

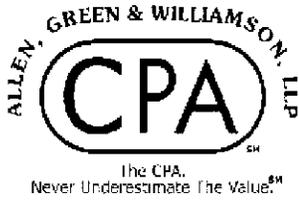
**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
A Component Unit of the LaSalle Parish Police Jury
Olla, Louisiana**

**Annual Financial Report
As of and For the Year Ended
September 30, 2013**

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

TABLE OF CONTENTS

	<u>Statement</u>	<u>Page</u>
FINANCIAL SECTION		
INDEPENDENT AUDITORS' REPORT		5-7
REQUIRED SUPPLEMENTARY INFORMATION		8
Management's Discussion and Analysis (MD&A)		9-13
BASIC FINANCIAL STATEMENTS		14
PROPRIETARY FUND TYPE – ENTERPRISE FUNDS:		
Statement of Net Position	A	15-16
Statement of Revenues, Expenses, and Changes in Fund Net Position	B	17
Statement of Cash Flows	C	18-19
Notes to the Financial Statements		
Index		20
Notes		21-34
SUPPLEMENTARY INFORMATION		35
Schedule of Compensation Paid Board Members		36
OTHER REPORTS REQUIRED BY <u>GOVERNMENTAL</u>		
<u>AUDITING STANDARDS</u>		
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		37-38
Schedule of Findings and Questioned Costs		39-40
OTHER INFORMATION		
Summary Schedule of Prior Year Findings and Questioned Costs		42
Corrective Action Plan for Current Year Finding and Questioned Costs		43-44



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), a component unit of the LaSalle Parish Police Jury as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District), a component unit of the LaSalle Parish Police Jury, as of September 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, and the other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
March 31, 2014

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

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

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

**Management's Discussion and Analysis (MD&A)
September 30, 2013 and 2012**

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2013. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS In fiscal year 2013, the District implemented the following GASB Statements;

Statement No. 62, "Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement codifies into GASB accounting and financial reporting standards the "legacy" standards from the private-sector.

Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This Statement establishes standards for reporting of deferred outflows of resources, deferred inflows of resources, and net position.

Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement amends or supersedes the accounting and financial guidance for certain items previously reported as assets or liabilities as well as establishes accounting and financial reporting standards for the financial statement of state and local governments.

Although these Statements had no current effect on the financial statements as a result of implementation, the Statements did change the presentation of the District's financials, which consisted of the net assets being classified as the net position.

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$10,530(*net position*).

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

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

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

**Management's Discussion and Analysis (MD&A)
September 30, 2013 and 2012**

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

Financial Section

Required Supplementary Information

Management's Discussion & Analysis (MD&A)

Basic Financial Statements

Notes to the Basic Financial Statements

Supplementary Information

Schedule of Compensation Paid Board Members

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

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

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

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

**Management's Discussion and Analysis (MD&A)
September 30, 2013 and 2012**

FINANCIAL ANALYSIS The District's net position was \$10,530 at September 30, 2013. Our analysis below focuses on the net position and the change in net position of the District as a whole.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Other assets	\$10,727	\$ 8,510	\$ 8,086
Capital assets, net	8,394	7,459	6,988
Total assets	<u>19,121</u>	<u>15,969</u>	<u>15,074</u>
Other liabilities	2,103	1,730	6,489
Long-term liabilities	6,488	5,558	2,034
Total liabilities	<u>8,591</u>	<u>7,288</u>	<u>8,523</u>
Net position			
Net investment in capital assets	1,427	1,436	1,919
Restricted	318	38	-
Unrestricted	8,785	7,207	4,632
Total net position	<u>\$10,530</u>	<u>\$ 8,681</u>	<u>\$ 6,551</u>

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

**Management's Discussion and Analysis (MD&A)
September 30, 2013 and 2012**

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:			
Operating revenues:			
Net patient service revenues	\$ 22,297	\$ 19,840	\$ 18,072
Contributions from Ambulance Service District	141	118	121
State of Louisiana, Disproportionate Share Pool Payments	523	850	658
Vending machine commissions	6	6	6
Rental Income	-	14	4
Cafeteria sales	35	31	37
Property taxes	162	177	164
Other	63	52	36
Total operating revenues	<u>23,227</u>	<u>21,088</u>	<u>19,098</u>
Expenses:			
Operating expenses:			
Daily patient services	2,782	2,285	2,093
Nursing services	3,961	4,374	3,595
Other professional services	7,784	6,430	5,485
General services	1,692	1,670	1,457
Administrative and fiscal services	2,345	2,140	1,951
Employee benefits	2,378	2,456	1,711
Depreciation	1,073	927	591
Total operating expenses	<u>22,015</u>	<u>20,282</u>	<u>16,883</u>
Operating Income (Loss)	1,212	806	2,215
Nonoperating Revenues (Expenses)			
Grant Revenue	930	1,502	961
Insurance proceeds	-	75	202
Interest Revenue	3	2	1
Interest Expense	(296)	(255)	(113)
Total nonoperating revenues (expenses)	<u>637</u>	<u>1,324</u>	<u>1,051</u>
Change in Net position	1,849	2,130	3,266
Net position, beginning of year	<u>8,681</u>	<u>6,551</u>	<u>3,285</u>
Net position, end of year	<u>\$ 10,530</u>	<u>\$ 8,681</u>	<u>\$ 6,551</u>

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

**Management's Discussion and Analysis (MD&A)
September 30, 2013 and 2012**

Total operating revenues increased by \$2,139 due mainly to an increase in patient volumes from the surgery program growth and pediatric program. The emphasis of adding surgical capabilities to our rural area has proven to be a heavy need for which we are meeting the demand.

Total operating expenses increased \$1,733 due mainly to costs associated with increased patient volumes and the surgical programs. The need for increased staffing and surgical supply costs has driven supply costs higher as well as the increased staffing has resulted in an increased salary cost.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2013, the District had \$8,394 invested in capital assets, including land, buildings, site improvements, furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$935 or 12.5 % from last year due mainly to the completion of the new rural health clinic and partial completion of the patient room renovations. Capital assets also increased slightly due to increased investments in surgical equipment for the new specialties being added.

See Note 6 for further details on capital assets.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 27	\$ 27	\$ 27
Construction in Progress	925	61	3,984
Land improvements	549	549	166
Building	6,883	6,883	3,732
Equipment, furniture and fixtures	6,627	5,715	3,929
Less accumulated depreciation	<u>(6,617)</u>	<u>(5,776)</u>	<u>(4,850)</u>
Totals	<u>\$ 8,394</u>	<u>\$ 7,459</u>	<u>\$ 6,988</u>

Debt

At September 30, 2013, the District has \$6,967 in outstanding long-term debt, which includes certificate of indebtedness, revenue bonds, and capital leases. See Note 7 and Note 8 for further details on debt.

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

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

BASIC FINANCIAL STATEMENTS

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

ENTERPRISE FUND
STATEMENT OF NET POSITION
September 30, 2013 and 2012

	General Fund	
	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Cash, checking	\$ 1,375,525	\$ 1,234,442
Restricted cash	318,413	38,390
Receivables		
Patient services, net of allowances of \$2,280,565 and \$2,125,629	6,321,068	3,586,368
Estimated third-party payor settlements	1,001,200	1,002,007
Other	1,152,258	2,133,164
Supplies	503,005	471,247
Prepaid expenses	54,943	44,662
	10,726,412	8,510,280
CAPITAL ASSETS		
Land	26,677	26,677
Land improvements	548,503	548,503
Construction in progress	925,110	60,813
Buildings	6,883,320	7,610,849
Equipment, furniture and fixtures	6,627,232	4,988,698
Less accumulated depreciation	(6,616,566)	(5,776,633)
	8,394,276	7,458,907
TOTAL ASSETS	\$ 19,120,688	\$ 15,969,187

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement A

General Fund

	2013	2012
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 874,903	\$ 635,079
Salaries payable	187,419	140,864
Group insurance payable	149,018	74,405
Current portion of capital leases	246,113	308,086
Certificates and revenue bonds payable	233,399	156,796
Accrued vacation payable	378,762	379,930
Accrued bond interest payable	33,398	34,811
	2,103,012	1,729,971
NONCURRENT LIABILITIES		
Certificates and revenue bonds payable	6,091,038	5,100,484
Capital leases	396,663	457,410
	6,487,701	5,557,894
	8,590,713	7,287,865
NET POSITION		
Net investment in capital assets	1,427,063	1,436,131
Restricted for debt service	318,413	38,390
Unrestricted	8,784,499	7,206,801
	\$ 10,529,975	\$ 8,681,322

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

ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Years Ended September 30, 2013 and 2012

Statement B

	<u>General Fund</u>	
	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Net patient service revenues	\$ 22,297,095	\$ 19,839,579
Contributions from Ambulance Service District	141,128	118,025
State of Louisiana, Disproportionate Share Pool Payments	522,858	850,391
Vending machine commissions	5,636	5,845
Rental income	-	13,500
Cafeteria sales	34,916	30,939
Property taxes	162,589	177,287
Other	62,859	52,404
Total operating revenues	23,227,081	21,087,970
OPERATING EXPENSES		
Daily patient services	2,782,298	2,284,815
Nursing services	3,960,871	4,374,113
Other professional services	7,783,472	6,429,377
General services	1,692,285	1,670,161
Administrative and fiscal services	2,345,260	2,140,073
Employee benefits	2,378,522	2,455,911
Depreciation	1,072,888	926,868
Total operating expenses	22,015,596	20,281,318
OPERATING INCOME (LOSS)	1,211,485	806,652
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	930,376	1,501,375
Interest revenue	2,577	2,301
Insurance proceeds	-	75,000
Interest expense	(295,785)	(255,286)
Total nonoperating revenues (expenses)	637,168	1,323,390
CHANGE IN NET POSITION	1,848,653	2,130,042
NET POSITION, BEGINNING OF YEAR	8,681,322	6,551,280
NET POSITION, END OF YEAR	\$ 10,529,975	\$ 8,681,322

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**ENTERPRISE FUND
Statement of Cash Flows
For the Years Ended September 30, 2013 and 2012**

Statement C

	<u>General Fund</u>	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net receipts from patient services	\$ 19,562,395	\$ 17,878,885
State of Louisiana, Disproportionate Share Pool payments	523,665	657,468
Other receipts	1,388,034	398,000
Payments to vendors	(10,660,998)	(12,659,920)
Payments to employees	(9,963,925)	(8,849,998)
	<u>849,171</u>	<u>(2,575,565)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS (USED) FROM NON CAPITAL FINANCING ACTIVITIES		
Insurance proceeds	-	75,000
Grants	930,376	218,602
	<u>930,376</u>	<u>293,602</u>
NET CASH PROVIDED (USED) BY NON CAPITAL FINANCING ACTIVITIES		
CASH FLOWS (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property, plant and equipment	(2,008,257)	(1,397,738)
Proceeds from interim financing	-	740,282
Payment on interim financing	-	(3,460,920)
Certificate of indebtedness and revenue bonds:		
Proceeds	1,285,000	3,859,000
Principal	(217,843)	(106,720)
Capital lease obligations:		
Proceeds	199,960	195,789
Principal	(322,680)	(273,224)
Interest paid	(297,198)	(256,533)
	<u>\$ (1,361,018)</u>	<u>\$ (700,064)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		

(Continued)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**ENTERPRISE FUND
Statement of Cash Flows
For the Years Ended September 30, 2013 and 2012**

Statement C

	<u>General Fund</u>	
	<u>2013</u>	<u>2012</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	\$ 2,577	\$ 2,301
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>2,577</u>	<u>2,301</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	421,106	(2,979,726)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,272,832</u>	<u>4,252,558</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>1,693,938</u></u>	<u><u>1,272,832</u></u>
RECONCILIATION TO THE BALANCE SHEET		
Cash and cash equivalents	1,375,525	1,234,442
Restricted cash	<u>318,413</u>	<u>38,390</u>
	<u><u>1,693,938</u></u>	<u><u>1,272,832</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	1,211,485	806,652
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,072,888	926,868
(Increase) decrease in:		
Accounts receivable: Patient services, net	(2,734,700)	(1,138,901)
Accounts receivable: Estimated third-party payor settlements	807	(821,793)
Accounts receivable: Other	980,906	(192,923)
Supplies	(31,758)	(82,280)
Prepaid expenses	(10,281)	114,825
Increase (decrease) in:		
Accounts payable, trade	239,824	(2,256,503)
Salaries payable	46,555	65,788
Group insurance payable	74,613	(6,796)
Accrued vacation payable	(1,168)	9,498
Total adjustments	<u>(362,314)</u>	<u>(3,382,217)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 849,171</u></u>	<u><u>\$ (2,575,565)</u></u>

(Concluded)

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

<u>INDEX</u>	<u>Page</u>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	21
A. REPORTING ENTITY.....	21
B. ENTERPRISE FUND	21
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING.....	21
D. BUDGET PRACTICES.....	23
E. ENCUMBRANCES.....	23
F. CASH AND CASH EQUIVALENTS.....	23
G. INVESTMENTS.....	23
H. SUPPLIES AND INVENTORY	23
I. ASSETS WHOSE USE IS LIMITED	23
J. PREPAID ITEMS.....	23
K. PROPERTY, PLANT AND EQUIPMENT	24
L. RESTRICTED NET POSITION	24
M. USE OF ESTIMATES.....	24
N. VACATION	24
NOTE 2 - DEPOSITS	25
NOTE 3 - ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS	25
NOTE 4 - CONTINGENCIES.....	25
NOTE 5 - PENSION PLAN.....	27
NOTE 6 - PROPERTY PLANT AND EQUIPMENT.....	27
NOTE 7 - LONG-TERM DEBT.....	28
NOTE 8 - CAPITAL LEASE OBLIGATIONS.....	31
NOTE 9 - INCOME TAXES	32
NOTE 10 - BEHAVIORAL HEALTH UNIT	32
NOTE 11 - AD VALOREM TAX	32
NOTE 12 - NEW GASB STANDARDS	34

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

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

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

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

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

B. ENTERPRISE FUND An enterprise fund is a proprietary fund type that accounts for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Proprietary Funds The proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. With this measurement focus, all assets, liabilities, and outflows/inflows of resources associated with the operation of these funds are included on the statement of net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds principal ongoing operations. The principal operating revenue of the District is patient related revenue. Operating expenses include the costs of providing this service. All revenues and expenses not meeting this definition are reported as non-operating.

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

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

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

Medicare On October 1, 2004, the District converted to a Critical Access Hospital (CAH) with a Distinct Part Psychiatric Unit. Inpatient acute care services and swing bed services rendered to Medicare program beneficiaries are reimbursed at cost plus 1%. Outpatient services are reimbursed at cost plus 1% (subject to limits and rules), while other outpatient laboratory services are reimbursed on a fee schedule. Inpatient Psychiatric services are reimbursed using a prospective methodology based upon length of stay, diagnosis and other factors. Rural health clinic services are reimbursed based on a cost per visit methodology.

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost reports have been settled by the Medicare fiscal intermediary through September 30, 2011.

Medicaid Inpatient services rendered to Medicaid program beneficiaries are reimbursed on prospectively determined rates. Most outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodology. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2010.

Blue Cross Inpatient services rendered to Blue Cross subscribers are reimbursed at an all-inclusive daily per diem rate. The prospectively determined per diem rates are not subject to retroactive adjustments. Outpatient services are reimbursed based on a percentage of reasonable and customary charges.

Civilian Health and Medical Program of the Uniformed Services (Tricare) Inpatient and outpatient services rendered are reimbursed using prospectively determined rates.

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

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

	2013	2012
Gross patient service revenue	\$ 47,204,613	\$ 45,396,724
Less bad debt expense	(1,876,378)	(2,518,597)
Less contractual adjustments:		
Medicare	(11,888,908)	(12,094,051)
Medicaid	(6,016,517)	(6,177,811)
Other third parties	(5,125,715)	(4,766,686)
Total contractual adjustments	(23,031,140)	(23,038,548)
Net patient service revenue	\$ 22,297,095	\$ 19,839,579

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

Ad Valorem Taxes are susceptible to accrual.

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

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

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

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

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

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

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

J. PREPAID ITEMS Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

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

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

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

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

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

N. VACATION In lieu of vacation, holiday and sick time, a paid time off (PTO) plan is the policy at Hardtner Medical Center. PTO is granted to all full time employees after completion of ninety (90) days of continuous service. The employee will be allowed to accumulate PTO to a maximum of one and a half (1½) years accruals. The following is a table of accrual rates per pay period and maximum accruals based on continuous years of full-time employment:

<u>Length of Service</u>	<u>Accrual Rate</u>	<u>Maximum Accrual</u>
1 day to 5 years	6.15 hours per 80 hrs. paid	240 hours
5 to 10 years	7.69 hours per 80 hrs. paid	300 hours
10 + years	9.23 hours per 80 hrs. paid	360 hours

Regular part-time, temporary full-time and temporary part-time employees are not eligible for PTO benefits. Employees are encouraged to take their PTO time off. PTO time cannot be sold and must be taken to be compensated. Exceptions are made by administrative approval only.

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

NOTE 2 - DEPOSITS At September 30, 2013, the District has cash and cash equivalents of \$1,693,938 as follows:

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

Credit Risk: The District invests in certificates of deposit which do not have credit ratings. The District's policy does not address credit risk.

Custodial credit risk: At year end, the District's carrying amount of deposits was \$1,693,938 and the bank balance was \$1,707,099. Of the bank balance, \$250,000 was covered by federal depository insurance. For the remaining bank balance, the District had securities held by the pledging financial institution's trust department or agent but not in the District's name. The District's policy does not address custodial credit risk.

NOTE 3 - ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS Accounts receivable - patients, include unpaid amounts billed to discharged patients and third-party payers such as insurance companies and the fiscal intermediaries of the Social Security Administration on behalf of patients eligible for benefits under Title XVIII and XIX of the Social Security Act. Also included, are unbilled charges for those patients not discharged at September 30, 2013.

Other accounts receivable of \$1,152,258 includes a receivable of \$522,858 for disproportionate share pool payments and \$629,400 for electronic health records.

NOTE 4 - CONTINGENCIES The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

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

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

Self-Insurance The District became partially self-insured for employees' group and health insurance coverage on June 1, 2002. In 2013 Blue Cross Blue Shield replaced IMA as the insurer. Claims are funded through employee

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

contributions and operating funds of the District. The District maintains stop-loss coverage with an insurance company for claims in excess of \$25,000 per claim for each employee. All known claims filed and an estimate of incurred but not reported claims based on experience of the District are made and accrued as necessary in the financial statements. The estimate of incurred but not reported claims at September 30, 2013 was \$149,018 which is shown on Statement A.

The following is a summary of the self-insurance transactions for the year ended September 30, 2013:

<u>Fiscal Year</u>	<u>Balance Beginning</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance Ending</u>
2010-2011	\$ 47,324	\$ 1,113,180	\$ 1,079,303	\$ 81,201
2011-2012	81,201	1,687,871	1,694,667	74,405
2012-2013	74,405	1,441,817	1,367,204	149,018

Litigation At September 30, 2013, the District was involved in several litigations. Although the actual outcome of these lawsuits is hard to predict, management feels that the maximum possible financial effect would be \$275,000. No liability has been recorded in the financial statements for these claims.

Energy Performance Contract The District entered into an energy performance contract in October 2005. The contract may be terminated by the District at any time by giving 30 days written notice. The contract contains an operational stipulated savings clause. The Louisiana Attorney General issued an opinion (A.G. Opinion No. 07-0002) regarding a similar contract and concluded that some of these contracts may not meet the statutory definition of a performance based energy contract.

The original contract was amended October 5, 2009 to meet the statutory definition of a performance based contract. Per the amendment, there shall be an annual review and disbursement/reconciliation of the energy related cost savings. An energy and operational savings report will be provided to the Medical Center within 60 days of each anniversary of the performance commitment date or within 30 days of receiving from the local utility provider a final utility bill for the annual reporting period.

In the event the Energy and Operational Savings achieved during any twelve-month period is less than the Energy and Operational Savings Guaranteed during the years the guarantee is in effect, the Medical Center will be paid an amount equal to the deficiency within 60 days of the annual reconciliation. If during any twelve month period the savings are greater than the guaranteed amount, the Medical Center may apply the excess savings to either additional energy savings projects pursuant to the terms of the original contract or expansion of services or to the principal debt service payment obligation.

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

NOTE 5 - PENSION PLAN The District implemented a retirement plan for employees during 2008 consisting of a 401(a) plan and 457 plan. The District contributes 1% to the 401(a) plan and a 50% matching contribution (up to 4%) is made to the 457 plan. The District's contributions to the plans for 2013 as follows:

	401 A Plan	457 Plan
Employer	\$ 53,594	\$ 88,517
Employee	-	247,374

The District's contributions to the plans for 2012 were as follows:

	401 A Plan	457 Plan
Employer	\$ 51,915	\$ 87,448
Employee	-	227,116

NOTE 6 - PROPERTY PLANT AND EQUIPMENT The balances and changes in property, plant and equipment as of and for the year ended September 30, 2013 are as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Nondepreciable assets:				
Land	\$ 26,677	\$ -	\$ -	\$ 26,677
Construction in progress	60,813	864,297	-	925,110
	87,490	864,297	-	951,787
Depreciable assets:				
Land improvements	548,503	-	-	548,503
Buildings	6,883,320	-	-	6,883,320
Fixed equipment	753,749	-	-	753,749
Electronic health record equipment	118,772	881,979	-	1,000,751
Moveable equipment, furniture and fixtures	4,843,706	261,981	232,955	4,872,732
Total depreciable assets	13,148,050	1,143,960	232,955	14,059,055
Total	13,235,540	2,008,257	232,955	15,010,842
Less accumulated depreciation:				
Land improvements	131,366	40,545	-	171,911
Buildings	3,038,474	316,962	-	3,355,436
Fixed equipment	469,495	127,691	-	597,186
Electronic health record equipment	3,299	165,455	-	168,754
Moveable equipment, furniture and fixtures	2,133,999	422,235	232,955	2,323,279
Total accumulated depreciation	5,776,633	1,072,888	232,955	6,616,566
Property, plant and equipment, net	\$ 7,458,907	\$ 935,369	\$ -	\$ 8,394,276

The beginning balances of some classifications have been restated to agree with the depreciation schedule.

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

The balances and changes in property, plant, and equipment as of and for the year ended September 30, 2012 are as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Nondepreciable assets:				
Land	\$ 26,677	\$ -	\$ -	\$ 26,677
Construction in progress	3,983,571	913,593	4,836,351	60,813
	<u>4,010,248</u>	<u>913,593</u>	<u>4,836,351</u>	<u>87,490</u>
Depreciable assets:				
Land improvements	166,205	382,298	-	548,503
Buildings	3,731,928	3,878,921	-	7,610,849
Equipment, furniture and fixtures	3,929,421	1,059,277	-	4,988,698
Total depreciable assets	<u>7,827,554</u>	<u>5,320,496</u>	<u>-</u>	<u>13,148,050</u>
Total	<u>11,837,802</u>	<u>6,234,089</u>	<u>4,836,351</u>	<u>13,235,540</u>
Less accumulated depreciation:				
Land improvements	90,628	40,738	-	131,366
Buildings	2,263,726	297,281	-	2,561,007
Equipment, furniture and fixtures	2,495,410	588,850	-	3,084,260
Total accumulated depreciation	<u>4,849,764</u>	<u>926,869</u>	<u>-</u>	<u>5,776,633</u>
Property, plant and equipment, net	<u>\$ 6,988,038</u>	<u>\$ 5,307,220</u>	<u>\$ 4,836,351</u>	<u>\$ 7,458,907</u>

NOTE 7 - LONG-TERM DEBT

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 66,000	\$ 78,258	\$ 144,258
2015	73,000	74,261	147,261
2016	81,000	69,834	150,834
2017	89,000	64,946	153,946
2018	98,000	59,570	157,570
2019-2023	643,000	197,771	840,771
2024-2027	344,000	20,182	364,182
Total	<u>\$ 1,394,000</u>	<u>\$ 564,822</u>	<u>\$ 1,958,822</u>

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

In 2012, the District issued Hospital Revenue Bonds, Series 2011A and 2011B, in the amount of \$3,859,000 with a stated interest rate of 3.75% on Series 2011A for \$2,859,000 and a stated interest rate of 7% on Series 2011B for \$1,000,000. These bonds are related to the construction of the new clinic. The annual debt service requirements are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 102,400	\$ 167,034	\$ 269,434
2015	107,242	163,203	270,445
2016	112,336	158,108	270,444
2017	117,697	152,747	270,444
2018	123,341	147,104	270,445
2019-2023	712,447	639,775	1,352,222
2024-2028	906,641	445,582	1,352,223
2029-2033	970,760	203,548	1,174,308
2034-2038	554,573	36,433	591,006
2039-2041	-	-	-
Total	<u>\$ 3,707,437</u>	<u>\$ 2,113,534</u>	<u>\$ 5,820,971</u>

In 2013, the District issued Hospital Revenue Bonds, Series 2012, in the amount of \$1,285,000 with a stated interest rate of 4.50% with a maturity date of October 1, 2027. These bonds are related to the renovation of patient rooms in the Hospital. The annual debt service requirements are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 65,000	\$ 55,035	\$ 120,035
2015	67,000	52,110	119,110
2016	71,000	49,095	120,095
2017	74,000	45,900	119,900
2018	77,000	42,570	119,570
2019-2023	440,000	157,725	597,725
2024-2028	429,000	49,321	478,321
Total	<u>\$ 1,223,000</u>	<u>\$ 451,756</u>	<u>\$ 1,674,756</u>

Following is a schedule of changes in long term debt for the year ended September 30, 2013:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Certificates of indebtedness, Series 2006	\$1,453,000	\$ -	\$ 59,000	\$1,394,000	\$ 66,000
Revenue Bonds Payable	3,804,280	1,285,000	158,843	4,930,437	167,399
Capital leases	765,496	199,960	322,680	642,776	246,113
Compensated absences	379,930	219,767	220,935	378,762	378,762
	<u>\$6,402,706</u>	<u>\$1,704,727</u>	<u>\$ 761,458</u>	<u>\$7,345,975</u>	<u>\$858,274</u>

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

Following is a schedule of changes in long term debt for the year ended September 30, 2012:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Certificates of indebtedness, Series 2006	\$1,505,000	\$ -	\$ 52,000	\$1,453,000	\$ 59,000
Revenue Bonds Payable	-	3,859,000	54,720	3,804,280	97,796
Capital leases	842,931	195,789	273,224	765,496	308,086
Compensated absences	370,432	376,271	366,773	379,930	379,930
	<u>\$2,718,363</u>	<u>\$4,431,060</u>	<u>\$ 746,717</u>	<u>\$6,402,706</u>	<u>\$844,812</u>

Under the terms of the series 2011 hospital revenue bond, the following requirements are stated:

Sinking Fund-A monthly payment of 1/12 of the current year principal and interest installment must be made into the Sinking Fund account.

Reserve Fund-The Reserve Fund is required to be funded to an amount equal to the highest scheduled principal and interest falling due in any year on all bonds payable from the Sinking Fund. Pursuant to the Bond Resolution, the hospital is to deposit monthly or before the 20th of each month a sum at least equal to 10% of the amount to be paid into the Sinking Fund, to continue until such time there has been accumulated therein a sum equal to the Reserve Fund requirement.

Depreciation and Contingency Fund-A Depreciation and Contingency Fund is required to be created for extensions, renewals and replacements. The hospital is required to deposit monthly in this fund an amount equal to 5% of the amount to be paid into the Sinking Fund. The payments are to continue until an amount equal to the Reserve Fund requirement is on deposit in the Reserve Fund, then each month a sum equal to 10% of the Sinking Fund payment is to be made into the Contingency Fund. These deposits are to be made before the 20th of each month.

Restricted cash of \$318,413 is the total of these three funds.

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

NOTE 8 - CAPITAL LEASE OBLIGATIONS The District records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of equipment under capital leases at September 30, 2013:

<u>Type</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Ultrasound equipment	\$ 100,904	\$ 85,768	\$ 15,136
CT scanner	456,199	387,769	68,430
X-Ray Machine	227,179	109,803	117,376
C-Arm	128,458	55,665	72,793
Rapicide Scope	13,992	6,063	7,929
Nursing Admn Building	118,466	16,344	102,122
Olympus Ortho Attachment	70,639	14,128	56,511
i1000 Blood Analyzer	82,050	25,982	56,068
Restech from Hewlett Packard	199,960	26,095	173,865
Total	<u>\$ 1,397,847</u>	<u>\$ 727,617</u>	<u>\$ 670,230</u>

The following is an analysis of equipment under capital leases at September 30, 2012:

<u>Type</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Ultrasound equipment	\$ 100,904	\$ 45,407	\$ 55,497
CT scanner	456,199	205,290	250,909
Phone System	142,650	42,795	99,855
X-Ray Machine	227,179	18,932	208,247
C-Arm	128,458	4,282	124,176
Rapicide Scope	13,992	466	13,526
Nursing Admn Building	118,466	4,457	114,009
Olympus Ortho Attachment	70,639	-	70,639
Conmed Ortho Attachment	43,100	-	43,100
i1000 Blood Analyzer	82,050	-	82,050
Total	<u>\$ 1,383,637</u>	<u>\$ 321,629</u>	<u>\$1,062,008</u>

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of September 30, 2013:

Years ending September 30,	Ultrasound		X-Ray		Nursing	Rapicide	i1000 Blood	Olympus Ortho	HP Financial	Total
	Equipment	CT Scanner	Machine	C-Arm	Admn Bldg	Scope	Analyzer	Attachment	Restech	
2014	\$ 12,834	\$ 58,863	\$ 52,534	\$ 29,722	\$ 27,696	\$ 3,475	\$ 19,408	\$ 25,788	\$ 45,601	\$ 275,921
2015	-	-	52,535	29,722	27,696	3,475	19,408	21,490	45,601	199,927
2016	-	-	35,023	27,246	6,924	3,213	19,408	-	45,600	137,414
2017	-	-	-	-	-	-	14,152	-	45,600	59,752
2018	-	-	-	-	-	-	-	-	30,401	30,401
Total minimum lease payments	12,834	58,863	140,092	86,690	62,316	10,163	72,376	47,278	212,803	703,415
Less amounts representing interest	(121)	(662)	(11,062)	(7,459)	(4,370)	(1,179)	(8,578)	(2,613)	(24,595)	(60,639)
Present value of net minimum lease payments	\$ 12,713	\$ 58,201	\$ 129,030	\$ 79,231	\$ 57,946	\$ 8,984	\$ 63,798	\$ 44,665	\$ 188,208	\$ 642,776

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of September 30, 2012:

Years ending September 30,	Ultrasound		Phone	X-Ray	Nursing	Rapicide	i1000	Conmed	Olympus	Total	
	Equipment	CT Scanner	System	Machine	C-Arm	Scope	Blood Analyzer	Ortho Attachment	Ortho Attachment		
2013	\$ 22,000	\$ 100,908	\$ 23,815	\$ 52,534	\$ 29,722	\$ 27,696	\$ 3,475	\$ 19,408	\$ 37,067	\$ 25,788	\$ 342,413
2014	12,834	58,863	-	52,534	29,722	27,696	3,475	19,408	-	25,788	230,320
2015	-	-	-	52,535	29,722	27,696	3,475	19,408	-	25,787	158,623
2016	-	-	-	35,023	27,245	6,924	3,213	19,408	-	-	91,813
2017	-	-	-	-	-	-	-	12,939	-	-	12,939
Total minimum lease payments	34,834	159,771	23,815	192,626	116,411	90,012	13,638	90,571	37,067	77,363	836,108
Less amounts representing interest	(804)	(4,449)	(178)	(20,337)	(13,094)	(8,836)	(2,046)	(13,167)	(977)	(6,724)	(70,612)
Present value of net minimum lease payments	\$ 34,030	\$ 155,322	\$ 23,637	\$ 172,289	\$ 103,317	\$ 81,176	\$ 11,592	\$ 77,404	\$ 36,090	\$ 70,639	\$ 765,496

NOTE 9 - INCOME TAXES The District is a governmental entity and is not subject to federal and state income taxes.

NOTE 10 - BEHAVIORAL HEALTH UNIT The District established a Behavioral Health Unit (BHU) in 1996. The BHU provides programs for the treatment of emotional problems and psychiatric disorders and operates out of a ten-bed wing in the Hospital.

NOTE 11 - AD VALOREM TAX The District levies taxes on real and business personal property located within LaSalle Parish's boundaries. Property taxes are levied by the District on property values assessed by the LaSalle Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

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

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

Property Tax Calendar

Millage rates adopted	June 26, 2012
Levy date	January 1, 2012
Tax bills mailed	November 15, 2012
Total taxes are due	December 31, 2012
Lien date	January 1, 2013
Penalties and interest are added	January 31, 2013
Tax sale - 2012 delinquent property	May 22, 2013

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

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

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2012. Total gross assessed value was \$24,285,738 in calendar year 2012. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was \$4,850,620 of the assessed value in calendar year 2012.

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

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

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

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Parish-wide tax:			
Operations and maintenance	10.13	9.28	2014

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

**Notes to the Basic Financial Statements
As of and for the Years Ended September 30, 2013 and 2012**

NOTE 12 - NEW GASB STANDARDS In fiscal year 2013, the District implemented the following GASB statements;

Statement No. 62, "Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement codifies into GASB accounting and financial reporting standards the "legacy" standards from the private-sector.

Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This Statement establishes standards for reporting of deferred outflows of resources, deferred inflows of resources, and net position.

Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement amends or supersedes the accounting and financial guidance for certain items previously reported as assets or liabilities as well as establishes accounting and financial reporting standards for the financial statement of state and local governments.

Although these Statements had no current effect on the financial statements as a result of implementation, the Statements did change the presentation of the District's financials, which consisted of the net assets being classified as the net position.

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

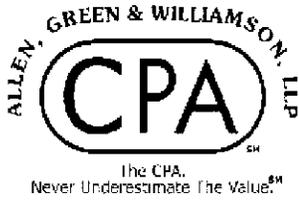
SUPPLEMENTARY INFORMATION

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

**Schedule of Compensation Paid Board Members
For the Year Ended September 30, 2013**

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

Lee Richardel, Chairman	\$ 480
Irma Terral	280
Steve Tannehill	200
Rick Smotherman	480
Joe Wilson	480
Mike Duke, Vice Chairman	<u>480</u>
 Total	 <u>\$2,400</u>



ALLEN, GREEN & WILLIAMSON, LLP

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Diane Ferschoff, CPA
Jaime Esswein, CPA, CFE
Jaucia Mercer, CPA, CFE
Roomi Shakir, CPA
Cindy Thomason, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

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*

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the Hospital Service District Number One of the Parish of LaSalle, State of Louisiana, (the District) a component unit of the LaSalle Parish Police Jury as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan for Current Year Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.



ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
March 31, 2014

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

**Schedule of Findings and Questioned Costs
As of and For the Year Ended September 30, 2013**

Reference # and title: **2013-001** **General Accounting**

Criteria or specific condition: Proper internal controls require that the general ledger be reviewed and that balance sheet and income accounts be reconciled timely throughout the year and that all adjusting year end journal entries and accruals be made before the trial balance is sent to the external auditors. Supporting documentation for all material accounts should be readily available when the external audit is performed.

Condition found: The 2012 adjusting entries posted by the auditors had not been posted by the District when the trial balance for 2013 was sent to the external auditors. Numerous balance sheet and income accounts had improper balances and had not been reconciled when the auditors began field work.

Possible asserted effect (cause and effect):

Cause: The District had gone through a software conversion in July and there were significant problems with the conversion. The CEO/CFO had not had time to properly review and reconcile the general ledger accounts before the audit began.

Effect: The audit firm was not able to complete the audit during the agreed upon time frame and had to reschedule part of the field work. Numerous adjusting journal entries were proposed by the CFO and given to the auditors to post.

Recommendation to prevent future occurrence: The CFO should assign the newly hired accountant to reconcile all bank statements monthly and to reconcile all balance sheet accounts monthly. The CFO should also ensure that all adjusting entries posted by the auditors are posted to the District's books in a timely manner after the audit is completed. At year end the District should ensure that all year end adjusting journal entries and accruals are posted before the trial balance is sent to the external auditors.

View of Responsible Official: The complexities of a computer software migration created issues causing undue hardship on accounting staff and created a back log of account reconciliations.

Reference # and title: **2013-002** **State Bid Law-Declaration of an Emergency**

Criteria or specific condition: Louisiana revised statute R.S. 38:2212D requires that when a governmental entity declares an emergency so that the normal bid process can be waived, the governmental entity must advertise the declaration of the emergency in the official journal within 10 days of the declaration.

Condition found: The District declared an emergency due to roof damage above the surgical area, but did not put the required notice in the official journal.

Possible asserted effect (cause and effect):

Cause: The District was unaware of the 10 day notice requirement.

Effect: The District was in violation of the Louisiana bid law.

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

**Schedule of Findings and Questioned Costs
As of and For the Year Ended September 30, 2013**

Recommendation to prevent future occurrence: All hospital staff who handle bids and procurement should review the Louisiana revised statutes relating to bid laws.

View of Responsible Official: The hospital management was unaware of the requirement to publish a notice within 10 days.

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

OTHER INFORMATION

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

**Summary Schedule of Prior Year Findings and Questioned Costs
As of and for the Year Ended September 30, 2013**

Reference # and title: 12-F1 State Bid Law

Entity-Wide or program/department specific: This finding relates to the Administration Department.

Condition: Louisiana R.S. 38:2212 A(3)(a) requires that public works bids be advertised a minimum of 25 days prior to the bid opening.

The advertisement for bids on the new storage warehouse was first advertised 20 days prior to the bid opening instead of 25 days as required.

Corrective action taken: Administration will assure that minimum time of 25 days has elapsed before bid opening. This finding is considered to be cleared.

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

**Corrective Action Plan for Current Year Findings and Questioned Cost
As of and For the Year Ended September 30, 2013**

Reference # and title: **2013-001** **General Accounting**

Condition: Proper internal controls require that the general ledger be reviewed and that balance sheet and income accounts be reconciled timely throughout the year and that all adjusting year end journal entries and accruals be made before the trial balance is sent to the external auditors. Supporting documentation for all material accounts should be readily available when the external audit is performed.

The 2012 adjusting entries posted by the auditors had not been posted by the District when the trial balance for 2013 was sent to the external auditors. Numerous balance sheet and income accounts had improper balances and had not been reconciled when the auditors began field work.

Corrective action planned: The complexities of a computer software system data migration created an oversight of the recording of prior years' 2012 adjusting journal entries. The massive amount of hours and labor costs for a complete computer migration from an older technology to a newer web based technology and the necessity to reconcile all accounting modules to assure accurate balances from the old data bases which were multiple to the new data bases, created an undue hardship on all staff including accounting. In the process, the recording of the prior year entries were overlooked and created a backlog of the reconciliation of accounts. The addition of a full time accountant together with the absence of a massive computer conversion will allow for the accounting process to be timely and complete.

Person responsible for corrective action plan:

Paul Mathews, Administrator
Hardtner Medical Center
1102 North Pine Road
Olla, LA 71465

Telephone: 318-495-3131
Fax: 318-495-3229

Anticipated completion date: April 1, 2014.

Reference # and title: **2013-002** **State Bid Law-Declaration of an Emergency**

Condition: Louisiana revised statute R.S. 38:2212D requires that when a governmental entity declares an emergency so that the normal bid process can be waived, the governmental entity must advertise the declaration of the emergency in the official journal within 10 days of the declaration.

The District declared an emergency due to roof damage above the surgical area, but did not put the required notice in the official journal.

Corrective action planned: The hospital management was unaware of the requirement for declaration of emergencies to be published within 10 days of the declaration. A policy has been put in place to assure that any declaration of emergencies be published within 10 days of the declaration.

**Hospital Service District Number One
of the Parish of LaSalle, State of Louisiana
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**Corrective Action Plan for Current Year Findings and Questioned Cost
As of and For the Year Ended September 30, 2013**

Person responsible for corrective action plan:

Paul Mathews, Administrator
Hardtner Medical Center
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Olla, LA 71465

Telephone: 318-495-3131
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Anticipated completion date: April 1, 2014.