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**HOSPITAL SERVICE DISTRICT NO. 2
OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL
HOSPITAL AUTHORITY**

FINANCIAL REPORT

JUNE 30, 2007

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

Release Date 2/6/08

**Hospital Service District No.2 of St. Landry Parish, Louisiana
And Opelousas General Hospital Authority (d/b/a Opelousas General Health System)**

Years ended June 30, 2007 and 2006 with Report of Independent Auditors

MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS

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**HOSPITAL SERVICE DISTRICT #2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In Thousands)

This section of the Hospital's annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal year that ended June 30, 2007. Please read it in conjunction with the financial statements in this report.

Financial Highlights

Opelousas General Health System showed a decrease in earnings in excess of expenses of approximately \$4,967 or 96.1% over the prior year. The decrease was due to the following:

- OGHS completed and had its grand opening of the new facility in January 2006. This added approximately \$1,200 of depreciation expense and \$600 of interest expense to the financial statements for 2007.
- During the year, Opelousas General Health System's total operating revenues increased by \$2,315 or 2.8% in 2007 and \$7,265 or 7.7% in 2006. Expenses increased by approximately \$7,145 or 9.2% in 2007 and \$7,809 or 11.2% in 2006. The Hospital experienced a loss from operations of \$83 in 2007 and income from operations of approximately \$4,747 in 2006.
- During the fiscal year, OGHS made capital investments for a total of approximately \$3,610 in 2007 and \$23,761 in 2006. The following is a list of significant items:

	2007	2006
C-Arm	\$ 177	\$ -
Ultraound equipment	146	-
Urological equipment	243	-
Mammogram upgrade	100	-
DA Tank	121	-
Voice recognition	105	-
Boiler	173	-
Cysto Room 1 & 2	567	-
8 Beds - Sleep Center	284	-
Encoder Upgrade	118	-
Building Renovations/Expansion	-	15,886
Nurse Call System - East Medical Tower	-	107
C-Arm	-	144
Security System - East Medical Tower	-	117
Visum 450 Surgical Light	-	124
Networked Patient Monitoring System	-	150
Networked Patient Monitoring System	-	192
Cath Laboratory Equipment	-	3,202
Labor & Delivery - Interior Finishing	-	226
Networked Patient Monitoring System	-	229
Omnicell Safety Med Software	-	236
Sequoia Ultrasound System	-	245
Computed Radiograph	-	395
Cancer Treatment Center Addition - Interior Finishes	-	428
Total	\$ 2,034	\$ 21,681

The source of the funding for these projects was derived from operations.

**HOSPITAL SERVICE DISTRICT #2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)

Required Financial Statements

The basic financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The balance sheets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital. All of the current year's revenues and expenses are accounted for in the statements of revenue, expenses, and changes in net assets. This statement measures improvements in the Hospital's operations over the past years and can be used to determine whether the Hospital 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 Hospital's cash from operations, investing, and financing activities, and to 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.

Financial Analysis of the Hospital

The balance sheets and the statements of revenue, expenses, and changes in net assets report information about the Hospital's activities. These two statements report the net assets of the Hospital and changes in them. Increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial 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.

**HOSPITAL SERVICE DISTRICT #2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)

Net Assets

A summary of Opelousas General Health System's balance sheets is presented in Table 1 below:

TABLE 1
Condensed Balance Sheets
(In Thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2006 to 2007</u> Dollar Change	<u>2005 to 2006</u> Dollar Change
ASSETS					
Total Currents Assets	\$ 28,585	\$ 29,094	\$ 28,309	\$ (509)	\$ 785
Property, Plant & Equipment (less accumulated depreciation)	66,073	69,636	51,826	(3,563)	17,810
Other Assets – including board designated funds	<u>18,750</u>	<u>19,852</u>	<u>32,921</u>	<u>(1,102)</u>	<u>(13,069)</u>
 Total Assets	 <u>\$113,408</u>	 <u>\$118,582</u>	 <u>\$113,056</u>	 <u>\$ (5,174)</u>	 <u>\$ 5,526</u>
LIABILITIES					
Current Liabilities	\$ 9,062	\$ 12,967	\$ 10,912	\$ (3,905)	\$ 2,055
Long-term debt outstanding	<u>26,145</u>	<u>27,723</u>	<u>29,420</u>	<u>(1,578)</u>	<u>(1,697)</u>
 Total Liabilities	 <u>\$ 35,207</u>	 <u>\$ 40,690</u>	 <u>\$ 40,332</u>	 <u>\$ (5,483)</u>	 <u>\$ 358</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 40,273	\$ 41,966	\$ 29,999	\$ (1,693)	\$ 11,967
Restricted Assets	3,911	3,844	4,040	67	(196)
Unrestricted Assets	<u>34,017</u>	<u>32,082</u>	<u>38,685</u>	<u>1,935</u>	<u>(6,603)</u>
 Total Net Assets	 <u>\$ 78,201</u>	 <u>\$ 77,892</u>	 <u>\$ 72,724</u>	 <u>\$ 309</u>	 <u>\$ 5,168</u>
 Total Liabilities & Net assets	 <u>\$113,408</u>	 <u>\$118,582</u>	 <u>\$113,056</u>	 <u>\$ (5,174)</u>	 <u>\$ 5,526</u>

As shown in Table 1, total assets decreased by \$5,174 to \$113,408 in fiscal year 2007, down from \$118,582 in fiscal year 2006.

**HOSPITAL SERVICE DISTRICT #2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)

Summary of Revenue, Expenses, and Changes in Net Assets

A summary of Opelousas General Health System's historical revenues and expenses for the fiscal years ended June 30, 2007 2006 and 2005 is presented in Table 2 below:

TABLE 2
Condensed Statements of Revenue, Expenses, and
Changes in Net Assets
(In Thousands)

	2007	2006	2005	From 2006 to 2007		From 2005 to 2006	
				Dollar Change	Percent Change	Dollar Change	Percent Change
Revenue:							
Net Patient Service Revenue	\$82,033	\$80,032	\$72,925	\$ 2,001	2.5%	\$ 7,107	9.7%
Other Operating Revenue	<u>2,273</u>	<u>1,959</u>	<u>1,801</u>	<u>314</u>	16.0%	<u>158</u>	8.8%
Total Operating Revenue	<u>\$84,306</u>	<u>\$81,991</u>	<u>\$74,726</u>	<u>\$ 2,315</u>	2.8%	<u>\$ 7,265</u>	9.7%
Expenses:							
Routine Services	\$14,772	\$12,960	\$11,725	\$ 1,812	14.0%	\$ 1,235	10.5%
Ancillary Services	43,467	39,681	35,414	3,786	9.5%	4,267	12.0%
General Services	7,704	7,087	5,938	617	8.7%	1,149	19.3%
Fiscal & Administrative Services	11,404	11,628	11,186	(224)	-1.9%	442	4.0%
Depreciation	<u>7,042</u>	<u>5,888</u>	<u>5,172</u>	<u>1,154</u>	19.6%	<u>716</u>	13.8%
Total Operating Expenses	<u>\$84,389</u>	<u>\$77,244</u>	<u>\$69,435</u>	<u>\$ 7,145</u>	9.2%	<u>\$ 7,809</u>	11.2%
Operating Income (loss)	\$ (83)	\$ 4,747	\$ 5,291	\$ (4,830)	-101.7%	\$ (544)	-10.3%
Non-operating Income (Loss):	<u>\$ 392</u>	<u>\$ 421</u>	<u>\$ 785</u>	<u>\$ (29)</u>	-6.9%	<u>\$ (364)</u>	-46.4%
Increase (decrease) in Net Assets	\$ 309	\$ 5,168	\$ 6,076	\$ (4,859)	-94.0%	\$ (908)	-14.9%
Net Assets, Beginning of Year	<u>77,892</u>	<u>72,724</u>	<u>66,648</u>	<u>5,168</u>	7.1%	<u>6,076</u>	9.1%
Net Assets, End of Year	<u>\$78,201</u>	<u>\$77,892</u>	<u>\$72,724</u>	<u>\$ 309</u>	0.4%	<u>\$ 5,168</u>	7.1%

**HOSPITAL SERVICE DISTRICT #2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)

SOURCES OF REVENUE

Operating Revenue

The Hospital derived the majority of its revenues from in and out patient services, which translated to approximately 97% in 2007, and 98% in 2006 and 2005, of its total revenue. Patient service revenues include monies from the Medicare, Medicaid and Champus programs and/or revenues from commercial third-party payors. Reimbursement for Medicare and Medicaid programs and commercial third-party payors is based upon established contracts. The difference between the covered charges or gross revenue and reimbursement or net revenue is referred to as contractual allowance. Other revenue includes cafeteria sales, gift shop sales, rental income and other miscellaneous services.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30, 2007, 2006 and 2005.

TABLE 3
Payor Mix by Percentage

	<u>Year Ended June 30,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Medicare	48.88%	48.15%	50.26%
Medicaid	18.83	19.02	17.96
Medicare HMO	1.31	0.78	0.36
Commercial/PPO	24.69	24.96	25.52
Workers Comp	1.32	1.14	1.15
Self Pay	3.01	4.05	3.04
Other	1.96	1.90	1.71
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

**HOSPITAL SERVICE DISTRICT #2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)

Other Revenue

Other revenue includes cafeteria sales, rental income, and other miscellaneous services.

TABLE 4
Other Revenue
(In Thousands)

	Year Ended June 30,		
	2007	2006	2005
Other Revenue:			
Cafeteria	\$ 651	\$ 588	\$ 586
Gift Shop	231	166	119
Rental Income	954	825	721
Nutritional Counseling	98	88	88
Outside Housekeeping & Laundry Services	192	153	139
Miscellaneous	147	139	148
	<u>\$ 2,273</u>	<u>\$ 1,959</u>	<u>\$ 1,801</u>

Investment Revenue

Opelousas General Health System holds designated and restricted funds in its balance sheets that are invested primarily in money market funds and securities issued by the U.S. Treasury and other federal agencies. These investments earned \$1,251 in 2007, \$1,173 in 2006 and \$741 in 2005.

Operating and Financial Performance

The following summarizes Opelousas General Health System's statements of revenue, expenses.

Overall activity at the Hospital, as measured by patient discharges, slightly decreased to 8,255 from 2006. The 2006 discharges improved 4.5% to 8,264 from 7,911 discharges in 2005. There was also a slight decrease in patient days from 2006. The total patient days in 2007, was \$35,364 as compared to 35,405 in 2006. Patient days increased 2.4% over 2005 from 35,405 in 2005 to 36,272 in 2006. The average length of stay for acute care patients (excluding newborns and rehabilitation) was 4.0 for fiscal years 2007, 2006, and 2005 respectively. OGHS is maintaining its patient days and discharges while maintaining ALOS, which is a tribute to case management and discharge planning.

Note: Discharges and Patients days include Acute and Rehabilitation days

**HOSPITAL SERVICE DISTRICT #2 OF ST. LANDRY PARISH, LOUISIANA AND
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)

TABLE 5
Patient and Hospital Statistical Data

	Year Ended June 30,		
	<u>2007</u>	<u>2006</u>	<u>2006</u>
Discharges:			
Acute Care	8,013	7,977	7,579
Rehabilitation	242	287	332
Newborn	1,048	995	819
Patient Days:			
Acute Care	32,212	32,251	30,609
Rehabilitation	3,152	4,021	4,796
Newborn	2,077	1,996	1,728
Operating Room I/P Visits	3,215	2,940	2,615
Outpatient Surgeries	4,615	3,674	3,899
Emergency Room Visits	27,408	24,205	21,980
Outpatient Registrations (Including ER)	87,276	81,152	81,135
Deliveries	1,039	986	911
Procedures:			
Lab	470,520	413,840	384,362
Radiology	53,179	45,427	42,968
CT Scan	12,584	11,401	10,627
Nuclear Medicine	1,641	1,642	1,406
MRI	3,113	3,379	3,829
Radiation Therapy	3,842	3,684	3,828
Heart Cath Unit Cases	1,373	1,365	1,582
Hyperbaric Oxygen	2,646	2,617	2,389
Physical Therapy	52,343	28,983	32,447
Average Daily Census:			
Acute Care	85.6	88.2	83.9
Rehabilitation	6.9	11.1	13.1
Newborn	6.3	5.5	4.7
Average Length of Stay (excluding newborns):			
Acute Care	4.0	4.0	4.0
Rehabilitation	13.0	14.0	14.3

**HOSPITAL SERVICE DISTRICT #2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)**

Total net patient service revenue increased \$2,001 or 2.5% from 2006 to 2007 as compared to an increase of \$7,107 or 9.7% from 2005 to 2006.

Both net and gross patient revenues show increases over the prior year. These increases are primarily due on one hand to higher reimbursement and on the other hand due to higher volumes (Table 5 – patient and hospital statistical data). Gross patient revenue increased by \$20,413 or 9.2% as compared to 2006. In 2006, gross patient revenue increased from 2005 by \$28,462 or 14.9%.

Allowances increased over prior year as described in Table 6 below:

**TABLE 6
Allowance Summary
(In Thousands)**

	Years Ended June 30,		
	2007	2006	2005
Allowances:			
Administrative allowances	\$ 5	\$ 20	\$ 10
Blue Cross discounts	14,908	11,512	9,664
Charity allowances	691	729	679
Contractual Adjustments - Medicare and Medicaid	107,977	98,387	83,512
Managed care allowances	21,696	20,886	16,428
Provision for uncollectible accounts	13,126	8,457	8,343
Total contractual allowances, discounts, and uncollectible accounts	<u>\$ 158,403</u>	<u>\$ 139,991</u>	<u>\$ 118,636</u>

The business office continues to streamline collection efforts and collected approximately \$4,613 in cash over prior year, which translated in keeping days in accounts receivable consistent with prior year.

Salary expenses increased by \$3,507 or 11.6% from 2006 to 2007 and \$2,899 or 10.6% from 2005 to 2006. Total salaries were \$33,810 in 2007, \$30,303 in 2006 and \$27,404 in 2005. As a percentage of net patient service revenue, salary expense was approximately 41.27% in 2007, 37.9% in 2006 and 37.6% in 2005.

**HOSPITAL SERVICE DISTRICT #2 OF ST. LANDRY PARISH, LOUISIANA AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY (D/B/A OPELOUSAS GENERAL HEALTH SYSTEM)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)

Employee benefit expense increased in 2007 by \$710 or 11.9% from 2006 and increased \$816 or 15.8% from 2005 to 2006. Employee benefit expense represented 19.8%, 19.8% and 18.9% of salary expenses in 2007, 2006 and 2005, respectively. This increase is primarily due to continued increase in workman compensation claims, pension plan and health & dental claims.

Provision for bad debts increased in 2007 by \$4,669 or 55.2% from 2006 and increased \$114 or 1.4% from 2005 to 2006. Many indigent patients were from New Orleans and found themselves in St. Landry Parish, living with family members. Although, OGHS was fortunate enough to qualify many of these patients in the into the Medicaid program, there were still many accounts left unpaid. These accounts continued to age, thus increasing bad debt expense. Additional monies from the State of Louisiana helped in paying for some of the Hospital's shortfalls.

Depreciation expense increased by \$1,154 or 9.2% from 2006 to 2007 and \$716 or 13.8% from 2005 to 2006. The increase is primarily due to increases in new building and equipment from the expansion and renovations.

Interest expense increased by \$600 or 73.8% from 2006 to 2007 and \$375 or 85.8% from 2005 to 2006. The interest on the 2003 Bond Issue was being capitalized during the construction period and finally hit the income statement starting in January 2006. Net Capitalized Interest was \$602 for the period July 2005 to January 2006 at the end of construction.

Total operating expenses increased by \$1,145 or 5.3% from 2006 to 2007 and \$7,809 or 11.2% from 2005 to 2006, for the reasons discussed above.

Investment income consists of interest earnings on funds designated by the board of commissioners and funds held by trustee under bond resolution. Investment income increased from the prior year due to the fact that there was higher investment yields in the current year than in the previous year.

**HOSPITAL SERVICE DISTRICT #2 OF ST. LANDRY PARISH, LOUISIANA AND
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)**

Capital Assets

During fiscal year 2007, OGHS invested \$1,464 in a broad range of capital assets as compared to \$23,761 in 2006. This information is included in Table 7 below.

**TABLE 7
Capital Assets
(In Thousands)**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2006 - 2007 Dollar Change</u>	<u>2005 - 2006 Dollar Change</u>
<i>Non-depreciable capital assets</i>					
Land	\$ 3,816	\$ 3,882	\$ 3,882	\$ (66)	\$ -
Construction in progress	239	128	19,094	111	(18,966)
Total non-depreciable capital assets	<u>\$ 4,055</u>	<u>\$ 4,010</u>	<u>\$ 22,976</u>	<u>\$ 45</u>	<u>\$ (18,966)</u>
<i>Depreciable assets</i>					
Land Improvements	\$ 1,497	\$ 1,497	\$ 1,497	\$ -	\$ -
Automobiles	123	123	113	-	10
Buildings	77,511	76,664	43,256	847	33,408
Equipment	55,445	53,833	44,874	1,612	8,959
Total depreciable capital assets	\$134,576	\$132,117	\$ 89,740	\$ 2,459	\$ 42,377
Less accumulated depreciation	<u>(72,558)</u>	<u>(66,491)</u>	<u>(60,890)</u>	<u>(6,067)</u>	<u>(5,601)</u>
Total depreciable capital assets	<u>\$ 62,018</u>	<u>\$ 65,626</u>	<u>\$ 28,850</u>	<u>\$ (3,608)</u>	<u>\$ 36,776</u>

Net property, plant, and equipment increased over the prior year, which is primarily due to the enhancement of existing facilities and equipment. OGHS added new facilities and renovated and improved existing services to accommodate continued growth in inpatient and outpatient services.

**HOSPITAL SERVICE DISTRICT #2 OF ST. LANDRY PARISH, LOUISIANA AND
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(In Thousands)

Long-Term Debt

At year-end for 2007, the OGHS had \$23,897 in short-term and long-term debt outstanding in revenue bonds as compared to \$25,273 in 2006 and \$26,660 in 2005. The debt amount is shown net, in the balance sheet, of the unamortized bond discount of \$244 in 2007, \$262 in 2006 and \$280 in 2005. Capital leases at the end of 2007 totaled \$1,906, \$2,397 in 2006 and \$3,004 in 2005 which were included in current and long-term liabilities. More detailed information about the Hospital's long-term liabilities is presented in the notes to basic financial statements. Total debt outstanding, excluding other long-term liabilities, represented approximately 19.4% in 2007, 23.3% in 2006 and 26.2% in 2005, of OGHS' total assets.

Contacting the Hospital's Financial Manager

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

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To the Board of Commissioners
Hospital Service District No. 2
and Board of Trustees
Opelousas General Hospital Authority
St. Landry Parish, Louisiana

We have audited the accompanying basic financial statements of Hospital Service District No. 2 of St. Landry Parish, Louisiana (the "District"), a component unit of the St. Landry Parish Government and Opelousas General Hospital Authority (the "Hospital"), a public instrumentality of the State of Louisiana and a component unit of Hospital Service District No. 2 of St. Landry Parish, Louisiana, as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These basic financial statements are the responsibility of the District's and Hospital's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority at June 30, 2007 and 2006, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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To the Board of Commissioners
Hospital Service District No. 2
and Board of Trustees
Opelousas General Hospital Authority
St. Landry Parish, Louisiana

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

Our audit was conducted for the purposes of forming opinions on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2007, on our consideration of the District's and Hospital's internal control over financial reporting on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Broussard, Poché, Lewis & Breaux, L.L.P.

Opelousas, Louisiana
December 11, 2007

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

BALANCE SHEETS
June 30, 2007 and 2006
(In Thousands)

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,842	\$ 3,082
Short-term investments	5,051	6,986
Patient accounts receivable, net of estimated uncollectibles of of \$17,213 (2007) and \$12,783 (2006)	12,846	12,471
Inventories	2,053	1,862
Prepaid expenses	1,132	1,209
Other receivables	<u>3,661</u>	<u>3,484</u>
 Total current assets	 <u>\$ 28,585</u>	 <u>\$ 29,094</u>
OTHER ASSETS		
Held by trustee for debt service:		
Cash and cash equivalents	\$ 981	\$ 952
Investments	2,896	2,869
Accrued interest receivable	34	23
Internally designated for capital acquisition:		
Cash and cash equivalents	1,891	1,942
Investments	7,436	8,425
Accrued interest receivable	76	77
Other long-term investments	4,081	4,448
Unamortized expense	356	380
Joint venture investments	<u>999</u>	<u>736</u>
 Total other assets	 <u>\$ 18,750</u>	 <u>\$ 19,852</u>
CAPITAL ASSETS		
Non-depreciable capital assets	\$ 4,055	\$ 4,010
Depreciable capital assets, net of accumulated depreciation	<u>62,018</u>	<u>65,626</u>
 Total capital assets, net of accumulated depreciation	 <u>\$ 66,073</u>	 <u>\$ 69,636</u>
 Total assets	 <u>\$ 113,408</u>	 <u>\$ 118,582</u>

See Notes to Financial Statements

	<u>2007</u>	<u>2006</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,642	\$ 6,507
Current maturities of long-term debt	1,187	1,377
Current maturities of capital leases	689	626
Employee compensation payable	1,201	1,065
Other accrued expenses	1,629	2,019
Estimated third party payor settlements	<u>714</u>	<u>1,373</u>
 Total current liabilities	 \$ <u>9,062</u>	 \$ <u>12,967</u>
 LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	\$ 22,710	\$ 23,896
Long-term capital lease, net of current maturities	1,217	1,771
Other long-term liabilities	<u>2,218</u>	<u>2,056</u>
 Total long-term liabilities	 \$ <u>26,145</u>	 \$ <u>27,723</u>
 Total liabilities	 \$ <u>35,207</u>	 \$ <u>40,690</u>
 NET ASSETS		
Invested in capital assets, net of related debt	\$ 40,273	\$ 41,966
Restricted:		
For debt service	3,911	3,844
Unrestricted	<u>34,017</u>	<u>32,082</u>
 Total net assets	 \$ <u>78,201</u>	 \$ <u>77,892</u>
 Total liabilities and net assets	 \$ <u>113,408</u>	 \$ <u>118,582</u>

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HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years ended June 30, 2007 and 2006
(In Thousands)

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Net patient service revenues (net of provision for bad debts of \$13,126 in 2007 and \$8,457 for 2006)	\$ 82,033	\$ 80,032
Other operating revenues	<u>2,273</u>	<u>1,959</u>
Total operating revenues	<u>\$ 84,306</u>	<u>\$ 81,991</u>
Operating expenses:		
Routine services	\$ 14,772	\$ 12,960
Ancillary services	43,467	39,681
General services	7,704	7,087
Fiscal and administrative services	11,404	11,628
Depreciation	<u>7,042</u>	<u>5,888</u>
Total operating expenses	<u>\$ 84,389</u>	<u>\$ 77,244</u>
Operating income (loss)	<u>\$ (83)</u>	<u>\$ 4,747</u>
Non-operating revenues (expenses):		
Gain (loss) on disposal of capital assets	\$ 58	\$ (56)
Unrealized gain (loss) on investments	126	(108)
Non-capital grants and donations	(13)	2
Investment income	1,251	1,173
Interest expense	(1,413)	(813)
Other	2	14
Net income from joint ventures	<u>381</u>	<u>209</u>
Total non-operating revenue	<u>\$ 392</u>	<u>\$ 421</u>
Increase in net assets	\$ 309	\$ 5,168
Net assets beginning	<u>77,892</u>	<u>72,724</u>
Net assets ending	<u>\$ 78,201</u>	<u>\$ 77,892</u>

See Notes to Financial Statements

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2007 and 2006
(In Thousands)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of patients	\$ 83,080	\$ 78,467
Payments to suppliers and contractors	(40,208)	(33,249)
Payments to employees	(40,209)	(35,817)
Net cash provided by operating activities	\$ 2,663	\$ 9,401
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Non-capital donations	\$ (13)	\$ 2
Other	2	16
Net cash provided (used) by non-capital financing activities	\$ (11)	\$ 18
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for the purchase of capital assets	\$ (3,609)	\$ (22,613)
Proceeds from the sale of capital assets	188	12
Principal payments on long-term debt	(1,394)	(1,405)
Interest paid on long-term debt	(1,371)	(1,404)
Proceeds from capital lease obligations	139	-
Principal payments on capital leases	(630)	(606)
Net cash used by capital and related financing activities	\$ (6,677)	\$ (26,016)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	\$ 1,255	\$ 1,244
Net investment in joint ventures	118	329
Purchase of investments	(14,113)	(20,037)
Maturities of investments	17,503	32,197
Net cash provided by investing activities	\$ 4,763	\$ 13,733
Net increase (decrease) in cash and cash equivalents	\$ 738	\$ (2,864)
Cash and cash equivalents at beginning of year	5,976	8,840
Cash and cash equivalents at end of year	\$ 6,714	\$ 5,976
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents in current assets	\$ 3,842	\$ 3,082
Restricted cash and cash equivalents		
Held by trustee for debt service	981	952
Internally designated for capital acquisition	1,891	1,942
Total cash and cash equivalents	\$ 6,714	\$ 5,976

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL TRUST AUTHORITY

STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended June 30, 2007 and 2006

(In Thousands)

	2007	2006
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (83)	\$ 4,747
Adjustments to reconcile operating income to net cash flows provided by operating activities		
Depreciation	7,042	5,887
Provision for bad debts	13,126	8,457
(Increase) decrease in assets:		
Patient accounts receivable	(13,501)	(9,843)
Inventories	(191)	(87)
Prepaid expenses	77	(116)
Other receivable	(191)	(1,504)
Increase (decrease) in liabilities:		
Accounts payable	(2,865)	2,059
Accrued expenses	(254)	146
Estimated third-party settlements	(659)	(651)
Other liabilities related to operating activities	162	306
Net cash provided by operating activities	\$ 2,663	\$ 9,401

See Notes to Financial Statements

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 1. Organization and Significant Accounting Policies

Reporting Entity:

Hospital Service District No. 2 of St. Landry Parish (the "District") is a political subdivision of the St. Landry Parish Government, created by an ordinance adopted in 1953 by virtue of the authority of Louisiana Revised Statutes (R.S.) 46:1051 et seq. The purpose of the Hospital Service District is to provide health services to St. Landry Parish. The Board of Commissioners are appointed by the St. Landry Parish Government. As the governing authority of the Parish, for reporting purposes, the St. Landry Parish Government is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the St. Landry Parish Government based on GASB Statement No. 14. The accompanying financial statements present only the Hospital Service District No. 2 and its component units. The components units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

Blended Component Unit: The Opelousas General Hospital Authority (the "Hospital") was created under the laws of the State of Louisiana pursuant to a Trust Indenture executed on April 6, 1971 for the benefit of the District and is a public instrumentality of the State of Louisiana. The stated purpose of the Hospital is to acquire hospital facilities by lease, purchase, and gift or otherwise and to plan, establish, develop, construct and administer hospital properties for the use and benefit of the residents of the District. The District's Board of Commissioners also serve on the Board of Trustees of the Hospital. In addition, the Hospital owns 100% of OGH Medical Services, Inc. and OGH Medical Offices, Inc. These two entities have also been blended with the District's basic financial statements.

On May 21, 2002, the Hospital, by a vote of its board, changed the name of its operating entity from "Opelousas General Hospital" to "Opelousas General Health System."

Basis of Accounting:

The accompanying basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet; a statement of revenue and expenses and changes in net assets; and a direct method statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt, restricted, and unrestricted.

These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 1. Organization and Significant Accounting Policies (Continued)

Other Significant Accounting Policies

Enterprise fund accounting:

The District and Hospital use enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the District and Hospital have elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of estimates:

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

Cash and cash equivalents:

For purposes of the statement of cash flows, the District and Hospital considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Trade receivables and allowance for uncollectible accounts:

Trade receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written-off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Inventories:

Inventories are valued at the latest invoice price, which approximates the lower of cost (first-in, first-out method) or market.

Net patient service revenues:

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

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

Income taxes:

The District and Hospital are political subdivision and exempt from taxes.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 1. Organization and Significant Accounting Policies (Continued)

Capital assets:

The District and Hospital records all capital asset at historical cost, except for capital assets donated to the District or Hospital. Donated capital assets are recorded at fair market value at the date of donation.

As indicated in Note 7, interest cost incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of acquiring those assets.

The District and Hospital provides for depreciation of its plant and equipment using the straight-line method over the estimated useful lives of each class of depreciable assets. Equipment under capital lease obligations are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. The following estimated useful lives are generally used:

Land improvements	2-25 years
Automobiles	3-10 years
Buildings	10-40 years
Equipment	3-25 years

Investments:

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating revenue when earned.

Investments include certificates of deposit, obligations of the U.S. Government Agencies and commercial paper issued by United States corporations with ratings of at least A-1 (Moody's) and P-1 (Standard and Poor's) and the Louisiana Hospital Investment Pool. It is the Authority's intention to hold investments to maturity.

Classification of revenues and expenses:

The District and Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the District's and Hospital's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and donations:

Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements are met. Grants and donations may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expense.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 1. Organization and Significant Accounting Policies (Continued)

Restricted resources:

When the District and Hospital has both restricted and unrestricted resources available to finance a particular program, it is the policy to use restricted resources before unrestricted resources.

Compensated absences:

The Hospital's employees earn paid time off (PTO) hours at varying rates depending on years of service and employment status. Employees may accumulate PTO hours to a maximum of 480 hours, when this is reached further accumulation is ceased until PTO time is used, there is no cash option associated with this maximum bank. Bonus PTO is earned every 5th year beginning with the completion of the 10th year of full-time employment and this bonus amount will be pro-rated for part-time status. Employees with PTO hours remaining upon separation are paid in full.

The Hospital also offered employees extended illness benefits (EIB) which was the compensated absence policy in effect prior to July 1, 1998, this policy has now been superseded by the above-mentioned PTO policy. Employees that had balances in their EIB banks prior to July 1, 1998 had their hours frozen and upon retirement, age 55 or older with 10 years of full-time service, will be paid for these EIB hours at their base rate at the time of retirement with a limit of \$10.

The estimated amounts of these compensated absences payable are reported as a long-term liability in both 2007 and 2006.

Environmental matters:

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

Advertising costs:

The Hospital expenses advertising costs as they are incurred. Total advertising costs expensed were \$509 and \$487 for 2007 and 2006, respectively.

Unamortized expense:

Unamortized expense consists of bond issue cost and is recorded as other assets on the balance sheet and is being amortized over the life of the related bond issue. The bond issue cost amortized is \$24 and \$24 in 2007 and 2006, respectively.

Risk management:

The District and Hospital are exposed to various risks of loss from tort; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health. Commercial insurance coverage is purchased for claims arising from such matters.

Reclassifications:

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

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 2. Net Patient Service Revenues

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

- Medicare – Inpatient acute care services (and related capital costs) rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Acute care service rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are reimbursed either on a prospective determined rate or a fee schedule. The Hospital is reimbursed for cost reimbursable items and Medicare bad debts at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2004.
- Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2003.

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

During the years ended June 30, 2007 and 2006, approximately 68% and 67%, respectively, of the Hospital's gross patient service revenues were furnished to Medicare and Medicaid beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. As a result of retroactive adjustments of certain prior year cost reports, the Hospital recorded changes in estimates resulting in an increase in net patient service revenues of approximately \$423 and \$788 during the years ending June 30, 2007 and 2006, respectively.

Note 3. Designated Net Assets

Of the \$34,017 and \$32,082 of unrestricted net assets reported in 2007 and 2006, respectively, \$9,403 and \$10,444 have been designated by the Hospital's Board of Trustees for capital acquisitions and replacement. Designated funds remain under the control of the Board of Trustees, which may at its discretion later use the funds for other purposes.

Note 4. Deposits and Investments

The District investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds. At June 30, 2007 and 2006, all the District's deposits and investments were secured by Federal Deposit Insurance Corporation (FDIC) coverage.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 4. Deposits and Investments (Continued)

The Hospital (blended component unit) investing is performed in accordance with its investment policy. Funds may be invested in time deposits, money market investments accounts or certificates of deposits with financial institutions insured by the FDIC; direct obligations of the United States Government and its agencies; commercial paper issued by United States Corporations with a rating of A-1 (Moody's) and P-1 (Standard and Poor's) or higher; and the Louisiana Hospital Investment Pool. All of the securities have fixed maturities and it is the Hospital's intention to hold them until maturity. The Hospital, which is a public trust, is not required to comply with the collateralization requirements of the local depository law (per La. Atty. Gen. Op. No. 89-549).

The District and Hospital's investments generally are reported at fair value, as discussed in Note 1. At June 30, 2007 and 2006, the District and Hospital's investments consisted of the following, all of which were held in the District and Hospital's name by a custodial agent of the District and Hospital:

	<u>2007</u>	<u>2006</u>
Certificates of Deposit	\$ 879	\$ 870
U.S. Government Agency Securities	17,120	20,880
Commercial Paper	1,465	978
	<u>\$ 19,464</u>	<u>\$ 22,728</u>

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

	<u>2007</u>	<u>2006</u>
Carrying amount:		
Deposits	\$ 6,714	\$ 5,976
Investments	19,464	22,728
	<u>\$ 26,178</u>	<u>\$ 28,704</u>

Included in the following balance sheet captions:

Cash and cash equivalents	\$ 3,842	\$ 3,082
Short term investments	5,051	6,986
Held by trustee for debt service:		
Cash and cash equivalents	981	952
Investments	2,896	2,869
Internally designated for capital acquisition:		
Cash and cash equivalents	1,891	1,942
Investments	7,436	8,425
Other long-term investments	4,081	4,448
	<u>\$ 26,178</u>	<u>\$ 28,704</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 4. Deposits and Investments (Continued)

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. As of June 30, 2007 and 2006, \$4,036 and \$4,046 of the Hospital's bank balances of \$5,165 and \$5,017, respectively were exposed to custodial risk of being uninsured and uncollateralized. The Hospital's investment policy limits the maximum funds invested in any one financial institution may not exceed 33 1/3% of total funds available for investment, except for the Hospital's lead bank which shall not exceed the greater of \$2 million or 50% of total invested funds.

Note 5. Accounts Receivable

Patient accounts receivable reported as current assets by the Hospital at June 30, 2007 and 2006 consisted of these amounts:

	<u>2007</u>	<u>2006</u>
Receivable from patients and their insurance carriers	\$ 19,353	\$ 16,125
Receivable from Medicare	6,300	5,236
Receivable from Medicaid	4,406	3,727
Other	<u>-</u>	<u>166</u>
 Total patient accounts receivable	 \$ 30,059	 \$ 25,254
 Less allowance for uncollectibles amounts	 <u>(17,213)</u>	 <u>(12,783)</u>
 Patient accounts receivable, net	 <u>\$ 12,846</u>	 <u>\$ 12,471</u>

Note 6. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2007 and 2006, was as follows:

	<u>2007</u>	<u>2006</u>
Medicare	21 %	21 %
Medicaid	15 %	15 %
Other third-party payors	36 %	35 %
Patients	<u>28 %</u>	<u>29 %</u>
	<u>100 %</u>	<u>100 %</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 7. Capital Assets

Capital asset additions, retirements, and balances for the years ended June 30, 2007 and 2006 were as follows:

	Balance 6/30/2006	Additions	Retirements	Balance 6/30/2007
<i>Non-depreciable capital assets</i>				
Land	\$ 3,882	\$ -	\$ (66)	\$ 3,816
Construction in progress	<u>128</u>	<u>2,772</u>	<u>(2,661)</u>	<u>239</u>
Total non-depreciable capital assets	<u>\$ 4,010</u>	<u>\$ 2,772</u>	<u>\$ (2,727)</u>	<u>\$ 4,055</u>
<i>Depreciable assets</i>				
Land improvements	\$ 1,497	\$ -	\$ -	\$ 1,497
Automobiles	123	-	-	123
Buildings	76,664	945	(98)	77,511
Equipment	<u>53,833</u>	<u>2,554</u>	<u>(942)</u>	<u>55,445</u>
Total depreciable capital assets	<u>\$ 132,117</u>	<u>\$ 3,499</u>	<u>\$ (1,040)</u>	<u>\$ 134,576</u>
Less accumulated depreciation for:				
Land improvements	\$ (1,003)	\$ (70)	\$ -	\$ (1,073)
Automobiles	(95)	(9)	-	(104)
Buildings	(27,489)	(2,746)	97	(30,138)
Equipment	<u>(37,904)</u>	<u>(4,217)</u>	<u>878</u>	<u>(41,243)</u>
Total accumulated depreciation	<u>\$ (66,491)</u>	<u>\$ (7,042)</u>	<u>\$ 975</u>	<u>\$ (72,558)</u>
Total depreciable capital assets, net	<u>\$ 65,626</u>	<u>\$ (3,543)</u>	<u>\$ (65)</u>	<u>\$ 62,018</u>
	Balance 6/30/2005	Additions	Retirements	Balance 6/30/2006
<i>Non-depreciable capital assets</i>				
Land	\$ 3,882	\$ -	\$ -	\$ 3,882
Construction in progress	<u>19,094</u>	<u>19,743</u>	<u>(38,709)</u>	<u>128</u>
Total non-depreciable capital assets	<u>\$ 22,976</u>	<u>\$ 19,743</u>	<u>\$ (38,709)</u>	<u>\$ 4,010</u>
<i>Depreciable assets</i>				
Land improvements	\$ 1,497	\$ -	\$ -	\$ 1,497
Automobiles	113	10	-	123
Buildings	43,256	33,408	-	76,664
Equipment	<u>44,874</u>	<u>9,309</u>	<u>(350)</u>	<u>53,833</u>
Total depreciable capital assets	<u>\$ 89,740</u>	<u>\$ 42,727</u>	<u>\$ (350)</u>	<u>\$ 132,117</u>
Less accumulated depreciation for:				
Land improvements	\$ (931)	\$ (72)	\$ -	\$ (1,003)
Automobiles	(83)	(12)	-	(95)
Buildings	(25,413)	(2,076)	-	(27,489)
Equipment	<u>(34,463)</u>	<u>(3,728)</u>	<u>287</u>	<u>(37,904)</u>
Total accumulated depreciation	<u>\$ (60,890)</u>	<u>\$ (5,888)</u>	<u>\$ 287</u>	<u>\$ (66,491)</u>
Total depreciable capital assets, net	<u>\$ 28,850</u>	<u>\$ 36,839</u>	<u>\$ (63)</u>	<u>\$ 65,626</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 7. Capital Assets (Continued)

Depreciation expense for the years ended June 30, 2007 and 2006 amounted to \$7,042 and \$5,888, respectively.

The construction in progress represents the costs involved in relation to various renovations at the hospital. The amount of interest cost capitalized in 2007 and 2006 was \$0 and \$602, respectively.

Note 8. Long-Term Debt

A schedule of changes in the Hospital's non-current liabilities for 2007 and 2006 are as follows:

	<u>Balance</u> <u>6/30/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2007</u>	<u>Amount</u> <u>due within</u> <u>one year</u>
Bonds payable:					
Revenue and refunding bond series - 1999	\$ 4,530	\$ -	\$ (620)	\$ 3,910	\$ 405
Revenue bonds series - 2003	21,005	-	(774)	20,231	800
Unamortized bond discounts	(262)	-	18	(244)	(18)
Total bonds payable	<u>\$ 25,273</u>	<u>\$ -</u>	<u>\$ (1,376)</u>	<u>\$ 23,897</u>	<u>\$ 1,187</u>
Capital lease payable:					
Cath lab lease	\$ 2,397	\$ -	\$ (627)	\$ 1,770	\$ 647
Medquist lease	-	139	(3)	136	42
Total capital lease payable	<u>\$ 2,397</u>	<u>\$ 139</u>	<u>\$ (630)</u>	<u>\$ 1,906</u>	<u>\$ 689</u>
Other long-term liabilities:					
Compensated absences	<u>\$ 2,056</u>	<u>\$ 2,366</u>	<u>\$ (2,204)</u>	<u>\$ 2,218</u>	<u>\$ -</u>
	<u>Balance</u> <u>6/30/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2006</u>	<u>Amount due</u> <u>due within</u> <u>one year</u>
Bonds payable:					
Revenue and refunding bond series - 1999	\$ 5,180	\$ -	\$ (650)	\$ 4,530	\$ 620
Revenue bonds series - 2003	21,760	-	(755)	21,005	775
Unamortized bond discounts	(280)	-	18	(262)	(18)
Total bonds payable	<u>\$ 26,660</u>	<u>\$ -</u>	<u>\$ (1,387)</u>	<u>\$ 25,273</u>	<u>\$ 1,377</u>
Capital lease payable:					
Cath lab lease	<u>\$ 3,004</u>	<u>\$ -</u>	<u>\$ (607)</u>	<u>\$ 2,397</u>	<u>\$ 626</u>
Other long-term liabilities:					
Compensated absences	<u>\$ 1,749</u>	<u>\$ 2,235</u>	<u>\$ (1,928)</u>	<u>\$ 2,056</u>	<u>\$ -</u>

**HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS
(In Thousands)**

Note 8. Long-Term Debt (Continued)

The terms and due dates of the Hospital's long-term debt, including capital lease obligations, at June 30, 2007 and 2006 are as follows:

Revenue and refunding bond series - 1999

On December 22, 1999, the Hospital issued \$10,000 of Hospital Revenue and Refunding Bonds collateralized by a first mortgage on the leasehold interest of the facilities and pledge of hospital revenues, due serially to 2015 with an interest rate of 5.85%. The purpose of these bonds is as follows:

Construction	\$ 1,625
Advance refunding of 1995 issue	6,550
Equipment acquisition	<u>1,825</u>
Total	<u>\$10,000</u>

The portion of the proceeds related to the advance refunding along with \$1,672 of Hospital funds were deposited into an irrevocable trust with an escrow agent to defease the First Leasehold Mortgage Hospital Revenue Bonds Series 1995. As a result, the Series 1995 Bonds are considered defeased and the liability has been removed from the Hospital's books. This advance refunding was undertaken to reduce total debt service payments over the next sixteen years by \$1,699 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$16. This gain is being amortized over the new debt's life.

Hospital revenue bonds - Series 2003

During 2004, the Hospital issued \$22,500 of hospital revenue bonds for purposes of capital additions to the hospital facility. Bonds Series 2003, has an interest rate from 2.15% to 4.80%, collateralized by a first mortgage on the leasehold interest of the facilities and pledge of hospital revenues, due serially to 2023.

The disbursement of the bond proceeds consisted of the following:

Deposited into construction fund	\$ 19,975
Deposited into debt service reserve fund	1,859
Deposited into cost of issuance fund	<u>200</u>
Total funds actually received	\$ 22,034
Bond underwriter's fee	225
Bond discount	<u>241</u>
Total bond issue	<u>\$ 22,500</u>

Under the terms of the revenue bonds, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included as restricted cash and investments in the balance sheet. The revenue bond indenture also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the bonds are outstanding.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 8. Long-Term Debt (Continued)

Capital lease obligations

During 2005, the Hospital entered into a lease agreement for the purchase of equipment for the Cath lab. The total equipment cost associated with this lease is \$3,202, with accumulated depreciation of \$907 as of June 30, 2007. Monthly payments for this obligation are \$58 with an interest rate of 3.2% until February of 2010.

The Hospital entered into a lease agreement for the purchase of a speech recognition system for radiology. The total equipment cost associated with this lease is \$105, with accumulated depreciation of \$2 as of June 30, 2007. The total Monthly payments for this obligation are \$4 with an interest rate of 7.9% until May of 2010.

Schedule principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

Years Ending June 30,	Long-Term debt			Capital Lease Obligation	
	Principal	Discount	Interest	Principal	Interest
2008	1,205	(18)	1,254	689	56
2009	1,260	(18)	1,195	714	32
2010	1,335	(18)	1,133	503	8
2011	1,385	(18)	1,069	-	-
2012	1,455	(18)	999	-	-
2013 - 2017	7,055	(77)	3,824	-	-
2018 - 2022	7,040	(60)	2,022	-	-
2023 - 2024	3,406	(17)	199	-	-
Total	<u>\$ 24,141</u>	<u>\$ (244)</u>	<u>\$ 11,695</u>	<u>\$ 1,906</u>	<u>\$ 96</u>

Note 9. Employee Retirement Plan

The Hospital has a defined contribution pension plan, which covers substantially all full-time Hospital employees after they have met certain eligibility requirements. Employees are required to contribute an amount equal to the existing Social Security and Medicare rate. All funds contributed by the employee are fully vested. The Hospital contributes amounts ranging from 5 to 13 percent of the employees salary based on length of employment. The Hospital's contribution is fully vested to the participants after 7 years of continued employment. The Hospital's contribution to the plan for the year ended June 30, 2007 and 2006 was \$1,873 and \$1,729, respectively.

Note 10. Operating Leases

Hospital as lessee:

Infusion pumps

On March 31, 2003, the Hospital entered into an operating lease agreement with Baxter Healthcare Corporation for the lease of one hundred ninety-one (191) infusion pumps. The maximum term of the lease is sixty (60) months. The future minimum lease payments related to this lease are as follows:

2008 \$ 135

Total rental expense paid for the years ended June 30, 2007 and 2006 was \$181 and \$75, respectively.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 10. Operating Leases (Continued)

Hospital as Lessor:

Health Club Facility

The Hospital entered into an agreement with Louisiana Physical Therapy, L.L.P. for the sale of virtually all of the equipment of the health club. In addition, they entered into an agreement with Louisiana Physical Therapy, L.L.P. (LPT) whereby LPT will lease the building and premises housing the health club for a monthly rental of \$8. The initial term of the lease is for sixty (60) months beginning June 30, 2003. The agreement contains options for additional one-year terms. In addition, any additional renovations or improvements to the facility, which are funded by the Hospital, will be reimbursed by LPT on a monthly basis over the remaining term of the lease.

The future minimum lease receipts related to this lease are as follows:

2008	\$ <u>100</u>
------	---------------

In addition, the Hospital has various office facility leases with doctors for various rental amounts.

Note 11. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The amount of charges excluded from revenue for services and supplies furnished under the Hospital's charity care policy were \$691 and \$729 in 2007 and 2006, respectively.

Note 12. Joint Ventures

The Hospital is a participant in a joint venture with Acadian Homecare, L.L.C. d/b/a St. Landry Home Care, in order to provide home health services to the patients of the Hospital service area. The Hospital has a 33% participation in the joint venture. The Hospital's equity interest in the joint venture was \$9 at June 30, 2007 and 2006. The Hospital recognized revenue related to the joint venture in the amount of \$423 and \$329 in 2007 and 2006, respectively. Complete financial statements for the joint venture can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in St. Landry Sleep Medicine Real Estate Venture, LLC. The Hospital invested \$200 for 36% interest in the joint venture. The Hospital leases a building from the joint venture for approximately \$91 per year, in order to operate a Sleep Center. The total lease expense reported for 2007 was \$46. The Hospital's equity interest in the joint venture was \$208 at June 30, 2007. The Hospital recognized income of \$8 in 2007 related to the joint venture. Complete financial statements for the joint venture, can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in Sunset Healthcare Realty, L.L.C., in order to own and lease a building for an outpatient imaging center in Sunset, Louisiana to provide imaging services to the patients of the Hospital service area. The Hospital invested \$382 for 51 units of the 100 units available in the joint venture. The joint venture leases land from the Hospital, where the building was constructed, for \$2 per month. The total lease income reported was \$23 in 2007 and \$28 in 2006. The building is leased to OGH Imaging, L.L.C. which operates the outpatient imaging center. As of June 30, 2007 and 2006, the Hospital has recorded other receivables on the balance sheet of \$1,689 and \$1,806, respectively, which represents construction costs paid on behalf of the joint venture. The Hospital's equity interest in the joint venture was \$317 and \$318 at June 30, 2007 and 2006, respectively. The Hospital recognized income of \$59 in 2007 and a loss of \$62 in 2006, related to the joint venture. The Hospital received a distribution of \$60 in 2007. Complete financial statements for the joint venture, can be obtained from the Hospital upon request.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 12. Joint Ventures (Continued)

The Hospital is a participant in a joint venture with private investors in OGH Imaging, L.L.C., in order to operate an outpatient imaging center in Sunset, Louisiana to provide imaging services to the patients of the Hospital service area. The Hospital invested \$494 for 52 units of the 100 units available in the joint venture. The joint venture is leasing a building from Sunset Healthcare Realty, L.L.C. for approximately \$316 per year. As of June 30, 2007 and 2006, the Hospital has recorded other receivables on the balance sheet of \$196 and \$274, respectively. These amounts represent equipment costs paid on behalf of the joint venture. The Hospital's equity interest in the joint venture was \$331 and \$409 at June 30, 2007 and 2006, respectively. The Hospital recognized a loss related to the joint venture in the amount of \$88 and \$59 in 2007 and 2006, respectively. Complete financial statements for the joint venture, can be obtained from the Hospital upon request.

The Hospital is a participant in a joint venture with private investors in Opelousas CTA, LLC, to provide CT Angiography (CTA) to the residents of the District. The Hospital invested \$155 for 31% interest in the joint venture. The Hospital's equity interest in the joint venture was \$135 at June 30, 2007. The Hospital recognized a loss of \$20 in 2007 related to the joint venture. Complete financial statements for the joint venture, can be obtained from the Hospital upon request.

Note 13. Self Funded Insurance

Health Insurance

The Hospital provides health insurance coverage to its employees under a self-funded plan. The Hospital pays the health insurance claims as they are incurred by the employee. The Hospital records a liability for claims incurred but not reported or paid, which is included in other accrued expenses on the balance sheet. Stop-loss insurance is retained to limit the Hospital's liability to \$100 in 2007 and \$75 in 2006, of paid claims per individual on an annual basis. The Hospital purchases commercial insurance for claims in excess of the coverage provided by the Hospital. Settled claims have not exceeded this commercial coverage in either of the past two years.

Workers Compensation

The Hospital is also self-insured for workers' compensation. The Hospital pays worker's compensation claims as they are incurred. Estimates for claims payable, which includes both reported and unreported claims, are recorded in other accrued expenses, at which time claim expense is also recorded. Stop-loss insurance is retained to limit the Hospital's liability to \$300 per claim for 2007 and 2006. The Hospital purchases commercial insurance for claims in excess of the coverage provided by the Hospital. Settled claims have not exceeded this commercial coverage in either of the past two years.

The claims liability at June 30, 2007 and 2006, is based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Organization's claims liability amount in fiscal years 2007 and 2006 were:

	Liability July 1,	Changes in Estimates	Claim Payments	Liability June 30,
2007	\$ 651	\$ 3,044	\$ 3,044	\$ 651
2006	\$ 664	\$ 2,501	\$ 2,514	\$ 651

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 14. Professional and General Liability Risk

The District and Hospital participate in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional coverage to healthcare providers. The fund provides for \$400 in coverage per occurrence above the first \$100 for which the District and Hospital are at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100 per occurrence and limiting the Patient's Compensation Fund's exposure to \$400 per occurrence.

The District and Hospital has acquired additional coverage for professional medical malpractice and general liability through the Louisiana Hospital Association Trust Fund by purchasing a claims-made policy. Losses on medical malpractice and general liability claims are estimated based on deductibles and claims in excess of per-claim or aggregate coverage and incurred but not reported during the claim year. These estimates reflect the District and Hospital's best estimates of the ultimate costs of reported and unreported claims, using the District and Hospital's past experience, industry experience and identified asserted claims and reported incidents. No provision for losses in excess of the deductible amount of the insurance policy has been recorded in the accompanying financial statements. Estimated provision for losses on medical malpractice and general liability claims recorded in other accrued expenses amounted to \$666 and \$1,041 at June 30, 2007 and 2006, respectively.

Note 15. Contingencies

The District and Hospital evaluates contingencies based upon the best available evidence. The District and Hospital believes that no additional allowances than the previously stated, for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District and Hospital's estimates, future earnings will be charged or credited.

The principle contingencies are described below:

Third-Party Government Revenues (Note 2) – Cost reimbursements are subject to examination by agencies administering the programs. The District and Hospital are contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

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

Litigation and Other Matters - The District and Hospital are involved as defendant in several lawsuits in the ordinary course of business. In the opinion of management and legal counsel, insurance and provision for losses is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

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SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULES OF GROSS PATIENT SERVICE REVENUES

Years Ended June 30, 2007 and 2006

(In Thousands)

	Inpatient	
	<u>2007</u>	<u>2006</u>
Routine services:		
Medical and surgical	\$ 9,128	\$ 10,138
Intensive care unit	3,150	2,523
Nursery	745	779
CV short stay	2	-
Orthopedic unit	698	-
Rehab unit	3,138	3,873
	<u>16,861</u>	<u>17,313</u>
Total routine services	<u>\$ 16,861</u>	<u>\$ 17,313</u>
Ancillary services:		
Anesthesiology	\$ 1,676	\$ 2,937
Cancer treatment center	71	109
Cardiac catheterization	10,722	12,725
Cardiopulmonary diagnostic lab and rehab	2,507	2,344
Central supply	3,833	3,351
Communication disorders	163	111
Contract dialysis	696	648
Crash cart	8	93
CT scan	4,531	4,336
Delivery room	1,256	1,282
Discharge planning	-	-
Durable medical equipment	-	-
Emergency room	2,998	3,180
Hyperbaric medicine	918	785
Inhalation therapy	12,123	11,694
Intravenous therapy	1,944	2,044
Laboratory	13,650	12,354
Lithotripsy	6	18
Medical imaging	2,621	2,471
Midwife services	-	53
MRI	1,013	911
Nuclear medicine	368	525
Outpatient clinic	2	5
Operating room	27,176	22,633
Pharmacy	21,468	19,786
Physical therapy	1,334	1,110
Physician clinics	-	-
Pulmonary function	10	8
Recovery room	1,745	1,782
Sleep lab	108	121
	<u>112,947</u>	<u>107,416</u>
Total ancillary services	<u>\$ 112,947</u>	<u>\$ 107,416</u>
Total gross patient service revenue	<u>\$ 129,808</u>	<u>\$ 124,729</u>

<u>Outpatient</u>		<u>Totals</u>	
<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
\$ 1,258	\$ 519	\$ 10,386	\$ 10,657
103	86	3,253	2,609
-	-	745	779
25	-	27	-
21	-	719	-
-	1	3,138	3,874
<u>\$ 1,407</u>	<u>\$ 606</u>	<u>\$ 18,268</u>	<u>\$ 17,919</u>
\$ 1,922	\$ 2,988	\$ 3,598	\$ 5,925
2,256	2,056	2,327	2,165
11,317	8,140	22,039	20,865
2,399	2,048	4,906	4,392
1,420	1,075	5,253	4,426
380	385	543	496
170	191	866	839
3	33	11	126
11,413	10,438	15,944	14,774
133	134	1,389	1,416
2	-	2	-
6	-	6	-
10,396	8,797	13,394	11,977
3,303	3,496	4,221	4,281
2,055	1,588	14,178	13,282
697	568	2,641	2,612
17,131	14,415	30,781	26,769
118	161	124	179
7,425	7,035	10,046	9,506
-	26	-	79
4,896	5,506	5,909	6,417
1,387	1,262	1,755	1,787
280	311	282	316
14,177	11,198	41,353	33,831
11,837	9,476	33,305	29,262
624	72	1,958	1,182
2	3	2	3
255	190	265	198
1,127	1,128	2,872	2,910
2,090	1,968	2,198	2,089
<u>\$ 109,221</u>	<u>\$ 94,688</u>	<u>\$ 222,168</u>	<u>\$ 202,104</u>
<u>\$ 110,628</u>	<u>\$ 95,294</u>	<u>\$ 240,436</u>	<u>\$ 220,023</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULES OF DEPARTMENTAL DIRECT OPERATING REVENUES AND EXPENSES
Years Ended June 30, 2007 and 2006
(In Thousands)

	Gross Revenues	
	2007	2006
Routine services:		
Medical and surgical	\$ 10,386	\$ 10,657
Intensive care unit	3,253	2,609
Nursery	745	779
CV short stay	27	-
Orthopedic unit	719	-
Rehab unit	3,138	3,874
	\$ 18,268	\$ 17,919
 Ancillary services:		
Ambulance service	\$ -	\$ -
Anesthesiology	3,598	5,925
Bariatric services	-	-
Camp Azzie	-	-
Cancer treatment center	2,327	2,165
Cardiac catheterization	22,039	20,865
Cardiopulmonary diagnostic lab and rehab	4,906	4,392
Central supply	5,253	4,426
Communication disorders	543	496
Contract dialysis	866	839
Crash cart	11	126
CT scan	15,944	14,774
Delivery room	1,389	1,416
Discharge planning	2	-
Durable medical equipment	6	-
Emergency room	13,394	11,977
Hyperbaric medicine	4,221	4,281
Inhalation therapy	14,178	13,282
Intravenous therapy	2,641	2,612
Laboratory	30,781	26,769
Lithotripsy	124	179
Medical imaging	10,046	9,506
Midwife services	-	79
MRI	5,909	6,417
Nuclear medicine	1,755	1,787
Outpatient clinic	282	316
Operating room	41,353	33,831
Pharmacy	33,305	29,262
Physical therapy	1,958	1,182
Physician clinics	2	3
Pulmonary function	265	198
Recovery room	2,872	2,910
Sleep lab	2,198	2,089
Social service	-	-
	\$ 222,168	\$ 202,104
 Total ancillary services	\$ 222,168	\$ 202,104
 Revenue over direct operating expenses (forwarded)	\$ 240,436	\$ 220,023

<u>Direct Operating Expenses</u>		<u>Revenue Over (Under)</u>	
<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
\$ 8,368	\$ 7,800	\$ 2,018	\$ 2,857
3,246	2,581	7	28
605	586	140	193
228	-	(201)	-
611	12	108	(12)
<u>1,714</u>	<u>1,981</u>	<u>1,424</u>	<u>1,893</u>
\$ 14,772	\$ 12,960	\$ 3,496	\$ 4,959
\$ 143	\$ 132	\$ (143)	\$ (132)
2,175	1,656	1,423	4,269
-	1	-	(1)
28	2	(28)	(2)
584	581	1,743	1,584
3,617	3,229	18,422	17,636
530	530	4,376	3,862
928	963	4,325	3,463
184	204	359	292
466	459	400	380
11	19	-	107
259	236	15,685	14,538
2,083	1,926	(694)	(510)
8	-	(6)	-
20	-	(14)	-
2,833	2,769	10,561	9,208
1,368	1,351	2,853	2,930
1,456	1,188	12,722	12,094
30	30	2,611	2,582
4,030	3,795	26,751	22,974
43	57	81	122
2,302	2,217	7,744	7,289
1	78	(1)	1
168	200	5,741	6,217
253	249	1,502	1,538
57	59	225	257
10,673	9,693	30,680	24,138
6,288	5,626	27,017	23,636
872	484	1,086	698
405	495	(403)	(492)
322	280	(57)	(82)
620	617	2,252	2,293
554	445	1,644	1,644
<u>156</u>	<u>110</u>	<u>(156)</u>	<u>(110)</u>
\$ 43,467	\$ 39,681	\$ 178,701	\$ 162,423
\$ 58,239	\$ 52,641	\$ 182,197	\$ 167,382

(continued)

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULES OF DEPARTMENTAL DIRECT OPERATING REVENUES AND EXPENSES (CONTINUED)
Years Ended June 30, 2007 and 2006
(In Thousands)

	Revenue Over (Under) Direct Operating Expenses	
	2007	2006
Revenues over direct operating expenses (forwarded)	\$ 182,197	\$ 167,382
Contractual allowances, discounts, and uncollectible accounts	(158,403)	(139,991)
Other operating revenues	2,273	1,959
	\$ 26,067	\$ 29,350
Operating expenses:		
General services	\$ 7,704	\$ 7,087
Fiscal and administrative services	11,404	11,628
Depreciation	7,042	5,888
	\$ 26,150	\$ 24,603
Excess (deficiency) of hospital operating revenues over operating expenses	\$ (83)	\$ 4,747

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULES OF NET PATIENT SERVICE REVENUES

Years Ended June 30, 2007 and 2006

(In Thousands)

	<u>2007</u>	<u>2006</u>
Gross patient service revenues	\$ 240,436	\$ 220,023
Less:		
Administrative allowances	\$ 5	\$ 20
Blue Cross discounts	14,908	11,512
Charity allowances	691	729
Contractual Adjustments - Medicare and Medicaid	107,977	98,387
Managed care allowances	21,696	20,886
Provision for uncollectible accounts	<u>13,126</u>	<u>8,457</u>
Total contractual allowances, discounts, and uncollectible accounts	\$ <u>158,403</u>	\$ <u>139,991</u>
Net patient service revenues	<u>\$ 82,033</u>	<u>\$ 80,032</u>

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HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULES OF OTHER OPERATING REVENUES

Years Ended June 30, 2007 and 2006

(In Thousands)

	<u>2007</u>	<u>2006</u>
Other operating revenues:		
Cafeteria	\$ 651	\$ 588
Gift Shop	231	166
Miscellaneous	147	139
Outside housekeeping and laundry services	192	153
Rental income	954	825
Nutritional counseling	<u>98</u>	<u>88</u>
 Total other operating revenues	 <u>\$ 2,273</u>	 <u>\$ 1,959</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULES OF DEPARTMENTAL OPERATING EXPENSES
Years Ended June 30, 2007 and 2006
(In Thousands)

	Salaries		Professional Fees	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Routine services:				
Medical and surgical	\$ 6,553	\$ 6,153	\$ 4	\$ 7
Intensive care unit	2,605	2,052	-	-
Nursery	479	460	-	-
CV short stay	178	-	-	-
Orthopedic Unit	480	8	-	-
Rehab unit	1,257	1,291	115	154
	<u>11,552</u>	<u>9,964</u>	<u>119</u>	<u>161</u>
Total routine services	\$ 11,552	\$ 9,964	\$ 119	\$ 161
Ancillary services:				
Ambulance service	\$ -	\$ -	\$ -	\$ -
Anesthesiology	1,221	1,102	387	106
Bariatric Services	-	1	-	-
Camp Azzie	14	2	1	-
Cancer treatment center	284	271	72	72
Cardiac catheterization	346	364	-	-
Cardiopulmonary diagnostic	275	275	157	159
Central supply	239	252	-	-
Communication disorders	143	160	5	5
Contract dialysis	-	-	-	-
Crash cart	-	-	-	-
CT scan	-	-	-	-
Delivery room	1,644	1,493	-	-
Discharge planning	7	-	-	-
Durable medical equipment	-	-	-	-
Emergency room	1,900	1,747	407	524
Hyperbaric medicine	-	-	-	-
Inhalation therapy	1,024	822	60	58
Intravenous therapy	-	-	-	-
Laboratory	1,142	1,130	72	78
Lithotripsy	-	-	-	-
Medical imaging	1,587	1,519	-	-
Midwife services	-	40	-	12
MRI	-	2	-	-
Nuclear medicine	-	-	-	-
Outpatient clinic	40	40	-	-
Operating room	1,805	1,587	-	19
Pharmacy	1,038	841	-	-
Physical therapy	861	475	-	-
Physician clinics	-	-	405	495
Pulmonary function	238	199	5	3
Recovery room	421	397	-	-
Sleep lab	317	283	33	43
Social services	127	89	-	-
	<u>14,673</u>	<u>13,091</u>	<u>1,604</u>	<u>1,574</u>
Total ancillary services	\$ 14,673	\$ 13,091	\$ 1,604	\$ 1,574

<u>Employee Benefits</u>		<u>Other expenses</u>		<u>Totals</u>	
<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
\$ 1,223	\$ 1,205	\$ 588	\$ 435	\$ 8,368	\$ 7,800
525	424	116	105	3,246	2,581
93	88	33	38	605	586
39	-	11	-	228	-
100	2	31	2	611	12
<u>127</u>	<u>140</u>	<u>215</u>	<u>396</u>	<u>1,714</u>	<u>1,981</u>
\$ 2,107	\$ 1,859	\$ 994	\$ 976	\$ 14,772	\$ 12,960
\$ -	\$ -	\$ 143	\$ 132	\$ 143	\$ 132
265	212	302	236	2,175	1,656
-	-	-	-	-	1
3	-	10	-	28	2
42	39	186	199	584	581
72	76	3,199	2,789	3,617	3,229
61	60	37	36	530	530
53	55	636	656	928	963
31	35	5	4	184	204
-	-	466	459	466	459
-	-	11	19	11	19
-	-	259	236	259	236
307	285	132	148	2,083	1,926
-	-	1	-	8	-
-	-	20	-	20	-
409	359	117	139	2,833	2,769
-	-	1,368	1,351	1,368	1,351
226	178	146	130	1,456	1,188
-	-	30	30	30	30
252	247	2,564	2,340	4,030	3,795
-	-	43	57	43	57
340	314	375	384	2,302	2,217
-	9	1	17	1	78
-	-	168	198	168	200
-	-	253	249	253	249
9	10	8	9	57	59
394	337	8,474	7,750	10,673	9,693
230	191	5,020	4,594	6,288	5,626
-	-	11	9	872	484
-	-	-	-	405	495
53	44	26	34	322	280
93	86	106	134	620	617
70	62	134	57	554	445
<u>28</u>	<u>19</u>	<u>1</u>	<u>2</u>	<u>156</u>	<u>110</u>
\$ 2,938	\$ 2,618	\$ 24,252	\$ 22,398	\$ 43,467	\$ 39,681

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULES OF DEPARTMENTAL OPERATING EXPENSES (CONTINUED)
Years Ended June 30, 2007 and 2006
(In Thousands)

	Salaries		Professional Fees	
	2007	2006	2007	2006
General services:				
Biomedical services	\$ 247	\$ 230	\$ -	\$ -
Dietary	669	648	-	-
Housekeeping	1,105	1,059	-	-
Laundry and linen	242	218	-	-
Performance improvement	151	152	-	-
Plant engineering	448	402	-	-
Security	206	246	-	-
Total general services	\$ 3,068	\$ 2,955	\$ -	\$ -
Fiscal and administrative services:				
Accounting	\$ 113	\$ 97	\$ -	\$ -
Administration	858	862	-	-
Admitting	531	496	-	-
Business office	404	402	-	-
Centralized scheduling	62	49	-	-
Communications	114	123	-	-
Decision support	120	137	-	-
Gift shop	43	29	-	-
Health information services	736	711	-	-
Human resources	152	154	-	-
Hurricane Katrina	-	-	-	-
Industrial medicine	179	142	-	-
Infection control	11	13	-	-
Information technology	749	652	-	-
Marketing	52	67	-	-
Medical and staff relations	185	172	-	-
Insurance	-	-	-	-
Public relations	97	83	-	-
Taxes	-	-	-	-
Safety/grounds	75	74	-	-
Volunteer services	16	23	-	-
Health and wellness	-	-	-	-
OGH Foundation	20	7	-	-
Total fiscal and administrative services	\$ 4,517	\$ 4,293	\$ -	\$ -
Total departmental operating expenses	\$ 33,810	\$ 30,303	\$ 1,723	\$ 1,735

<u>Employee Benefits</u>		<u>Other expenses</u>		<u>Totals</u>	
<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
\$ 55	\$ 51	\$ 23	\$ 25	\$ 325	\$ 306
147	143	709	622	1,525	1,413
244	232	281	294	1,630	1,585
53	48	218	220	513	486
33	34	6	2	190	188
99	89	2,759	2,357	3,306	2,848
8	15	1	-	215	261
<u>\$ 639</u>	<u>\$ 612</u>	<u>\$ 3,997</u>	<u>\$ 3,520</u>	<u>\$ 7,704</u>	<u>\$ 7,087</u>
\$ 25	\$ 26	\$ 79	\$ 100	\$ 217	\$ 223
248	179	1,050	1,474	2,156	2,515
118	109	50	47	699	652
90	88	926	914	1,420	1,404
14	11	2	-	78	60
25	27	237	226	376	376
27	25	59	47	206	209
9	6	130	101	182	136
153	151	285	242	1,174	1,104
33	34	256	274	441	462
-	-	-	3	-	3
7	9	119	124	305	275
2	3	7	7	20	23
165	142	766	745	1,680	1,539
12	15	571	574	635	656
41	38	224	238	450	448
-	-	812	1,138	812	1,138
21	18	1	-	119	101
-	-	58	44	58	44
17	16	43	28	135	118
4	5	33	26	53	54
-	-	52	34	52	34
6	-	110	47	136	54
<u>\$ 1,017</u>	<u>\$ 902</u>	<u>\$ 5,870</u>	<u>\$ 6,433</u>	<u>\$ 11,404</u>	<u>\$ 11,628</u>
<u>\$ 6,701</u>	<u>\$ 5,991</u>	<u>\$ 35,113</u>	<u>\$ 33,327</u>	<u>\$ 77,347</u>	<u>\$ 71,356</u>

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL STATISTICS
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Beds licensed:		
Acute care	167	167
Rehabilitation facility	<u>21</u>	<u>21</u>
Total	<u>188</u>	<u>188</u>
Percentage of occupancy for staff beds in service:		
Acute care	62.15%	63.80%
Rehabilitation facility	41.15%	52.46%
Percentage of gross patient service revenues:		
Medicare	50%	49%
Medicaid	19	19
All other	<u>31</u>	<u>32</u>
Total	<u>100%</u>	<u>100%</u>
Discharges:		
Acute care	8,013	7,977
Rehabilitation facility	<u>242</u>	<u>287</u>
Total	<u>8,255</u>	<u>8,264</u>
Patient days in care:		
Medical and surgical	28,621	29,292
Intensive care	<u>3,591</u>	<u>2,959</u>
Acute care subtotal	32,212	32,251
Nursery	2,077	1,996
Rehabilitation facility	<u>3,152</u>	<u>4,021</u>
Total	<u>37,441</u>	<u>38,268</u>

(Continued)

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF DEPARTMENTAL STATISTICS (CONTINUED)
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Surgeries:		
Inpatient	3,215	2,940
Outpatient	<u>4,615</u>	<u>3,674</u>
Total surgeries	<u>7,830</u>	<u>6,614</u>
Deliveries	1,039	986
Procedures:		
Laboratory	470,520	413,840
Radiology	53,179	45,427
CT scan	12,584	11,401
Nuclear medicine	1,641	1,642
MRI	3,113	3,379
Radiation therapy	3,842	3,684
Heart catheterization unit cases	1,373	1,365
Hyperbaric oxygen	2,646	2,617
Physical therapy	52,343	28,983
Emergency room visits	27,408	24,205
Outpatient registrations (including emergency room visits)	87,276	81,152

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
Years Ended June 30, 2007 and 2006

Opelousas General Hospital Authority

	<u>2007</u>	<u>2006</u>
Gary Blanchard	\$ 2,088	\$ 3,016
Gregory Bordelon	4,408	5,336
Alton Broussard	4,756	5,220
Louis Kerkhoff	116	3,248
Albert Simien	4,756	5,452
Stella Thomas	4,524	4,988
Gina Tuttle	3,364	4,176
John Kempf	1,740	-
Wayne Gilmore	1,044	-
Morris Weinstein	3,016	4,292
	<u>\$ 29,812</u>	<u>\$ 35,728</u>

Hospital Service District No. 2 of St. Landry Parish

	<u>2007</u>	<u>2006</u>
Gregory Bordelon	\$ 40	\$ 45
Alton Broussard	40	45
Albert Simien	40	45
Morris Weinstein	40	45
	<u>\$ 160</u>	<u>\$ 180</u>



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CERTIFIED PUBLIC ACCOUNTANTS

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Craig C. Babineaux, CPA*
Peter C. Borrello, CPA*
Martha B. Wyatt, CPA*
Fayetta T. Dupré, CPA*
Mary A. Castille, CPA*
Joey L. Breaux, CPA*
Craig J. Viator, CPA*
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Sidney L. Broussard, CPA 1925-2005
Leon K. Poché, CPA 1984
James H. Breaux, CPA 1987
Erna R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberley, CPA* 1995
Lawrence A. Cramer, CPA* 1999
Ralph Friend, CPA* 2002
Donald W. Kelley, CPA* 2005
George J. Trappey, III, CPA*
Terrel P. Dressel, CPA*

**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***

To the Board of Commissioners
Hospital Service District No. 2
and Board of Trustees
Opelousas General Hospital Authority
St. Landry Parish, Louisiana

We have audited the basic financial statements of Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated December 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority'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 Hospital Service District No. 2 and Opelousas General Hospital Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital Service District No. 2 and Opelousas General Hospital Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Hospital Service District No. 2 and Opelousas General Hospital Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Hospital Service District No. 2 and Opelousas General Hospital Authority's financial statements that is more than inconsequential will not be prevented or detected by the Hospital Service District No. 2 and Opelousas General Hospital Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Hospital Service District No. 2 and Opelousas General Hospital Authority's internal control.

Hospital Service District No. 2
and Board of Trustees
Opelousas General Hospital Authority
St. Landry Parish, Louisiana

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority'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*.

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

Broussard, Poche, Lewis : Broussard, L.P.

Opelousas, Louisiana
December 11, 2007

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

We have audited the basic financial statements of Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority as of and for the year ended June 30, 2007, and have issued our report thereon dated December 11, 2007. 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. Our audit of the basic financial statements as of and for the year ended June 30, 2007, resulted in an unqualified opinion.

Section I. Summary of Auditor's Reports

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

Internal Control

Material Weaknesses Yes No Significant Deficiency identified that is
not considered to be a material weakness Yes No

Compliance

Noncompliance Material to Financial Statements Yes No

Was a management letter issued? Yes No

Section II. Financial Statement Findings

This years report does not have any financial statement findings.

Section III. Federal Award Finding and Questioned Costs

This years report does not include any federal awards.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2007

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

2006-1 - Leases

Finding: In accordance with R.S. 39:1410.60, all leases, in which debt is incurred, require approval from the State Bond Commission. The State Bond Commission does not consider leases of movables or installment purchases to be debt, if the lease or installment purchase contains a non-appropriation clause and does not contain an anti-substitution clause or penalty. The Hospital entered into a lease of movable equipment in which it did not comply with R.S. 39:1410.60. The lease did not contain a non-appropriation clause nor did the Hospital receive approval from the State Bond Commission.

Recommendation: The Hospital must comply with R.S. 39:1410.60, when entering into leases or installment purchases of movable equipment. The Hospital should amend the lease in order to include a non-appropriation clause and remove the penalty clause, in order to comply with R.S. 39:1410.60.

Current Status: RESOLVED - The Hospital has amended the lease entered into in 2006, to comply with R.S. 39:1410.60. The Hospital has also followed R.S. 39:1410.60, in the current year, when entering into leases or installment purchases for movable equipment.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

2006-2 – Joint Ventures Applicability with Laws Applicable to the Trust Authority

Finding: We noted that the Hospital Authority entered into two separate joint ventures. The Hospital Authority, as a public trust, must comply with the requirements of La. R.S. 9:2341-2347, which includes Public Contract Law, Public Records Law, Public Meetings Law, Code of Ethics, and the Bond Validation Procedures Law. There is still the question of the applicability of LA. R.S. 9:2341 – 2347, to these two separate joint ventures.

Recommendation: We recommend that the Hospital Authority get an Attorney General opinion as to the applicability of La. R.S. 9:2341 – 2347, to the two separate joint ventures to ensure that the joint ventures are in compliance, if required.

Current Status: RESOLVED – The Opelousas General Hospital Authority's attorney, has discussed this issue with the Attorney General's office concerning the applicability of La R.S. 9:2341 – 2347. The Opelousas General Hospital Authority's attorney has opined on the matter and has determined that Sunset Healthcare Realty, LLC would be treated as "quasi public" and subject to La R.S. 9:2341 – 2347, while OGH Imaging, LLC would not be treated as "quasi-public."

2006-3 – Accounts Receivable Credit Balances

Finding: We noted that accounts receivable credit balances increased by approximately \$624,000 to approximately \$1,594,700 as of June 30, 2006. This significant increase could have been caused by the effects of having utilized business office staff on other special billing matters associated with Hurricane Katrina and Rita issues.

Recommendation: We recommend that the Hospital Authority make every effort to reduce this accounts receivable credit balances as soon as feasibly possible to ensure that all overpayments are refunded in a reasonable period of time.

Current Status: RESOLVED - The accounts receivable credit balances have been reduced to pre Hurricane Katrina levels.

HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH, LOUISIANA
AND OPELOUSAS GENERAL HOSPITAL AUTHORITY

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2007

Section III. Management Letter (Cont'd)

2006-4 - Note Receivable with Joint Ventures

Finding: We noted that the Hospital Authority has two separate receivables recorded for amounts due from the joint ventures the Hospital Authority participates (Sunset Realty, LLC and OGH Imaging, LLC) in the amount of \$1,806,273 and \$273,908 as of June 30, 2006. There were no loan documents drafted which represent the actual terms of these receivables between the parties.

Recommendation: We recommend that loan documents be drafted that represent the actual terms of the parties in these transactions in order to ensure and document that these transactions were done on an arms-length basis and have commercially equivalent terms.

Current Status: RESOLVED - Loan documents have been done for these transactions that document that these transactions were done on an arms-length basis and have commercially equivalent terms.

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT

MANAGEMENT CORRECTIVE ACTION PLAN

December 11, 2007

Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Hospital Service District No. 2 of St. Landry Parish, Louisiana and Opelousas General Hospital Authority respectfully submits the following corrective action plan for the year ended June 30, 2007.

Name and address of independent public accounting firm:

Broussard, Poche', Lewis & Breaux, L.L.P.
Certified Public Accountants
101 Independence Blvd
Lafayette, Louisiana 70506

Audit Period: July 1, 2006 through June 30, 2007.

The findings from the 2007 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditor's Reports, does not include findings and is not addressed.

Section II: Financial Statement Findings

This years report does not include any findings.

Section III: Internal Control and Compliance Material to the Federal Awards

This years report does not include any federal awards.

Management Letter:

This years report does not include a management letter.

**HOSPITAL SERVICE DISTRICT NO. 2 OF ST. LANDRY PARISH AND
OPELOUSAS GENERAL HOSPITAL AUTHORITY**