1611

West Jefferson Medical Center

Our *Family* Caring For Your *Family*

1101 Medical Center Boulevard
Marrero, LA 70072
(504) 347-5511

June 26, 2013

Suzanne Elliott, Engagement Manager
Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Reference: OMB A-133 Single Audit for 2010

Dear Ms. Elliot:

In preparation for our 2012 audit, management identified that an OMB A-133 audit of federal awards was needed for 2010. Management received reimbursements of federal expenditures in 2011 and 2012 that were incurred in 2010 and not previously identified on the schedule of expenditures of federal awards for 2010. These expenditures caused total federal expenditures in 2010 to exceed $500,000. Included in the new submission for 2010 is the Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance In Accordance With OMB Circular A-133 and the Schedule of Expenditures of Federal Awards and the schedule of findings and questioned costs.

If you have any questions, please feel free to contact me at 504-349-1272.

Sincerely,

Madeline Browning
Controller

REISSUE

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 and 2009

P&N Postlethwaite & Netterville
A Professional Accounting Corporation
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JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 and 2009

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Independent Auditors' Report

The Board of Directors
Jefferson Parish Hospital Service District No. 1

We have audited the accompanying financial statements of Jefferson Parish Hospital Service District No. 1 (the Service District), a component unit of Jefferson Parish, as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Service District's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the pension trust fund and required supplementary information schedule as of the year ended December 31, 2009 as described in Note 1 to the financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Service District's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Service District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based upon our audits and report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Service District at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

As described in Note 13 to the financial statements, the Service District adopted new accounting requirements related to the accounting and financial reporting of derivative instruments, which requires the Service District to record the fair market value of the interest rate swap.

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2011 on our consideration of the Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and supplementary information on pages 4 through 22 and 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Service District's financial statements as a whole. The combining financial statements on pages 56 through 65 are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Postlethwaite & Netterville

Metairie, Louisiana
April 27, 2011

P&N

This section of Jefferson Parish Hospital Service District No. 1's (the Service District), a component unit of Jefferson Parish, annual financial report provides important background information and management's analysis of the Service District's financial performance during the years ended December 31, 2010 and 2009. Please read this section in conjunction with the basic financial statements beginning on page 23 and the notes to the basic financial statements beginning on page 30 in this report.

FINANCIAL HIGHLIGHTS

Service District - Financial Highlights for the Year Ended December 31, 2010

The following summarizes the Service District's financial highlights for the year ended December 31, 2010.

The Service District had income from operations of $1,942,199 for the year ending December 31, 2010. During 2010, Standard & Poor's Rating Services affirmed its 'BBB' underlying rating and revised its rating outlook to stable based in part on the Service District's strong service essentially and market share.

The net patient service revenue decreased from $233.9 million to $225.6 million from 2009 to 2010. There are two main reasons for this decrease. First, the Service District continues to see a shift in revenue from inpatient revenue to outpatient revenue as more services are rendered to outpatients. Although the reimbursement for outpatients, as a percentage of charge, is less than the reimbursement for inpatients, the cost to deliver outpatient services is also less. One example of this is the preferred pricing on outpatient pharmaceuticals as a 340B provider. Second, there was a change in estimate on clinic patient receivables to change from reserving on the patient receivables balance to reserving based on an aging of the patient receivables. This change in estimate was made because more information became available and is discussed further in Note 1 to the financial statements.

The operating expenses for 2010 increased to $251.2 million from $242.0 million in 2009. The areas with the largest increase were other expenses and medical and general supplies. The increase in Other Expenses was due to an increase in the reserves for malpractice and general insurance. The increase in the reserve is not based on any particular pending litigation, but rather on better information and forecasting by the actuary. The increase in medical and general supplies is due to volume increases as surgery cases increased by approximately 3%.

Assets increase by approximately $943,000 from 2009.

Long term debt decreased by $36.4 million dollars from 2009 to 2010, as the Community Disaster Loans and the related accrued interest were cancelled by FEMA.

Assets of the Service District exceeded liabilities by $183.4 million in 2010 compared to $149.2 million in 2009.

Pension Trust Fund - Financial Highlights for the Year Ended December 31, 2010

The Plan's net assets increased by approximately $3.7 million in 2010 due primarily to net appreciation of the market value of Plan assets as well as dividends received. In 2009, the Plan's net assets increased by approximately $5.2 million.

The Plan's employer contribution increased by approximately $309,000 in 2010 and increased by approximately $408,000 in 2009. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The Plan's investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which increased by approximately $3.4 million in 2010 due to unrealized gains to the equity and money market mutual funds, dividends, and employer contributions which were partially offset by benefits payments and plan administrative expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements – Enterprise Fund

The Basic Financial Statements in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles.

The balance sheets include all of the Service District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Service District creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Service District, and assessing the liquidity and financial flexibility of the Service District.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net assets. These statements measure changes in the Service District's operations over the current and prior year and can be used to determine whether the Service District has been able to recover all of its costs through its patient service revenue and other revenue sources.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Service District's cash from operating, investing, and financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The financial statements provide both long-term and short-term information about the Service District's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Service District's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and changes in net assets. All assets and liabilities associated with the operation of the Service District are included in the balance sheets.

The balance sheets and the statements of revenues, expenses, and changes in net assets report information about the Service District's activities. Increases or decreases in the Service District's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

Fund Financial Statements - Pension Trust Fund

The Service District's fund financial statements consist of its pension trust fund. As a fiduciary fund, the pension trust fund is held for the benefit of employees and retirees of the Service District. The pension trust fund is not reflected in the government wide financials because the resources are not available to the Service District for its activities. The accounting for the pension trust fund is much like that used by the enterprise fund.

The statements are followed by required supplementary information and other supplementary information that further explain and support the information in the financial statements.

FINANCIAL ANALYSIS - ENTERPRISE FUND

2010 and 2009 Balance Sheets - Enterprise Fund

Table 1A presents a summary of the financial changes to the Service District in 2010 as compared to 2009. The Service District's total assets increased by approximately $943,000, or 0.3%, from $359.2 million in 2009 to $360.2 million in 2010.

TABLE 1A - 2010 vs. 2009
Condensed Balance Sheets

	December 31		Dollar	Percent
	2010	2009	Change	Change
Total current assets	$ 68,085,836	$ 75,065,557	$ (6,979,721)	-9.3%
Board-designated investments	105,959,397	104,763,529	1,195,868	1.1%
Trustee-held assets	18,182,167	14,588,059	3,594,108	24.6%
Property, plant, and equipment, net	151,253,008	149,790,593	1,462,415	1.0%
Other assets	16,712,340	15,041,960	1,670,380	11.1%
Total Assets	$ 360,192,748	$ 359,249,698	$ 943,050	0.3%
Current Liabilities	$ 49,442,553	$ 46,333,337	$ 3,109,216	6.7%
Long-term debt and other long-term liabilities	127,397,382	163,747,044	(36,349,662)	-22.2%
Total liabilities	176,839,935	210,080,381	(33,240,446)	-15.8%
Net assets	183,352,813	149,169,317	34,183,496	22.9%
Total liabilities and net assets	$ 360,192,748	$ 359,249,698	$ 943,050	0.3%

Current Assets

Current assets decreased by approximately $7.0 million. Patient receivables decreased by approximately $6.7 million due to an increase in the reserve due to a change in estimate that is detailed in Note 1 to the Basic Financial Statements.

Board-designated Cash and Investments

Board-designated cash and investments increased by approximately $1.2 million due to positive income from operations.

Trustee-held Investments

The increase of approximately $3.6 million in trustee-held assets is due to the year-end funding for interest and principal obligations.

Property, Plant and Equipment

Table 2A presents the components of property, plant, and equipment at December 31, 2010 and 2009. In 2010, net property, plant, and equipment increased by approximately $1.5 million, or 1.0%, primarily due to the increase in construction in progress as we prepare to implement Cerner for electronic medical recordkeeping. It should be noted that the increase would have been approximately $4.2 million had we not disposed of $2.7 million of construction in progress for architectural fees for a building that has been postponed.

Construction in progress increased approximately $2.2 million, or 16.3%, primarily due to the design and pending implementation of the Cerner electronic medical record system.

TABLE 2A
Property, Plant and Equipment

	December 31		Dollar	Percent
	2010	2009	Change	Change
Land and land improvements	$ 23,915,178	$ 21,378,905	$ 2,536,273	11.9%
Building and fixed equipment	188,043,458	184,312,845	3,730,613	2.0%
Equipment	205,625,426	195,704,874	9,920,552	5.1%
Subtotal	417,584,062	401,396,624	16,187,438	4.0%
Less accumulated depreciation	(282,397,876)	(265,424,802)	(16,973,074)	6.4%
Construction in progress	16,066,822	13,818,771	2,248,051	16.3%
Property, plant, and equipment, net	$ 151,253,008	$ 149,790,593	$ 1,462,415	1.0%

In Table 3A, the Service District's fiscal year 2011 capital budget includes spending of up to $16.8 million for capital projects. These projects represent primarily equipment purchases and will be financed from fund balance. More information about the Service District's capital assets is presented in the Notes to the Financial Statements.

TABLE 3A
Fiscal Year 2011 Capital Budget

Equipment and technology purchases	$ 5,399,618
Construction / renovations	4,319,146
Patient care equipment	7,078,140
	$ 16,796,904

Long-Term Debt

The Service District had approximately $125.0 million and $160.1 million in debt outstanding for 2010 compared to 2009. The significant decrease in the long-term debt is due to the cancellation of $35.8 million in outstanding Community Disaster Loans.

Net Assets

Table 4A presents the components of the Service District's net assets at December 31, 2010 and 2009:

TABLE 4A
Components of Net Assets

	December 31		Dollar	Percent
	2010	2009	Change	Change
Invested capital assets, net of related debt	$ 26,288,008	$ 20,440,593	$ 5,847,415	28.6%
Restricted	18,182,166	14,112,190	4,069,976	28.8%
Unrestricted	138,882,639	114,616,534	24,266,105	21.2%
Total net assets	$ 183,352,813	$ 149,169,317	$ 34,183,496	22.9%

Net assets increased approximately $34.2 million to $183.4 million at December, 31 2010. The 2010 increase was due primarily to the cancellation of $35.8 million in outstanding Community Disaster Loans and operating income recognized in the period of approximately $1.9 million. Refer to the pages that follow Table 5A for a discussion of 2010 operations.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
DECEMBER 31, 2010 and 2009

2010 and 2009 Statements of Revenues and Expenses - Enterprise Fund

The following discussion refers to the summarized activity presented in the Service District's Condensed Statements of Revenue and Expenses in Table 5A for 2010 and 2009.

Operating Revenue

Operating Revenue decreased by approximately $1.0 million from 2009 to 2010. There are two main reasons for this decrease. First, the Service District continues to see a shift in revenue from inpatient revenue to outpatient revenue as more services are rendered to outpatients. Although the reimbursement for outpatients, as a percentage of charge, is less than the reimbursement for inpatients, the cost to deliver outpatient services is also less. One example of this is the preferred pricing on outpatient pharmaceuticals as a 340B provider. Second, there was a change in estimate on clinic patient receivables to change from reserving on the patient receivables balance to reserving based on an aging of the patient receivables. This change in estimate was made because more information became available.

TABLE 5A
CONDENSED STATEMENTS OF REVENUES AND EXPENSES
Years Ended December 31

	2010	2009	Dollar Change	Percent Change
Operating revenue	$ 253,097,511	$ 254,111,591	$ (1,014,080)	-0.4%
Operating expenses	251,155,312	241,953,965	9,201,347	3.8%
Operating income	1,942,199	12,157,626	(10,215,427)	-84.0%
Total investment income (loss)	3,062,461	(1,550,228)	4,612,689	-297.5%
Interest expense	(6,306,062)	(7,408,587)	1,102,525	-14.9%
Forgiveness of debt	39,041,451	-	39,041,451	0.0%
Other	(2,556,553)	68,913	(2,625,466)	-3809.8%
Assessments by Jefferson Parish and support to others	(1,000,000)	(1,599,271)	599,271	-37.5%
Change in net assets	34,183,496	1,668,453	32,515,043	1948.8%
Net assets, beginning of year	149,169,317	147,500,864	1,668,453	1.1%
Net assets, end of year	$ 183,352,813	$ 149,169,317	$ 34,183,496	22.9%

Table 6A below presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2010 and 2009.

Table 6A
Payor Mix

	2010	2009
Managed care/commercial	28%	29%
Medicare	24%	26%
Medicare HMO	23%	19%
Medicaid	14%	14%
Self-pay and other	11%	12%
Total patient revenues	100%	100%

Reimbursements to the Service District are made on behalf of patients by the federal and state governments under the Medicare and Medicaid programs, respectively, by commercial insurance carriers and health maintenance organizations, as well as by patients on their own behalf. The difference between the covered charges and the payments under government programs and established contracts is recognized as a contractual allowance. The following table presents the contractual allowances on gross billings by payor and the provision for doubtful accounts.

TABLE 7A
ALLOWANCE SUMMARY

	Years Ended December 31	
	2010	**2009**
Contractual Allowances		
Managed care and commercial accounts	$ 334,133,692	$ 295,462,344
Medicaid contractual allowances	111,957,915	116,529,236
Medicare contractual allowances	157,574,664	168,411,453
Total contractual allowances	603,666,271	580,403,033
Doubtful accounts	40,652,118	28,490,959
	$ 644,318,389	$ 608,893,992

During 2010, the Service District's doubtful accounts expense increased by approximately $12.2 million compared to the prior year primarily due to a change in estimate. Another contributing reason was the reduction in Uncompensated Care Cost funding of $3.3 million.

Operating Expenses

Operating expenses increased by $9.2 million, or 3.8 %, as compared to prior year.

Other expenses increased by $3.6 million which is primarily due to an increase of $2.3 million in the reserve for professional and general liability. Expenses for malpractice insurance premiums also increased due to the increase in the number of employed physicians from 28 in 2009 to 33 in 2010.

Professional fees increased by approximately $2.9 million, or 15%, compared to the prior year primarily due to a $1 million one-time physician subsidy for implementation of an electronic health record. Other increases were due to outsourcing outpatient wound care and an increase in expenses related to the physician residency program.

Medical and General Supplies increased by approximately $3.6 million. This increase is due in part to the increase in surgery cases of approximately 3%.

Investment Income

The Service District maintains investments that are shown in its Balance Sheets as both board-designated and restricted trustee-held funds. These funds are invested primarily in money market funds and securities issued by the U.S. Treasury and other federal agencies.

The Service District had a net investment income of approximately $3.1 million compared to a loss of $1.6 million in 2009.

Other Non-Operating Income (Expenses)

Interest expense decreased by $1.1 million, or 15%, compared to the prior year, primarily due to the restructuring of long term debt in 2010.

Forgiveness of Debt

The outstanding community disaster loans of $35.8 million and the associated interest were cancelled by FEMA.

Loss on disposal of property

Construction in progress for architectural fees of $2.7 million was disposed because the construction of a building has been postponed.

Pension Trust Fund

2010 Plan Net Assets

The Medical Center's total plan net assets of its pension trust fund at December 31, 2010 was approximately $53.9 million, a 7.4% increase from December 31, 2009. Plan net assets increased by $3.7 million from 2009 primarily due to net appreciation of the market value of plan assets. The increase in market value of the plan's assets was partially offset by benefit payments.

Table 8A
Retirement Plan for Employees of West Jefferson Medical Center
Plan Net Assets

	2010	2009	Increase (Decrease)	Increase (Decrease)
Cash and investments	$ 50,784,218	$ 47,353,596	$ 3,430,622	7.2%
Receivables	3,094,665	2,797,848	296,817	10.6%
Total assets	53,878,883	50,151,444	3,727,439	7.4%
Total liabilities	9,732	7,342	2,390	32.6%
Plan net assets	$ 53,869,151	$ 50,144,102	$ 3,725,049	7.4%

2010 Changes in Plan Net Assets

Table 9A presents as summary of changes in Plan net assets for the year ended December 31, 2010. Contributions to the pension plan increased in 2010 as compared to 2009. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The increase in plan net assets of $3.7 million was primarily due to net appreciation of the market value of plan assets as well as dividends received.

The Plans' investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which increased by approximately $3.7 million in 2010 due to investment income and employer contributions which were partially offset by benefits payments and plan administrative expenses. In 2009, Plan investments increased by approximately $5.2 million.

Table 9A
Retirement Plan for Employees of West Jefferson Medical Center
Change in Plan Net Assets

	2010	2009	Increase (Decrease)	Increase (Decrease)
Additions:				
Contributions	$ 3,050,861	$ 2,741,401	$ 309,460	11.3%
Net income on investments	5,119,516	6,737,413	(1,617,897)	-24.0%
Total additions	8,170,377	9,478,814	(1,308,437)	-13.8%
Deductions:				
Administrative expenses	(88,623)	(103,241)	14,618	-14.2%
Benefits	(4,356,705)	(4,165,396)	(191,309)	4.6%
Total deductions	(4,445,328)	(4,268,637)	(176,691)	4.1%
Change in net assets	3,725,049	5,210,177	(1,485,128)	-28.5%
Plan net assets, beginning of year	50,144,102	44,933,925	5,210,177	11.6%
Plan net assets, end of year	$ 53,869,151	$ 50,144,102	$ 3,725,049	7.4%

ECONOMIC FACTORS

Year ended December 31, 2010

In 2010 the Service District continued implementing its strategic plan, focusing on its core service lines in support of its commitment to deliver quality patient care, increase patient satisfaction and maintain financial stability. A major focus in 2010 and 2011 is the design and implementation of an electronic medical record.

In 2010, Louisiana's unemployment rate remained well below the United States and the South unemployment rates. There is no longer a nursing shortage in the New Orleans area which continues to have a positive impact on operations.

In 2010, the Service District expanded the employed physicians in both the primary care and specialty field. The Service District expects this trend to continue in 2011.

Northrop Grumman has announced that the shipyard it manages in the New Orleans area will wind down operations in 2013. It is unknown how that will affect operations.

The full effect of the BP Deepwater Horizon oil spill is still unknown.

Recent national healthcare legislation has provisions for the implementation of new Accountable Care Organizations or ACO. An ACO would unite the hospital with the physicians and create a network that shares the responsibility of providing and managing all of the healthcare needs of Medicare patients. The goal is to save money by avoiding unnecessary tests and procedures and meeting quality benchmarks. The Service District is laying the groundwork to implement an ACO.

There is a physician shortage in Louisiana for primary care physicians. More than 90% of the state is designated a Health Professional Shortage Area and approximately 25% of the physicians currently practicing are over the age of 60. The Service District is planning on implementing a family practice residency program in the near future. This residency program would be an addition to the current programs which constitute the Medical Center as a major teaching hospital.

FINANCIAL HIGHLIGHTS

Service District - Financial Highlights for the Year Ended December 31, 2009

The following summarizes the Service District's financial highlights for the year ended December 31, 2009:

- Net patient service revenue increased $4.4 million, or 1.9%, in 2009 compared to the prior year.
- Total operating expenses decreased by $2.5 million, or 1.0%, in 2009 compared to 2008.
- Assets increased by $2.7 million, or 0.8%, in 2009 compared to 2008.

- Long-term debt decreased by $4.7 million, or 2.9%, as the Service District called $24.2 million of debt using cash and proceeds from the issuance of $20.3 million of hospital revenue bonds, as well as principal payments of $1.9 million in 2009.

- Assets of the Service District exceeded liabilities by $150.5 million (net assets) in 2009 compared to $147.5 million in 2008.

Included in 2009 operating results is approximately $3.3 million of funding from the State to partially offset some of the Service District's uncompensated care costs. Also included is approximately $5.2 million in funding from a social services block grant (SSBG). Total amounts from state and federal funding reflected in 2009 operating results were approximately $7.6 million.

Pension Trust Fund - Financial Highlights for the Year Ended December 31, 2009

The Plan's net assets increased by approximately $5.2 million in 2009 due primarily to net appreciation of the market value of Plan assets as well as dividends received. In 2008 the Plan's net assets decreased by approximately $12.3 million primarily due to depreciation of the market value of Plan assets resulting from the market downturn experienced in 2008.

The Plan's employer contribution increased by approximately $408,000 in 2009 and increased by approximately $469,000 in 2008. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The Plans' investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which increased by approximately $4.9 million in 2009 due to unrealized gains to the equity and money market mutual funds, dividends, and employer contributions. These increases were partially offset by benefits payments and plan administrative expenses. In 2008, Plan investments decreased by approximately $13.1 million due to unrealized losses to the equity and money market mutual funds resulting from the market downturn in 2008.

FINANCIAL ANALYSIS – ENTERPRISE FUND

2009 and 2008 Balance Sheets – Enterprise Fund

Table 1B represents a summary of the financial changes to the Service District in 2009 as compared to 2008. The Service District's total assets increased by approximately $1.2 million, or 0.3%, from $358.0 million in 2008 to $359.2 million in 2009.

TABLE 1B - 2009 vs. 2008
Condensed Balance Sheets

	December 31		Dollar	Percent
	2009	2008	Change	Change
Total current assets	$ 75,065,557	$ 77,014,833	$ (1,949,276)	-2.5%
Board-designated investments	104,763,529	98,795,911	5,967,618	6.0%
Trustee-held assets	14,588,059	16,326,296	(1,738,237)	-10.6%
Property, plant, and equipment, net	149,790,593	151,135,967	(1,345,374)	-0.9%
Other assets	15,041,960	14,731,042	310,918	2.1%
Total Assets	$ 359,249,698	$ 358,004,049	$ 1,245,649	0.3%
Current liabilities	$ 46,333,337	$ 45,513,855	$ 819,482	1.8%
Long-term debt and other long-term liabilities	162,404,128	164,989,330	(2,585,202)	-1.6%
Total liabilities	208,737,465	210,503,185	(1,765,720)	-0.8%
Net assets	150,512,233	147,500,864	3,011,369	2.0%
Total liabilities and net assets	$ 359,249,698	$ 358,004,049	$ 1,245,649	0.3%

Current Assets

Current assets decreased by approximately $1.9 million. The increase in patient receivables of approximately $3.5 million was offset by a reduction of approximately $2.0 million in other receivables due to the receipt of the uncompensated care receivable and a decrease in cash and investments required for current liabilities of approximately $2.5 million.

Board-designated Cash and Investments

Board-designated cash and investments increased by approximately $6.0 million. The increase, in part, is directly related to the decrease of approximately $1.7 million in trustee-held assets due to the restructuring of debt.

Property, Plant and Equipment

Table 2B presents the components of property, plant and equipment at December 31, 2009 and 2008. In 2009, net property, plant and equipment decreased by approximately $1.3 million, or 0.9%, primarily due to depreciation expense of $17.7 million offset by $14.1 million of new construction costs.

Construction in progress increased approximately $7.6 million, or 121%, primarily due to the purchase of a linear accelerator, technical and property infrastructure upgrades and renovations, as well as software and equipment upgrades.

TABLE 2B
Property, Plant and Equipment

	December 31 2009	December 31 2008	Dollar Change	Percent Change
Land and land improvements	$ 21,378,905	$ 20,665,872	$ 713,033	3.5%
Building and fixed equipment	184,312,845	182,031,013	2,281,832	1.3%
Equipment	195,704,874	190,008,640	5,696,234	3.0%
Subtotal	401,396,624	392,705,525	8,691,099	2.2%
Less accumulated depreciation	(265,424,802)	(247,827,506)	(17,597,296)	7.1%
Construction in progress	13,818,771	6,257,948	7,560,823	120.8%
Property, plant, and equipment, net	$ 149,790,593	$ 151,135,967	$ (1,345,374)	-0.9%

In Table 3B, the Service District's fiscal year 2010 capital budget includes spending of up to $12.3 million for capital projects (excluding those projects approved in prior years). These projects represent primarily equipment purchases and will be financed from fund balance. More information about the Service District's capital assets is presented in the Notes to the Basic Financial Statements.

TABLE 3B
Fiscal Year 2010 Capital Budget

Equipment purchases	$ 8,715,089
Construction / renovations	3,557,089
Prior year approved items	9,702,439
	$ 21,974,617

Long-Term Debt

The Service District had approximately $160.1 million and $164.8 million in debt outstanding which includes the $30.7 million Community Disaster Loan, as of December 31, 2009 and 2008, respectively. In 2009, long-term debt decreased by approximately $4.7 million primarily due to $24.2 million of Hospital Revenue Bonds (Series 2004B) that were called and principal payments of $1.9 million offset by the issuance of the $14.9 million Hospital Revenue Refunding Bonds (Series 2009A-1) and $5.4 million Hospital Revenue Refunding Bonds (Series 2009A-2). More detailed information about the Service District's long-term liabilities is presented in the Notes to Financial Statements. Total long-term debt outstanding represents approximately 45% of the Service District's total assets at December 31, 2009, compared to approximately 46% at December 31, 2008.

Net Assets

Table 4B presents the components of the Service District's net assets at December 31, 2009 and 2008:

TABLE 4B
Components of Net Assets

	December 31		Dollar	Percent
	2009	2008	Change	Change
Invested capital assets, net of related debt	$ 20,440,593	$ 17,076,745	$ 3,363,848	19.7%
Restricted	14,112,190	16,120,427	(2,008,237)	-12.5%
Unrestricted	114,616,534	114,303,692	312,842	0.3%
Total net assets	$ 149,169,317	$ 147,500,864	$ 1,668,453	1.1%

Net assets increased approximately $1.7 million to $149.2 million at December, 31 2009, compared to a decrease of approximately $3.4 million to $147.5 million at December 31, 2008. The 2009 increase was due primarily to operating income recognized in the period of approximately $12.2 million. This income was partially offset by approximately $10.1 million of interest expense and investment loss. Refer to Table 5B for a discussion of 2009 operations.

2009 and 2008 Statements of Revenues and Expenses - Enterprise Fund

Operating Revenue - Net Patient Service Revenue

This discussion refers to the summarized activity presented in the Service District's Condensed Statements of Revenues and Expenses in Table 5B for 2009 and 2008.

Overall, net patient service revenue increased by approximately $4.4 million, or 1.9%, for fiscal year 2009 when compared to an increase of $4.5 million, or 2.0%, in 2008 over 2007.

Inpatient gross revenue increased by approximately 2.4% in 2009 compared to the prior year. While inpatient admissions and patient days decreased compared to 2008 (as discussed below), the Service District again experienced an increase in the volume of neurology and vascular procedures.

Total inpatient admissions decreased by approximately 3.7% to 16,488 in the current year with general acute inpatient admissions decreasing by approximately 4.6% to 14,546. Total patient days decreased by approximately 2.7% to 84,686 with general acute patient days decreasing by approximately 3.2% to 69,285. In addition, total average daily census decreased by approximately 2.9% to 189.8 days compared to 2008.

Outpatient gross revenue increased by approximately 10.6% in 2009 compared to 2008. The areas with the largest increase were the operating room and special procedures.

Total gross emergency room visits increased by approximately 5.7% to 56,857 visits in 2009 compared to 2008, while total net emergency room visits (net of those patients who leave against medical advice or leave without completing the visit) increased by almost 7.6% over the prior year. Clinic visits of 88,457 increased by approximately 12.8% compared to 2008.

TABLE 5B
CONDENSED STATEMENTS OF REVENUES AND EXPENSES
Years Ended December 31

	2009	2008	Dollar Change	Percent Change
Operating revenue	254,111,591	244,402,350	$ 9,709,241	4.0%
Operating expenses	241,953,965	244,497,251	(2,543,286)	-1.0%
Operating income (loss)	12,157,626	(94,901)	12,252,527	-12910.9%
Total investment income	(1,550,228)	7,587,479	(9,137,707)	-120.4%
Interest expense, net	(7,408,587)	(5,083,524)	(2,325,063)	45.7%
Settlement expense	-	(3,563,918)	3,563,918	0.0%
Other	68,913	13,758	55,155	400.9%
Assessments by Jefferson Parish and support to others	(1,599,271)	(2,283,015)	683,744	-29.9%
Change in net assets	1,668,453	(3,424,121)	5,092,574	-148.7%
Net assets, beginning of year	147,500,864	150,924,985	(3,424,121)	-2.3%
Net assets, end of year	$ 149,169,317	$ 147,500,864	$ 1,668,453	1.1%

The Service District derived approximately 92% and 94% in 2009 and 2008 respectively, of its total net operating revenue from patient services. The Service District has historically generated revenue from services provided to patients drawn primarily from communities located on the west bank of the Mississippi River in the Greater New Orleans area. Patient service revenue is generated by providing services to patients who are covered by Medicare, Medicaid, or managed care contracts, as well as by providing services to self-pay and indigent patients. The impact of Hurricane Katrina on the metropolitan area's health care facilities resulted in changes to the Service District's payor mix.

Table 6B below presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2009 and 2008.

Table 6B
PAYOR MIX

	2009	2008
Managed care/commercial	29%	29%
Medicare	26%	26%
Medicare HMO	19%	18%
Medicaid	14%	15%
Self-pay and other	12%	12%
Total patient revenues	100%	100%

Reimbursements to the Service District are made on behalf of patients by the federal and state governments under the Medicare and Medicaid programs, respectively, by commercial insurance carriers and health maintenance organizations, as well as by patients on their own behalf. The difference between the covered charges and the payments under government programs and established contracts is recognized as a contractual allowance. The following table presents the contractual allowances on gross billings by payor and the provision for doubtful accounts.

TABLE 7B
ALLOWANCE SUMMARY

	Years Ended December 31	
	2009	2008
Contractual Allowances		
Managed care and commercial accounts	$ 295,462,344	$ 281,571,396
Medicaid contractual allowances	116,529,236	111,390,254
Medicare contractual allowances	168,411,453	152,819,307
Total contractual allowances	580,403,033	545,780,957
Doubtful accounts	28,490,959	24,336,550
	$ 608,893,992	$ 570,117,507

During 2009, the Service District's doubtful accounts expense increased by approximately $4.2 million in 2009 compared to the prior year due primarily to the reduction in uncompensated care cost reimbursements.

During 2008, with the increase in gross patient service revenue as well as periodic review of its methodology used to estimate the allowance for doubtful accounts, the Service District's doubtful accounts expense increased by approximately $4.9 million in 2008 compared to the prior year.

Other Operating Revenue

Other operating revenue includes income primarily generated by rent receipts from the Service District's professional office buildings and Medical Plaza, as well as income from other miscellaneous services, such as its fitness centers and Alzheimer's day care services.

Other operating revenue increased by approximately $5.7 million, or 38%, in 2009 compared to the prior year. The increase is primarily due to the receipt of approximately $5.2 million in social services block grants (SSBG).

Investment Income

The Service District maintains investments that are shown in its Balance Sheets as both board-designated and restricted trustee-held funds. These funds are invested primarily in money market funds and securities issued by the U.S. Treasury and other federal agencies.

Other Non-Operating Income (Expenses)

Net interest expense increased by $2.3 million, or 46%, compared to the prior year, primarily due to the termination of the interest rate swap agreements.

The Service District had a net investment loss of approximately $1.6 million in 2009 compared to net investment income of $7.6 million in 2008. The loss in 2009 was due to losses throughout the year as well a mark to market adjustment at year end of approximately $2.3 million.

Operating Expenses

Salaries and wages increased $2.9 million, or 3%, compared to 2008. The increase is due in part to the hiring of more employees resulting in a decrease of approximately $2.2 million in contract labor expense.

Professional fees decreased by approximately $804,000, or 4%, compared to the prior year primarily due to decreases in contract labor of approximately $2.2 million which were partially offset by increases in graduate medical education ("GME") expenses of approximately $616,000.

Medical and general supplies expense increased by approximately $1.5 million, or 3% in the current year, due to increases in medical supply expense in the operating room and special procedures inventory. While the overall volume of surgeries decreased in the current year, more complex surgeries were performed in the current year. The Service District again experienced an increase in the volume of neurology and vascular procedures.

Purchased services decreased by $3.9 million, or 11%, in the current year primarily due to the elimination of the air ambulance and the conclusion of the nursing school program. The purchased services in 2008 were directly attributable to Hurricane Gustav.

Other expenses decreased by $2.3 million, or 13%, compared to the prior year. The decrease is primarily due to decreases in professional liability and other insurance expense as well as utilities expenses.

2009 Plan Net Assets

The Medical Center's total plan net assets of its pension trust fund at December 31, 2009 was approximately $50.1 million, a 11.6% increase from December 31, 2008. Plan net assets increased by $5.2 million from 2008 primarily due to net appreciation of the market value of plan assets. The increase in market value of the plan's assets was partially offset by benefit payments.

Pension Trust Fund

2009 Plan Net Assets

The Medical Center's total plan net assets of its pension trust fund at December 31, 2009 was approximately $50.1 million, an 11.6% increase from December 31, 2008. Plan net assets increased by $5.2 million from 2008 primarily due to net appreciation of the market value of plan assets. The increase in market value of the plan's assets was partially offset by benefit payments.

Table 8B
Retirement Plan for Employees of West Jefferson Medical Center
Plan Net Assets

	2009	2008	Increase (Decrease)	Increase (Decrease)
Cash and investments	$ 47,353,596	$ 42,449,333	$ 4,904,263	11.6%
Receivables	2,797,848	2,491,313	306,535	12.3%
Total assets	50,151,444	44,940,646	5,210,798	11.6%
Total liabilities	7,342	6,721	621	9.2%
Plan net assets	$ 50,144,102	$ 44,933,925	$ 5,210,177	11.6%

2009 Changes in Plan Net Assets

Table 9B presents as summary of changes in Plan net assets for the year ended December 31, 2009. Contributions to the pension plan increased in 2009 as compared to 2008. Contribution amounts needed to fund the Plan are determined by an independent actuary.

The increase in plan net assets of $5.2 million was primarily due to net appreciation of the market value of plan assets as well as dividends received.

The Plans' investments consist primarily of fixed income mutual funds, equity mutual funds and money market funds, which increased by approximately $5.2 million in 2009 due to investment income and employer contributions which were partially offset by benefits payments and plan administrative expenses. In 2008, Plan investments decreased by approximately $12.3 million due to unrealized losses to the equity and money market mutual funds resulting from the market downturn, benefit payments and plan administrative expenses. These decreases were partially offset by employer contributions.

Table 9B
Retirement Plan for Employees of West Jefferson Medical Center
Change in Plan Net Assets

	2009	2008	Increase (Decrease)	Increase (Decrease)
Additions:				
Contributions	$ 2,741,401	$ 2,333,775	$ 407,626	17.5%
Net income on investments	6,737,413	(10,623,265)	17,360,678	-163.4%
Total additions	9,478,814	(8,289,490)	17,768,304	-214.3%
Deductions:				
Benefits	(103,241)	(3,860,438)	3,757,197	-97.3%
Administrative expenses	(4,165,396)	(139,198)	(4,026,198)	2892.4%
Total deductions	(4,268,637)	(3,999,636)	(269,001)	6.7%
Change in net assets	5,210,177	(12,289,126)	17,499,303	-142.4%
Plan net assets, beginning of year	44,933,925	57,223,051	(12,289,126)	-21.5%
Plan net assets, end of year	$ 50,144,102	$ 44,933,925	$ 5,210,177	11.6%

ECONOMIC FACTORS

Year ended December 31, 2009

In 2009 the Service District continued implementing its strategic plan, focusing on its core service lines in support of its commitment to deliver quality patient care, increase patient satisfaction and maintain financial stability.

Approximately 14% of the charges billed for patient services are billed to Medicaid. The state of Louisiana has been struggling to balance its budget and can only reduce funding to healthcare and higher education, the only undedicated state funds. With shrinking Medicaid funds available, the state has cut the Medicaid reimbursement to hospitals four times since May 1, 2009, with another cut proposed for the state fiscal year 2011. It is clear that hospitals cannot sustain operations without making changes. The Medicaid per diem rates established by the Louisiana Department of Health and Hospitals are specific to each hospital and have significant disparities between hospitals. The state run facilities as, well as rural hospitals, which are protected by the Rural Hospital Preservation Act, have not experienced these cuts. Another factor contributing to the state Medicaid shortfalls is related to the temporary federal stimulus package ending December 31, 2010, at which time the federal government will decrease the Federal Medical Assistance Percentages (FMAP) rate for Louisiana from 80% to 63%. The Service District continues to work with its legislative delegation and others to obtain funding that may partially offset the impact of reductions in Medicaid reimbursement.

In early 2010, Congress approved sweeping changes to the delivery of healthcare, and on March 23, 2010, the Patient Protection and Affordable Care Act was signed into law by President Obama. Significant decreases in Medicare funding to hospitals will be used to partially fund the new healthcare system. Some of the changes will be implemented quickly while others will not be implemented unit 2014 or later. The affects of the changes are unknown, but the following is expected: increased Medicaid population, decreased Medicare reimbursement, and establishment of a high-risk pool insurance.

Contacting the Service District's Administration

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Service District's finances and demonstrate the Service District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Service District's Administration at (504) 349-1100.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
Current Assets:		
Cash and cash equivalents	$ 5,490,995	$ 12,467,793
Receivables:		
Patient accounts receivable, net	35,447,609	42,220,160
Other receivables	1,261,705	2,838,345
Inventory	4,858,802	4,788,879
Prepaid expenses	12,799,190	6,423,940
Designated cash and investments and that are required for current liabilities	8,227,535	6,326,440
Total current assets	68,085,836	75,065,557
Designated cash and investments:		
By board for specific purposes, at fair value	114,186,932	111,089,969
Trustee-held assets, at fair value	18,182,167	14,588,059
Total designated cash and investments	132,369,099	125,678,028
Less amounts required for current liabilities	(8,227,535)	(6,326,440)
Noncurrent designated cash and investments	124,141,564	119,351,588
Property, plant, and equipment, net	151,253,008	149,790,593
Other assets:		
Unamortized financing costs	7,593,168	8,337,456
Prepaid deferred compensation	468,529	341,007
Other	8,650,643	6,363,497
Total other assets	16,712,340	15,041,960
Total assets	$ 360,192,748	$ 359,249,698

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
BALANCE SHEETS, CONTINUED
DECEMBER 31, 2010 AND 2009

LIABILITIES AND NET ASSETS	2010	2009
Current liabilities:		
Accounts payable	$ 10,679,464	$ 11,003,367
Accrued expenses	23,828,354	23,195,693
Patient deposits and credit balances	3,970,832	3,661,007
Due to government health care programs	2,736,368	2,146,830
Bond interest payable	2,542,535	1,941,440
Current installments of long-term debt	5,685,000	4,385,000
Total current liabilities	49,442,553	46,333,337
Accrued deferred compensation	468,529	341,007
Interest payable, long-term	-	3,243,701
Other liabilities	7,648,853	4,484,836
Long-term debt, net of original issue discount	119,280,000	155,677,500
Total liabilities	176,839,935	210,080,381
Net assets:		
Invested in capital assets, net of related debt	26,288,008	20,440,593
Restricted	18,182,166	14,112,190
Unrestricted	138,882,639	114,616,534
Total net assets	183,352,813	149,169,317
Total liabilities and net assets	$ 360,192,748	$ 359,249,698

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING REVENUES:		
Net patient service revenue	$ 225,607,762	$ 233,895,802
Earnings from joint ventures	795,540	984,321
Other operating revenue	26,694,209	19,231,468
Total operating revenue	253,097,511	254,111,591
OPERATING EXPENSES:		
Salaries and wages	90,874,159	89,888,694
Employee benefits	17,680,183	20,406,622
Professional fees	22,635,735	19,682,870
Medical and general supplies	50,945,501	47,346,832
Purchased services	33,027,885	31,800,742
Other expenses	18,931,438	15,088,566
Depreciation	17,060,411	17,739,639
Total operating expenses	251,155,312	241,953,965
Operating income	1,942,199	12,157,626
INVESTMENT INCOME AND OTHER NONOPERATING INCOME (EXPENSES):		
Investment income (loss)	3,062,461	(1,550,228)
Interest expense	(6,306,062)	(7,408,587)
Donated assets	163,632	68,913
Forgiveness of debt	39,041,451	-
Loss on disposal of property	(2,720,185)	-
Total investment income and other nonoperating income	33,241,297	(8,889,902)
Income before assessments by Jefferson Parish and support to others	35,183,496	3,267,724
Assessments by Jefferson Parish and support to others	(1,000,000)	(1,599,271)
Changes in net assets	34,183,496	1,668,453
Net assets, beginning of year, as restated (Note 13)	149,169,317	147,500,864
Net assets, end of year	$ 183,352,813	$ 149,169,317

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING ACTIVITIES		
Revenue collected	$ 260,025,410	$ 255,009,114
Cash payments to employees and for employee-related costs	(108,916,953)	(110,843,686)
Cash payments for operating expenses	(127,242,191)	(111,238,563)
Net cash provided by operating activities	23,866,266	32,926,865
NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from donations	163,632	769,013
Assessments by Jefferson Parish	(1,000,000)	(1,599,271)
Net cash used in noncapital financing activities	(836,368)	(830,258)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest payments	(5,704,967)	(5,233,980)
Capital expenditures	(20,079,379)	(17,794,310)
Proceeds from issuance of debt	5,085,250	20,275,000
Principal and defeasance payments on borrowings	(4,385,000)	(26,045,000)
Bond financing costs and other required payments (Note 5)	-	(1,269,363)
Net cash used in capital and related financing activities	(25,084,096)	(30,067,653)
INVESTING ACTIVITIES		
Purchases of investments	(14,522,208)	(49,609,512)
Proceeds from sales and maturities of investments	9,709,614	47,848,510
Investment income and other	(110,006)	(2,516,260)
Net cash used in investing activities	(4,922,600)	(4,277,262)
Net decrease in cash and cash equivalents	(6,976,798)	(2,248,308)
Cash and cash equivalents, beginning of year	12,467,793	14,716,101
Cash and cash equivalents, end of year	$ 5,490,995	$ 12,467,793
SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION		
Equity contribution of property to West Jefferson Industrial Medicine, LLC	$ -	$ 700,000

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT No. 1
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

		2009		2008
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$	1,942,199	$	12,471,707
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		17,060,411		17,739,639
Bad debt expense		40,652,118		28,490,959
Amortization		744,288		106,981
Changes in operating assets and liabilities:				
Accounts receivable, net		(33,879,567)		(30,123,154)
Inventory and prepaid expenses		(6,445,173)		(564,258)
Other receivables		(1,644,306)		1,488,023
Accounts payable		358,323		1,534,892
Accrued expenses and other liabilities		3,873,302		1,139,204
Net reconciling items from joint ventures		1,204,671		663,693
Net cash provided by operating activities	$	23,866,266	$	32,926,865

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF PLAN NET ASSETS
PENSION TRUST FUND
DECEMBER 31, 2010 AND 2009

	2010	2009
Assets:		
Receivables:		
Accrued dividends	$ 43,804	$ 56,447
Employer contributions receivable	3,050,861	2,741,401
Total receivables	3,094,665	2,797,848
Investments		
Cash equivalents	593,253	787,477
Equity mutual funds	31,107,648	27,670,159
Fixed income mutual funds	19,083,317	18,895,960
Total investments	50,784,218	47,353,596
Total assets	53,878,883	50,151,444
Liabilities:		
Accrued trust fees	9,732	7,342
	9,732	7,342
Plan net assets available for pension benefits	$ 53,869,151	$ 50,144,102

The accompanying notes are an integral part of these statements.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
STATEMENTS OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Additions:		
Employer contributions	$ 3,050,861	$ 2,741,401
Investment income (loss):		
Realized gain from sale of investments	94,547	-
Dividends	1,191,938	1,029,653
Net appreciation (depreciation)	3,833,031	5,707,760
Total investment income (loss):	5,119,516	6,737,413
Total additions	8,170,377	9,478,814
Deductions:		
Administrative expenses	(88,623)	(103,241)
Benefits	(4,356,705)	(4,165,396)
Total deductions	(4,445,328)	(4,268,637)
Change in plan net assets	3,725,049	5,210,177
Plan net assets at beginning of year	50,144,102	44,933,925
Plan net assets at end of year	$ 53,869,151	$ 50,144,102

The accompanying notes are an integral part of these statements.

1. Organization and Significant Accounting Policies

Organization

The financial statements include the accounts of the following entities:

West Jefferson Medical Center (the Medical Center) is a Louisiana hospital service district, which is a political subdivision of the State of Louisiana. On April 11, 1956, the Jefferson Parish Police Jury, then the governing authority of Jefferson Parish, adopted Ordinance No. 3121 (the "Enacting Ordinance"). The Enacting Ordinance specifically provides that it was adopted pursuant to Charter 10 of Title 46 of the Louisiana Revised Statutes of 1950 which legislatively authorized the governing authority of a parish within the State to, in its discretion, create hospital service districts. Section 2 of the Enacting Ordinance specifically provides that the name of this new hospital service district shall be "Jefferson Parish Hospital District No. 1, Parish of Jefferson, State of Louisiana". Thus, on April 11, 1956, the "Jefferson Parish Hospital District No. 1, Parish of Jefferson, State of Louisiana" (hereafter the "District") was created. The District does business as West Jefferson Medical Center and operates an acute care hospital, physician clinics, medical office buildings, and health and fitness centers. The Medical Center is exempt from federal and state income taxes. The Medical Center has a 50% interest in Associated Hospital Services, a laundry service provider, which is accounted for under the equity method. Until October 31, 2010, when West Jefferson Radiosurgery, LLC was dissolved, the Medical Center had a 27.6% interest in West Jefferson Radiosurgery, LLC and accounted for it using the equity method. All obligation of West Jefferson Radiosurgery, LLC were assumed by West Jefferson Medical Center. Separate financial statements for each of these organizations can be obtained from the Medical Center. The Medical Center reporting entity includes the hospital enterprise fund and a pension trust fund.

West Jefferson Service Corporation (the Service Corporation) is a non-profit corporation which is a component of the Jefferson Parish Hospital District No. 1. The Service Corporation was organized in December 1986 upon the filing with the Louisiana Secretary of State of its Articles of Incorporation. The Service Corporation has a 50% interest in the following entities accounted for under the equity method: West Jefferson MRI, LLC, West Jefferson Surgery Center, LLC, West Jefferson CT Scan, LLC, and West Jefferson Industrial Medicine, LLC. Until October 31, 2010, when West Jefferson Radiosurgery, LLC was dissolved, the Service Corporation had a 64.4% interest in West Jefferson Radiosurgery, LLC and accounted for it using the equity method. All obligation of West Jefferson Radiosurgery, LLC were assumed by West Jefferson Medical Center. Separate financial statements for each of these organizations can be obtained from the Service Corporation. The Service Corporation is exempt from federal and state income taxes.

The Medical Center and the Service Corporation are collectively referred to as the Service District. There are no other organizations or agencies whose financial statements should be combined and presented with these combined basic financial statements.

The Service District is a component unit of Jefferson Parish, Louisiana.

Basis of Accounting

The Service District's basic financial statements consist of the government-wide statements which include the proprietary fund (the enterprise fund) and the fund financial statements which includes the fiduciary fund (the pension trust fund). The operations of the Service District are accounted for in the following fund types:

Proprietary Fund Type

The proprietary fund is used to account for the Service District's ongoing operations and activities which are similar to those often found in the private sector. The proprietary fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. Net assets are segregated into amounts invested in capital assets (net of related debt), restricted for debt service, restricted for capital projects and unrestricted. The Service District's restricted assets are expendable for their purposes. The Service District utilizes available unrestricted assets before utilizing restricted assets. The operating statements present increases (revenues) and decreases (expenses) in net assets. The Service District maintains one proprietary fund type – the enterprise fund. The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance.

Operating revenues include all charges for service; other revenues include non-operating revenues. The enterprise fund is presented in the government-wide financial statements. The Service District uses the accrual basis of accounting for proprietary funds. Under Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting, the Service District has elected not to apply Financial Accounting Standards Service District pronouncements issued after November 30, 1989. As a governmental entity, the Service District also follows certain accounting and disclosure requirements promulgated by the GASB.

Fiduciary Fund Type

The fiduciary fund, the Retirement Plan for Employees of West Jefferson Medical Center (the Plan), is used to account for assets held by the Service District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Service District maintains one fiduciary fund type - the pension trust fund. The pension trust fund uses the flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included in the statement of plan net assets. The pension trust fund is used to account for the activity of the Service District's employee retirement plan. The pension trust fund is presented in the fund financial statements. Additional information on the pension trust fund is presented in note 8.

Operating and Non-operating Revenue

The Service District's primary purpose is to provide diversified health care services to individuals, physicians, and businesses. As such, activities related to the ongoing operations of the Service District are classified as operating revenue. Operating revenue includes amounts generated from direct patient care, related support services, earnings from joint venture investments, gains or losses from disposition of operating properties, and sundry revenue related to the operation of the Service District. Interest income from trustee-held investments is reported as a net component of interest expense. Additionally, rental income, gains and losses that are directly related to the ongoing operations of the Service District, and gifts, grants, and bequests not restricted by donors for specific purposes are reported as a component of other operating revenue. Investment income, realized and unrealized gains (losses) from board-designated investments, as well as donated assets are reported as a component of nonoperating income.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding designated cash and investments by board designation or other arrangements under trust agreements or with third-party payers. Cash and cash equivalents include temporary cash investments whose use is not limited. The temporary cash investments have original maturities of three months or less at date of issuance. Certain temporary investments internally designated as long-term investments are excluded from cash and cash equivalents.

Patient Accounts Receivable

Patient accounts receivables are carried at a net amount determined by the original charge for the services provided, less an estimate made for contractual adjustments or discounts provided to third party payers, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Medical Center does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as estimated third-party pay or receivables or payables. As of December 31, 2010 and 2009, the allowance for doubtful accounts approximated $32.4 million and $25.0 million, respectively. For the year ended December 31, 2010, there was a change in estimate on the clinic AR. Previously the clinics estimated revenue deductions and allowance for doubtful accounts based on the outstanding AR balance; the change was made to estimate revenue deductions and allowance for doubtful accounts based on the aging of the AR. This change ensures that the same method of estimates is used on the AR for the hospital and clinics.

Investments

Investments are carried at fair value and all investment income, including changes in the fair value of investments is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets.

Designated Cash and Investments

Designated cash and investments include cash, cash equivalents, and investments. These assets are designated as such in the accompanying Balance Sheets as they are held by bond trustees under related indenture agreements or designated as such by the board of directors. Amounts classified as current assets represent amounts to be used to meet certain debt service requirements and other obligations classified as current liabilities.

Inventory

Inventory, which consists primarily of drugs and supplies, is stated at the lower of cost or market. The cost for drug inventory and operating room special order supplies is determined using the first-in, first-out method. The cost for supplies is determined using the weighted-average method.

Property, Plant, and Equipment

Property, plant, and equipment is stated at cost or, if donated, at fair value at the date of receipt, if known. Depreciation is computed on the straight-line basis over estimated useful lives as follows:

Land improvements	10 years
Buildings	10-40 years
Fixed equipment	10-25 years
Major movable equipment	5-10 years
Minor equipment	3-5 years

The Service District recognizes the impairment of capital assets when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. The restoration or replacement of an impaired capital asset is reported as a separate transaction from the associated insurance recovery. The impairment loss is reported net of the associated realized or realizable insurance recovery when the recovery and loss occur in the same year. Insurance recoveries reported in subsequent years are reported as non-operating revenue.

For the year ended December 31, 2010, there was $2.7 million in construction in progress for architectural fees for a third patient pavilion that was written off. The project was started prior to Hurricane Katrina, but will not be completed in the foreseeable future.

Unamortized Financing Costs

Deferred financing costs are amortized over the period the obligation is expected to be outstanding using the straight-line method.

Other Assets

Other assets consist primarily of the Service District's ownership interest in a laundry cooperative, which are carried under the equity method. West Jefferson Radiosurgery, LLC which was carried under the equity method for 2008 was dissolved October 31, 2010.

Net Assets

The Service District classifies net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These components are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding debt attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in this component of net assets. Rather, that portion of debt is included in the same component of net assets as the unspent proceeds. At December 31, 2010 and 2009, there was no debt included in invested in capital assets, net of related debt.

Restricted - This component reports those net assets with externally imposed constraints placed on their use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component reports net assets that do not meet the definition of either of the other two components.

Net Patient Service Revenue

Substantially all of the Service District's net patient service revenue is earned under agreements with third-party payors. Under these agreements, the Service District provides medical services to government program beneficiaries and other third-party payers, such as health maintenance organizations, at amounts different from established rates. These payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem rates. Net patient service revenue is reported at the estimated net realizable amounts billed to patients, third-party payors, and others for services rendered. The Service District's provision for bad debts is classified as a reduction to net patient service revenue.

A summary of net patient revenue for the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
Gross patient service revenue	$ 869,926,151	$ 842,789,795
Less discounts, allowance, and estimated contractual adjustments under third-party reimbursement programs	611,882,692	590,403,034
Less provision for bad debts	32,435,697	28,490,959
Net patient revenue	$ 225,607,762	$ 223,895,802

The Service District is unable to predict the future course of federal, state, and local regulation or legislation, including Medicare and Medicaid statutes and regulations. Future changes could have a material adverse effect on the future financial results of the Service District. The percentage of total gross patient service revenue derived from services furnished to Medicare and Medicaid program beneficiaries, combined, was approximately 38% and 40% for 2010 and 2009, respectively.

Retroactive settlements are provided for in some of the governmental health care programs outlined above, based on annual cost reports. Such settlements are estimated and recorded as amounts due to or from these programs in the accompanying financial statements. The differences between these estimates and final determination of amounts to be received or paid are based on audits by fiscal intermediaries and are reported as adjustments to net patient service revenue when such determinations are made. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. No significant differences are anticipated between the estimated settlements recorded and the final settlements expected to be determined by program representatives. These adjustments resulted in increases to net patient service revenue of approximately $951,000 and $975,000, respectively, in 2010 and in 2009. Estimated settlements through December 31, 2009, for the Medicaid and Medicare programs have been reviewed by program representatives, and adjustments have been recorded to reflect any revisions to the estimates.

The effect of any adjustments that may be made to cost reports still subject to review will be reported in the Service District's financial position or results of operations as such determinations are made. For the year ended December 31, 2010, the Medical Center did not require an adjustment for the current year cost report.

Fair Value of Financial Instruments

Financial instruments are described as cash or contractual obligations or rights to pay or to receive cash. The fair value for certain financial instruments approximates the carrying value because of the short-term maturity of these instruments which include cash and cash equivalents, receivables, accounts payable, accrued liabilities, estimated third-party payor settlements, and other current liabilities. The Service District's investments and assets limited as to use are carried at fair value on the combined balance sheets. Based on borrowing rates currently available to the Service District with similar terms and maturities, the fair value of the long-term debt approximated $125.0 and $160.1 million as of December 31, 2010 and 2009, respectively. During 2010, the Medical Center received forgiven of the Community Disaster Loan and the associated accrued interest. The principal outstanding on the Community Disaster Loan at December 31, 2009 was $30.7 million.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. Actual results could differ from those estimates. For the year ended December 31, 2010, there was a change in estimate on the clinic AR. Previously the clinics estimated revenue deductions and allowance for doubtful accounts based on the outstanding AR balance; the change was made to estimate revenue deductions and allowance for doubtful accounts based on the aging of the AR. This change ensures that the same method of estimates is used on the AR for the hospital and clinics.

Pension Trust

Employer contributions are recognized as revenues in the period in which employee services are performed. The assets of the Plan are invested in various fixed income, equity and short-term money market funds managed by a trustee. Investments are carried at fair value as reported by the Trustee. Fair values are determined by quoted market prices, as available. Dividend income is recognized when earned. All administrative expenses of the Plan are paid by the Plan.

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the services employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances (retirement, death, disability, termination or employment) are included, to the extent they are deemed attributable to employee service rendered to the valuation date. Benefits to be provided from annuity contracts excluded from Plan assets are excluded from accumulated plan benefits.

The actuarial present value of accumulated plan benefits is determined by an independent actuary and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of December 31, 2010 and 2009 were (a) life expectancy of participants (1994 Unisex Pension Mortality Tables was used), (b) retirement age assumptions, and (c) investment return. The 2010 and 2009 valuations included assumed average rates of return of 8.0%. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

2. Cash and Investments

At December 31, 2010 and 2009, the Service District's cash consisted of demand deposits with bank balances of $11,848,111 and $16,612,555, respectively. The cash accounts were fully secured by federal depository insurance or collateral held by agents of the Service District in its name.

The composition of designated cash and investments at December 31, 2010 and 2009, is set forth in the following tables.

2010	Cash and Cash Equivalents	Investments	Total
Board-designated	$ 278,416	$ 113,908,516	$ 114,186,932
1998 Bond Issue:			
Improvement Fund	-	19,436	19,436
Reserve Fund	-	4,674,340	4,674,340
Interest Fund	-	3,407,707	3,407,707
Total 1998 Bond Issue	-	8,101,483	8,101,483
2008 Bond Issue:			
Debt Reserve Fund	-	7,149,085	7,149,085
Proceeds Expense Fund	-	37,628	37,628
Interest Fund	-	376,672	376,672
Total 2008 Bond Issue	-	7,563,385	7,563,385
2009 Bond Issue:			
Interest	-	99,425	99,425
Principal	-	1,160,000	1,160,000
Total 2009 A-1 Bond Issue	-	1,259,425	1,259,425
2009 Bond Issue:			
Interest	-	447,874	447,874
Principal	-	810,000	810,000
Total 2009 A-2 Bond Issue	-	1,257,874	1,257,874
Total carrying value (at fair value)	$ 278,416	$ 132,090,683	$ 132,369,099

2009	Cash and Cash Equivalents	Investments	Total
Board-designated	$ 28,913	$ 111,061,057	$ 111,089,970
1998 Bond Issue:			
Improvement Fund	-	205,579	205,579
Reserve Fund	-	3,225,893	3,225,893
Interest Fund	-	2,982,414	2,982,414
Total 1998 Bond Issue	-	6,413,886	6,413,886
2008 Bond Issue:			
Debt Reserve Fund	-	7,033,324	7,033,324
Proceeds Expense Fund	-	37,628	37,628
Total 2008 Bond Issue	-	7,070,952	7,070,952
2009 Bond Issue:			
Interest	-	46,960	46,960
Principal	-	505,000	505,000
Total 2009 A-1 Bond Issue	-	551,960	551,960
2009 Bond Issue:			
Interest	-	196,260	196,260
Principal	-	355,000	355,000
Total 2009 A-2 Bond Issue	-	551,260	551,260
Total carrying value (at fair value)	$ 28,913	$ 125,649,115	$ 125,678,028

Louisiana state statutes authorize the Service District to invest in obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal offices in the state of Louisiana, guaranteed investment contracts issued by highly rated financial institutions and certain investments with qualifying mutual or trust fund institutions. During the years ended December 31, 2010 and 2009, the Service District invested primarily in securities issued by the U.S. Treasury and other federal agencies. On October 25, 2010, the Board of Directors passed a resolution updating the Service District's investment policy. Due to new legislation, the Service District now has the opportunity to increase returns by the utilization of certain municipal securities.

Credit Risk

Obligations of the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The following table presents each applicable rating grouped by investment type as of December 31, 2010:

By Investment Type	Fair Value	Rating
Cash deposits, operating funds	$ 5,490,995	Exempt from Disclosure
Cash deposits, held by Trustee	278,416	Exempt from Disclosure
U.S. Government securities	132,090,683	Exempt from Disclosure
Total cash and investments	$ 137,860,094	

Balance Sheet by Category	Fair Value
Cash deposits, operating funds	$ 5,490,995
Designated Assets:	
Trustee-held assets, under bond indenture	18,182,167
By Board for discretionary purposes	114,186,932
Total designated assets	132,369,099
Total cash and investments	$ 137,860,094

The following table presents each applicable rating grouped by investment type as of December 31 2009:

By Investment Type	Fair Value	Rating
Cash deposits, operating funds	$ 12,467,793	Exempt from Disclosure
Cash deposits, held by Trustee	28,913	Exempt from Disclosure
U.S. Government securities	125,649,115	Exempt from Disclosure
Total cash and investments	$ 138,145,821	

Balance Sheet by Category	Fair Value
Cash deposits, operating funds	$ 12,467,793
Designated Assets:	
Trustee-held assets, under bond indenture	14,588,059
By Board for discretionary purposes	111,089,969
Total designated assets	125,678,028
Total cash and investments	$ 138,145,821

Concentration, Credit Risk, and Custodial Credit Risk

Louisiana state statutes also require that all of the deposits of the Service District be protected by insurance or collateral. The market value of collateral pledged must equal 100% of the deposits not covered by insurance. The bank balances of deposits at December 31, 2010 and 2009 were fully covered by insurance or collateral held by financial institutions in the Service District's name.

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. GASB 40 further defines an at-risk investment to be one that represents more than five percent (5%) of the market value of the total investment portfolio and requires disclosure of such at-risk investments. GASB 40 specifically excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments from the disclosure requirement. At December 31, 2010, the Service District had no investments requiring a Concentration of Credit Risk disclosure.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Service District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Service District will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Interest Rate Risk

Interest Rate Risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk inherent in the portfolio is measured by monitoring the segmented time distribution of the investments in the portfolio. The following table summarizes the Service District's segmented time distribution investment maturities by investment type as of December 31, 2010 and 2009.

By Investment Type	Fair Value	<1 Year	1-5 Years
2010			
Cash deposits, operating funds	$ 5,490,995	$ 5,490,995	$ -
Cash deposits, held by Trustee	278,416	278,416	-
U.S. Government securities	132,090,683	115,130,656	16,960,027
Total cash and investments	$ 137,860,094	$ 120,900,067	$ 16,960,027
2009			
Cash deposits, operating funds	$ 12,467,793	$ 12,467,793	$ -
Cash deposits, held by Trustee	28,913	28,913	-
U.S. Government securities	125,649,115	80,079,052	45,570,063
Total cash and investments	$ 138,145,821	$ 92,575,758	$ 45,570,063

Pension Trust Fund

Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and trust agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system. At December 31, 2010, the Retirement Plan's investments were held by Regions Morgan Keegan Trust. Investments at December 31, 2010 and 2009 consist of the following mutual funds which are stated at fair value.

	2010		2009	
Fixed Income:				
Federated U.S. Government Trust Institutional Fund	$ 11,263,621	*	$ 11,038,014	*
Vanguard Short-term Treasury Fund	7,819,695	*	7,857,946	*
	19,083,316		18,895,960	
Equity:				
Artisan Sm Cap Value Fund 963 Inv	3,081,625	*	2,618,323	
Amer Cap World Growth & Inc FD CL R5	4,901,899	*	4,543,852	*
Vanguard Institutional Index Fund	16,078,146	*	13,975,406	*
Vanguard Mid Cap Index Fund	7,045,975	*	6,532,578	*
	31,107,645		27,670,159	
Cash equivalents:				
Fidelity Institutional Treasury Portfolio	593,255		787,477	
	593,255		787,477	
Total investments	$ 50,784,216		$ 47,353,596	

* represents investments that are 5% or more of the Plan's net assets.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising interest rates, the Retirement Plan's investment policy limits the maximum for any single fixed income security to 10 years. None of the investments of the Retirement Plan have fixed maturity dates.

Credit Risk

State statutes authorize the Retirement Plan to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper rated AAA 1, 2, or 3; repurchase agreements; and the Louisiana Asset Management Pool (LAMP). The Retirement Plan's investment policy limits the Plan's investments to treasury bills, money market funds, commercial paper, U.S. government and agency securities, corporate notes and bonds, common stocks, American Depository Receipts of Non-U.S. companies listed on American exchanges, and stocks of Non- U.S. companies. As of December 31, 2010 and 2009, all investments of the Retirement Plan were rated AAA by Moody's Investor's Service and AAA by Standard & Poor's and Fitch ratings.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Retirement Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the investments of the Retirement Plan are held in the name of the Retirement Plan for the years ended December 31, 2010 and 2009.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Retirement Plan's investment in a single issuer. The Retirement Plan's investment policy states that the securities of any one company or government agency cannot exceed ten (10) percent of the total fund, and no more than twenty (20) percent of the total fund can be invested in any one industry. With the exception of U.S. Government securities, no fixed income issue may exceed fifteen (15) percent of the market value of the fixed income portfolio. The investments are reviewed at least quarterly to determine if the investment allocation needs to be rebalanced. At the end of 2010 the investment allocation was not within the guidelines and the allocation was rebalanced in early January 2011.

3. Property, Plant and Equipment

The following table summarizes the changes in net property, plant, and equipment for the year ended December 31:

2010	Beginning Balance	Additions	Reclassification/ Retirements	Ending Balance
Land and land improvements	$ 21,378,905	$ 2,536,273	$ -	$ 23,915,178
Building and fixed equipment	184,311,880	3,737,414	-	188,049,294
Equipment	195,704,874	10,001,088	(80,536)	205,625,426
Construction in progress	13,818,771	21,936,605	(19,688,554)	16,066,822
	415,214,430	38,211,380	(19,769,090)	433,656,720
Less accumulated depreciation	(265,423,837)	(17,060,411)	80,536	(282,403,712)
Property, plant, and equipment, net	$ 149,790,593	$ 21,150,969	$ (19,688,554)	$ 151,253,008

2009	Beginning Balance	Additions	Reclassification/ Retirements	Ending Balance
Land and land improvements	$ 20,665,872	$ 713,033	$ -	$ 21,378,905
Building and fixed equipment	182,031,013	3,680,967	(1,400,100)	184,311,880
Equipment	190,008,640	5,844,249	(148,015)	195,704,874
Construction in progress	6,257,948	14,099,294	(6,538,471)	13,818,771
	398,963,473	24,337,543	(8,086,586)	415,214,430
Less accumulated depreciation	(247,827,506)	(17,738,200)	141,869	(265,423,837)
Property, plant, and equipment, net	$ 151,135,967	$ 6,599,343	$ (7,944,717)	$ 149,790,593

Construction in progress includes projects such as technical and property infrastructure upgrades as well as software and equipment upgrades.

The Service District leases certain major movable and other non-movable equipment under operating leases, some of which are on a month-to-month basis and others which are on a longer-term basis. Refer to Note 10 for amounts relating to these leases. Rental expense for leased equipment amounted to approximately $1,436,000 in 2010 and $1,360,000 in 2009.

In May 2007, one of the Service District's bond insurers directed, under the terms of the trust indenture, that a springing mortgage be recorded on substantially all of the Service District's property and equipment. The Medical Center is in the process of having the springing mortgage removed as there is no longer any obligation to the bond insurers.

4. **Risk Management**

The Service District participates in the State of Louisiana Patient Compensation Fund (the Fund). The Fund provides malpractice coverage to the Service District for claims in excess of $100,000 and up to $500,000 per claim. According to current state law, medical malpractice liability (exclusive of future medical care awards and litigation expenses) is limited to $500,000 per occurrence. Service District management has no reason to believe that the Service District will be prevented from continuing its participation in the Fund.

The Service District maintains a funded self-insurance program against medical malpractice claims and purchased excess general and auto liability coverage up to $10 million with a $2 million self-retention; this excess liability policy includes professional liability (medical malpractice) as of April 1, 2008. The Service District is involved in litigation arising in the ordinary course of business. Claims alleging malpractice liability have been asserted against the Service District and are currently in various states of litigation. The Service District has accrued approximately $6,335,735 and $3,141,920 at December 31, 2010 and 2009, respectively, for the estimated loss and litigation expenses related to medical malpractice claims for which the Service District is self-insured. The discount rate used to determine the present value of the accrual was 4.0%. Claims have been filed alleging damages in excess of the amount accrued for estimated malpractice costs. It is the opinion of management that estimated malpractice costs accrued are adequate to provide for probable losses resulting from pending or threatened litigation. Additional claims may be asserted against the Service District arising from services provided to patients through December 31, 2010. The Service District is unable to determine the ultimate cost of the resolution of such potential claims; however, an accrual has been made based on estimates for these claims.

The Service District is self-insured for workers' compensation up to $500,000 per claim and is self-insured for employee group health insurance claims. The Service District purchased commercial insurance that provides coverage for workers' compensation claims in excess of the self-insured limits. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors. The following table summarizes the changes in the Service District's aggregate claims liability for medical malpractice, workers' compensation, and health insurance.

Year Ended December 31	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2010	\$10,995,400	\$11,465,937	\$10,701,040	\$11,760,297
2009	\$11,382,348	\$10,400,225	\$10,787,173	\$10,995,400

5. Long-Term Debt

Long-term debt consisted of the following as of December 31:

	2010	2009
Hospital Revenue Bonds (Series 1998A); 4% - 5.25%; due in installments through 2021	\$ 27,110,000	\$ 29,075,000
Hospital Revenue Bonds (Series 1998B); variable interest rate (ranging from 5.25% - 5.50% in 2009 and 1.28% - 5.50% in 2008, due in installments beginning in 2022 through 2028; changed to fixed interest rate of 5.25% in October 2009	25,000,000	25,000,000
Hospital Revenue Refunding Bonds (Series 2008B-1); variable interest rate (ranging from 2.65% - 2.73% in 2010 and 2.65% - 3.73% in 2009), due in installments beginning in 2010 through 2019	18,440,000	20,000,000
Hospital Revenue Refunding Bonds (Series 2008B-2); variable interest rate (ranging from 2.65% - 2.73% in 2010 and 2.65% - 3.73% in 2009) due in installments beginning in 2020 through 2034	35,000,000	35,000,000
Hospital Revenue Refunding Bonds (Series 2009A-1); fixed interest rate of 4.10% due in installments beginning in 2010 through 2014	4,850,000	5,355,000
Hospital Revenue Refunding Bonds (Series 2009A-2); fixed interest rate of 6.15% due in installments beginning in 2010 through 2019	14,565,000	14,920,000
Special Community Disaster Loan; interest accrues at 2.74%; principal and interest forgiven in 2010	-	30,712,500
Total	124,965,000	160,062,500
Less unamortized original issue discount	-	(1,060,778)
Less current maturities	(5,685,000)	(6,645,000)
Long-term debt, less current maturities	\$ 119,280,000	\$ 152,356,722

For the years ended December 31, 2010 and 2009, interest expense, before interest income from trustee-held assets of approximately \$71,355 and \$35,976, respectively, totaled \$6,306,062 and \$7,444,563, respectively.

The changes in long-term debt were as follows:

	2010	2009
Balance, beginning of year	$ 160,062,500	$ 165,832,500
Issuances	5,085,250	20,275,000
Forgiveness of debt	(35,797,750)	-
Defeased / Called	-	(24,175,000)
Payments	(4,385,000)	(1,870,000)
Balance, end of year	$ 124,965,000	$ 160,062,500

The debt service requirements at December 31, 2010, were as follows:

	Principal	Interest	Total
2011	$ 5,685,000	$ 6,169,268	$ 11,854,268
2012	5,950,000	5,881,731	11,831,731
2013	6,175,000	5,572,187	11,747,187
2014	6,465,000	5,259,616	11,724,616
2015	6,770,000	4,921,838	11,691,838
2016-2020	32,215,000	19,297,257	51,512,257
2021-2025	25,780,000	12,193,392	37,973,392
2026-2030	23,720,000	5,335,966	29,055,966
2031-2035	12,205,000	1,201,953	13,406,953
Total long-term debt	$ 124,965,000	$ 65,833,208	$ 190,798,208

Series 1979 Bonds

The Series 1979 bonds were defeased in 1985. A portion of the proceeds from a subsequent bond issuance was deposited with an escrow trustee and invested in obligations secured by the U.S. government. The principal and interest income from these invested funds is used to service the debt of the refunded issue. Neither the escrow fund nor the Series 1979 bonds payable are shown in the accompanying Balance Sheets. The bonds were paid off in 2009.

Series 2004B Bonds

The Series 2004B bonds were called on November 11, 2009 using a combination of the proceeds from the issuance of Series 2009A-1 ($14,920,000) and 2009A-2 ($5,355,000) bonds (discussed below) net of issuance costs, funds on deposit in the 2004B debt service reserve fund, and $138,340 of the Service District's cash. These amounts were irrevocably deposited with an escrow trustee and invested in obligations secured by the U.S. government. The principal and interest income from these invested funds were used to redeem the Series 2004B issue in 2009. As part of this transaction, the Service District paid approximately $375,000 in financing costs. The Service District also recognized a book loss on the transaction of approximately $1,982,000 which has been included in issuance costs and will be amortized over the life of the 2009A bonds.

Series 2008B-1 and 2008B-2 Bonds

As noted above, in November 2008 the Service District issued Variable Rate Hospital Revenue Refunding Bonds Series 2008B-1 ($20,000,000) and Series 2008B-2 ($35,000,000). The Series 2008B-1 bonds are payable in installments beginning in 2010 through 2019 while the Series 2008B-2 bonds are payable in installments beginning in 2020 through 2034. The bonds, subsequent to the defeasance of the 2004A bonds, will be secured by a pledge of revenues on a parity with the Series 1998A and Series 1998B bonds and other outstanding parity obligations.

Series 2009A-1 and 2009A-2 Bonds

As noted above, in October 2009 the Service District issued Fixed Rate Hospital Revenue Refunding Bonds Series 2009A-1 ($5,355,000) and Series 2009A-2 ($14,920,000). The Series 2009A-1 bonds are payable in installments beginning in 2010 through 2014 while the Series 2009A-2 bonds are payable in installments beginning in 2010 through 2019. The bonds, subsequent to the calling of the 2004B bonds, will be secured by a pledge of revenues on a parity with the Series 1998A, Series 1998B, and Series 2008B bonds and other outstanding parity obligations.

Interest Rate Swaps

To take advantage of lower rates of interest, the Service District has entered into interest rate swap agreements, as described below, with two major financial institutions. In 2004 and 2006, the Service District and JPMorgan Chase Bank ("JPMorgan") entered into interest rate swap agreements which incorporate the 2000 International Swap Dealers Association ("ISDA") Master Agreement which includes defined terms and provisions. On July 22, 2009 the swap agreements with JPMorgan were unwound. In November 2008, the Service District and Capital One, N.A. ("Capital One") entered into an interest rate swap agreement which incorporates the 2002 Master Agreement.

Series 1998B Bonds

In November 2004, the Service District entered into a floating-to-fixed interest rate swap agreement on the Series 1998B variable-rate bonds. The swap agreement has a notional amount of $25,000,000. Under the terms of the agreement, which was to mature on January 1, 2012, the Service District pays to JPMorgan on January 1st and July 1st fixed interest at the rate of 3.10% and receives from JPMorgan a variable rate, paid quarterly, calculated as 68% of the one-month London Interbank Offer Rate (LIBOR) plus or minus the variable bond rate based on the Bond Market Association Municipal Swap Index (BMA). The swap agreements on the 1998B bonds are subject to terms that require either party to post additional collateral based on the change in interest rates, the mark-to-market valuation of the swap agreements and/or change in credit rating of either party. This swap agreement was unwound on July 22, 2009. The net effect of the swap transaction in 2009 was an increase in the Service District's Series 1998B interest expense of $1,596,428.

In August 2006, the Service District entered into a basis swap agreement which was to mature on January 1, 2012. The swap agreement has a notional amount of $25,000,000. Under the terms of this agreement, the Service District pays JPMorgan on the 1st of each quarter a variable rate computed as 68% of the one-month LIBOR rate and receives from JPMorgan 61.75% of the five-year LIBOR rate plus or minus the variable bond rate based on the BMA Swap Index. This swap agreement was unwound on July 22, 2009. The net effect of the swap transaction in 2009 was a decrease in the Service District's Series 1998B interest expense of $936,361.

Series 2004B Bonds

In August 2004, the Service District entered into a floating-to-fixed interest rate swap agreement which was to mature on January 1, 2017. The notional amount of the bonds was $39.2 million which continues to decline each year until the maturity date of the bonds. Under the terms of this agreement, the Service District pays semi-annually to JPMorgan a fixed rate of 3.35% and receives from JPMorgan a variable rate, paid monthly, calculated as 68% of the one-month LIBOR plus or minus the variable bond rate based on The Bond Market Association Municipal Swap Index (BMA). This swap agreement was unwound on July 22, 2009. The net effect of the swap transaction in 2009 was an increase in the Service District's Series 2004B interest expense of $1,074,873.

In August 2006, the Service District entered into a basis swap agreement which was to mature on January 1, 2017. The notional amount of the bonds was $33.3 million and declines each year until the maturity date. Under the terms of this agreement, the Service District pays monthly to JPMorgan a variable rate computed as 68% of the one-month LIBOR and receives monthly from JPMorgan a variable rate calculated as 61.72% of the five-year LIBOR rate plus or minus the variable bond rate based on the BMA Swap Index. This swap agreement was unwound on July 22, 2009. The net effect of the swap transaction in 2009 was a decrease in the Service District's Series 2004B interest expense of $669,905.

Series 2008B Bonds

In connection with the issuance in November 2008 of the Series 2008B-1 and Series 2008B-2 bonds noted above, the Service District entered into a floating-to-fixed interest rate swap agreement effective November 26, 2008 which matures on November 20, 2013. The objective of the interest rate swap is to hedge the changes in cash flows of the interest on the Series 2008B-1 and Series 2008B-2 bonds. The notional amount of the interest rate swap equals the outstanding principal balance of the bonds and declines each year as principal payments are made until the maturity date. Under the terms of the agreement, the Service District pays a 2.55% fixed rate of interest on the principal amount of the outstanding bonds. The Service District receives from Capital One variable interest rate payments based on 65% of one-month LIBOR. The net effect of the swap transaction in 2010 was an increase in the Service District's Series 2008B interest expense of $1,110,242. At December 31, 2010 and 2009 no collateral was required by either party. At December 31, 2010 and 2009, the agreement had a negative fair value of $2,172,138 and $1,342,916, respectively. The fair market value of the agreement is included in other liabilities. Changes in the fair value are included in other assets.

Community Disaster Loan

In the aftermath of Hurricane Katrina, the Service District applied for and received a Special Community Disaster Loan (the "Loan") from the federal government. The loan proceeds, in the amount of approximately $31 million, were received by the Service District on February 22, 2006. The terms of the Loan called for interest to accrue at 2.74% annually to be repaid with the principal when the Loan becomes due in 2011. At December 31, 2009, the Service District had accrued interest expense of $3,243,701, respectively on the Loan. Because the loan was forgiven in 2010 there was no outstanding accrued interest at December 31, 2010.

On September 17, 2010 the Service District received an additional $5,085,250 in Special Community Disaster Loan proceeds. The terms of the loan called for interest to accrue at 3.00% annually to be repaid with the principal when the Loan becomes due in 2011. In December 2010, the Service District received a letter from FEMA stating that the application for full cancellation of the loaned funds, as well as any interest accrued had been approved. Because the loan was forgiven in 2010 there was no outstanding accrued interest at December 31, 2010.

6. Community Benefits (Unaudited)

Services provided to the indigent and benefits provided to the broader community by the Medical Center are summarized below for the years ended December 31:

	2010	2009
Benefits for the indigent and uninsured (unpaid costs):		
Traditionally charity care and uninsured	$ 8,412,289	$ 8,209,583
Benefits for the broader community:		
Unpaid costs of Medicare and Medicaid programs	33,444,497	26,692,827
Other community benefits	1,570,028	2,251,056
Total quantifiable benefits for the broader community	$ 43,426,814	$ 37,153,466

Benefits for the indigent include services provided to persons who cannot afford health care because of inadequate resources or who are uninsured. This amount includes the estimated costs of services associated with traditional charity care and other services such as emergency room services.

Benefits for the broader community include the unpaid cost of treating Medicare and Medicaid beneficiaries in excess of the government payments. These benefits also include services provided to other needy populations that may not qualify as indigent but that require special services and support. Examples include the cost of health promotion and education, an assistance program for the elderly, health clinics and screenings, and health care for the Parish correctional center, all of which, in management's opinion, benefit the broader community.

7. Governmental Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes, and regulations by health care providers in recent years. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Service District is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations. However, assessment of our 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.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Service District. Federal health care reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Service District's principal payers. It is not possible at this time to determine the impact on the Service District of government plans to reduce Medicare and Medicaid spending, government implementation of national and state health care reform, or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows, and estimated debt service coverage of the Service District in future years.

8. Employee Benefits

The Retirement Plan for Employees of West Jefferson Medical Center

West Jefferson Medical Center operates under the jurisdiction of the Parish Council of Jefferson Parish, Louisiana (the "Parish") as Jefferson Parish Hospital Service District No. 1. A Louisiana Attorney General opinion empowers hospital service districts to create pension plans for officers and employees and to fund the plan with district funds.

The Retirement Plan for Employees of West Jefferson Medical Center (the "Plan") is a single-employer, non-contributory, defined public employee retirement system (PERS). The Plan covers certain employees of West Jefferson Medical Center (the Employer) who met certain length of service requirements through December 31, 2005 and is funded through employer contributions and investment earnings. The Plan issues a publicly available report that includes financial statements and supplementary information for the Plan. The report may be obtained by contacting the Plan's administration at (504) 349-1100.

Plan Description

The Medical Center contributes to the Retirement Plan for Employees of West Jefferson Medical Center (the Plan). No new entrants were allowed to participate in the plan after December 31, 2005. As a governmental entity, the Plan provides disclosures required by the Governmental Accounting Standards Board (GASB).

The Medical Center's total payroll for all employees and the total covered payroll for the year ended December 31, 2010, amounted to approximately $90,874,000 and $37,334,000, respectively, and $89,888,000 and $40,587,000, respectively, for the year ended December 31, 2009. Covered payroll refers to all compensation paid by the Medical Center to active employees covered by the Plan on which contributions to the Plan are based.

	2010	2009
Active employees	670	739
Retirees and beneficiaries currently receiving benefits	823	798
Terminated vested participants	529	490
Total plan membership	2,022	2,027

Eligibility Requirements

An employee was eligible to participate in the Plan as of the date they have completed one year of service of 1,000 hours or more and attained the age of 21. No new entrants are allowed to participate in the Plan after December 31, 2005.

Benefits Retirement

The Plan provides retirement benefits as well as death and disability benefits. Prior to July 1, 2002, all benefits were fully vested after 10 years of credited service. Effective July 1, 2002, all employees become fully vested after 5 years of credited service. The basic annual retirement benefit at age 65 is a benefit payable for life in an amount equal to the number of years of credited service up to 30 years, multiplied by the sum (1) 1.2 percent of final average monthly compensation (2) 0.65 percent of final average monthly compensation in excess of "covered" compensation," which is defined as the average of the Social Security Taxable Wage Base for the 35-year period ending in the year in which social security normal retirement age is attained. Final average monthly compensation is defined as the monthly compensation of a participant averaged over the 5 consecutive calendar years which produces the highest monthly average within the last 10 calendar years preceding the earlier of retirement or termination of employment. Employees with 10 years of credited service may elect to receive a reduced benefit beginning at age 55.

Deferred and Disability Benefits

A Plan member leaving employment after 10 years of credited service but before attaining retirement age or who ceases active employment because of total and permanent disability after 10 years of credited service but before attaining retirement age is eligible for deferred benefits or may elect to receive reduced benefits beginning on the early retirement date.

Survivor Benefits

The survivor benefit provided under the Plan is a death benefit for a vested participant in the form of survivor annuity. Such annuity payments are generally equal to 50 percent of the amount which would be payable to the participant if he or she had survived and elected to commence receiving a retirement income at the earliest date allowed under the Plan.

Contributions

The employer is required to contribute amounts necessary to provide the benefits under the Plan determined by the application of accepted actuarial methods and assumptions.

Plan Termination

The Medical Center has the right under the Plan to discontinue its contributions at anytime and to terminate the Plan. See further discussion below under "Plan Amendment."

Contributions Required and Contributions Made

The funding policy of the Plan for periodic employer contributions at actuarially determined rates that are sufficient to pay benefits when due. The actuarial funding method used to determine the normal cost and the unfunded actuarial accrued liability, amortized over 30 years, for purposes of determining contribution requirements is the entry age normal cost method. The significant actuarial assumptions underlying the actuarial method used to compute the contribution requirement are the same as those used to compute the pension benefit obligation.

The actuarially determined contribution requirement for 2010, accrued by the Plan, is $3,050,861. The actual contribution paid by the employer during 2010 relating to the 2009 contribution requirement was $2,741,401. The 2010 contribution requirement consists of (a) $719,184 normal cost, (b) $2,105,687 amortization of the unfunded actuarial accrued liability and (c) $225,990 net interest cost.

The actuarially determined contribution requirement for 2009, accrued by the Plan, was $2,741,401. The actual contribution paid by the employer during 2009 relating to the 2008 contribution requirement was $2,333,775. The 2009 contribution requirement consists of (a) $790,555 normal cost, (b) $1,747,779 amortization of the unfunded actuarial accrued liability and (c) $203,067 net interest cost.

Funding Status

The amount shown below as pension benefit obligation, determined as part of an actuarial valuation as of January 1, 2011, represents a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Plan's funding status on a going-concern basis to assess progress made in accumulating sufficient assets to pay benefits.

The following is a summary for the changes in the actuarial present value of accumulated plan benefits for the years ended December 31:

	2010	2009
Annual pension cost and net pension obligation:		
Annual required contribution	$ 3,050,861	$ 2,741,401
Contribution made (related to prior year obligations)	(2,741,401)	(2,333,775)
Increase in net pension obligation	309,460	407,626
Net pension obligation, beginning of year	2,741,401	2,333,775
Net pension obligation, end of year	$ 3,050,861	$ 2,741,401

Significant actuarial assumptions used in the valuation include a rate of return on the investment of present and future assets of 8% per year, compounded annually, and projected salary increases based on merit of 3% per year compounded annually.

The funded ratio of the unfunded actuarial accrued liability to covered payroll is as follows:

	2010	2009
Unfunded actuarial accrued liability (UAAL)	28,330,852	25,601,798
Covered payroll	37,334,047	40,586,511
UAAL as a percent of payroll	75.9%	63.1%

Changes in Accumulated Plan Benefits

The following is a summary of the changes in the actuarial present value of accumulated plan benefits for the years ended December 31:

	2010	2009
Actuarial present value of accumulated plan, benefits at beginning of year	$ 75,141,398	$ 68,309,300
Increase (decrease) attributable to:		
Benefits accumulated, including actuary loss	2,448,468	2,629,620
Assumed interest from beginning of year	5,838,336	5,302,287
Benefits paid	(4,409,213)	(4,141,088)
Change in assumptions	-	3,041,279
Net increase	3,877,591	6,832,098
Actuarial present value of accumulated plan benefits at end of year	$ 79,018,989	$ 75,141,398

Trend Information

Historical trend information as of January 1 is presented below to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2010	$3,050,861	100%	$3,050,861
December 31, 2009	$2,741,401	100%	$2,741,401
December 31, 2008	$2,333,775	100%	$2,333,775

The 2010 and 2009 audited financial statements of the Plan include certain required supplementary information related to net actuarial value of assets and accrued liabilities, funded ratios, and annual covered payroll.

Tax Qualification

The Plan is a tax qualified plan under IRS Code Section 401(a).

Change in Actuarial Assumptions

The actuarial present value of accumulated plan benefits is determined by an independent actuary and represents the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

Beginning with the year 2009, the Plan actuary utilized the 1994 Unisex Pension Mortality Table.

Plan Amendments

In 2005, the Medical Center adopted a change to the Plan that amends the Plan effective January 1, 2006. The change freezes participation after December 31, 2005 (no new participants) and offer active participants as of January 1, 2006 a one-time irrevocable election to either (1) freeze their benefits under the Plan as of December 31, 2005, with no future accruals but with enhanced benefits available under a new 403(b) Defined Contribution Plan (the "new Defined Contribution Plan"), or (2) continue further accruals under the Plan after December 31, 2005, but without the enhanced benefits otherwise available under the new Defined Contribution Plan (see below).

In 2007, the Medical Center adopted an amendment to the new Defined Contribution Plan effective November 1, 2007. The change provides enhanced retirement benefits to eligible participants electing retirement under the Voluntary Retirement Incentive Program (VRIP) by December 17, 2007. Participants age 55 or older with at least 20 years of credited service by December 31, 2007 were granted the most favorable combination of 10 total additional years of age and service (with a forty year service cap) if they retired under the VRIP with an approved retirement date ranging from January 1, 2008 to April 1, 2008. Of a total of 119 eligible employees, 67 participants elected to accept enhanced retirement benefits under the VRIP. The Plan's actuarial accrued liability increased $5,903,534 as a result of these elections under the VRIP.

Other Benefits

The Medical Center provides a supplemental executive retirement plan (SERP) as well as a contributory flexible benefit plan to certain key employees. The Medical Center's contribution to these plans in 2010 was $167,000 and for 2009 was $173,000. Net assets and liabilities associated with the plans were approximately $469,000 and $341,000 at December 31, 2010 and 2009, respectively, and are included in noncurrent assets and noncurrent liabilities in the accompanying combined financial statements.

Defined Contribution 403(b) Plan

All new employees after December 31, 2005 and any employees who elected out of the Plan (see above) are eligible to join the Medical Center's new Defined Contribution 403(b) Plan. Employer contributions to the 403(b) plan totaled $1,786,900 and $1,724,070 for the year ended, December 31, 2010 and 2009, respectively. New employees are immediately eligible to make pre-tax contributions to the plan and receive employer matching contributions. To receive the employer annual non-discretionary contribution based on years of service, employees must complete at least 12 months of service and 1,000 hours by December 31st of the current plan year.

9. Concentrations of Credit Risk

The Service District grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables due from patients and third-party payers was as follows:

	December 31	
	2010	2009
Medicare	20 %	22 %
Medicaid	11 %	10 %
Managed care	49 %	50 %
Other	9 %	9 %
Self-pay	11 %	9 %
	100 %	100 %

10. Operating Leases

The Service District has entered into several long-term operating leases. The future commitments resulting from these leases are as follows:

2011	$ 740,301
2012	548,685
2013	451,296
2014	140,000
2015	140,000
Thereafter	373,333
	$ 2,393,615

11. Related Parties

The Service District paid no amounts to members of its board of directors for compensation or per diem in 2010 and 2009. Board members are provided health insurance benefits under the Medical Center's health insurance plan.

The Service District purchases services from West Jefferson Radiosurgery, a joint venture investment of the Service District. The costs were $871,250 and $891,750 in 2010 and 2009, respectively. The amounts payable to West Jefferson Radiosurgery as of December 31, 2010 and 2009, were $0 and $430,500, respectively. West Jefferson Radiosurgery was dissolved in October 2010. The hospital has assumed the lease and maintenance agreements on the equipment.

In 2010 and 2009, the Service District paid, on behalf of West Jefferson Radiosurgery, LLC, an equipment lease and maintenance contract totaling $958,000 and $1,149,110, respectively. As of December 31, 2010 and 2009 the Service District had accounts receivable of approximately $0 and $1,378,000, respectfully due from West Jefferson Radiosurgery, LLC. As stated above, West Jefferson Radiosurgery, LLC was dissolved in October 2010.

The Service District owns 50% of Associated Hospital Services (AHS), a laundry service. In 2010 and 2009, the Service District purchased services of $960,000 and $1,033,000, respectively, from AHS. As of December 31, 2010 and 2009 the Service District had accounts payable to AHS of approximately $71,000 and $103,000, respectively.

Included in other receivables at December 31, 2010 and 2009 is $185,612 and $222,099 owed from West Jefferson Industrial Medicine, LLC (WJIM), a joint venture investment of the Service District, for a loan made to WJIM during 2009. Accrued expenses at December 31, 2009, include $107,307 for a contribution owed to WJIM which was paid in 2010

12. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 27, 2011, and determined that there were no events that require disclosure.

13. Restatement

Errors were identified in the financial statements of West Jefferson MRI, LLC, West Jefferson CT Scan, LLC and West Jefferson Surgery Center which impacted prior year financial statements of the Service District. These errors resulted in a restatement which decreased investments in joint ventures, earnings from joint venture investments, and unrestricted net assets by $314,081 for the year ended December 31, 2009.

In 2010, the Service District adopted new accounting requirements related to the accounting and financial reporting of derivative instruments, which requires the Service District to record the fair market value of the interest rate swap described in Note 5. The accounting guidance requires retroactive restatement. As a result, at December 31, 2009, other assets and other liabilities increased by $1,324,916. The adoption had no impact on the net assets of the Service District.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
RETIREMENT PLAN FOR EMPLOYEES OF
WEST JEFFERSON MEDICAL CENTER
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
December 31, 2002 thrugh 2010

Year	Annual Required Contribution		Percentage Contributed
2010	$	3,050,861	100%
2009	$	2,741,401	100%
2008	$	2,333,775	100%
2007	$	1,864,390	100%
2006	$	2,123,511	100%
2005	$	2,739,608	100%
2004	$	2,483,379	100%
2003	$	1,980,141	100%
2002	$	1,577,881	100%

SCHEDULE OF FUNDING PROGRESS
December 31, 2002 through 2011

(1) Actuarial Valuation Date		(2) Actuarial Value of Assets (AVA)		(3) Actuarial Accrued Liability (AAL)		(4) Actuarial Accrued (Prefunded) Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)		(6) Annual Covered Payroll	(7) UAAL as a Percent of Payroll (4)/(6)
01/01/11	$	56,995,804	$	85,326,656	$	28,330,852	66.8%	$	37,334,047	75.9%
01/01/10	$	56,706,209 *	$	82,308,007	$	25,601,798	68.9%	$	40,586,511	63.1%
01/01/09	$	55,077,129	$	76,327,335	$	21,250,206	72.2%	$	44,147,514	48.1%
01/01/08	$	57,248,337	$	73,017,274	$	15,768,937	78.4%	$	49,734,574	31.7%
01/01/07	$	54,358,247	$	62,644,610	$	8,286,363	86.8%	$	58,108,577	14.3%
01/01/06	$	45,636,913	$	57,977,462	$	12,340,549	78.7%	$	61,076,105	20.2%
01/01/05	$	43,037,997	$	56,595,243	$	13,557,246	76.0%	$	62,387,862	21.7%
01/01/04	$	40,899,923	$	52,037,852	$	11,137,929	78.6%	$	60,701,967	18.3%
01/01/03	$	39,695,075	$	49,564,631	$	9,869,556	80.1%	$	48,455,441	20.4%
01/01/02	$	39,700,000	$	45,712,387	$	6,012,387	86.8%	$	44,903,940	13.4%

* Effective with the 01/01/2010 actuarial valuation, the actuarial value of assets recognizes the difference between expected and actual total investment return over 5 years.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the preceding required supplementary scheduled was determined as part of the actuarial valuations dates indicated. Additional information as of the latest valuation follows:

Valuation date	January 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	5-Year Smoothing
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	3.00%
Cost of living adjustment	None

See independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING BALANCE SHEET
ENTERPRISE FUND
DECEMBER 31, 2010

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 2,989,080	$ 2,501,915	$ -	$ 5,490,995
Receivables:				
Patient accounts receivable, net	35,447,609	-	-	35,447,609
Other receivables	1,271,628	1,179,177	(1,189,100)	1,261,705
Inventory	4,858,802	-	-	4,858,802
Prepaid expenses	12,769,590	29,600	-	12,799,190
Designated cash and investments that are required for current liabilities	8,227,535	-	-	8,227,535
Total current assets	65,564,244	3,710,692	(1,189,100)	68,085,836
Designated cash and investments:				
Board for discretionary purposes, at fair value	114,186,932	-	-	114,186,932
Trustee-held assets, at fair value	18,182,167	-	-	18,182,167
Total designated cash and investments	132,369,099	-	-	132,369,099
Less amounts required for current liabilities	(8,227,535)	-	-	(8,227,535)
Noncurrent designated cash and investments	124,141,564	-	-	124,141,564
Property, plant, and equipment, net	150,910,158	342,850	-	151,253,008
Other assets:				
Unamortized financing costs	7,593,168	-	-	7,593,168
Prepaid deferred compensation	468,529	-	-	468,529
Other	6,472,538	2,178,105	-	8,650,643
Total other assets	14,534,235	2,178,105	-	16,712,340
Total assets	$ 355,150,201	$ 6,231,647	$ (1,189,100)	$ 360,192,748

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING BALANCE SHEET, CONTINUED
ENTERPRISE FUND
DECEMBER 31, 2010

LIABILITIES AND NET ASSETS	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
Current liabilities:				
Accounts payable	$ 11,600,232	$ 268,332	$ (1,189,100)	$ 10,679,464
Accrued expenses	23,828,354	-	-	23,828,354
Patient deposits and credit balances	3,970,832	-	-	3,970,832
Due to government health care programs	2,736,368	-	-	2,736,368
Bond interest payable	2,542,535	-	-	2,542,535
Current installments of long-term debt	5,685,000	-	-	5,685,000
Total current liabilities	50,363,321	268,332	(1,189,100)	49,442,553
Accrued deferred compensation	468,529	-	-	468,529
Other liabilities	7,648,853	-	-	7,648,853
Long-term debt, net of original issue discount	119,280,000	-	-	119,280,000
Total liabilities	177,760,703	268,332	(1,189,100)	176,839,935
Net assets:				
Invested in capital assets, net of related debt	25,945,158	342,850	-	26,288,008
Restricted	18,182,166	-	-	18,182,166
Unrestricted	133,262,174	5,620,465	-	138,882,639
Total net assets	177,389,498	5,963,315	-	183,352,813
Total liabilities and net assets	$ 355,150,201	$ 6,231,647	$ (1,189,100)	$ 360,192,748

See independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING BALANCE SHEET
ENTERPRISE FUND
DECEMBER 31, 2009

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 9,902,932	$ 2,564,861	$ -	$ 12,467,793
Receivables:				
Patient accounts receivable, net	42,220,160	-	-	42,220,160
Other receivables	965,162	1,993,783	(120,600)	2,838,345
Inventory	4,788,879	-	-	4,788,879
Prepaid expenses	6,377,847	46,093	-	6,423,940
Designated cash and investments that are required for current liabilities	6,326,440	-	-	6,326,440
Total current assets	70,581,420	4,604,737	(120,600)	75,065,557
Designated cash and investments:				
Board for discretionary purposes, at fair value	111,089,969	-	-	111,089,969
Trustee-held assets, at fair value	14,588,059	-	-	14,588,059
Total designated cash and investments	125,678,028	-	-	125,678,028
Less amounts required for current liabilities	(6,326,440)	-	-	(6,326,440)
Noncurrent designated cash and investments	119,351,588	-	-	119,351,588
Property, plant, and equipment, net	149,519,156	271,437	-	149,790,593
Other assets:				
Unamortized financing costs	8,337,456	-	-	8,337,456
Prepaid deferred compensation	341,007	-	-	341,007
Other	4,622,297	1,741,200	-	6,363,497
Total other assets	13,300,760	1,741,200	-	15,041,960
Total assets	$ 352,752,924	$ 6,617,374	$ (120,600)	$ 359,249,698

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING BALANCE SHEET, CONTINUED
ENTERPRISE FUND
DECEMBER 31, 2009

LIABILITIES AND NET ASSETS	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
Current liabilities:				
Accounts payable	$ 10,853,153	$ 270,814	$ (120,600)	$ 11,003,367
Accrued expenses	23,195,693	-	-	23,195,693
Patient deposits and credit balances	3,661,007	-	-	3,661,007
Due to government health care programs	2,146,830	-	-	2,146,830
Bond interest payable	1,941,440	-	-	1,941,440
Current installments of long-term debt	4,385,000	-	-	4,385,000
Total current liabilities	46,183,123	270,814	(120,600)	46,333,337
Accrued deferred compensation	341,007	-	-	341,007
Interest payable, long-term	3,243,701	-	-	3,243,701
Other liabilities	4,484,836	-	-	4,484,836
Long-term debt, net of original issue discount	155,677,500	-	-	155,677,500
Total liabilities	209,930,167	270,814	(120,600)	210,080,381
Net assets:				
Invested in capital assets, net of related debt	20,169,156	271,437	-	20,440,593
Restricted	14,112,190	-	-	14,112,190
Unrestricted	108,541,411	6,075,123	-	114,616,534
Total net assets	142,822,757	6,346,560	-	149,169,317
Total liabilities and net assets	$ 352,752,924	$ 6,617,374	$ (120,600)	$ 359,249,698

See independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2010

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
OPERATING REVENUE				
Net patient service revenue	$ 225,607,762	$ -	$ -	$ 225,607,762
Earnings from joint ventures	-	795,540	-	795,540
Other operating revenue	26,491,323	557,925	(355,039)	26,694,209
Total operating revenue	252,099,085	1,353,465	(355,039)	253,097,511
OPERATING EXPENSES				
Salaries and wages	90,874,159	120,600	(120,600)	90,874,159
Employee benefits	17,680,183	-	-	17,680,183
Professional fees	22,635,735	-	-	22,635,735
Medical and general supplies	50,944,985	516	-	50,945,501
Purchased services	33,027,885	-	-	33,027,885
Other expenses	18,535,765	630,112	(234,439)	18,931,438
Depreciation	17,054,577	5,834	-	17,060,411
Total operating expenses	250,753,289	757,062	(355,039)	251,155,312
Operating income	1,345,796	596,403	-	1,942,199
NON-OPERATING INCOME (EXPENSE)				
Investment income	3,042,109	20,352	-	3,062,461
Interest expense	(6,306,062)	-	-	(6,306,062)
Donated assets (Note 9)	1,163,632	(1,000,000)	-	163,632
Forgiveness of debt	39,041,451	-	-	39,041,451
Loss on disposal of property	(2,720,185)	-	-	(2,720,185)
	34,220,945	(979,648)	-	33,241,297
Changes in net assets before assessment by Jefferson Parish and support to others	35,566,741	(383,245)	-	35,183,496
Assessments by Jefferson Parish and support to others	(1,000,000)	-	-	(1,000,000)
Change in net assets	34,566,741	(383,245)	-	34,183,496
NET ASSETS				
Beginning of year, as restated	142,822,757	6,346,560	-	149,169,317
End of year	$ 177,389,498	$ 5,963,315	$ -	$ 183,352,813

See independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2009

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
OPERATING REVENUE				
Net patient service revenue	$ 233,895,802	$ -	$ -	$ 233,895,802
Earnings from joint ventures	-	984,321	-	984,321
Other operating revenue	19,050,617	527,915	(347,064)	19,231,468
Total operating revenue	252,946,419	1,512,236	(347,064)	254,111,591
OPERATING EXPENSES				
Salaries and wages	89,888,694	120,600	(120,600)	89,888,694
Employee benefits	20,406,622	-	-	20,406,622
Professional fees	19,682,870	-	-	19,682,870
Medical and general supplies	47,346,832	218	-	47,347,050
Purchased services	31,800,742	-	-	31,800,742
Other expenses	14,592,584	722,228	(226,464)	15,088,348
Depreciation	17,738,155	1,484	-	17,739,639
Total operating expenses	241,456,499	844,530	(347,064)	241,953,965
Operating income (loss)	11,489,920	667,706	-	12,157,626
NON-OPERATING INCOME (EXPENSE)				
Investment income (loss)	(1,568,057)	17,829	-	(1,550,228)
Interest expense	(7,408,587)	-	-	(7,408,587)
Donated assets (Note 9)	2,269,013	(2,200,100)	-	68,913
	(6,707,631)	(2,182,271)	-	(8,889,902)
Changes in net assets before assessment by Jefferson Parish and support to others	4,782,289	(1,514,565)	-	3,267,724
Assessments by Jefferson Parish and support to others	(1,599,271)	-	-	(1,599,271)
Change in net assets	3,183,018	(1,514,565)	-	1,668,453
NET ASSETS				
Beginning of year, as restated	139,639,739	7,861,125	-	147,500,864
End of year, as restated	$ 142,822,757	$ 6,346,560	$ -	$ 149,169,317

See independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2010

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
OPERATING ACTIVITIES				
Revenue collected	$ 258,565,170	$ 1,694,679	$ (234,439)	$ 260,025,410
Cash payments to employees and for related costs	(108,916,953)	-		(108,916,953)
Cash payments for operating expenses	(126,739,413)	(737,217)	234,439	(127,242,191)
Net cash provided by operating activities	22,908,804	957,462	-	23,866,266
NON-CAPITAL FINANCING ACTIVITIES				
Proceeds from donations	1,163,632	-	(1,000,000)	163,632
Donation of cash to WJMC	-	(1,000,000)	1,000,000	-
Assessments by Jefferson Parish and support to others	(1,000,000)	-	-	(1,000,000)
Net cash provided by (used in) non-capital financing activities	163,632	(1,000,000)	-	(836,368)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest payments	(5,704,967)	-	-	(5,704,967)
Capital expenditures	(20,002,132)	(77,247)	-	(20,079,379)
Proceeds from issuance of debt	5,085,250	-	-	5,085,250
Principal payments on borrowings	(4,385,000)	-	-	(4,385,000)
Net cash used in capital and related financing activities	(25,006,849)	(77,247)	-	(25,084,096)
INVESTING ACTIVITIES				
Purchases of investment securities	(14,522,208)	-	-	(14,522,208)
Proceeds from sales and maturities of investments	9,709,614	-	-	9,709,614
Proceeds of practice	(166,845)	-	-	(166,845)
Investment income	-	56,839	-	56,839
Net cash provided by (used in) investing activities	(4,979,439)	56,839	-	(4,922,600)
Net decrease in cash and cash equivalents	(6,913,852)	(62,946)	-	(6,976,798)
Cash and cash equivalents, beginning of year	9,902,932	2,564,861	-	12,467,793
Cash and cash equivalents, end of year	$ 2,989,080	$ 2,501,915	$ -	$ 5,490,995

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING STATEMENT OF CASH FLOWS, CONTINUED
ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2010

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$ 1,345,796	$ 596,403	$ -	$ 1,942,199
Depreciation	17,054,577	5,834	-	17,060,411
Amortization of bond financing costs	744,288	-	-	744,288
Bad debt expense	40,652,118	-	-	40,652,118
Changes in operating assets and liabilities:				
Accounts receivable, net	(33,879,567)	-	-	(33,879,567)
Inventory and prepaid expenses	(6,461,666)	16,493	-	(6,445,173)
Other receivables	(306,466)	(1,313,063)	(24,777)	(1,644,306)
Accounts payable	379,099	(20,776)	-	358,323
Accrued expenses and other liabilities	3,866,819	(18,294)	24,777	3,873,302
Net reconciling items from joint ventures	(486,194)	1,690,865	-	1,204,671
Net cash provided by operating activities	$ 22,908,804	$ 957,462	$ -	$ 23,866,266

See independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2009

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
OPERATING ACTIVITIES				
Revenue collected	$ 253,272,303	$ 2,083,875	$ (347,064)	$ 255,009,114
Cash payments to employees and for related costs	(110,843,686)	(120,600)	120,600	(110,843,686)
Cash payments for operating expenses	(110,813,869)	(651,158)	226,464	(111,238,563)
Net cash provided by operating activities	31,614,748	1,312,117	-	32,926,865
NON-CAPITAL FINANCING ACTIVITIES				
Proceeds from donations	2,269,013	-	(1,500,000)	769,013
Donation of cash to WJMC	-	(1,500,000)	1,500,000	-
Assessments by Jefferson Parish and support to others	(1,599,271)	-	-	(1,599,271)
Net cash provided by (used in) non-capital financing activities	669,742	(1,500,000)	-	(830,258)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest payments	(5,233,980)	-	-	(5,233,980)
Capital expenditures	(17,056,964)	(737,346)	-	(17,794,310)
Proceeds from issuance of debt	20,275,000	-	-	20,275,000
Principal and defeasance payments on borrowings	(26,045,000)	-	-	(26,045,000)
Bond financing costs and other required payments (Note 5)	(1,269,363)	-	-	(1,269,363)
Net cash used in capital and related financing activities	(29,330,307)	(737,346)	-	(30,067,653)
INVESTING ACTIVITIES				
Purchases of investment securities	(49,609,512)	-	-	(49,609,512)
Proceeds from sales and maturities of investments	47,848,510	-	-	47,848,510
Investment income (loss) and other	(1,532,081)	(984,179)	-	(2,516,260)
Net cash used in investing activities	(3,293,083)	(984,179)	-	(4,277,262)
Net decrease in cash and cash equivalents	(338,900)	(1,909,408)	-	(2,248,308)
Cash and cash equivalents, beginning of year	10,241,832	4,474,269	-	14,716,101
Cash and cash equivalents, end of year	$ 9,902,932	$ 2,564,861	$ -	$ 12,467,793

(Continued)

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
COMBINING STATEMENT OF CASH FLOWS, CONTINUED
ENTERPRISE FUND
YEARS ENDED DECEMBER 31, 2009

	West Jefferson Medical Center	West Jefferson Service Corporation	Eliminations	Combined
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$ 11,489,920	$ 667,706	$ -	$ 12,157,626
Depreciation	17,738,155	1,484	-	17,739,639
Amortization of non-compete agreement	-	106,981	-	106,981
Bad debt expense	28,490,959	-	-	28,490,959
Income on other investments	(20,821)	-	-	(20,821)
Changes in operating assets and liabilities:				
Accounts receivable, net	(30,123,154)	-	-	(30,123,154)
Inventory and prepaid expenses	(583,868)	19,610	-	(564,258)
Other receivables	1,958,079	(406,135)	(63,921)	1,488,023
Accounts payable	1,526,274	8,618	-	1,534,892
Accrued expenses and other liabilities	1,139,204	(63,921)	63,921	1,139,204
Net reconciling items from joint ventures	-	977,774	-	977,774
Net cash provided by operating activities	$ 31,614,748	$ 1,312,117	$ -	$ 32,926,865

NON-CASH TRANSACTIONS

During 2009, the Service Districted contributed land of $700,000 to West Jefferson Industrial Medicine, LLC.

See independent auditors' report.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

SINGLE AUDIT REPORTS

DECEMBER 31, 2010

P&N Postlethwaite & Netterville

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JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

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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*

The Board of Directors
Jefferson Parish Hospital Service District No. 1

We have audited the financial statements of Jefferson Parish Hospital Service District No. 1 (the Service District), as of and for the year December 31, 2010, and have issued our report thereon dated April 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Service District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Service District's internal control over financial reporting 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 Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Service 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.

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Compliance and Other Matters

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

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

Postlethwaite + Netterville

Metairie, Louisiana
April 27, 2011

P&N

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Board of Directors
Jefferson Parish Hospital Service District No. 1

Compliance

We have audited the compliance of Jefferson Parish Hospital Service District No. 1 (the Service District), with the types of compliance requirements described in the *Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Service District's major federal programs for the year ended December 31, 2010. The Service District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Service District's management. Our responsibility is to express an opinion on the Service District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Service District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Service District's compliance with those requirements.

In our opinion, the Service District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

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Internal Control Over Compliance

Management of the Service District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Service District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Service District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Service District as of and for the year ended December 31, 2010, and have issued our report thereon dated April 27, 2011. Our audit was performed for the purpose of forming our opinion on the Service District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Service District's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Service District's compliance but not to provide an opinion on the effectiveness of the Service District's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service District's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
May 28, 2013

P&N

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Program Title	CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Passed through program from:		
Jefferson Parish, Louisiana		
Community Development Block Grant	14.228	$ 167,139
U.S. Department of Health and Human Services		
Direct programs:		
Health Care and Other Facilities		
Renovation or Construction Projects	93.887	365,640
National Bioterrorism Hospital Preparedness Program		
Hospital Preparedness Program	93.889	37,820
U.S. Department of Homeland Security		
Passed through program from:		
Louisiana Office of Homeland Security and Emergency Preparedness		
Disaster Assistance Grant	97.036	2,850
Louisiana Department of Health and Human Hospitals		
Hazard Mitigation Grant	97.039	67,700
Total Federal Expenditures		$ 641,149

See accompanying notes to the Schedule of Expenditures of Federal Awards.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2010

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of Jefferson Parish Hospital Service District No. 1 (the Service District). The Service District's reporting entity is defined in note 1 to the financial statements for the year ended December 31, 2010. All federal awards received from federal agencies are included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Service District's financial statements for the year ended December 31, 2010.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2010

(1) **Summary of Auditors' Results**

Financial Statements

Type of auditor's report issued:	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted:	no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	none reported
Type of auditor's report issued on compliance for major programs:	unqualified
Any audit findings which are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of major programs:

U.S. Department of Health and Human Services – Health Care and Other Facilities – Renovation or Construction Projects (CFDA 93.887)

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as a low-risk auditee?	no

(2) **Findings Relating to the Basic Financial Statements Reported in Accordance with Government Auditing Standards:**

None

(3) Findings and Questioned Costs Relating to Federal Awards

2010-1 Timely Submission of Single Audit Report to Federal Audit Clearinghouse

Criteria:	Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §.320, requires the Service District to submit its Single Audit Reporting Package to the federal audit clearinghouse no later than nine months after fiscal year end.
Condition:	The 2010 Single Audit Reporting Package was not submitted timely.
Context:	The federal reporting deadline for the Service District's Single Audit Reporting Package was September 30, 2011; however, the Service District did not issue its Single Audit Reporting Package until May 2013.
Cause:	As the Service District did not have sufficient procedures to ensure all federal grant expenditures were properly tracked and reported, the Service District was unaware of all expenditures incurred under federal grants, and as a result, the Service District was unaware that it had met the $500,000 threshold for an audit in accordance with OMB Circular A-133.
Effect:	The Service District did not submit their Single Audit Reporting Package timely and therefore was not in compliance with the requirements included in Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §.320.
Recommendation:	The Service District should improve its financial reporting process and internal controls over the preparation of the Schedule of Federal Awards Expended to ensure it is able to submit its Single Audit Reporting Package to the federal audit clearinghouse no later than nine months after fiscal year end.
Management's Response:	The Service District's administration has taken the appropriate steps to report grants as required by the federal audit clearing house and to prepare the Schedule of Expended Federal Awards for future periods.

JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2010

Finding 2009-1 Ethics Code

Criteria: The Service District should follow the ethics code as provided by La. R. S. 42:1113 which prohibits a governmental entity from entering into a contract or other transaction with a vendor when one of its Board members has a substantial economic interest in the vendor.

Condition: During 2008, 2009, and 2010, the Service District issued a disbursement in the amount of $1,000 in each year to a vendor of which a board member had an economic interest.

Recommendation: The Service District should assess its processes to prevent future violations. The Service District also should determine if any further actions are required under the Louisiana ethics regulations.

Current Status: Resolved. Procedures have been put in place so that the Service District does not enter into contracts or other transactions with a vendor in which a Board member has a substantial economic interest.