290,454
Buildings	4,264,177	226,203	(1,515)	4,488,865
Fixed equipment	381,732	-	(62,138)	319,594
Major movables	<u>2,137,105</u>	<u>214,603</u>	<u>(210,104)</u>	<u>2,141,604</u>
Total cost	7,195,325	440,806	(273,757)	7,362,374
Less: Accumulated depreciation	<u>3,961,461</u>	<u>482,262</u>	<u>(253,956)</u>	<u>4,189,767</u>
	3,233,864	(41,456)	(19,801)	3,172,607
Construction in progress	<u>19,773</u>	<u>146,244</u>	<u>-</u>	<u>166,017</u>
Net Property, Plant and Equipment	<u>\$3,253,637</u>	<u>\$ 104,788</u>	<u>\$ (19,801)</u>	<u>\$3,338,624</u>

Depreciation expense for the fiscal years ended June 30, 2010 and 2009 was \$482,262 and \$450,451, respectively.

NOTE 5: LONG-TERM DEBT

Long-term debt at June 30, 2010, consisted of the following:

Revenue bonds, dated March 15, 2004 bearing interest of 4.5% maturing March 15, 2024, with interest payable monthly, collateralized by the Hospital's gross receipts	\$ 860,479
Notes Payable, dated May 1, 2008, bearing interest of 6.00% maturing April 1, 2018, with interest and principal due monthly	153,249
Various notes with interest rates up to 1.9%, due in monthly installments through 2011, secured by equipment	<u>21,077</u>
Less: Current Portion	<u>1,034,805</u>
Long-Term Portion	<u>83,653</u>
	<u>\$ 951,152</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 5: LONG-TERM DEBT (cont)

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds 2004 (USDA HVAC)	\$ 904,887	\$ -	\$ 44,408	\$ 860,479	\$ 46,658
Revenue Bonds 2006	46,153	-	46,153	-	-
Note Payable - Baytree	22,938	-	15,292	7,646	7,646
Note Payable - Ultrasound	36,114	-	22,683	13,431	13,431
Rural Health Building	168,240	-	14,991	153,249	15,918
Total	<u>\$1,178,332</u>	<u>\$ -</u>	<u>\$ 143,527</u>	<u>\$1,034,805</u>	<u>\$ 83,653</u>

Scheduled repayments on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 83,653	\$ 47,318	130,971
2012	65,658	44,151	109,809
2013	68,894	40,909	109,803
2014	72,294	37,515	109,809
2015	75,864	33,944	109,808
Remaining	668,442	194,656	863,098
Total	<u>\$1,034,805</u>	<u>\$ 398,493</u>	<u>\$ 1,433,298</u>

NOTE 6: OPERATING LEASES

Total rental expense for June 30, 2010 and 2009, respectively, for all operating leases was \$192,942 and \$202,677.

NOTE 7: PENSION PLAN

Employees have available retirement coverage through an employee funded defined contribution plan, Bunkie General Hospital Service Defined Compensation Program, administered by Nationwide Retirement Solutions. Each pay period the Hospital contributes to an additional plan for full-time employees who work 64 or more hours per pay period. Each employee will be required to contribute a minimum of 3% of their base pay toward the program. Employees will become 100% vested in the Hospital's contributions after three full years of employment. Pension cost amounted to \$77,355 and \$95,455 for the year ended June 30, 2010 and 2009, respectively.

NOTE 8: ASSETS LIMITED AS TO USE

On November 12, 1968, the Hospital accepted an offer from the Department of Housing and Urban Development to make a loan in order to aid in financing the construction of a new 30-bed general hospital. On May 15, 2004, the Hospital accepted an offer from the United States Department of Agriculture Rural Development to make a loan in order to acquire, construct and/or install improvements and replacements to the hospital facilities of the District, including appurtenant equipment and accessories. This indenture imposed restrictions on the Hospital. A summary of cash restrictions follows:

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avovelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 8: ASSETS LIMITED AS TO USE (cont)

All income earned from operations of the Hospital is to be deposited in the hospital operating fund. Funds are to be expensed in the following order of priority and for the following purposes.

- (1) The payment of reasonable expenses of administration, operation and maintenance of the Hospital.
- (2) A cash transfer to the 1968 Hospital Bond and Interest Sinking Fund by the 15th day of each month, sums equal to one-fifth of the interest due on the next interest payment date, plus one-tenth of the principal due on the next principal payment date. Transfer will continue until a reserve of \$24,000 has been accumulated; thereafter, cash transfers will be made as are necessary to meet the current year's debt service requirements and maintain the reserve of \$24,000.
- (3) A cash transfer to the 1968 Hospital Repair and Replacement Reserve Fund of \$125 monthly until a reserve of \$15,000 has been accumulated and maintained in such amount. The money may be withdrawn for the purpose of paying extraordinary maintenance of repairs, renewals and replacement. Should the Hospital Bond and Interest Sinking Fund be insufficient to pay a required installment, funds in the Hospital Repair and Replacement Reserve Fund will be transferred to the extent required to eliminate the deficiency.
- (4) A cash transfer to the 2004 Hospital Revenue Bond and Interest Sinking Fund by the 20th day of each month, sums equal to the total amount of principal and interest falling due on the next payment date for the Bonds. During the first year the Bonds are outstanding, a monthly sum equal to one-twelfth of the interest due on the first payment date on the Bonds shall be transferred.
- (5) A cash transfer to the 2004 Hospital Revenue Bond Reserve Fund by the 20th day of each month, commencing with the month following completion of and acceptance of the improvements financed with the proceeds of the Bonds, a sum at least equal to five percent of the amount to be paid into the Sinking Fund. The transfer will continue until such time as there has been accumulated a sum equal to the highest principal and interest falling due in any year.
- (6) A cash transfer to the 2004 Hospital Depreciation and Contingency Fund by the 20th day of each month commencing with the month following completion of and acceptance of the improvements financed with the proceeds of the Bonds, a sum at least equal to five percent of the amount to be paid into the Sinking Fund. When a sum equal to the Debt Service Requirements has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall be increased to an amount equal to 10% of the amount being paid monthly into the Sinking Fund, and said payments are to continue over the life of the Bonds.

It is the contention of management that the accounting requirements of the revenue bond issues were met.

Pursuant to a resolution by the Board of Directors of the Hospital on January 18, 1973, a board-designated plant fund was established to be utilized for replacement of existing capital assets and the purchase of new capital assets.

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at June 30, 2010 and 2009 are set forth in the following table.

	2010	2009
Internally designated for Capital Acquisitions	\$ 23,604	\$ 23,604
Under Indenture Agreement	97,090	105,280
Total Assets Limited as to Use	\$ 120,694	\$ 128,884

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 9: CASH FLOWS SUPPLEMENTAL INFORMATION

Cash and cash equivalents consists of the following:

	2010	2009
Current assets	\$ 1,694,600	\$ 722,231
Assets whose use is limited		
By board	23,604	23,604
By bond indenture	97,090	105,280
 Total	 \$ 1,815,294	 \$ 851,115

Total interest paid by the Hospital was \$51,948 and \$51,555 for the fiscal year ending 2010 and 2009, respectively.

NOTE 10: EMPLOYEE HOSPITALIZATION PLAN

The Hospital maintains a medical benefits trust. The Hospital and employees contribute on a 50/50 basis amounts required to cover the health benefits cost of the employees. Employees with more than 90 days of service can participate.

The trust pays all claims from funds provided from the Hospital. The trust agreement provides that should it not have sufficient funds to cover its obligations, the Hospital is obligated to fund the shortfall.

The Hospital purchases "excess" insurance coverage that provides for payment of individual claims in excess of \$35,000 or aggregate annual claims in excess of \$1,000,000. The Hospital and employees contribute on a 50/50 basis amounts required to cover the insurance premiums.

NOTE 11: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2010 and 2009, is as follows:

	2010	2009
Medicare	53%	38%
Medicaid	7	11
Commercial and other third-party payors	14	18
All other	26	33
	100%	100%

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Investments: Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices for similar securities.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS (cont)

Assets limited as to use: These assets consist primarily of cash and short-term investments and interest receivable. The carrying amount reported in the balance sheet is fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

Long-term debt: Fair values of the Hospital's revenue notes are based on current traded value. The fair value of the Hospital's remaining long-term debt is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Hospital's financial instruments are as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Carrying</u>		<u>Carrying</u>	
	<u>Amount</u>	<u>Fair Value</u>	<u>Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,815,294	\$ 1,815,294	\$ 851,115	\$ 851,115
Accounts payable and accrued expenses	\$ 1,003,769	\$ 1,003,769	\$ 807,658	\$ 807,658
Estimated receivable from third-party payors	\$ 188,085	\$ 188,085	\$ 721,569	\$ 721,569
Estimated third-party payor settlements	\$ 247,960	\$ 247,960	-	-
Long-term debt	\$ 1,034,805	\$ 1,034,805	\$ 1,178,332	\$ 1,178,332

NOTE 13: BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. At June 30, 2010 and 2009, the Hospital had bank balances as follows:

	<u>2010</u>	<u>2009</u>
Insured (FDIC)	\$ 500,000	\$ 500,000
Collateralized by securities held by the financial institution's trust department in the Hospital's name	<u>2,317,437</u>	<u>1,920,907</u>
Total Collateral for Cash Balances	<u>\$ 2,817,437</u>	<u>\$ 2,420,907</u>
Carrying value	<u>\$ 2,121,284</u>	<u>\$ 955,962</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avovelles
Bunkie Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 14: PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital 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 ("PCF"), the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

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

NOTE 15: AD VALOREM TAXES

The District levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the Board of Commissioners as recommended by the local tax assessor. Property taxes are collected through the local sheriff and remitted, net of collection fees, to the District. The sheriff's office is responsible for collection, including establishing lien, levy and due dates of property taxes.

NOTE 16: JOINT VENTURE

The Hospital entered into a cooperative endeavor (i.e. joint venture) with a home health company on March 1, 2004. The Hospital shares one-third of the profits and losses, and leases space to this organization. Thus far, the joint venture has experienced profits and distributed the hospital's proportional share to the hospital each year. For more information on joint venture financial statements, contact Hospital administration.

NOTE 17: NET ASSETS

Net assets for the years ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Invested in capital assets, net of related debt	\$ 2,303,819	\$ 2,121,455
Restricted for:		
Capital Projects (expendable)	23,604	23,604
Bond Indenture (expendable)	97,090	105,280
Unrestricted	<u>2,392,516</u>	<u>1,911,679</u>
Total Net Assets	<u>\$ 4,817,029</u>	<u>\$ 4,162,018</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULES OF PATIENT SERVICE REVENUES

FOR THE YEARS ENDED JUNE 30,

INPATIENT SERVICE REVENUES

	2010	2009
Daily Patient Services:		
Adult and Pediatric	\$ 409,889	\$ 419,334
Psychiatric Unit	1,859,650	1,905,196
Swing-Bed	17,483	33,732
Total	2,287,022	2,358,262
Other Nursing Services:		
Central Supplies	-	80,380
Emergency Service	17,403	-
Total	17,403	80,380
Other Professional Services:		
Laboratory	587,509	798,902
EKG	32,505	37,140
Blood	8,662	8,538
Radiology	376,800	335,334
Pharmacy	606,533	676,620
Intravenous Therapy	1,097	143,298
Inhalation Therapy	132,868	190,796
Physical Therapy	1,012	8,608
Professional Fees	256,537	254,705
	2,003,523	2,453,941
TOTAL INPATIENT SERVICE REVENUE	4,307,948	4,892,583

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULES OF PATIENT SERVICE REVENUES

FOR THE YEARS ENDED JUNE 30,

OUTPATIENT SERVICE REVENUES

	<u>2010</u>	<u>2009</u>
Other Nursing Services:		
Emergency Service	2,563,538	1,628,942
Central Supplies	-	210,889
Observation	562,798	215,628
Total	<u>3,126,336</u>	<u>2,055,459</u>
Other Professional Services:		
Laboratory	3,456,577	3,328,900
EKG	134,727	145,285
Blood	17,626	13,981
Radiology	3,681,375	3,076,887
Pharmacy	292,055	246,859
Cardiac Rehab	102,231	118,806
Intravenous Therapy	5,058	91,312
Inhalation Therapy	86,279	77,002
Physical Therapy	60	-
Intensive Psychiatric Therapy	3,060,105	1,599,552
Wound Care	459,658	-
Clinics	1,573,534	1,585,179
Professional Fees	308,429	47,011
Total	<u>13,177,714</u>	<u>10,330,774</u>
TOTAL OUPATIENT SERVICE REVENUE	<u>16,304,050</u>	<u>12,386,233</u>
GROSS PATIENT SERVICE REVENUE	20,611,998	17,278,816
Less: Contractual Adjustments	<u>9,326,157</u>	<u>6,891,032</u>
Net Patient Service Revenue before Medicaid Uncompensated Care	11,285,841	10,387,784
Medicaid Uncompensated Care	<u>644,054</u>	<u>627,142</u>
NET PATIENT SERVICE REVENUE	<u>\$ 11,929,895</u>	<u>\$ 11,014,926</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULES OF OTHER OPERATING REVENUES

FOR THE YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>
Cafeteria and Vendor sales	\$ 30,763	\$ 28,105
Rental Income	122,935	128,970
Joint Venture	208,834	260,158
Pharmacy Sales - Employees	27,885	28,557
Other	<u>145,951</u>	<u>118,735</u>
TOTAL OTHER OPERATING REVENUES	\$ 536,368	\$ 564,525

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULES OF PROFESSIONAL SERVICES

FOR THE YEARS ENDED JUNE 30,

Salaries and Fees:

	<u>2010</u>	<u>2009</u>
Nursing	\$ 510,484	\$ 498,846
Central supply	40,682	43,464
Emergency room	499,285	426,607
Laboratory	234,348	249,719
Radiology	270,225	277,810
IOP	-	255,865
Clinics	1,183,845	1,233,331
Geriatric Psychiatry	6,726	570,861
Inhalation Therapy	115,186	-
Other	134,153	119,351
Total Salaries and Fees	<u>2,994,934</u>	<u>3,675,854</u>

Supplies and Other Expenses:

Nursing	46,999	56,870
Central Supply	50,802	58,565
Emergency Room	664,827	575,555
Laboratory	383,780	413,865
Radiology	81,568	103,835
Pharmacy	539,085	635,646
Inhalation Therapy	82,301	172,314
IOP	5,064	90,324
Physical Therapy	531	4,525
Wound Care	153,970	-
Clinics	128,660	98,638
Geriatric Psychiatry	876,881	76,614
Partial Hospitalization Program	679,605	-
Other	25,341	34,898
Total Supplies and Other Expenses	<u>3,719,414</u>	<u>2,321,649</u>
TOTAL PROFESSIONAL SERVICES	<u>\$ 6,714,348</u>	<u>\$ 5,997,503</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULES OF GENERAL AND ADMINISTRATIVE

FOR THE YEARS ENDED JUNE 30,

Salaries and Fees:

	<u>2010</u>	<u>2009</u>
Administrative	\$ 844,741	\$ 897,578
Maintenance	179,961	141,168
Housekeeping	94,257	87,843
Medical Records	145,376	124,767
Dietary	111,727	104,749
Total Salaries and Fees	<u>1,376,062</u>	<u>1,356,105</u>

Supplies and Other Expenses:

Interest	52,580	64,388
Administrative	1,711,389	1,599,343
Maintenance	572,290	656,550
Housekeeping	29,560	24,146
Medical Records	11,592	26,172
Dietary	112,245	126,285
Total Supplies and Other Expenses	<u>2,489,656</u>	<u>2,496,884</u>
TOTAL GENERAL AND ADMINISTRATIVE SERVICES	<u>\$ 3,865,718</u>	<u>\$ 3,852,989</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

GOVERNING BOARD COMPENSATION

YEAR ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Judge James Mixon	\$ -	\$ -
Charles T. Descant	\$ -	\$ -
Dr. Olivier La Prairie	\$ -	\$ -
Harry Normand	\$ 200	\$ 600
Barbara Jones	\$ 360	\$ 480
Nancy Carruth	\$ -	\$ -
Craig Foster	\$ -	\$ 320

**LANGLINAIS
BROUSSARD &
KOHLENBERG**

A Corporation of Certified Public Accountants



Glen P. Langlinalis, C.P.A.
Michael P. Broussard, C.P.A.
Chris A. Kohlenberg, C.P.A., M.B.A., M.H.A.
Gayla L. Falcon, C.P.A.

Patrick M. Guldry, C.P.A.
Ashley V. Breaux, C.P.A.
Jonathan P. Primeaux, C.P.A., M.B.A.

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

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
Bunkie, Louisiana

We have audited the financial statements of Hospital Service District No.1 Parish of Avoyelles, d/b/a Bunkie General Hospital (The Hospital) a component unit of the Avoyelles Parish Police Jury, State of Louisiana, as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated November 29, 2010.

We conducted our audit in accordance with generally accepted auditing standards of the United States 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 of the financial statements of the hospital as of and for the year ended June 30, 2010 and 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider all deficiencies described in

the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider all deficiencies described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be significant deficiencies.

COMPLIANCE

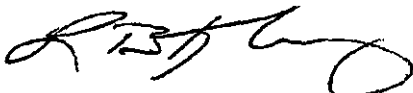
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the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

The hospital's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". We did not audit the Hospital's responses and, accordingly, we express no opinion on it.

This report is intended for the information of the Hospital Service District No. 1 Parish of Avoyelles and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

We acknowledge with appreciation the courtesies extended our representatives during the audit.

Sincerely,



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

November 29, 2010

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN

FOR THE YEAR ENDED JUNE 30, 2010

We have audited the financial statements of Avoyelles Parish Hospital Service District No. 1, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury, State of Louisiana, as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated November 29, 2010.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of June 30, 2010, and 2009 resulted in unqualified opinions.

Section I: Summary of Auditor's Reports

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

Internal Control:

Material Weaknesses: Yes
Significant Deficiencies: Yes

Compliance:

Compliance Material to Financial Statements Yes

Section II: Financial Statement Findings

A - Issues of Noncompliance

Finding 2010-1 Compliance

Condition and Criteria: The patient activity on a board member's account reflected a note by a hospital employee with instructions to stop contacting the patient for collections due to the patient's status as a board member. This may be a violation of Louisiana state law and Medicare regulations.

Effect: This could lead to special treatment of a board member.

Recommendation: The hospital should train employees to follow policies consistently for all patients.

Management Response: On November 22, 2010, an inservice was provided to the business office staff on proper collection and documentation procedures to ensure all policies are followed consistently for all patients. The inservice was conducted by the business office manager. The board member in question

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN

FOR THE YEAR ENDED JUNE 30, 2010 .

Finding 2010-1 Compliance (cont)

paid out all accounts as of November 24, 2010 and has no remaining balances as of November 29, 2010. The CFO will monitor to ensure compliance.

B- Significant Deficiencies and Material Weaknesses

Finding 2010-2 Financial Statement Preparation

Condition and Criteria: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the GAAP financial statements.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: The hospital's accounting personnel should continue to attend education courses to further their knowledge in the application of Generally Accepted Accounting Principles. The hospital should also continue outsourcing the preparation of its financials to its independent auditors and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Management Response: The hospital at this time will continue to outsource to our independent auditors. The accounting staff will attend education courses to further their knowledge of General Accounting Principles when appropriate. In addition, the hospital has increased its upper management oversight of the financial statement preparation to ensure accurate statements.

Finding 2010-3 Segregation of Duties

Condition and Criteria: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: The authorization, recording, and reconciliation of transactions and decisions as well as custody of assets related to those transactions and decisions should be segregated functions.

Management Response: The hospital has segregated as many duties as possible and is limited due to its small size. To further segregate duties would require the hiring of additional staff which would be a financial burden to the

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION
PLAN

FOR THE YEAR ENDED JUNE 30, 2010

Finding 2010-3 Segregation of Duties (cont)

hospital; however, upper management has increased its oversight to ensure proper internal control.

Section III: Management Letter Items

There are no management letter items at June 30, 2010.

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a HUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
HUNKIE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Section I - Internal Control and Compliance Material to the Financial Statements

Finding 2009-1 Compliance

Payroll taxes are not being withheld and paid on checks written to board members for meeting fees consistently. State law dictates that board members are to be treated as employees and proper payroll taxes should be paid on compensation.

Status: Resolved.

Finding 2009-2 Payroll Tax Returns

Payroll tax returns were not filed in a timely manner causing penalties and interest to be incurred.

Status: Resolved.

Section II - Significant Deficiencies and Material Weaknesses

Finding 2009-3 Financial Statement Preparation

Condition and Criteria: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Status: Unresolved. See 2010-2.

Finding 2009-4 Segregation of Duties

The hospital has several employees whose duties are not segregated.

Status: Unresolved. See 2010-3.

HOSPITAL SERVICE DISTRICT NO. 1
d/b/a BUNKIE GENERAL HOSPITAL
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2010

Finding 2009-5 General Ledger Accounting

Due to high turnover and a small accounting staff, significant general ledger accounts are not being reconciled to subsidiary ledgers or support in a timely manner. Interim financial statements (including balance sheet and income statement) are not being presented to the board in a timely manner. Journal entries to record revenues that are not interfaced with the general ledger are not being posted in an accurate and timely manner. These issues resulted in excessive amounts of audit journal entries.

Status: Resolved.

Finding 2009-6 Asset Reconciliation

Assets present on the depreciation schedule and balance sheet have not been reconciled to those in possession. Depreciable assets are not labeled with permanent identification tags.

Status: Resolved.

Finding 2009-7 Accounts Payable and Payroll Oversight

A newly hired accounts payable/payroll clerk was able to set up vendors, modify time, and mail checks. Although she was not authorized to sign checks, the invoice packet and support was not presented to the two authorized check signers at the time of signing. In addition, management was not reviewing payroll registers before and after the payroll run. Fraud was allegedly committed by the clerk which totaled approximately \$79,000. The alleged fraud included setting up fictitious vendors and increasing hours paid on the clerk's personal paycheck. Hospital management detected the alleged fraud after a period of approximately five months. The lack of segregation of duties and management override of controls that had previously been set up may have contributed to the delay of management's detection of the alleged fraud.

Status: Resolved.

Finding 2009-8 Bank Reconciliations

Bank reconciliations are not being performed in a timely manner. Several months of bank reconciliations were performed after the fiscal year end.

Status: Resolved.



BUNKIE GENERAL HOSPITAL

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BOARD OF COMMISSIONERS

James H. Mixon, Chairman
Harry Normand, Vice Chairman
Nancy M. Carruth, Treasurer
Barbara Z. Jones
J. O. LaPrairie, Jr., D.D.S.
Charles T. Descant
Craig Foster

Linda F. Deville, CEO

**Hospital Service District No. 1
d/b/a Bunkie General Hospital
Parish of Avoyelles
Bunkie, Louisiana**

Management Response to Issue of Non-Compliance

Finding 2010-1 Compliance

Response: On November 22, 2010, an Inservice was provided to the Business Office staff on proper collection and documentation procedures to ensure all policies are followed consistently for all patients. The Inservice was conducted by the Business Office Manager. The board member in question paid out all accounts as of November 24, 2010 and has no remaining balances as of November 29, 2010. The CFO will monitor to ensure compliance.

Finding 2010-2 Financial Statement Preparation

Response: The hospital at this time will continue to outsource to our independents auditors. The accounting staff will attend education courses to further their knowledge of General Accounting Principles when appropriate. In addition, the hospital has increased its upper management oversight of the financial statement preparation to ensure accurate statement.

Finding 2010-3 Segregation of Duties

Response: The hospital has segregated as many duties as possible and is limited due to its small size. To further segregate duties would require the hiring of additional staff which would be a financial burden to the hospital; however, upper management has increased its oversight to ensure proper internal control.

ADMINISTRATION/et2

Bunkie General Hospital is an equal opportunity provider.